Management's Discussion & Analysis

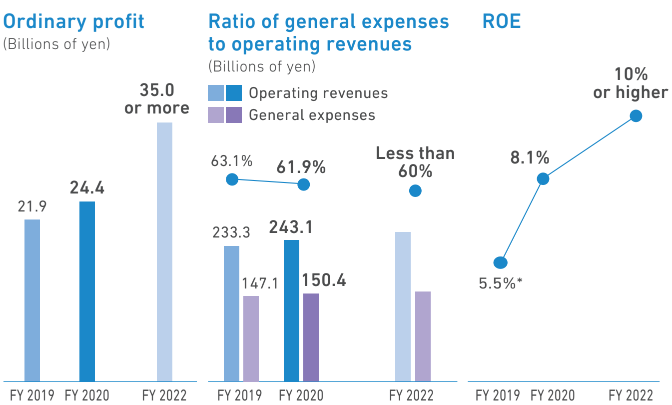
1. Overview of Operations

(1) Operating Results

Having set the fiscal year ended March 31, 2020 as the first year of our medium-term management policy, we set "Innovation for the Next Orico - A Solid Start for Creating an 'Orico for the New Era' " as our basic policy. In order to rebuild a strong earnings structure and create new business models, we have been thoroughly implementing an approach based on the six basic strategies of 1) implementation of digital innovation, 2) implementation of process innovation, 3) business expansion in Asia, 4) expansion of synergies within the Orico Group, 5) enhancement of consulting sales, and 6) enhancement of sustainability initiatives.

As a result of these efforts, we are off to a good start in terms of progress made toward achieving our management targets set forth under the medium-term management policy.

Progress status of management targets



* This figure excludes effects of additionally posted deferred tax assets.

Operating results in the fiscal year under review were as follows.

Operating revenues increased ¥9.7 billion year on year to ¥243.1 billion.

In terms of performance by individual businesses, we achieved the following results. In the credit cards and cash loans business, business revenue rose as billings in credit card shopping and the revolving balance for credit card shopping increased, although the balance of cash loans decreased.

In the settlement and guarantee business, operating revenues rose, due to increased billings in such areas as rent guarantees and receivables settlement guarantees, as well as factors such as contributions from Orico Forrent Insure Co., Ltd., which is a consolidated subsidiary.

In the installment credit business, business revenue rose as billings exceeded those of the previous fiscal year.

In the bank loan guarantee business, business revenue decreased as the balance of bank loan guarantees decreased.

Operating expenses increased ¥7.2 billion year on year to ¥218.6 billion.

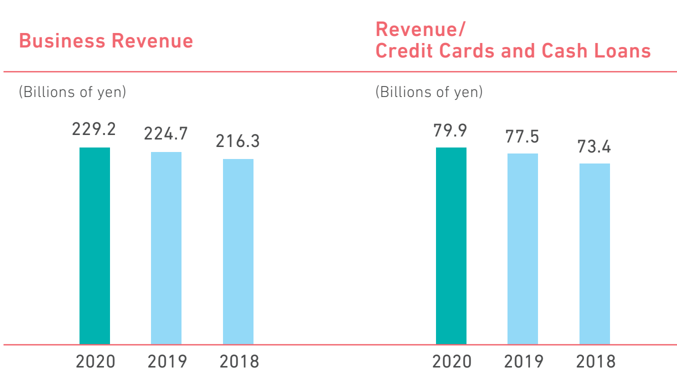
Depreciation expenses associated with having started up the shared core system increased by ¥4.5 billion year on year, but the increase in general expenses held to ¥3.3 billion as a result of our having implemented process innovation. As for the bad debt-related expenses, we additionally recorded allowance for credit losses based on estimated losses likely to be incurred in the future given the prevailing situation where the COVID-19 pandemic is becoming increasingly severe in Japan and overseas.

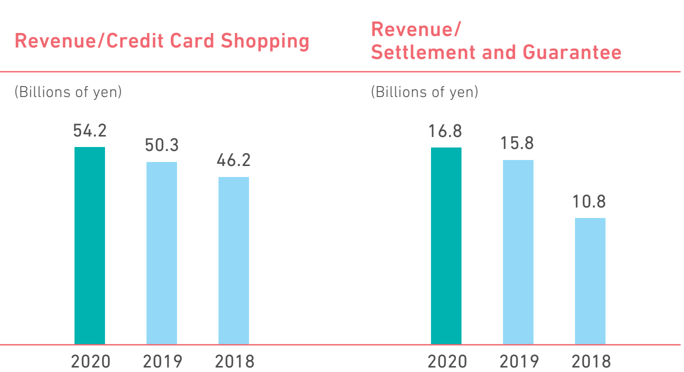
As a result of these factors, ordinary profit increased ¥2.4 billion year on year to ¥24.4 billion. Whereas profit attributable to owners of parent was ¥20.6 billion, the amount decreased year on year as a result of having recorded deferred income tax associated with higher deferred tax assets in the previous fiscal year.

Operating results of each segment are shown below.

