



ORIX

Answers,
Custom Fit.

ORIX Bank Corporation

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“Real estate investment loans” in ORIX Bank

Since joining in ORIX group in April 1998, ORIX Bank has been promoting real estate investment loan business taking advantage of real estate related knowledge obtained in ORIX Corp.

The main factor is selecting real estate brokers and properties. ORIX Bank has been expanding its loan balance mainly in condominium loans, in which it takes long time to accumulate the know-how.

Summary of “Real estate investment loans”

✓ Condominium Loans

Purchase capital for mostly one room, 1K (one room plus kitchen) or 1DK (one room plus dining and kitchen) for single-person household rental

◎ Location: Generally Urban area around Tokyo (Tokyo's 23 wards, Yokohama City, Kawasaki City), Urban area around Osaka (Osaka City, Kyoto City, Kobe City), Nagoya City and Fukuoka City. And within a 10-minute walk of the nearest train station.

◎ Characteristic: Average loan amount; 21.3 million yen

Borrower's average annual income; approximately 9.3 million yen

Borrower's average age; 43 years old

✓ Apartment Loans

Purchase capital for mostly one apartment (purchase, building and estate) for rental

◎ Location: Generally Urban area around Tokyo, Urban area around Osaka (Osaka City, Kyoto City, Nagoya City and Fukuoka City). Within 1-1.5 hours from city center and 10-minute walk of the nearest train station.

◎ Characteristic: Average loan amount; 54.4 million yen

Borrower's average annual income; approximately 11.0 million yen

Borrower's average age; 42 years old

■ Policy

- ✓ Confirm the adequacy of investment objectives based on customer attributes, mainly deal with projects targeting income gains

■ Credit Guideline

Condominium Loans	Apartment Loans
<ul style="list-style-type: none"> • Customer attributes (stable income, and in principle employed for more than 3 years continuously) • Criteria such as annual income ratio and disposable income according to customer attributes and household composition 	<ul style="list-style-type: none"> • Verify future cash flow *For rental income, calculate cash flow on the basis of predetermined stress based on the characteristic of the target property concerning rent setting and vacancy rate, borrowing interest burden, administrative cost, repair cost, etc.
<ul style="list-style-type: none"> • Individually check the validity of the rent, the stability of the rental demand and the property condition. *We do not provide credit for properties reliant on subleasing. 	
<ul style="list-style-type: none"> • Conduct an interview with customers, directly confirm the intention and stance to invest in real estate and the contents stated on the application form for borrowing. 	<ul style="list-style-type: none"> • Conduct an interview (more than once) with the customer, and directly confirm the intention and stance to invest in real estate, the contents stated on the application form for borrowing

■ Documents

- ✓ Application form for borrowing Including Applicant's background, info of assets / liabilities, and property to purchase, filled in by the person himself / herself
- ✓ Copy of the property sales contract and related material of the property.
- ✓ Borrowing details (if there is another borrowing)
- ✓ Original certificate of income
- ✓ Copy of documents certifying financial assets (such as deposit passbook), if necessary

■ Collateral Evaluation

- ✓ Assessed collateral by an external independent appraiser or by appraisal department of ORIX Corp.. Unrealistic rents are fixed.

■ Approval Process

- ✓ Set authorization authority according to the borrowing balance (including existing portion) , annual income ratio, and appraisal value
- ✓ Monitoring of the content of the settlement within the sales department by the risk management department at a later date

■ Trainings for Employees

- Real estate related study group led by sales department, sharing fraud / accident cases
- Compliance training led by risk management department
- A series of business and administration flow provides the check & balance function. For example, borrower interviewer should be a different person other than regular contact person, personnel change on a regular basis, mandatory days off.

■ Management of Real Estate Brokers

- Selecting real estate brokers
 - ✓ Before starting business with a real estate broker (receiving an inquiry), investigate according to the criteria of the guidelines (business history, compliance system, information management system, reputation etc.) and obtain internal approval.
- Regular monitoring
 - ✓ Conduct annual review of the approved brokers addition to every day monitoring
 - ✓ Report the annual review results to the Compliance Committee from risk management department

■ Providing Services

- ✓ Started providing "The Cash Flow Simulator" that can estimate future cash flows reflecting rent declines and vacancy risks of investment properties
- ✓ Various statistical data on real estate (demographics etc.) and area analysis are also available

■ Explanation / Confirmation to Customers

- ✓ Confirm the original of public certificate (tax certificate or tax payment certificate) as well as withholding tax notes and final return forms
- ✓ Our sales representatives explain risks related to real estate investment and loan borrowing in writing at the interview
- ✓ Directly confirm customer's asset background, etc.
- ✓ Confirm the sales contract (Confirmation of Sale price of the property, payment amount of deposit, amount of loan, amount of final money, etc.), obtain signature / stamp on copy of sales contract.
- ✓ Reconfirm the Sale price of the property on the telephone 1 or 2 business days prior to the execution
- ✓ Not bundle loans with card loans or engage in other shady sales bundling

