

# ORIX Corporation

## ORIX's Aviation Business Strategy

James Meyler      ORIX Aviation Group CEO

March 5, 2019

Established by ORIX Corporation in 1991

S&P Ranked Aircraft Lease Servicer

Full Service Platform and Capabilities

Proven track record of strong results

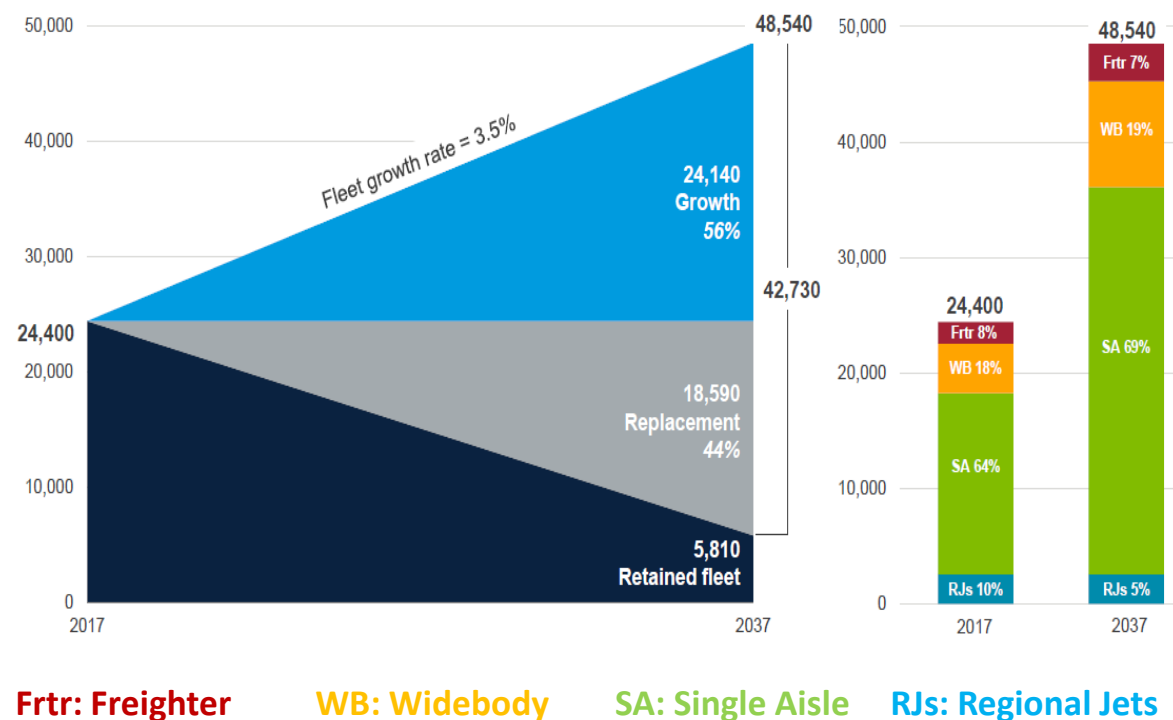


ORIX

Answers,  
Custom Fit.

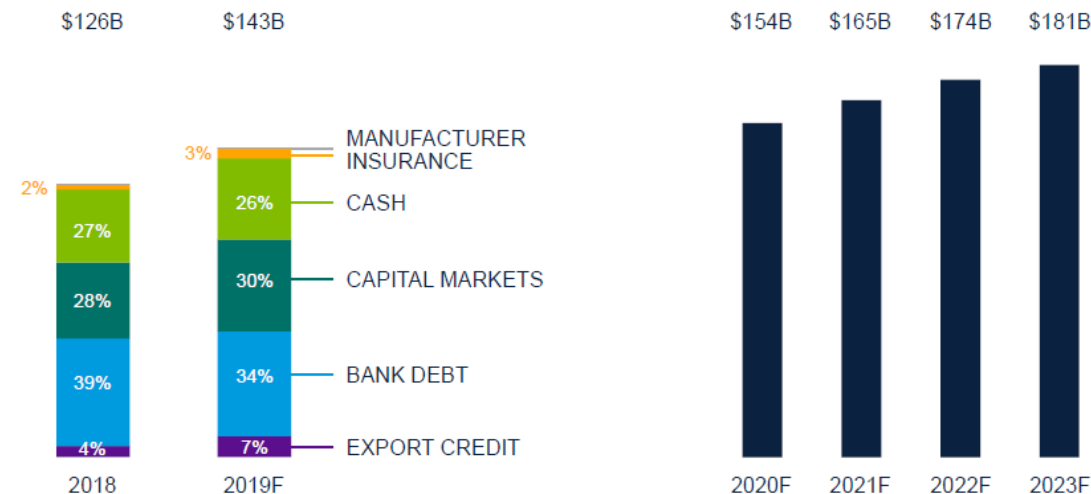
# Industry Overview

## World fleet expected to double in the next 20 years



Notes: Passenger aircraft (≥ 100 seats) | Jet freight aircraft (>10 tonnes), Rounded figures to the nearest 10 \*  
 Assuming same rules as today  
 Source: Airbus GMF 2018

