

ORIX to Issue Subordinated Bonds—Equity Content at "Medium" or "50" (Against 100 of a Stock)

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on issuance of subordinate bonds by ORIX CORPORATION (security code: 8591).

ORIX CORPORATION (the "Company") today announced that it would issue subordinated bonds (issue amount: 40 billion yen / the "Subordinated Bonds"). Funds to be raised through issuing the Subordinated Bonds is scheduled to be appropriated for a part of funds required for the replacement of the subordinated bonds (issue amount: 60 billion yen), for which the first call will be coming in March 2025.

<Assessment of Equity Content of Securities and Rationale>

JCR determined the equity content of the Subordinated Bonds to be at "medium" or "50" (against 100 of a stock).

JCR takes into account that "there is no obligation to redeem principal or no maturity," "there is no obligation to pay dividends" and "ranking of claims at the time of bankruptcy is subordinated" when assessing the equity content of hybrid securities.

While the period to maturity is extremely long with 35 years and 8 months for the Subordinated Bonds, early redemption becomes possible after a lapse of 5 years and 8 months from the bonds issuance. In addition, early redemption as a result of the occurrence of Tax Events, Rating Events owing to changes in the assessment of equity content by a credit rating agency or other events are also possible. As for interest rate, it is set to step up by 100 bps after a lapse of 25 years and 8 months after the bonds issuance. Even though the Company has expressed its intention for the replacement for the Subordinated Bonds at the time of early redemption, given the financial requirements, etc. set forth in the special exemptions that enable the Company to forgo the replacement, the replacement language is hardly effective. On the other hand, discretion regarding early redemption will be materially constrained in effect when the interest rate steps up by 100 bps. JCR incorporates these points into the assessment of permanence of the principal.

Based on the above factors, JCR considers it is unlikely that the Company will make early redemption without replacement when its creditworthiness declines and factored this view in the assessment of the effective redemption obligation and maturity for the Subordinated Bonds. This judgment reflects, along with other factors, that: (i) JCR, through an interview with the Company, was able to ascertain the Company's future financial management policy including the position of the Subordinated Bonds; (ii) the Company has long been winning the confidence of investors and creditors by maintaining good relations with them in the financial market; and (iii) the Subordinated Bonds itself replaces existing hybrid financing, which will be callable in March 2025, and this is deemed to express the Company's stance to abide by the replacement.

JCR will consider lowering the assessment of the equity content to "low" or "25" (against 100 of a stock) when the period up to the interest rate steps up by 100 bps becomes less than 20 years.

Kiichi Sugiura, Hidekazu Sakai, Kenta Asada for Issuer
Kiichi Sugiura, Yasuhiro Shimoda for Hybrid Securities

Details of the Subordinated Bonds

Issuer: ORIX CORPORATION

Issue	Amount (bn)	Issue Date	Redemption Date	Coupon
5th Series Deferrable Interest and Callable Unsecured Subordinated Bonds				
	JPY 40	July 18, 2024	Mar. 18, 2060	(Note)
Note: 2.011% on interest payment dates from July 19, 2024 to and including March 18, 2030. 1-year JGB interest rate as of interest rate reference date + 1.380% on interest payment dates from March 19, 2030 to and including March 18, 2050. 1-year JGB interest rate as of interest rate reference date + 2.380% after that date.				
Early Redemption / Purchase:	Early redemption after a lapse of 5 years from the bonds issuance Early redemption upon occurrence of Tax Events / Rating Events Purchase			
Replacement:	There has been representation of intention for replacement.			
Optional Interest Suspension:	The Company may suspend interest payment at its discretion.			
Accumulation/Non-Accumulation:	Accumulation			
Ranking of Claims:	The Subordinated Bonds are subordinated to all debts (excluding the Subordinated Bonds and the subordinated debts ranking pari passu with the Subordinated Bonds) and ranks pari passu with the preferred shares.			

<Reference>

Issuer: ORIX CORPORATION

Long-term Issuer Rating: AA Outlook: Stable

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