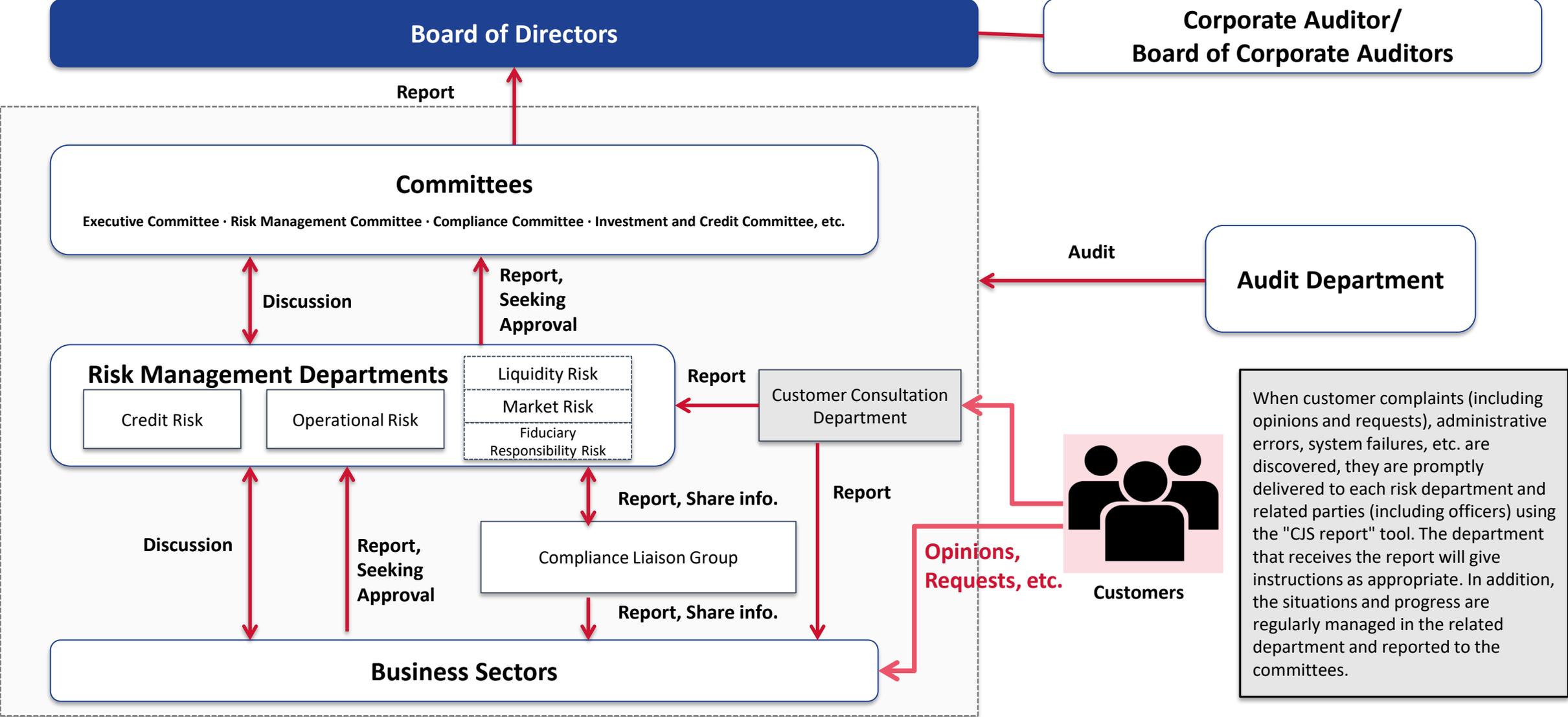
■ Goal Setting · Performance Management

- ✓ Set targets based on business environment and market trend by sales department
- ✓ Progress management is carried out at the sales planning department and head office management department
- ✓ In the performance evaluation, not only numerical targets but also the evaluation of internal control items are included

Governance Framework

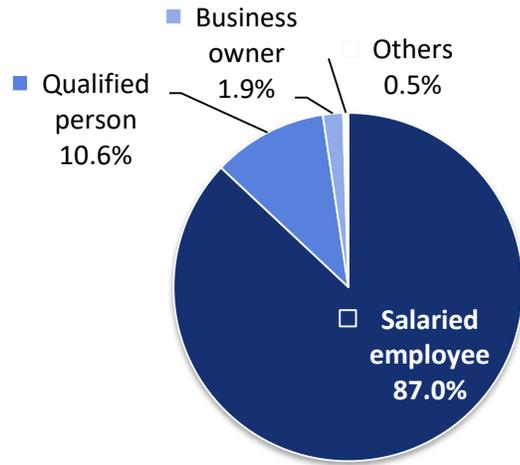


※Risk management system mainly relating to credit risk, operational risk, compliance system, customer protection management system



Condominium Loans

Borrower attributes



(As of the end on March 2018)