## Financing Forecast for Global Commercial Aircraft



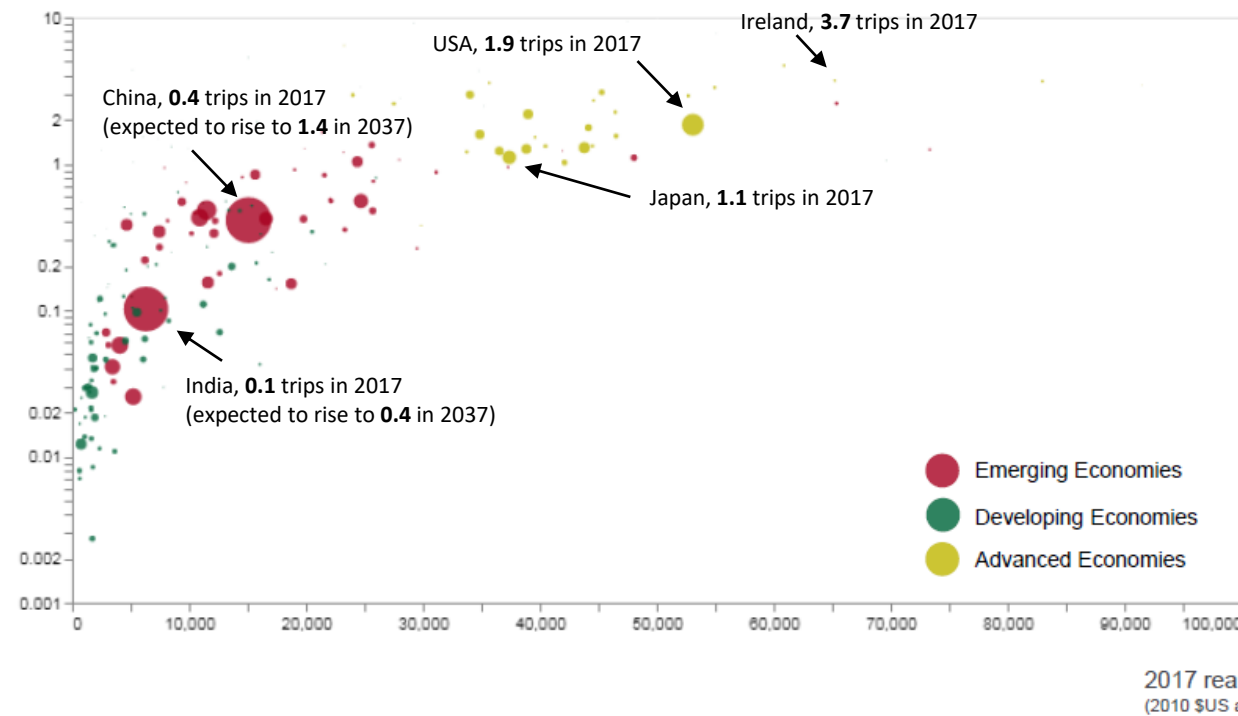
- \$143bn financing required for new aircraft in 2019
- Lessors expected to provide 45-50% of this via direct orders and SLBs
- Airbus reports SLBs alone financed c. 30% of all Airbus deliveries in 2016/17

Source: Boeing

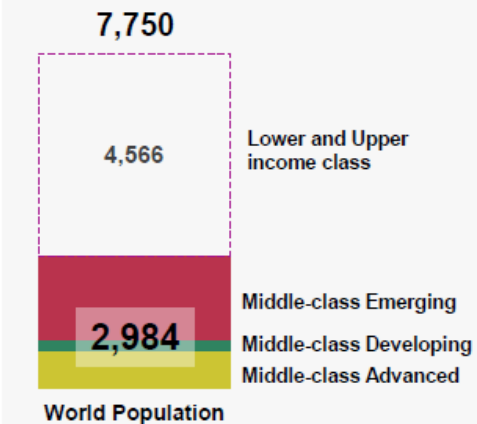
# Current Market: Prospects for Future Growth

- In 2017, 30% of emerging country populations took a flight.
- Airbus anticipates global 'middle class' population to rise by 69% to 5.0 billion over next 20 years, and overall emerging market trips per capita to increase to 85%

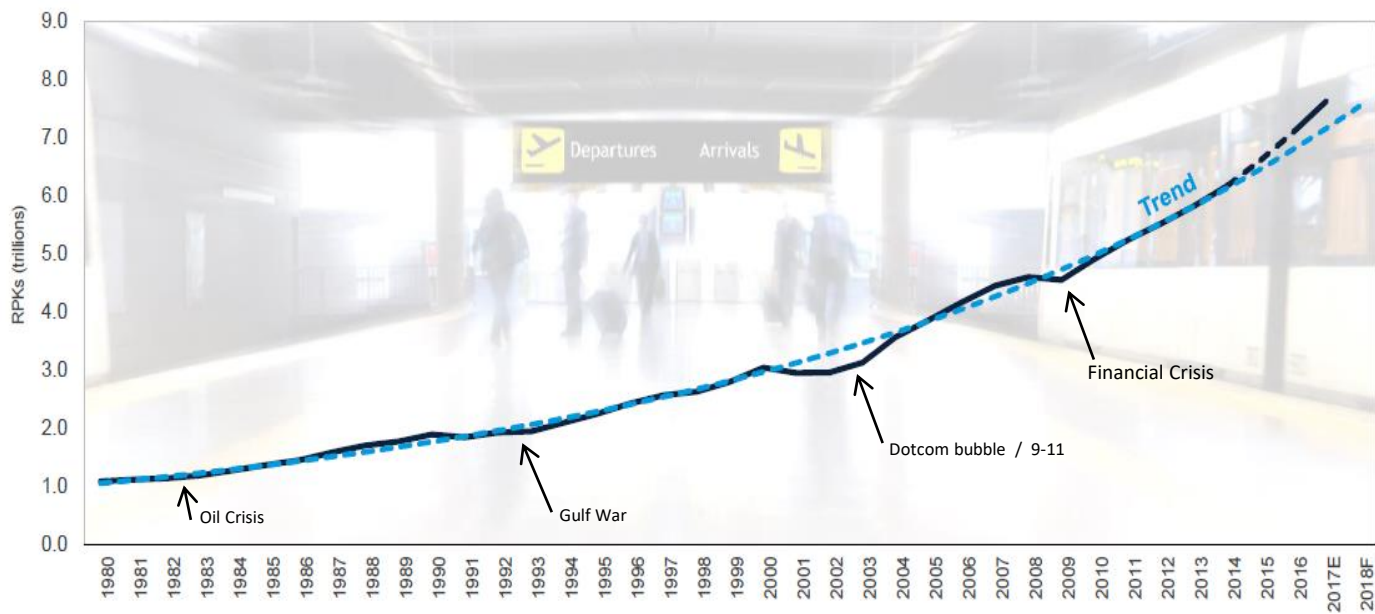
2017 trips per capita (each bubble is a country)