(Reference) Breakdown of business revenues by business

Business	Fiscal 2019 Amount (Billions of yen)	Fiscal 2020 Amount (Billions of yen)	Change (%)
Credit cards and cash loans	77.5	79.9	3.1
[Of which: credit card shopping]	[50.3]	[54.2]	[7.8]
Settlement and guarantee	15.8	16.8	6.3
Installment credit	77.5	80.8	4.2
Bank loan guarantee	43.8	42.2	(3.5)
Other	9.9	9.1	(7.5)
Total	224.7	229.2	3.9





Credit cards and cash loans business

In addition to following a cashless payment and consumer rewards promotion policy, the Company is also focusing on promoting a shift to cashless means of payment largely by helping to bring about greater prevalence of infrastructure for settling credit card payments in conjunction with regional financial institutions.

In credit card shopping, billings increased largely due to favorable results generated both by our own-brand Orico Card THE POINT which offers a high ratio of reward points per purchase and by the Costco Global Card which is a credit card through a large-scale partner company. Meanwhile, the revolving balance for credit card shopping also rose steadily. In the fourth quarter, the rate of billings growth lost momentum largely due to the COVID-19 pandemic.

In cash loans, the balance of such loans fell below that of March 31, 2019, despite our having implemented measures to promote usage by new loan card holders.

As a result, revenues in the credit card shopping increased 7.8% year on year to ¥54.2 billion, and revenues from cash loans decreased 5.5% year on year to ¥25.6 billion. Total revenues in the credit cards and cash loans business increased 3.1% from the previous fiscal year to ¥79.9 billion.

Settlement and guarantee business

In the settlement and guarantee business, billings exceeded those of the previous fiscal year mainly due to increased efforts to attract new partner companies in rent guarantees and the enhancement of promotions geared to large partner companies in receivables settlement guarantees. In rent guarantees, we have been developing an integrated management approach which has transferred the Company's sales division and operating supervision division to Orico Forrent Insure Co., Ltd.

As a result, revenues in the settlement and guarantee business increased 6.3% year on year to ¥16.8 billion.

Installment credit business

In the installment credit business, we focused on strengthening our promotion for large-scale partner companies and improving customer convenience such as by providing various service products that utilize the Internet.

In auto loans, billings exceeded the previous fiscal year due to an increase of trade on used car dealers, the favorable performance in auto leases owing to factors such as an expansion of our product offerings to meet customer needs, and the smooth expansion of auto loans overseas owing to establishment of new sales offices. In the fourth quarter, billings fell below those of the same period of the previous fiscal year largely due to the COVID-19 pandemic.

In shopping credit, billings were higher than the previous fiscal year due to an increase of billings for home renovations. In the fourth quarter, billings declined mainly as a result of home renovations having fallen behind deadlines associated with stagnating supply chains largely due to the COVID-19 pandemic.

As a result, revenues in the installment credit business increased 4.2% year on year to ¥80.8 billion.

Bank loan guarantee business

In the bank loan guarantee business, the balance of bank loan guarantees decreased mainly due to initiatives to make credit controls stricter. We will continue striving to deepen communication with financial institutions and focus on providing a wide-range of products that meet various needs.

As a result, revenues in the bank loan guarantee business decreased 3.5% year on year to ¥42.2 billion.

Other businesses

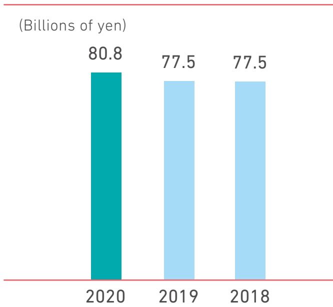
Group companies, comprising two servicer companies including Japan Collection Service Co., Ltd., and those involved in outsourcing services in credit-related operations and information processing services worked to grow their core businesses, expand peripheral operations and augment productivity through intragroup collaboration.

As a result, revenues in other businesses decreased 7.5% year on year to ¥9.1 billion.

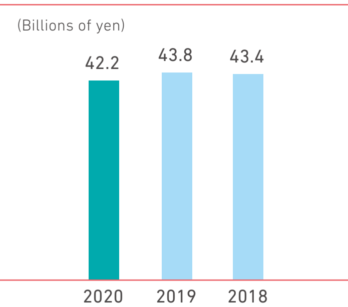
In May 2019, the Company made LINE Credit Corporation an associate accounted for by the equity method upon LINE Credit Corporation having concluded a third-party allocation of new shares, which was taken on by LINE Financial Corporation, Mizuho Bank, Ltd., and the Company. Under the agreement, the Company aims to develop new business through efforts that involve expanding financing services geared to new markets through joint business operations and taking on challenges with respect to data-related business that enlists various sources of data.