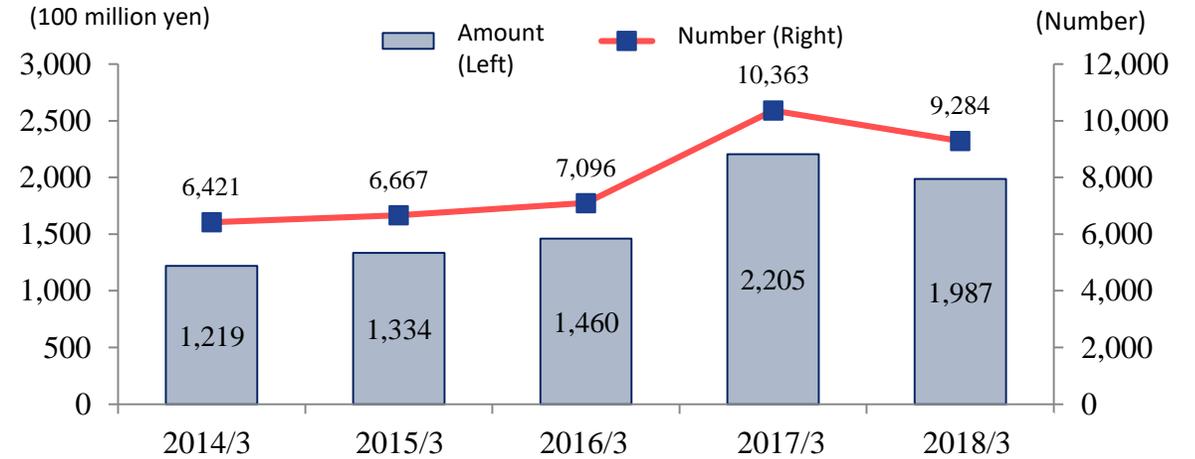
The number of customers

Approximately 42,000
(As of the end on March 2018)

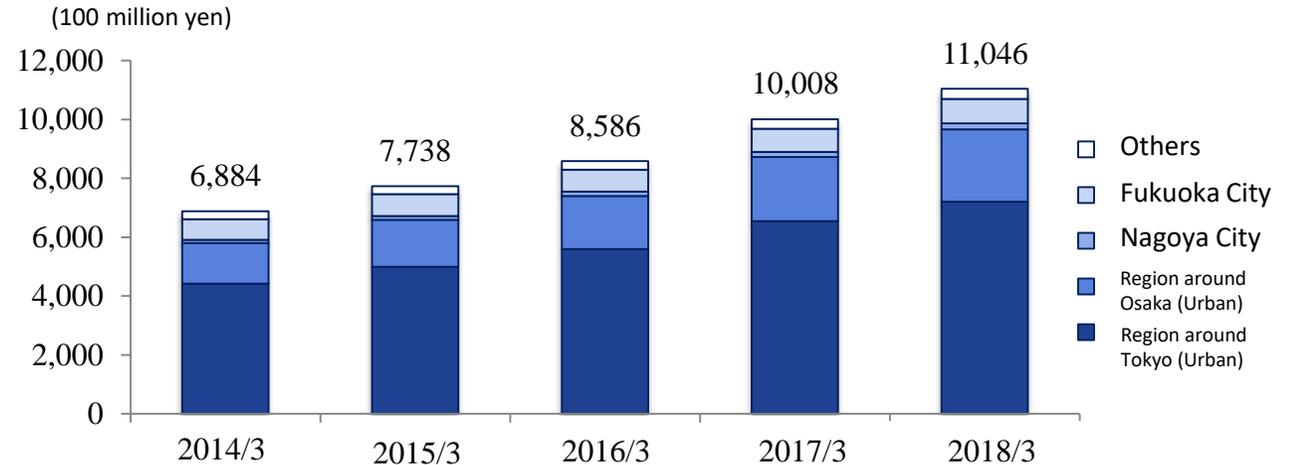
Amount of loan execution per case (simple average)

21.3 million yen per case
(2018/3 performance)

Amount and number of loan provided

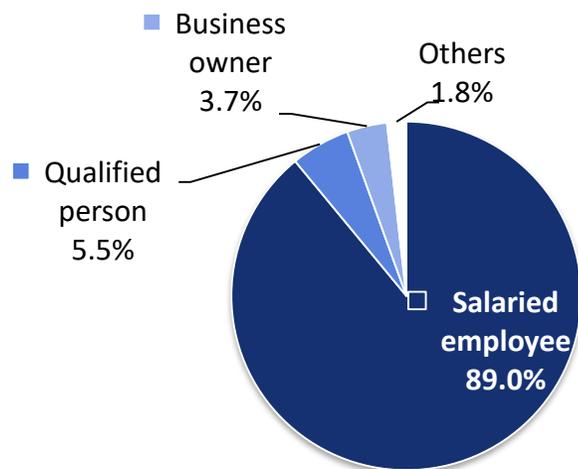


Balance of loans for investment



Region around Tokyo (urban) is Tokyo's 23 wards, Yokohama city, and Kawasaki city. Region around Osaka (urban) is Osaka City, Kyoto City, and Kobe City.

Borrower attributes



(As of the end on March 2018)

The number of customers

Approximately 3,700

(As of the end on March 2018)

Amount of loan execution per case (simple average)

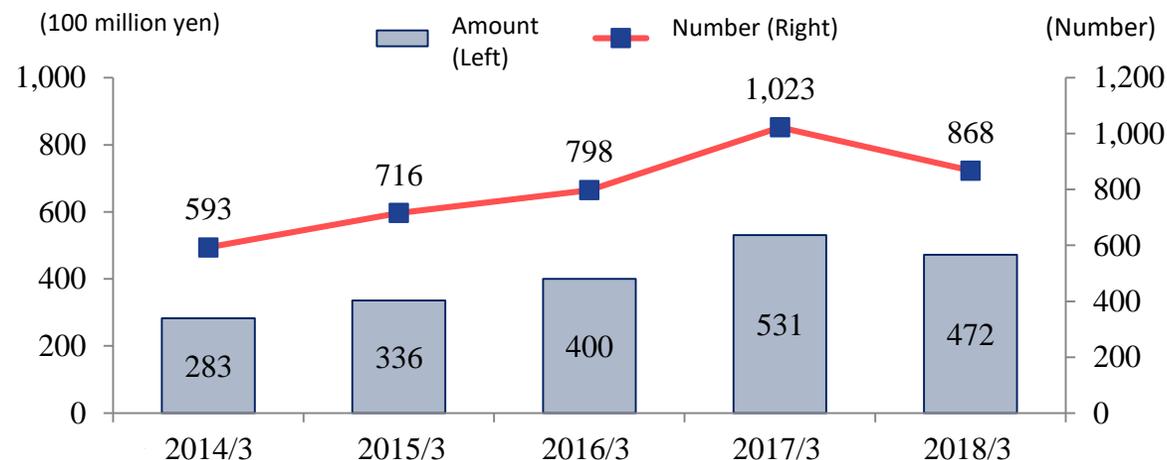
54.4 million yen per case

(2018/3 performance)