2017 Middle Class (m. people)

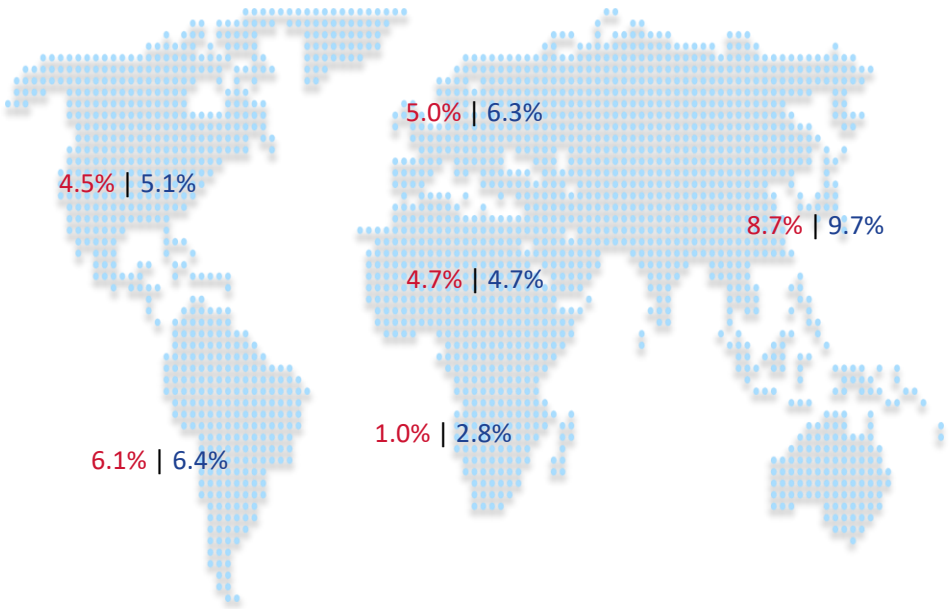


## 5% Long Term Growth Trend in Passenger Numbers



Source: ICAO, IATA

## 2018 ASK growth (Demand) / 2018 RPK growth (Capacity)

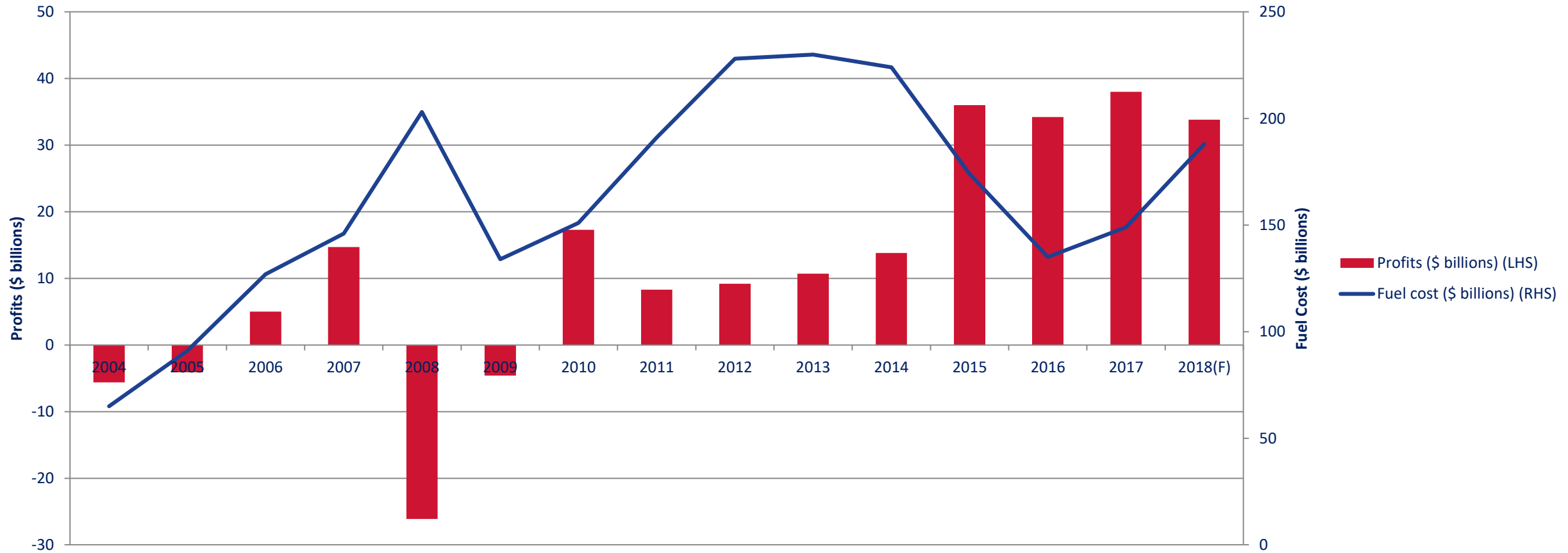


Across the World  
6.1% | 6.9%

Source, Boeing, Sep 2018

# Airlines Financial Performance Remains Strong

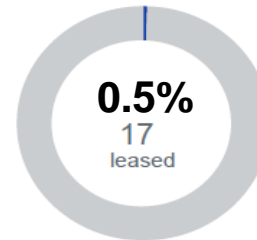
## Industry Fuel Costs and Net Profits



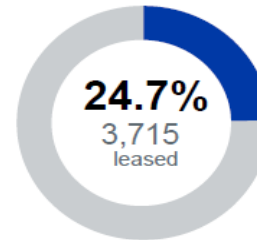
Source: IATA FactSheet Industry Facts- June 2018

## Why Airlines Lease Aircraft

- Concentrating on Core Business
- Access to Capital
- Access to Aircraft
- Fleet Flexibility
- Monetizing Tax Benefits



