ORIX CORP
Form 20-F
June 26, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2014

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report:

Commission file number: 001-14856

ORIX KABUSHIKI KAISHA

(Exact name of Registrant as specified in its charter)

ORIX CORPORATION

(Translation of Registrant s name into English)

Japan

(Jurisdiction of incorporation or organization)

World Trade Center Building, 2-4-1 Hamamatsu-cho, Minato-ku

Tokyo 105-6135, Japan

(Address of principal executive offices)

Yoshiko Fujii

World Trade Center Building, 2-4-1 Hamamatsu-cho, Minato-ku

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Telephone: +81-3-3435-3121

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(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

	Title of each class	Name of each exchange on which registered
(1)	Common stock without par value (the Shares)	New York Stock Exchange*
(2)	American depository shares (the ADSs), each of which represents five shares	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

As of March 31, 2014, 1,322,777,628 Shares were outstanding, including Shares that were represented by 3,238,401 ADSs.

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

x Yes ¨ No

If this report is an annual or transition report, indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

¨ Yes x No

Note Checking the box above will not relieve any Registrant required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 from their obligations under those sections.

Indicate by check mark whether the Registrant**:**(1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes ¨ No

Indicate by check mark whether the Registrant submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

x Yes ¨ No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one)**:**

x Large Accelerated Filer ¨ Accelerated Filer ¨ Non-Accelerated Filer

Indicate by check mark which basis of accounting the Registrant has used to prepare the financial statements included in this filing.

x U.S. GAAP ¨ International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow.

¨ Item 17 ¨ Item 18

If this is an annual report, indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

¨ Yes x No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

¨ Yes ¨ No

* Not for trading, but only for technical purposes in connection with the registration of the ADSs.

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CERTAIN DEFINED TERMS, CONVENTIONS AND

PRESENTATION OF FINANCIAL INFORMATION

As used in this annual report, unless the context otherwise requires, the Company and ORIX refer to ORIX Corporation, and ORIX Group, Group, we, us, our and similar terms refer to ORIX Corporation and its subsidiaries.

In this annual report, subsidiary and subsidiaries refer to consolidated subsidiaries of ORIX, generally companies in which ORIX owns more than 50% of the outstanding voting stock and exercises effective control over the companies operations; and affiliate and affiliates refer to all of our affiliates accounted for by the equity method, generally companies in which ORIX has the ability to exercise significant influence over their operations by way of 20-50% ownership of the outstanding voting stock or other means.

The consolidated financial statements of ORIX have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). For certain entities where we hold majority voting interests but noncontrolling shareholders have substantive participating rights to decisions that occur as part of the ordinary course of the business, the equity method is applied pursuant to FASB Accounting Standards Codification (ASC) 810-10-25-2 to 14 (Consolidation The Effect of Noncontrolling Rights on Consolidation). In addition, the consolidated financial statements also include variable interest entities (VIEs) of which the Company and its subsidiaries are primary beneficiaries pursuant to ASC 810 (Consolidation). Unless otherwise stated or the context otherwise requires, all amounts in such financial statements are expressed in Japanese yen.

References in this annual report to \ or yen are to Japanese yen and references to US$, $ or dollars are to United States dollars.

Certain monetary amounts and percentage data included in this annual report have been subject to rounding adjustments for the convenience of the reader. Accordingly, figures shown as totals in tables may not be equal to the arithmetic sums of the figures that precede them.

The Company s fiscal year ends on March 31. The fiscal year ended March 31, 2014 is referred to throughout this annual report as fiscal 2014, and other fiscal years are referred to in a corresponding manner. References to years not specified as being fiscal years are to calendar years.

Effective April 1, 2013, the Company implemented a 10-for-1 stock split of shares of its common stock and amended its unit share system such that one hundred shares constitutes one unit. The total number of authorized shares of ORIX s common stock increased from 259,000,000 shares to 2,590,000,000 shares, and the total number of shares of ORIX s common stock issued increased from 124,871,476 shares to 1,248,714,760 shares. As a result of the stock split, the ratio of ADSs (which may be evidenced by one or more American Depositary Receipts or ADRs) to underlying shares changed from 0.5 underlying shares per 1 ADS to 5 underlying shares per 1 ADS. Unless indicated otherwise, numbers of Shares of ORIX s common stock, per Share information for ORIX s common stock, for example historical dividend information, and ORIX s ADS information in this annual report have been retroactively adjusted to reflect the 10-for-1 stock split effective on April 1, 2013.