In September 2019, we embarked on the auto loan business in the Philippines upon having established a financing company in that

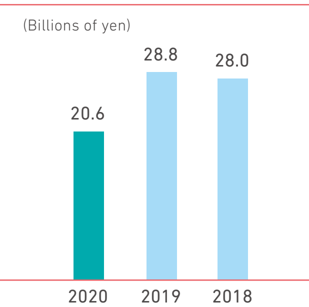
Revenue/Installment Credit



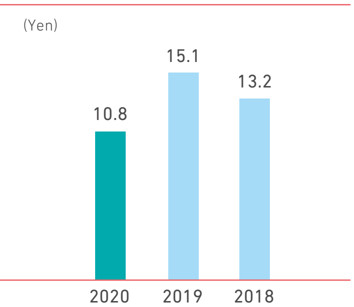
Revenue/Bank Loan Guarantee



Profit



Basic Earnings per Share



nation. We aim to make the financing company a key subsidiary in terms of its role with respect to increasing earnings in Asia while differentiating us from other companies by making the most of the expertise the Company has amassed thus far domestically in Japan and also in Thailand. Meanwhile, we will work toward contributing to the development of the Philippine automotive market through our expansion of the auto loan business.

(2) Financial Position

(a) Assets

Total assets as of the end of fiscal 2020 increased ¥41.8 billion to ¥5,584.7 billion compared with the end of the previous fiscal year.

The sum total of accounts receivable – installment and guaranteed loan receivables, operating assets of the customer finance service, was ¥3,863.3 billion, a decrease of ¥27.8 billion compared with the end of the previous fiscal year, and the total amount with the addition to those operating assets of beneficiary certificates retained for receivable securitization was ¥4,470.1 billion, an increase of ¥40.2 billion compared with the end of the previous fiscal year, thereby accounting for 80.0% of total assets.

Direct installment receivables increased ¥71.1 billion to ¥1,230.9 billion compared with the end of the previous fiscal year.

Guaranteed loan receivables decreased ¥99.0 billion to ¥2,632.3 billion compared with the end of the previous fiscal year.

(b) Liabilities

Total liabilities as of the end of fiscal 2020 increased ¥46.7 billion to ¥5,333.2 billion compared with the end of the previous fiscal year. Guaranteed loan payables decreased ¥99.0 billion to ¥2,632.3 billion compared with the end of the previous fiscal year.

Total amount of interest-bearing debt including short-term bank loans, commercial papers, current portion of unsecured corporate bonds, current portion of long-term debt, unsecured corporate bonds and long-term debt was ¥1,734.8 billion, an increase of ¥76.1 billion compared with the end of the previous fiscal year.

To cover interest refund claims for the interest rates charged in excess of the upper limit imposed by the Interest Rate Restriction Act, the Company recorded an allowance for losses on interest refunds of ¥13.7 billion as of the end of fiscal 2020, a decrease of ¥4.0 billion compared with the end of the previous fiscal year, upon having taken into account the historical amount of refunds and recent refund conditions.

(c) Net Assets

Net assets as of the end of fiscal 2020 decreased ¥4.8 billion year on year to ¥251.5 billion.

Retained earnings decreased ¥0.2 billion to ¥98.8 billion compared with the end of the previous fiscal year. The equity ratio fell by 0.1 percentage points to 4.5% compared with the equity ratio of 4.6% as of the end of the previous fiscal year.

(3) Cash Flows

The respective cash flow positions in fiscal 2020 and the factors thereof are as follows.

(Cash flows from operating activities)

Cash used in operating activities in fiscal 2020 amounted to ¥66.7 billion, an increase in cash used of ¥25.0 billion from the previous fiscal year.

This was the result of increases in accounts receivable – installment, primarily due to increased billings, including for credit card shopping and installment credit.

(Cash flows from investing activities)

Cash used in investing activities in fiscal 2020 amounted to ¥12.2 billion, a decrease in cash used of ¥15.2 billion from the previous fiscal year.

These funds were used in part for the purchase of software in relation to start-up of the shared core system, which was offset by sales of real estate holdings.

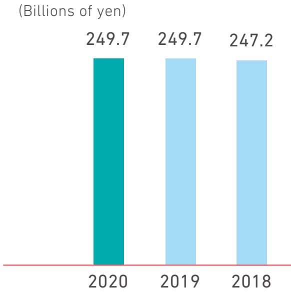
(Cash flows from financing activities)

Cash provided by financing activities in fiscal 2020 amounted to ¥55.8 billion, an increase in cash used of ¥92.4 billion compared with the previous fiscal year.

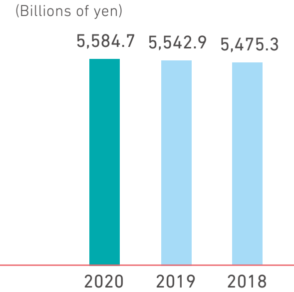
Sources of the cash included higher amounts of procurement through bank loans and commercial paper given that the amount of funds required rose accompanying an expansion in billings amid a scenario where we are looking to make ongoing payments of cash dividends and redeeming our First Series Class I Preferred Stock.

As a result, cash and cash equivalents as of the end of fiscal 2020 were ¥300.2 billion, a decrease of ¥23.1 billion compared with the end of the previous fiscal year.

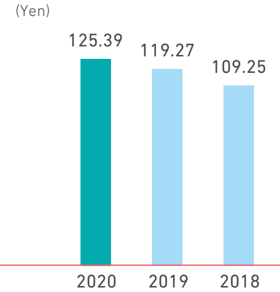
Total Shareholders' Equity



Total Assets



Net Assets per Share



Equity Ratio