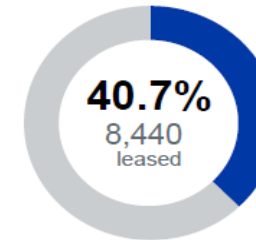
**1970**  
3,722 aircraft



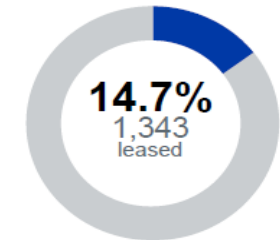
**2000**  
15,032 aircraft



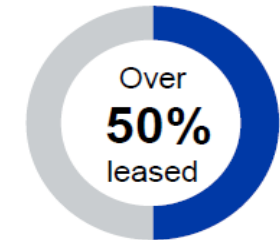
**1980**  
6,037 aircraft



**2014**  
20,726 aircraft



**1990**  
9,160 aircraft



**2020**  
Forecast



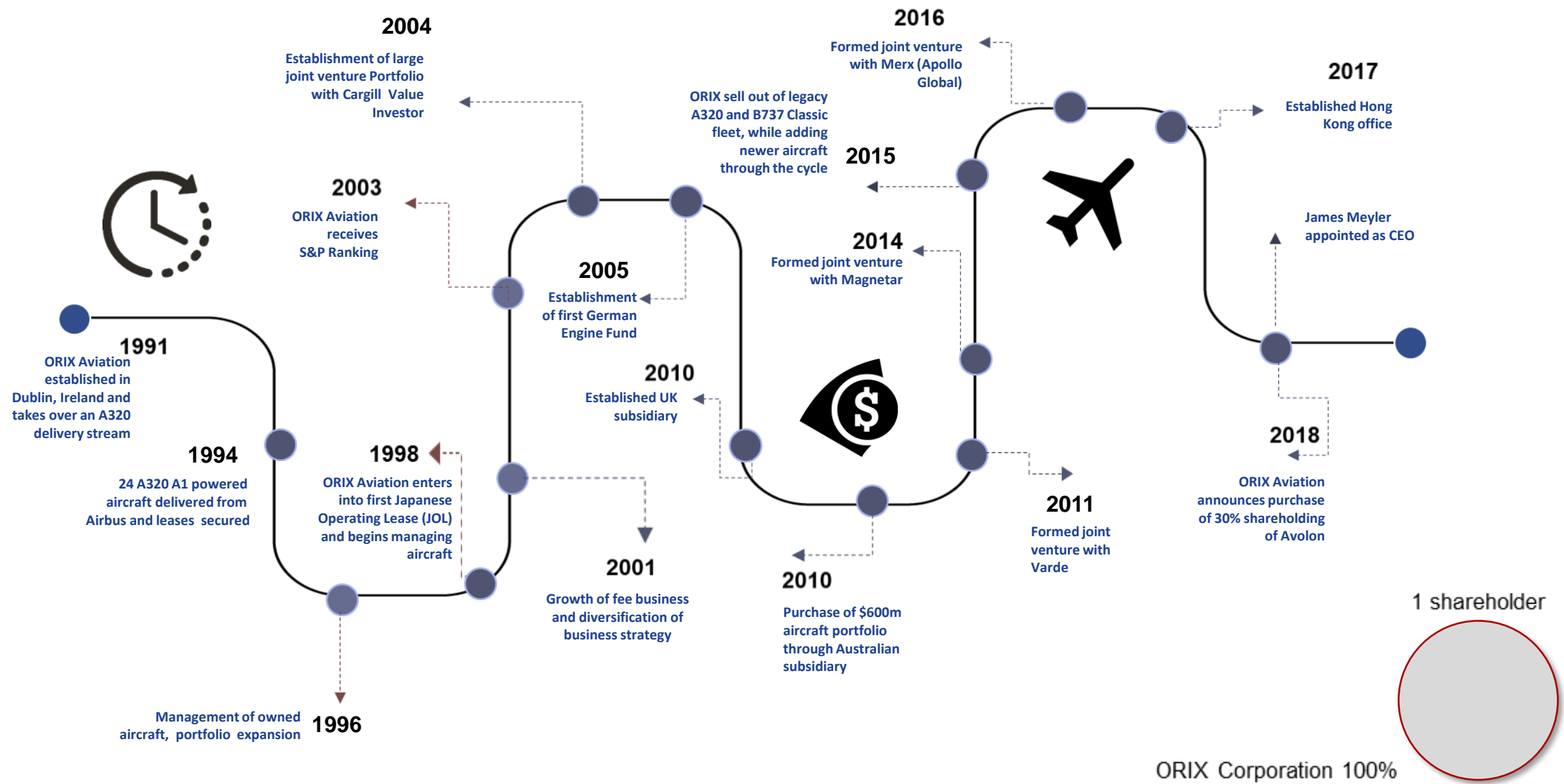


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Answers,  
Custom Fit.

# ORIX Aviation Strategy

# ORIX Aviation: Timeline of Success





## Three Pillars of ORIX Aviation's Business

**Owned Aircraft**

**JOL Aircraft**

**JV and Managed  
Aircraft**

<b>Fleet</b>	<b>Owned</b>	<b>JOL</b>	<b>JV &amp; Managed</b>
Aircraft	57 (\$2.7bn)	108 (\$4.2bn)	48 (\$1.2bn)
Average Aircraft Age (years)	3.9	5.7	9.9
Average Lease Term Remaining (years)	7.2	6.6	4.7
Airline Customers	30	36	27

## ORIX Total Fleet

**213 (\$8.1bn)**

**5.7**

**6.5**

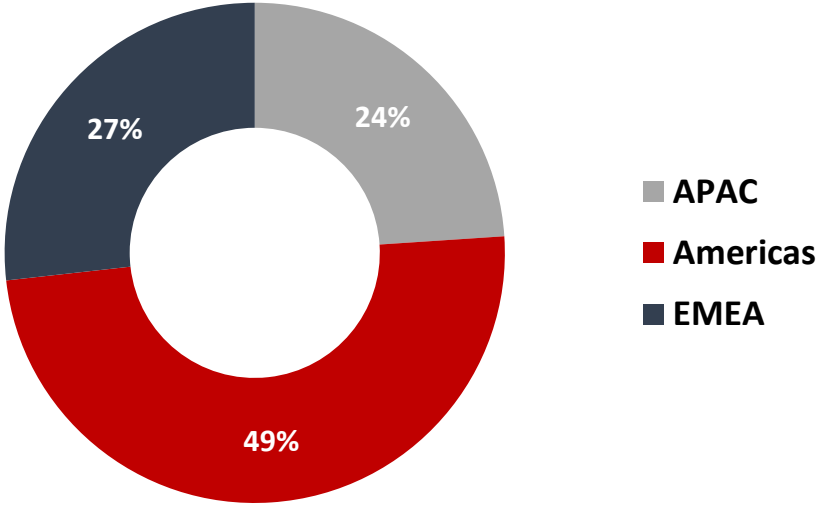
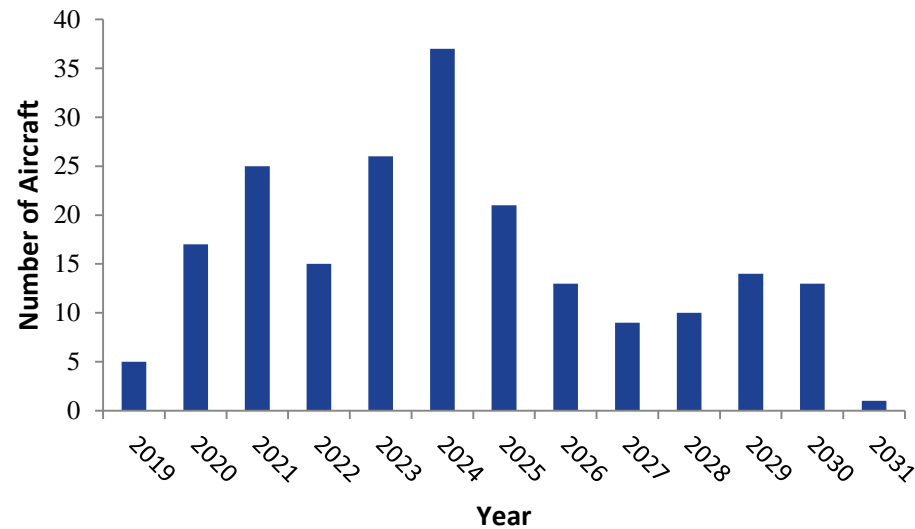
**70**