FORWARD-LOOKING STATEMENTS

This annual report contains statements that constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. When included in this annual report, the words will, should, expects, intends, anticipates, estimates and similar expressions, others, identify forward looking statements. Such statements, which include, but are not limited to, statements contained in Item 3. Key Information Risk Factors, Item 5. Operating and Financial Review and Prospects and

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Item 11. Quantitative and Qualitative Disclosures About Market Risk, inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those set forth in such statements. These forward-looking statements are made only as of the filing date of this annual report. The Company expressly disclaims any obligation or undertaking to release any update or revision to any forward-looking statement contained herein to reflect any change in the Company s expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

SELECTED FINANCIAL DATA

The following selected consolidated financial information has been derived from our consolidated financial statements as of each of the dates and for each of the periods indicated below except for Number of employees. This information should be read in conjunction with and is qualified in its entirety by reference to our consolidated financial statements, including the notes thereto, included in this annual report in Item 18, which have been audited by KPMG AZSA LLC.

	Year ended March 31,				
	2010	2011	2012	2013	2014
	(Millions of yen)				
Income statement data[1]:					
Total revenues	¥ 887,290	¥ 938,852	¥ 964,779	¥ 1,055,764	¥ 1,341,651
Total expenses	856,326	866,586	842,564	904,911	1,140,673
Operating income	30,964	72,266	122,215	150,853	200,978
Equity in net income of affiliates	8,364	16,806	1,983	13,836	17,825
Gains on sales of subsidiaries and affiliates and liquidation losses, net	17,420	1,199	3,317	7,883	64,923
Income before income taxes and discontinued operations	56,748	90,271	127,515	172,572	283,726
Income from continuing operations	35,723	65,437	82,907	118,890	186,490
Net income (loss) attributable to the noncontrolling interests	704	2,373	(332)	3,164	3,089
Net income attributable to the redeemable noncontrolling interests	2,476	2,959	2,724	3,985	4,108
Net income attributable to ORIX Corporation shareholders	36,512	66,021	83,509	111,909	186,794

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	As of March 31, 2010	2011	2012	2013	2014
	(Millions of yen, except number of Shares)				
Balance sheet data :					
Investment in direct financing leases[2]	¥ 756,481	¥ 830,853	¥ 900,886	¥ 989,380	¥ 1,094,073
Installment loans[2]	2,464,251	2,983,164	2,769,898	2,691,171	2,315,555
Subtotal	3,220,732	3,814,017	3,670,784	3,680,551	3,409,628
Investment in operating leases	1,213,223	1,270,295	1,309,998	1,395,533	1,375,686
Investment in securities	1,104,158	1,175,381	1,147,390	1,093,668	1,214,576
Other operating assets	186,396	219,057	206,109	233,258	312,774
Allowance for doubtful receivables on direct financing leases and probable loan losses	(157,523)	(154,150)	(136,588)	(104,264)	(84,796)
Others	2,155,031	2,237,310	2,135,137	2,140,964	2,841,524
Total assets	¥ 7,722,017	¥ 8,561,910	¥ 8,332,830	¥ 8,439,710	¥ 9,069,392
Short-term debt	¥ 573,565	¥ 478,633	¥ 457,973	¥ 420,726	¥ 309,591
Long-term debt	3,836,270	4,531,268	4,267,480	4,061,534	3,858,874
Common stock	143,939	143,995	144,026	194,039	219,546
Additional paid-in capital	178,661	179,137	179,223	229,600	255,449
ORIX Corporation shareholders equity	1,287,179	1,306,582	1,380,736	1,643,596	1,918,740
Number of issued Shares	1,102,299,480	1,102,458,460	1,102,544,220	1,248,714,760	1,322,777,628
Number of outstanding Shares	1,074,842,470	1,074,985,020	1,075,217,210	1,221,433,050	1,309,444,294