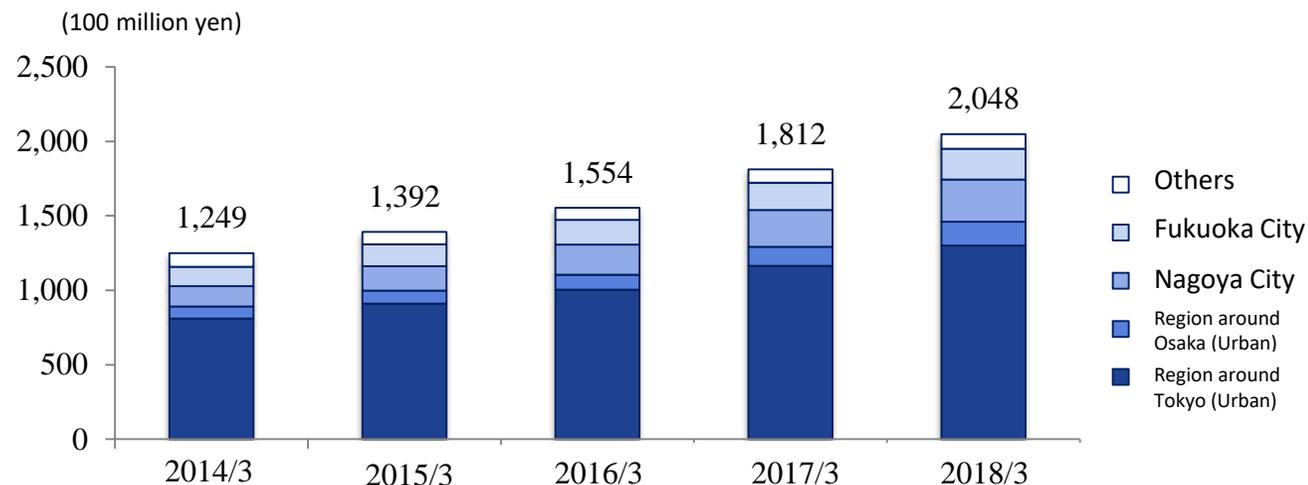
Loan for share-house

Only one case. There is no dedicated loan

Amount and number of loan provided



Balance of loans for investment



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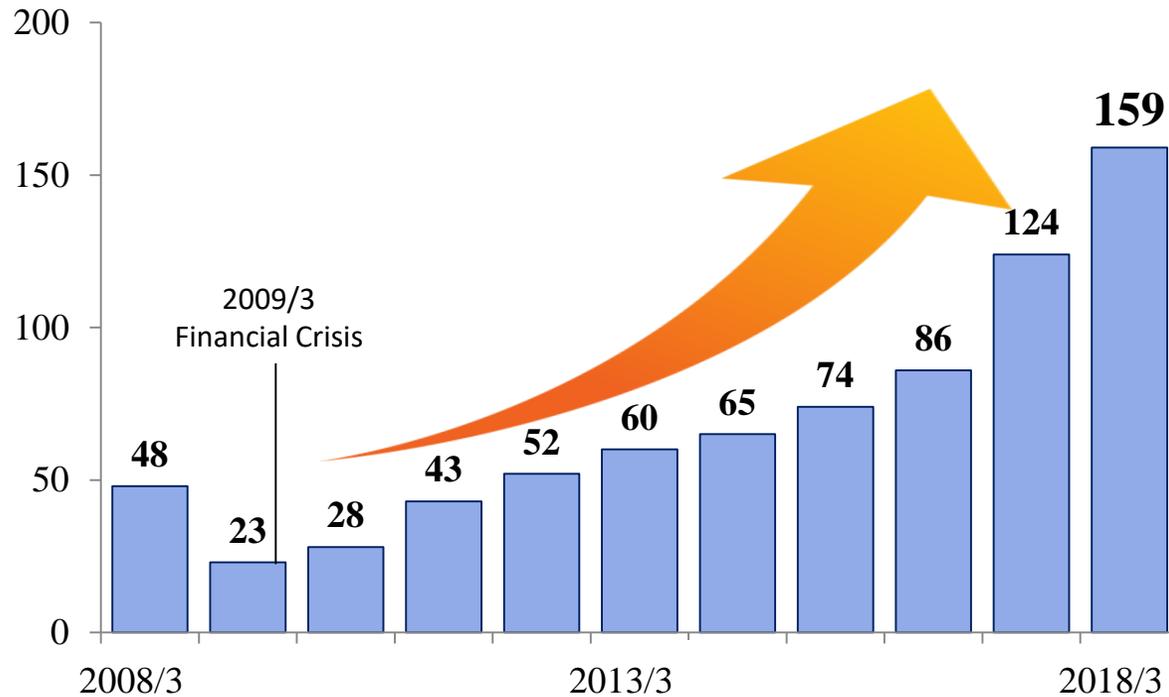
Supplementary Materials