\* Age and remaining term weighted by Ascend values, December 2018

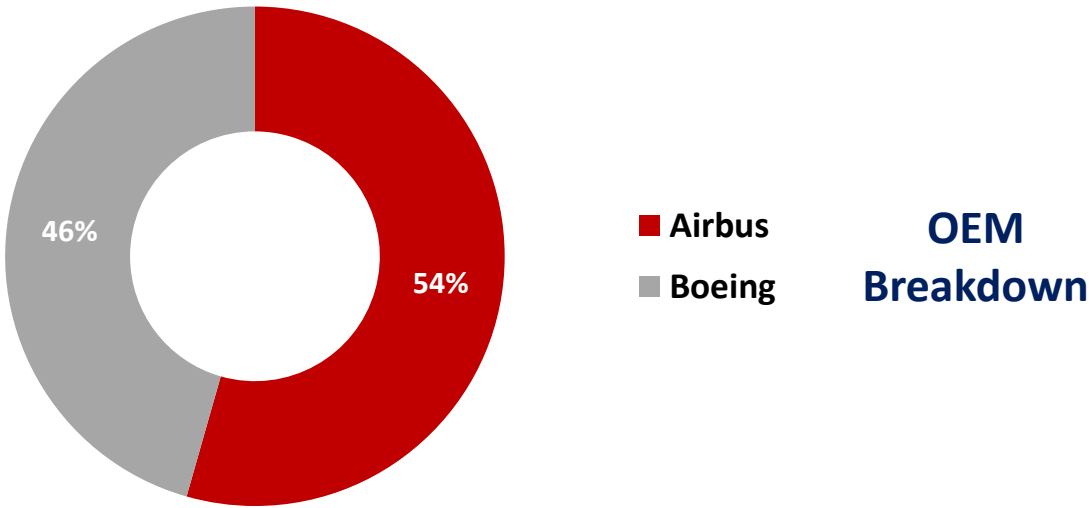
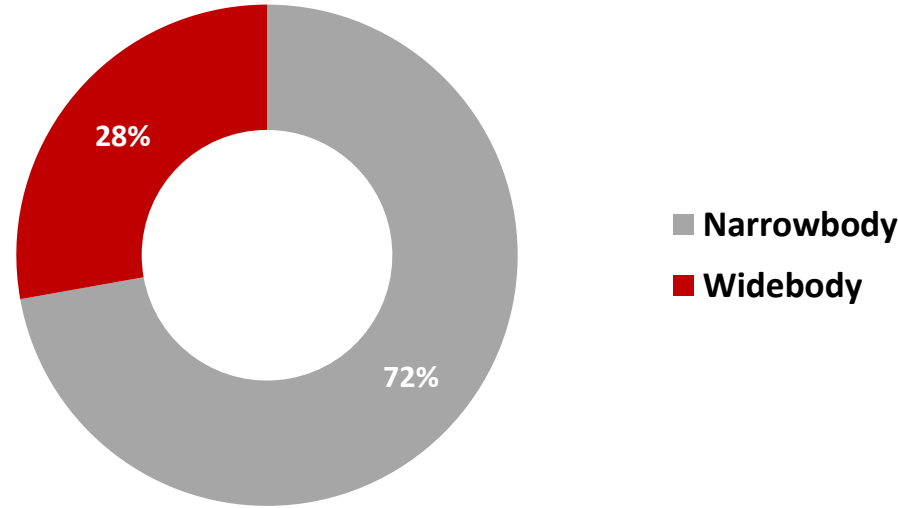
# ORIX Aviation: Portfolio breakdown



Redelivery  
Timeline



Aircraft  
Type



Type, OEM, and Region breakdown weighted based on Ascend valuations, December 2018

- ORIX Aviation is a unique Standard & Poor's ranked Aircraft Lease Servicer.
- Highest available S&P ranking achieved across the broad scope of ORIX Aviation service offerings
- Demonstrates the significant capabilities within the organisation

## Current Ranking

Strong

Overall Ranking

Stable

Outlook

## In coming to its decision to increase the ranking, S&P concluded that ORIX Aviation demonstrates:

- A cohesive organizational structure
- A well-experienced professional staff with solid levels of industry expertise
- Strong internal control practices and risk management
- Robust processes and systems and ongoing development
- Properly documented procedures and regular systems testing
- Well established reporting and lease management systems
- Extremely efficient lease boarding process, particularly in light of increased number of transactions

The S&P ranking provides investors and airlines with an independent view of ORIX Aviation's expertise as both a servicer and an asset manager

A world map composed of numerous small blue dots, showing the outlines of the continents. The map is centered on the Atlantic Ocean.