	As of and for the Year Ended March 31, 2010	2011	2012	2013	2014
	(Yen and dollars, except ratios and number of employees)				
Key ratios (%)[3]:					
Return on ORIX Corporation shareholders equity (ROE)	3.0	5.1	6.2	7.4	10.5
Return on assets (ROA)	0.45	0.81	0.99	1.33	2.13
ORIX Corporation shareholders equity ratio	16.7	15.3	16.6	19.5	21.2
Allowance/investment in direct financing leases and installment loans	4.9	4.0	3.7	2.8	2.5
Per Share data and employees:					
ORIX Corporation shareholders equity per Share[4]	¥ 1,197.55	¥ 1,215.44	¥ 1,284.15	¥ 1,345.63	¥ 1,465.31
Basic earnings per Share for income attributable to ORIX Corporation shareholders from continuing operations[5]	31.11	55.91	74.24	103.09	141.55
Basic earnings per Share for net income attributable to ORIX Corporation shareholders	35.83	61.42	77.68	102.87	147.30
Diluted earnings per Share for net income attributable to ORIX Corporation shareholders	30.58	51.83	65.03	87.37	142.77
Dividends applicable to fiscal year per Share	7.5	8	9	13	23
Dividends applicable to fiscal year per Share[6]	$ 0.08	$ 0.10	$ 0.12	$ 0.13	$ 0.22
Number of employees	17,725	17,578	17,488	19,043	25,977

(1) As a result of the recording of discontinued operations in accordance with FASB Accounting Standards Codification (ASC) 205-20 (Presentation of Financial Statements Discontinued Operations), results of operations that meet the criteria for discontinued operations are reported as a separate component of income, and those related amounts that had been previously reported have been reclassified.

(2) The sum of assets considered 90 days or more past due and loans individually evaluated for impairment amounted to ¥386,146 million, ¥344,855 million, ¥319,819 million, ¥236,291 million and ¥155,860 million as of March 31, 2010, 2011, 2012, 2013 and 2014, respectively. These sums included: (i) investment in direct financing leases considered 90 days or more past due of ¥25,682 million, ¥22,787 million,

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¥17,441 million, ¥15,806 million and ¥13,887 million as of March 31, 2010, 2011, 2012, 2013 and 2014, respectively, (ii) installment loans (excluding loans individually evaluated for impairment) considered 90 days or more past due of ¥12,321 million, ¥10,037 million, ¥8,604 million, ¥7,745 million and ¥6,149 million as of March 31, 2010, 2011, 2012, 2013 and 2014, respectively, and (iii) installment loans individually evaluated for impairment of ¥348,143 million, ¥312,031 million, ¥293,774 million, ¥212,740 million and ¥135,824 million as of March 31, 2010, 2011, 2012, 2013 and 2014, respectively. See Item 5. Operating and Financial Review and Prospects Results of Operations Year Ended March 31, 2014 Compared to Year Ended March 31, 2013 Details of Operating Results Revenues, New Business Volumes and Investments Asset quality.

(3) Return on ORIX Corporation shareholders equity is the ratio of net income attributable to ORIX Corporation shareholders for the period to average ORIX Corporation shareholders equity based on fiscal year beginning and ending balances for the period. Return on assets is the ratio of net income attributable to ORIX Corporation shareholders for the period to average total assets based on fiscal year beginning and ending balances for the period. ORIX Corporation shareholders equity ratio is the ratio as of the period end of ORIX Corporation shareholders equity to total assets. Allowance/investment in direct financing leases and installment loans is the ratio as of the period end of the allowance for doubtful receivables on direct financing leases and probable loan losses to the sum of investment in direct financing leases and installment loans.

(4) ORIX Corporation shareholders equity per Share is the amount derived by dividing ORIX Corporation shareholders equity by the number of outstanding shares.

(5) Basic earnings per Share for income attributable to ORIX Corporation shareholders from continuing operations is the amount derived by dividing income attributable to ORIX Corporation shareholders from continuing operations by the weighted-average number of shares outstanding based on month-end balances during the fiscal year. The term basic earnings per Share for income attributable to ORIX Corporation shareholders from continuing operations as used throughout this annual report has the meaning described above.

(6) The U.S. dollar amounts represent translations of the Japanese yen amounts using noon buying rates for Japanese yen per $1.00 in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York in effect on the respective dividend payment dates.

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EXCHANGE RATES

The following table provides the noon buying rates for Japanese yen, expressed in Japanese yen per $1.00 in New York City for cable transfers in foreign currencies. As of June 20, 2014, the noon buying rate for Japanese yen was ¥102.14 = $1.00. No representation is made that the yen or dollar amounts referred to herein could have been or could be converted into dollars or yen, as the case may be, at any particular rate or at all.