Performance Trend (1) Net Income

- Maintain surplus every year since joining ORIX group in 1998
- Achieved an increase in profits for nine consecutive years after the financial crisis and renewed the highest profit for the last five consecutive years

(100 million yen)

Net Income*



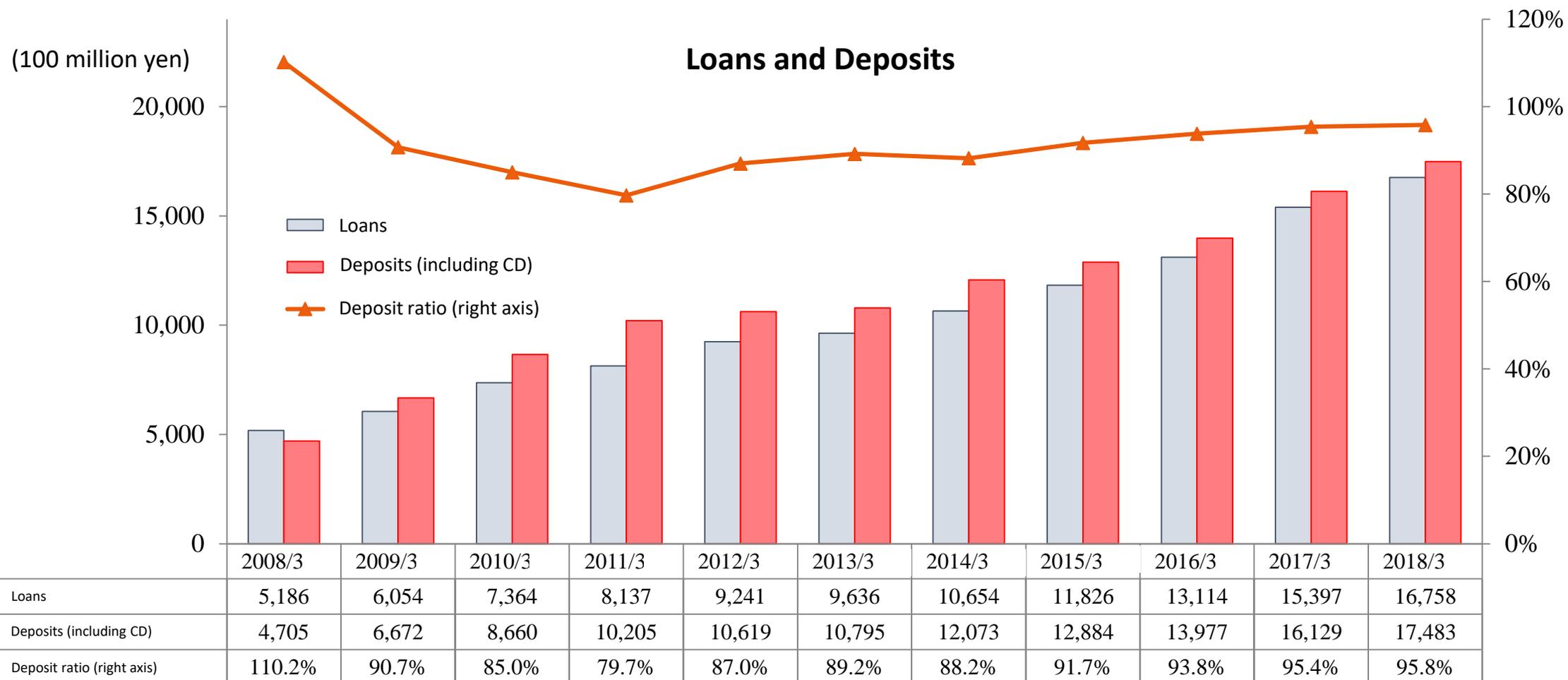
*Net Income in ORIX Bank is based on J-GAAP