**ORIX Aviation's global reach spans 6 continents, 34 countries and 70 Airlines**

# ORIX Aviation: Lessor Ranking by Number of Aircraft

1993		1998		2003		2008		2013		2018	
# Lessor	Aircraft	# Lessor	Aircraft	# Lessor	Aircraft	# Lessor	Aircraft	# Lessor	Aircraft	# Lessor	Aircraft
1 AerFi Group Ltd	313	1 GECAS	769	1 GECAS	1314	1 GECAS	1722	1 GECAS	1575	1 GECAS	1112
2 Polaris	217	2 ILFC	377	2 ILFC	608	2 ILFC	989	2 ILFC	935	2 AerCap	1004
3 GECAS	201	3 BAE Systems	123	3 GATX Air	171	3 BBAM	330	3 BBAM	399	3 Avolon	554
4 ILFC	192	4 Pegasus	115	4 debis AirFinance	159	4 CIT Aerospace	233	4 AerCap	283	4 SMBC	432
5 AWAS	66	5 AWAS	99	5 AWAS	155	5 RBS Aviation Capital	210	5 CIT Aerospace	265	5 BBAM	395
6 BAE Systems	63	6 BBAM	56	6 BBAM	145	6 AWAS	210	6 SMBC	235	6 ICBC Leasing	322
7 Pegasus	48	7 Flightlease AG	52	7 Pegasus	144	7 ACG	210	7 ACG	235	7 BOC Aviation	322
8 GATX Financial Corp	46	8 CIT Aerospace	51	8 CIT Aerospace	138	8 AerCap	182	8 AWAS	232	8 Air Lease Corp	293
9 International Air Leases	36	9 debis AirFinance	46	9 BAE Systems	90	9 Aircastle	133	9 BOC Aviation	198	9 DAE Capital	293
10 Electra	35	10 FINOVA Capital Corp	41	10 Boullion	80	10 Macquarie	119	10 Air Lease Corp	158	10 ACG	278
11 GPA Fokker 100 Ltd	30	11 GATX Financial Corp	40	11 ACG	76	11 BAE Systems	106	11 Aircastle	149	11 Aircastle	231
12 CIT Aerospace	26	12 GATX Air	39	12 Pembroke	74	12 ORIX Aviation	101	12 Macquarie	137	12 ORIX Aviation	222
13 Potomac Capital	23	13 International Air Leases	36	13 ORIX Aviation	68	13 BOC Aviation	81	13 ORIX Aviation	125	13 CDB	198
14 ORIX Aviation	23	14 ORIX Aviation	33	14 RBS Aviation Capital	56	14 SKY Leasing	71	14 Standard Chartered	107	14 Macquarie	192
15 Irish Aerospace Ltd	22	15 US Airways Leasing	30	15 FINOVA Capital Corp	51	15 Standard Chartered	67	15 CDB	100	15 BoCom Leasing	164
16 DEFAG Leasing Co	21	16 Pembroke	29	16 SALE	42	16 HKAC	61	16 Avolon	95	16 Apollo Aviation Group	150
17 Bavaria IAL	17	17 Boullion	26	17 Bank of America	39	17 GAAM	52	17 ICBC Leasing	90	17 Jackson Square	150
18 GATX Air	17	18 ACG	24	18 Sumisho	34	18 Sumisho	52	18 MCAP	84	18 Nordic Aviation Capital	138
19 Aeronautics Leasing	17	19 GKL - Knafaim	22	19 Dornier	32	19 Aergo Capital	52	19 Sumisho	80	19 Castlake	128
20 Tombo Aviation Inc	15	20 Indigo Aviation AB	22	20 IEM Airfinance BV	30	20 BCI Aircraft Leasing	46	20 HKAC	74	20 Standard Chartered	118
<b>Total Leased Jets</b>	<b>1717</b>	<b>Total Leased Jets</b>	<b>2611</b>	<b>Total Leased Jets</b>	<b>4366</b>	<b>Total Leased Jets</b>	<b>6479</b>	<b>Total Leased Jets</b>	<b>7439</b>	<b>Total Leased Jets</b>	<b>9541</b>
<b>No. of leasing entities</b>	<b>78</b>	<b>No. of leasing entities</b>	<b>93</b>	<b>No. of leasing entities</b>	<b>108</b>	<b>No. of leasing entities</b>	<b>142</b>	<b>No. of leasing entities</b>	<b>155</b>	<b>No. of leasing entities</b>	<b>160</b>

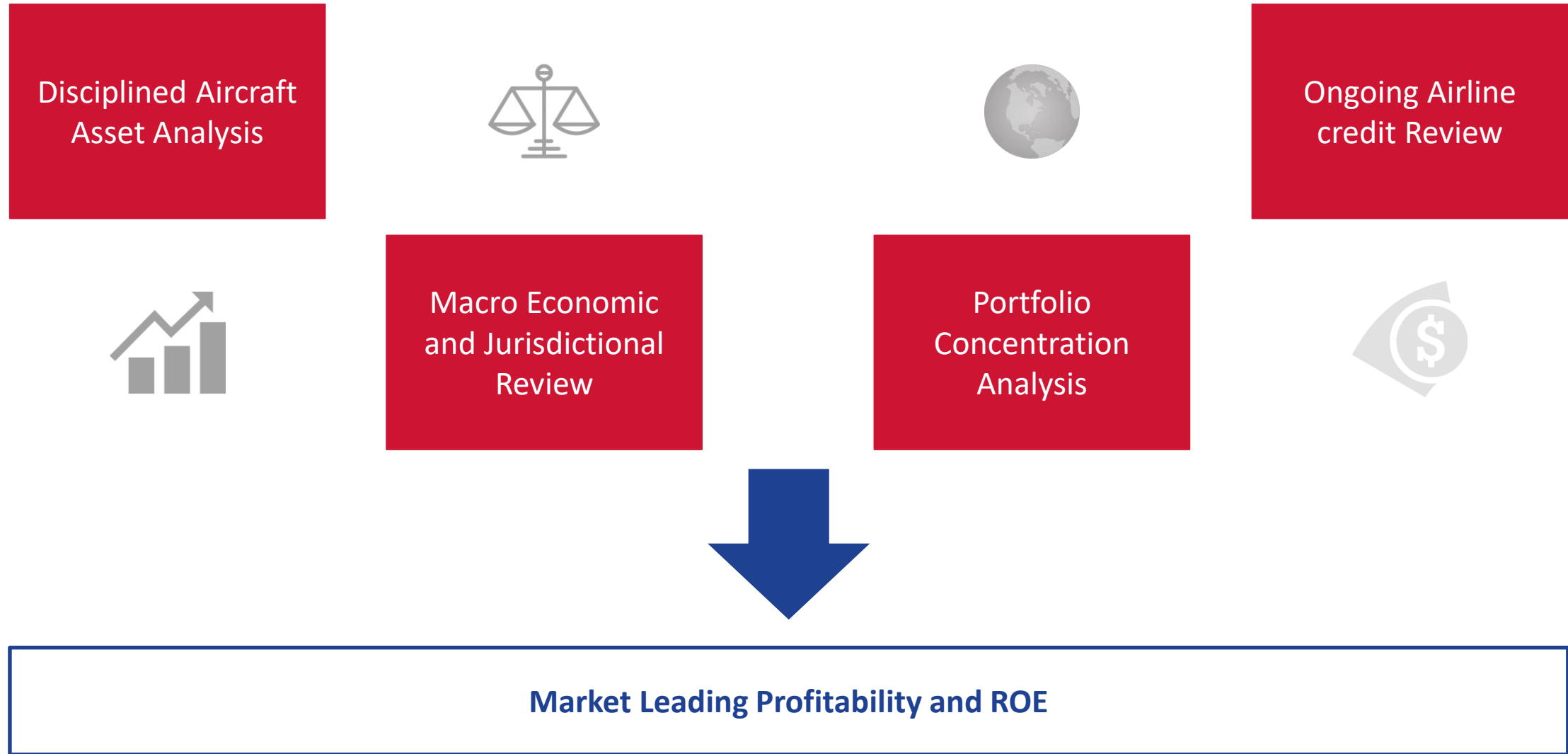
Note: Lessors coloured in grey have either been:

(1) merged into another lessor (e.g. ILFC, CIT, AWAS)

(2) had a change in majority ownership (e.g. RBS -> SMBC, Debis->AerCap, SALE->BOCA)

(3) gone out of business (e.g. Electra)

# ORIX Aviation: Risk Management Central to our business





A detailed credit assessment is carried out ahead of a new transaction focusing on the following key areas:



Ownership  
Structure & KYC  
Analysis

Experience and  
tenure of  
Management team

Fleet, orderbook  
and route network

Market health,  
future growth  
prospects and  
competition



Profit & Loss and  
Operational  
performance

Balance sheet,  
liquidity and  
cashflow analysis

Review of future  
obligations, e.g.  
debt, PDPs, aircraft  
deliveries

On-site credit visit



Consideration of credit-appropriate lease terms such as security deposit, maintenance reserves vs return compensation, guarantees etc.

