

## **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 the issuance of subordinated bonds by ORIX CORPORATION (security code: 8591).

ORIX CORPORATION (the "Company") today announced that it will issue subordinated bonds (the "Subordinated Bonds," Issue Amount: 39 billion yen). Funds to be raised by the bonds issue will be appropriated for funds for repayments of the 3rd Series Subordinated Bonds (Issue Amount: 29 billion yen), for which the first call will come in 2026, and also of the Subordinated Term Loan (Execution Amount: 10 billion yen) executed on April 30, 2021.

### <Assessment of Equity Content of Securities and Rationale>

JCR determined the equity content of the Subordinated Bonds 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 35 years and 9 months for the Subordinated Bonds, early redemption is possible after a lapse of 5 years and 9 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 the interest rate, it is set to step up by 100 bps after a lapse of 25 years and 9 months after the bonds issuance. Even though the Company has expressed its intention for replacement of the Subordinated Bonds by issuing replacement securities, etc. at the time of early repayment, given the financial requirements set forth in the special exemptions that enable the Company to forgo the replacement, etc., 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 issuance of the Subordinated Bonds itself replaces existing hybrid financing, which will be callable in 2026, and this is considered to show the Company's stance to abide by the replacement.

JCR will consider lowering the assessment of the equity content to a debt level when the remaining period becomes less than 30 years and the period until the interest rate steps up by 100 bps in total becomes less than 20 years.

Tsuyoshi Ohishi, Nozomi Haramiishi 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
7th Series Deferrable Interest and Callable Unsecured Subordinated Bonds				
	JPY 39	June 5, 2025	Mar. 5, 2061	(Note)
Note: 2.322% per annum on interest payment dates from next day of Issue Date to March 5, 2031. 1-year JGB interest rate as of the interest rate reference date + 1.250% on interest payment dates from next day of March 5, 2031 to March 5, 2051. 1-year JGB interest rate as of the interest rate reference date + 2.250% on and after next day of March 5, 2051.				
Early Redemption/Purchase:	Early redemption after a lapse of 5 years from the bonds issuance Early redemption upon occurrence of Tax Events or 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 rank pari passu with the preferred shares.			

### <Reference>

Issuer: ORIX CORPORATION

Long-term Issuer Rating: AA      Outlook: Stable

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