ROA



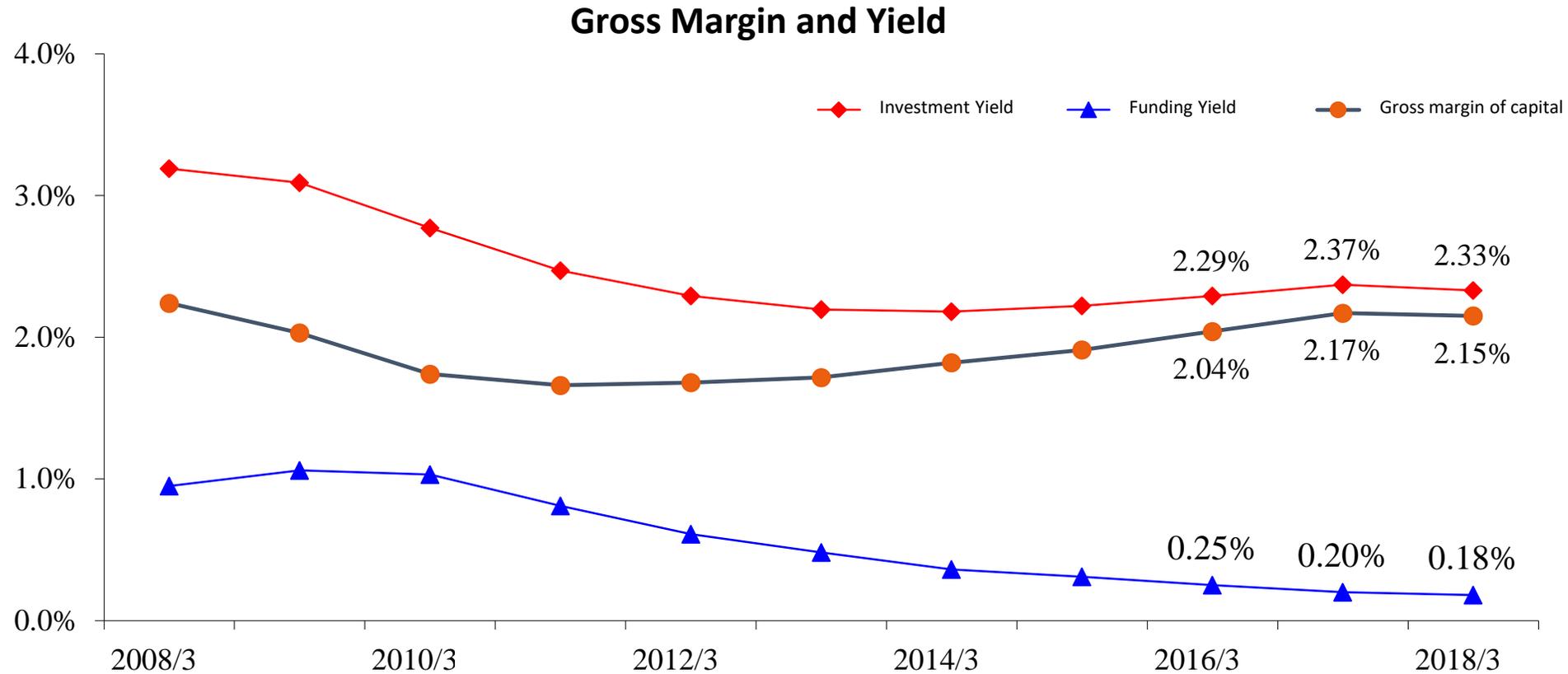
Performance Trend (2) Loans and Deposits

- Loan balance steadily increased due to the core real estate investment loans
- Funding mainly from the "e direct deposit" for the Internet, and in recent years the loan deposit ratio has remained around 95% while balancing with loans



