

**Questions and Answers at the Daiwa Investment Conference,**  
**Tokyo 2019 (March 5, 2019)**

1. Market Related

Q1. What factors will determine the price of the aircraft (new/second-hand aircraft)? Please tell us about future price trends.

A1. Aircraft prices are mainly determined by two factors. One is the factory price of the new machine, which is related to the specification and capabilities of the aircraft itself – such as its range, capacity, fuel efficiency and operating costs – and therefore how useful it is for the airlines who are the end users. The other is the value aircraft leasing companies or investors place on the asset, which is based on the expected rate of return considering the factors such as the credit of airlines, the leasing fee and residual resale/re-leasing value. Aircraft are movable assets with high trading liquidity and various type of return can be generated depending on the level of risk tolerance, so they are very popular investments for a wide range of different investors. At the same time, aircraft lease investment generates a higher risk-adjusted return by a long-term stable income flow compared with other asset classes such as stocks, ships and real estate.

Q2. LCC airlines are currently thriving. What effect will they have on market? Are they driving the demand for older aircraft, or raising the leasing fee, etc.?

A2. LCCs can drive the market for older aircraft in two different ways. Firstly, used aircraft are widely used for a startup LCC without having a strong financing capability, and they do drive the demand for mid-old aged aircraft. Secondly, many of the established major LCCs like Southwest, AirAsia or Ryanair themselves have large orderbooks with the manufacturers and this leaves fewer brand new aircraft available to other parties, so it is also very common for full service airlines to extend their use of aircraft beyond their initial lease or financing terms to secure their capacity and market share. This reduces the supply of older aircraft into the re-leasing market, therefore improving leasing fee. To keep the value of the aircraft and pursue long-term return on investment, it is very important to maintain and manage the leased aircraft. In general, the older the machine is, the more frequent the parts are replaced. The value attributable to the engines become much more important, and the maintenance costs increases; however, this is offset by a lower rental amount. With good quality maintenance and management, the aircraft can last for 25 years, sometimes longer, especially if the aircraft is later converted into a freighter.

2. ORIX Aviation: Business Model

Q1. ORIX Aviation has three pillars of business (Owned Aircraft Business, JOL Aircraft Business, and JV and Managed Aircraft business), please tell us the profits of each business.

A1. ORIX Aviation does not operate each of the three pillars independently, especially by transferring aircraft from one segment to another. We manage to integrate the three pillars as one based on a common platform such as human resources and systems. The advantage of our business model is that we can adjust the business at any time responding to the economic cycle to achieve the best

results. Besides, one of the major strengths is a decentralized revenue source such as leasing revenue, profit on sale, and asset management fee.

Q2. Does the sales gain of aircraft take up the biggest share of all the segment profits of ORIX Aviation?

A2. As mentioned above, the profit structure is well balanced in controlling risk, including profits on sale and stable revenues on leasing fees and commissions. In addition, we optimize our portfolio among the segment responding to the evolving market environment in order to maximize the risk-adjusted return. This is one of the major strengths of ORIX's business model.

Q3. Please tell us the rate of return on asset investment in ORIX Aviation.

A3. The rate of return depends on various conditions such as model/age, credit of airlines, lease period, form of transaction, etc. Historically we have achieved a higher rate of return backed by the accumulated expertise of aircraft sourcing and trading, and in addition, we will further increase the rate of return by expanding the fee business such as asset management while minimizing the risk.

Q4. What are the unrealized profits of aircraft assets owned by the ORIX Aviation?

A4. Although we cannot answer specific amounts, we have been accumulating assets by carefully examining and verifying the asset acquisition price of each aircraft before the expansion of business.

Q5. Why do not you deal with major Japanese airlines?

A5. Although there is no transaction at present, this is not for negative reasons and we are looking forward to cooperation in the future. We do have three existing airline customers in Japan already.

### 3. ORIX Aviation: Growth Strategy

Q1. Could you tell me the long-term strategy on acquisition of Avolon's stake?

A1. The business areas, organizations and personnel of Avolon do not overlap with our company. As a result, we will be able to access to the primary order/placement market through Avolon, which we have not focused on yet. In addition, due to the synergistic effect, Avolon's profit growth is expected to contribute earnings to our company.

Q2. Are you planning to raise the investment ratio in Avolon from 30%?

A2. There is no plan to change at present. The current management including the investment ratio is working well.

Q3. In addition to Avolon, if there are any opportunities, would you consider investing in other aircraft leasing companies in the future?

A3. In the future, we plan to expand assets while continuing to purchase assets of approximately US\$2.5 billion and selling assets of approximately US\$1.5 billion per year or transferring to our JOL/JV structure. There are various options for expanding assets, such as sale and leaseback of aircraft

owned by airlines, purchase of aircraft from aircraft leasing companies, and acquisition of aircraft leasing companies. We aim for further growth by the most appropriate method responding to the market environment.

Q4. Recently, a major Japanese bank has been reported to acquire an aircraft loan business. Please tell us why ORIX did not participate in the acquisition and what do you think about the yield of the asset.

A4. Aircraft loan is a different business from aircraft leasing business we conduct. Currently, not only Japan, but also various foreign players including the U.S. are actively investing in the aircraft related business, showing that the yield of the asset is at an attractive level compared to other assets.

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