ORIX Aviation  
enters into 107  
buy/sell/lease  
deals an average  
per annum

## Aircraft Acquisitions

- 29 units acquired to date worth \$1.7bn
- 4 units committed for acquisition with FY19 worth \$0.4bn



## Lease expiry management

- 6 lease extensions
- 7 new leases
- 9 lease restructures



## Aircraft Sales

- 49 units sold to date worth \$2.2bn
- 5 units committed for sale within FY19 worth \$0.3bn



## Origination and closing of acquisition of 30% shareholding in



\* Values based on Ascend values

# ORIX Aviation: Diverse Growth Strategy

ORIX Aviation acquired a 30% stake in Avolon on the 5<sup>th</sup> November 2018

A Unique investment opportunity which represents ORIX Corporation's commitments to the leasing market

- Instantaneous uplift in profit
- Complimentary businesses with minimal areas of overlap
- Accelerate Avolon's roadmap to becoming investment grade



## Avolon 2018 Financial Results and Highlights

Total Revenues  
\$2.6bn

Profit  
\$717m

Total Assets  
\$27.2bn

Total Available  
Liquidity  
\$5.7bn

Net Cash from  
Operating  
Activities  
\$2.2bn

Credit Ratings

BB+ Fitch Ratings

Ba1 Moody's

BB+ S&P Global

BBB+ KRBA

Total Fleet  
971  
(owned, managed, committed)

Youngest Fleet  
of top 3  
Lessors

150 Airline  
Customers in  
61 Countries

153 Lease  
Transactions

\$2.2bn in  
disposal  
proceeds

# ORIX Aviation: Leading Market Position



AUM: Owned, Managed and Committed as at 31 December 2018. Values based on Ascend values.