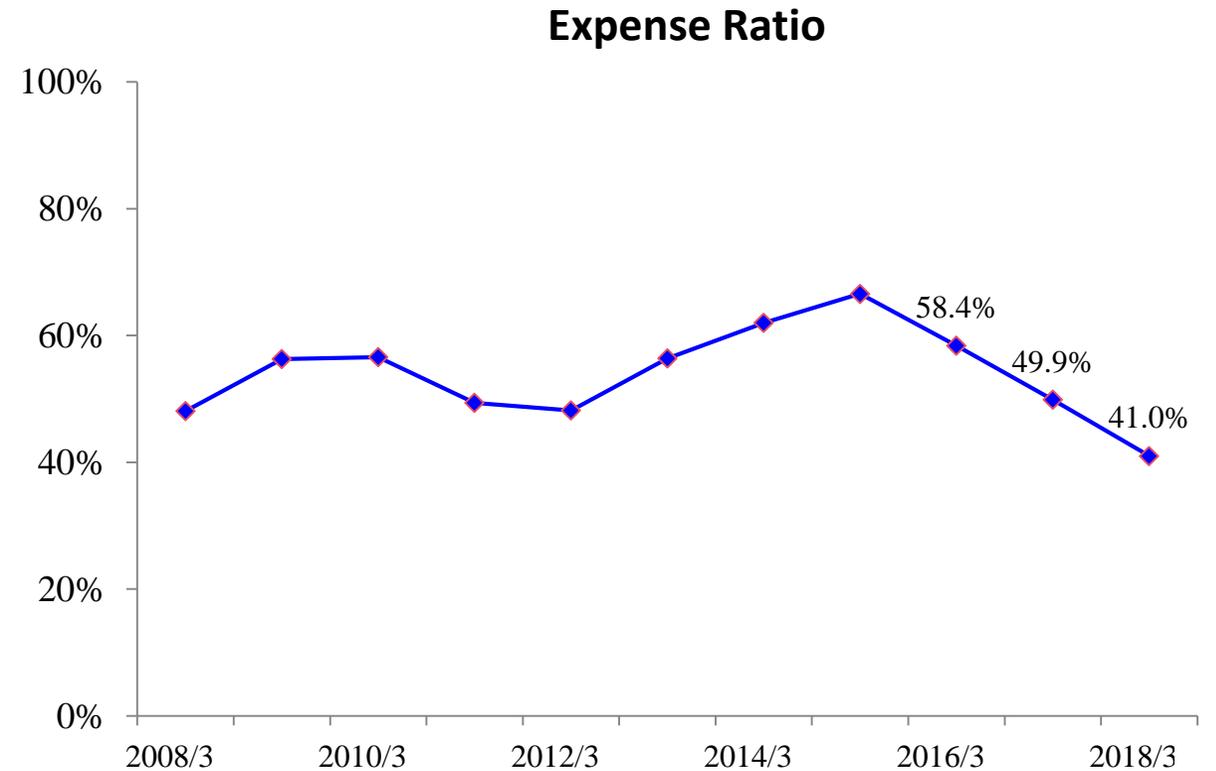
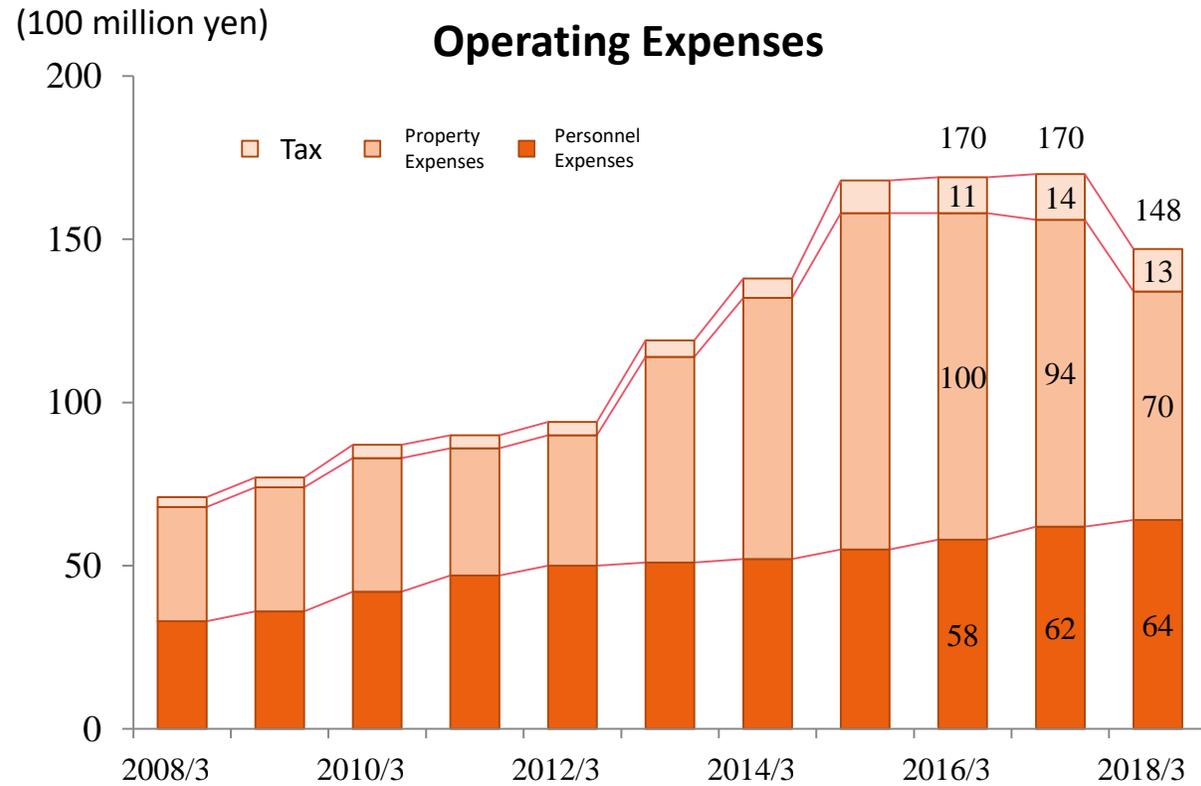
Performance Trend (3) Gross Margin of Capital

- Investment yield, which had been on a downward trend, reversed to upward trend from the fiscal year 2015/3 due to accumulation of consumer loan balance
- Since the fiscal year 2010/3, the funding yield has continued to decline, and in recent years the gross margin of capital has been maintained at more than 2%



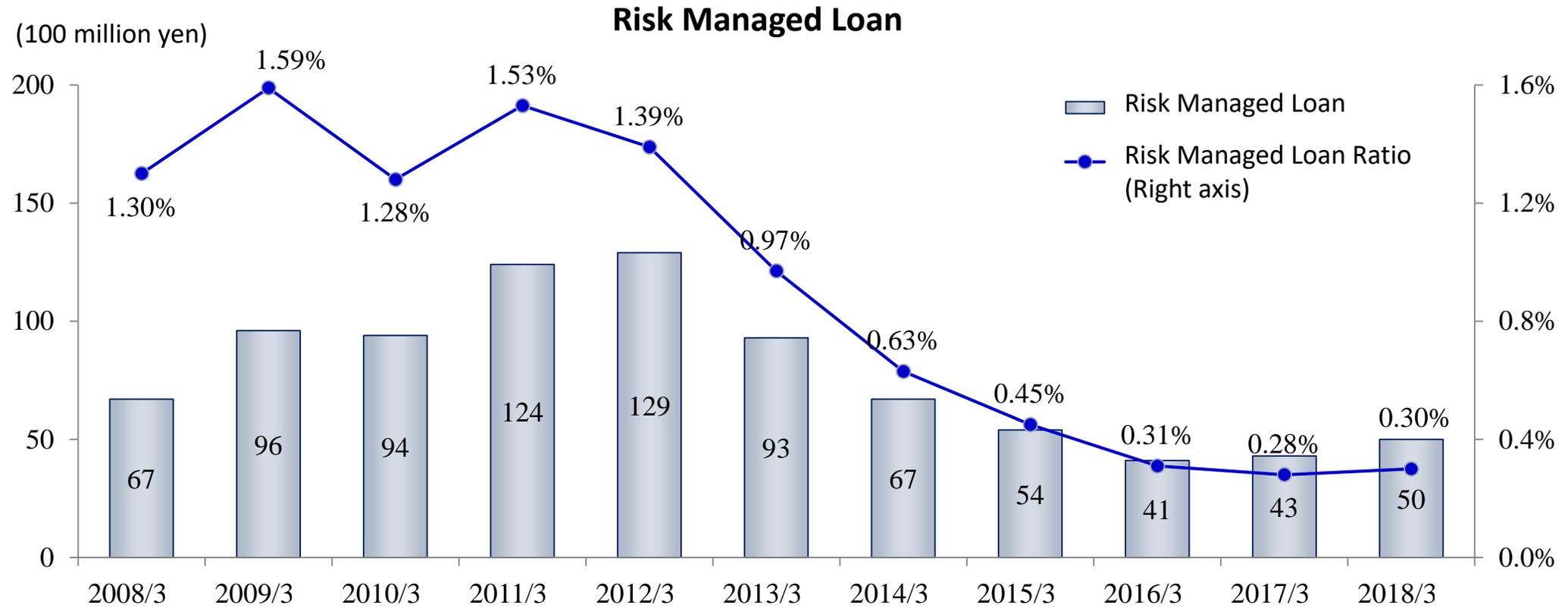
Performance Trend (4) Operating Expenses

