

Questions and Answers at the Business Unit IR Meeting
(Business Unit; ORIX Corporation USA)
(September 12, 2019)

Q1;

ORIX group's current medium-term business plan targets ROE of at least 11%. Please tell us about ORIX Corporation USA("OCU")'s ROE (Risk capital basis)

A1;

ROE (Risk capital basis) for FY19 at 13%. ROE target is definitely important for OCU as well, and one of the key measurements.

Q2 ;

We would like to know about the breakdown revenue of page 6.

A2 ;

The revenue related to balance sheet is approximately 65%, recurring fees are approximately 20%, and origination fees, syndication fees and gains are 15%.

Q3 ;

How do you achieve the \$750 mil pre-tax net income for FY22?

A3 ;

It includes both M&As and organic growth. Also, the moderate growth of balance sheet is also included. Speaking of the organic growth, we expect 5% increase for servicing fees, and 5% to 10% growth for other asset management fees in alternatives.

As for the M&A, we will keep our eyes on our adjacent area. One of the examples is a mortgage business in which we have a great track record. We expect M&A in alternative asset management to advance our finance business.

Q4 ;

The reason to expand off-balance business is to keep the credit rating? Or do you have any reasons to expand the off-balance business?

A4 ;

Credit rating is important, or rather, achieving the hybrid business increasing off-balance sheet business is a key to be successful in the current competitive financial market. We believe that increasing off-balance sheet will contribute to enhancing both ROA and ROE.

On a different note, we believe that this hybrid strategy is indispensable to survive and develop our presence furthermore in the U.S financial industry.

U.S. alternative asset management companies originally initiated their business from fee

business, and they are currently capitalizing on balance sheet business.

On the other hand, OCU originated in balance sheet business, and we are in progress to evolve by strengthening fee business so as to achieve the hybrid strategy.

Q5 ;

There are several businesses that you did not touch on in the conference. We would like to know what other types of business OCU have.

A5 ;

There are mainly two other businesses. The first one is an energy finance business. The other one is the LP investment.

Q6 ;

CLO's asset management industry is getting competitive. How do you take initiatives in the CLO managers industry?

A6 ;

Mariner is well-recognized in the market. Mariner ranks in the top quartile in 4 key measurements of risk.

Q7 ;

US Interest rates keep falling these days, how does it have an impact on mortgage related business, especially for Lancaster Pollard and Red Capital.

A7 ;

Lower short-term rates will reduce the income generated from our depositary relationships. Lower long-term rates increase origination activity as more refinancing are undertaken. Also, Lower long-term rates increase volumes related to acquisition loans due to lower debt service allowing for higher loan amounts.

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