# ORIX Aviation: Continued Growth



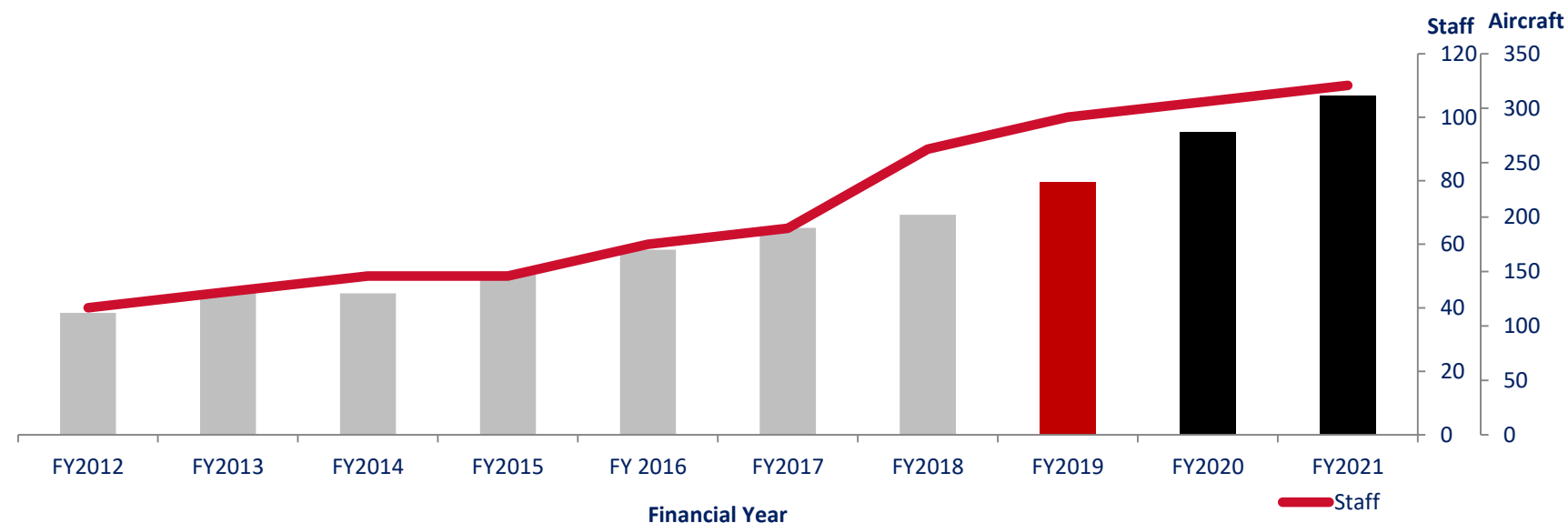
Continued Fleet & Profit Growth

Grow AUM portfolio

Grow Aviation team of 100 professionals

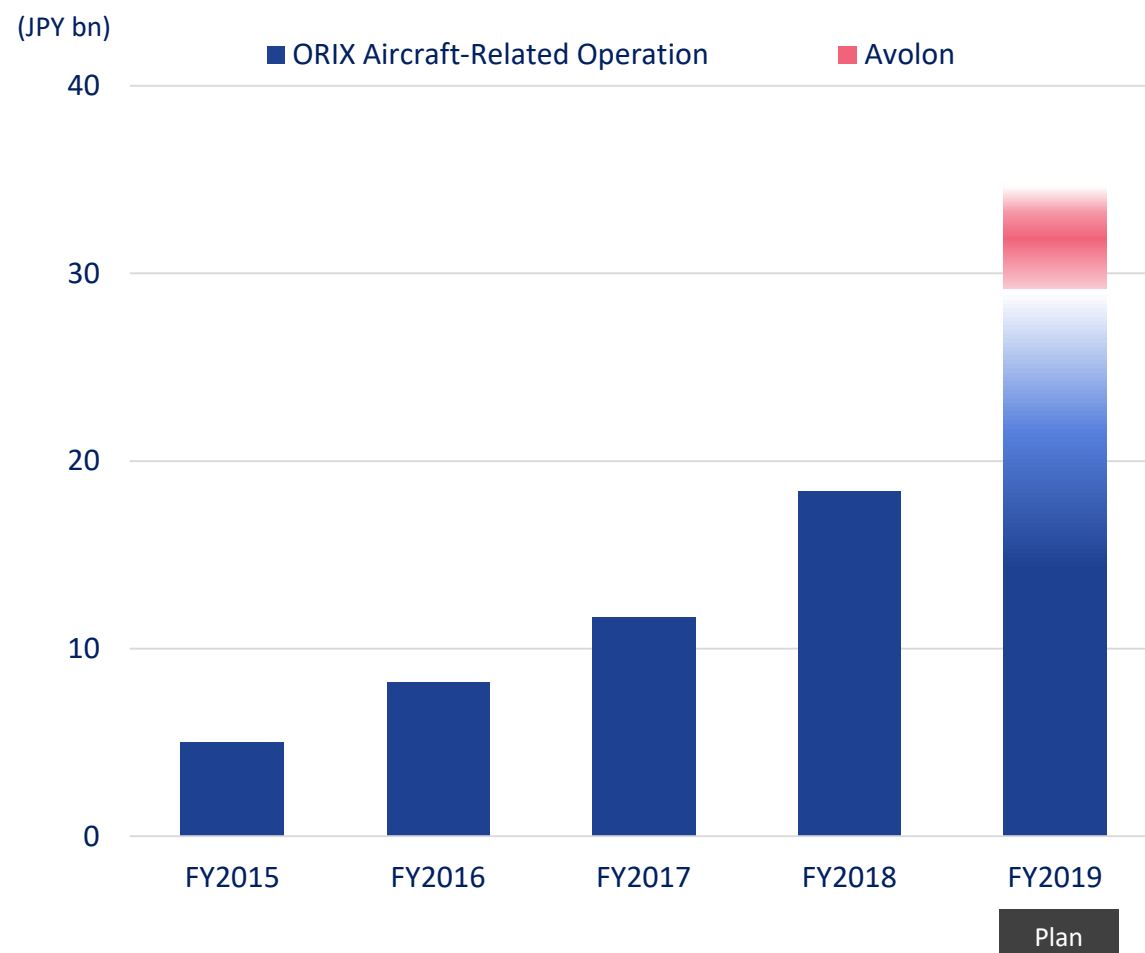
Maintain Strong Ranking

AUM	March 2018	March 2019	March 2020	March 2021
Owned	64	60	70	80
JVs	39	42	45	50
Managed	6	17	30	40
JOL	93	114	135	150
<b>Total</b>	<b>202 (\$7.5bn)</b>	<b>233 (\$9.3bn)</b>	<b>280 (\$11bn)</b>	<b>320 (\$12.5bn)</b>

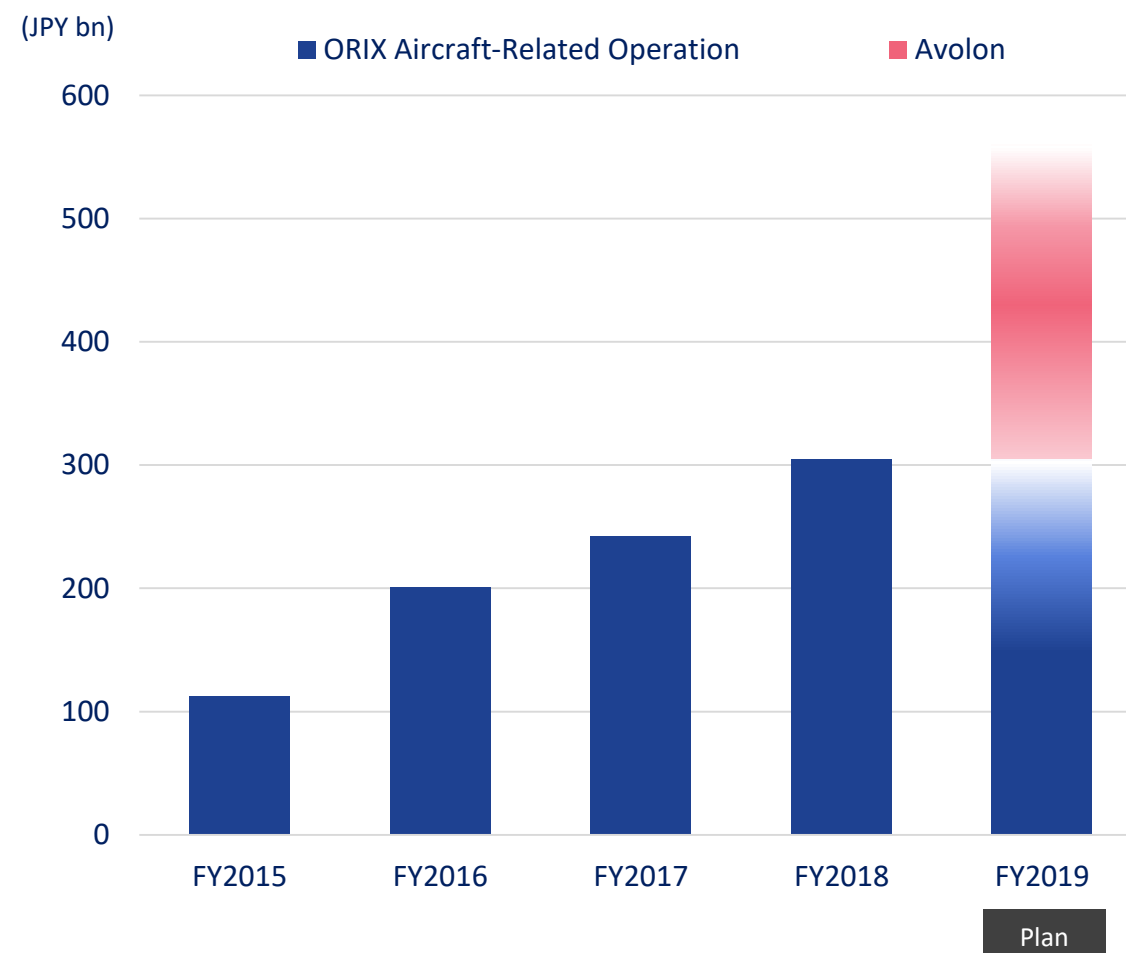


# Segment Profits & Segment Assets

## Segment Profits



## Segment Assets



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A large circular graphic on the left side of the slide, composed of a thick ring with a color gradient from red at the top to purple at the bottom. The text "Answers, Custom Fit." is centered within the white space of the ring.

Answers, Custom Fit.

For the current IR materials and archives of  
past financial data please access our website

ORIX Website

<https://www.orix.co.jp/grp/en/>

IR Section

<https://www.orix.co.jp/grp/en/ir/>

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