- Started consumer loan business in March 2012. The expense ratio increased because of the initial investment but it has been decreasing recently



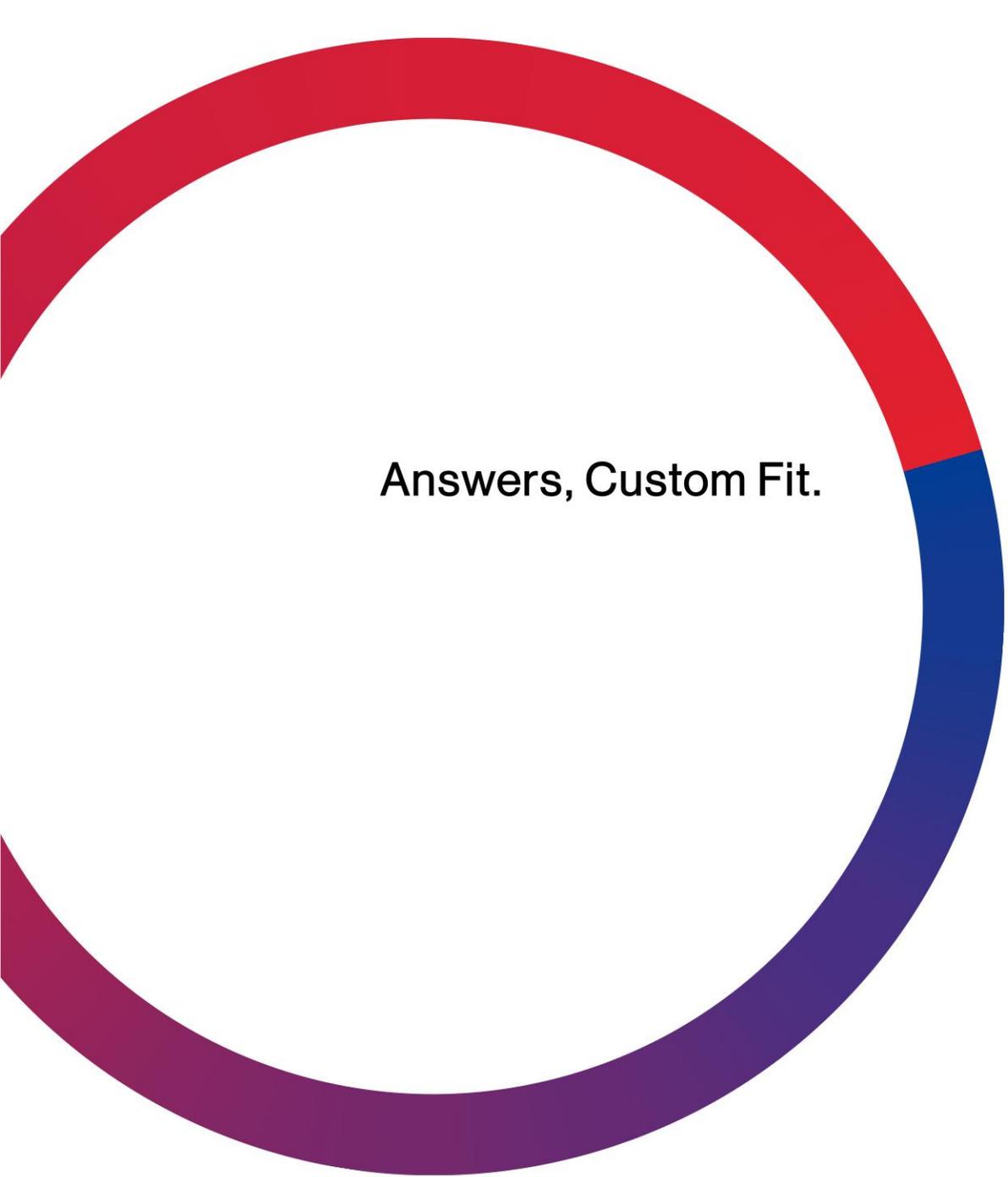
Performance Trend (5) Risk Managed Loan

➤ Maintaining low level in the both balance and ratio of risk managed loan



Risk Managed Loan: Total of bankrupt borrowers, delinquent loans, and restructured loan claims

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Answers, Custom Fit.

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IR Section

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