	Year Ended March 31, (Yen per dollar)				
	2010	2011	2012	2013	2014
Yen per dollar exchange rates:					
High	¥ 100.71	¥ 94.68	¥ 85.26	¥ 96.16	¥ 105.25
Low	86.12	78.74	75.72	77.41	92.96
Average of the last days of the months	92.49	85.00	78.86	83.26	100.46
At period-end	93.40	82.76	82.41	94.16	102.98

The following table provides the high and low noon buying rates for yen, expressed in yen per $1.00, during the months indicated.

	High	Low
2013		
December	¥ 105.25	¥ 101.82
2014		
January	¥ 104.87	¥ 102.20
February	102.71	101.11
March	103.38	101.36
April	103.94	101.43
May	102.34	101.26

RISK FACTORS

Investing in our securities involves risks. You should carefully consider the risks described below as well as all the other information in this annual report, including, but not limited to, our consolidated financial statements and related notes and Item 11. Quantitative and Qualitative Disclosures about Market Risk. Our business activities, financial condition and results of operations and the trading prices of our securities could be adversely affected by any of the factors discussed below or other factors. This annual report also contains forward-looking statements that involve uncertainties. Our actual results could differ from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, the risks faced by us described below and elsewhere in this annual report. See Forward-Looking Statements. Forward-looking statements in this section are made only as of the filing date of this annual report.

1. Risks Related to our External Environment

(1) Protracted global economic weakness and instability could adversely affect our business activities, financial condition and results of operations

Our business is affected by general economic conditions and financial conditions in Japan and in various foreign countries. Although steady growth in the global economy is anticipated due in part to economic upturn in developed countries, particularly the United States, downside risks, such as decelerating growth in emerging economies, still remain. In the United States, the Quantitative Easing Program (QE3) is on a tapering trend. However, we expect the United States to continue to lead the global economy, maintaining stable growth with recovery in the employment market, increasing housing demand, and increasing consumer spending. In Asia, while China is in the process of shifting the emphasis of its economic policy away from high growth and toward stable growth, other emerging economies are expected to see increases in investments with a focus on high growth, due in part to economic resurgence among developed countries. In Japan, consumer spending and housing investment are expected to decrease in reaction to the consumption tax hike that went into effect on April 1, 2014. However, we anticipate steady recovery of the Japanese economy due to monetary easing and various economic measures by the Bank of Japan and the Abe administration, coupled with stable levels of employment.

Despite our attempts to minimize risks that are affected by an unstable economic climate through, for example, improving risk management procedures, future instability in the global economy could adversely affect our business activities, financial condition and results of operations.

(2) We may lose market share or suffer reduced profitability as a result of competition based on pricing and other terms

We compete on the basis of pricing, transaction structure, service quality and other terms. If our competitors seek to compete aggressively on the basis of pricing and other terms without regard to profitability, we may lose market share. Similarly, some of our competitors are larger than we are, can access capital at a lower cost than we can and are better able to maintain profits at reduced prices. If we try to match aggressive terms offered by competitors, our profitability may decline.

(3) Negative rumors could affect our business activities, financial condition, results of operations and share price

Our business depends upon the confidence of customers and market participants. Negative rumors about our activities, our industries or parties with whom we do business could harm our reputation and diminish confidence in our business. If we suffer reputational damage as a result of any rumors, we may lose customers or business opportunities, which could adversely affect our business activities, financial condition, and results of operations, and our share price could decline.

(4) Our business may be adversely affected by economic fluctuations and political disturbances

We conduct business operations in Japan as well as in the United States, Asia, Oceania, the Middle East and Europe. Our operations in the United States, Asia and Oceania are especially large. One of our mid-term management strategies is Embracing growth in emerging markets including Asia. While we anticipate growth in Greater China, we are taking a cautious approach, taking into consideration the downside risks of the Chinese economy. In addition, we plan to pursue further expansion in Europe. Shifts in commodity market prices and consumer demand, political instability or religious strife in these and other regions could adversely affect our business activities, financial condition and results of operations.

(5) Our business activities, financial condition and results of operations may be adversely affected by unpredictable events

Our business activities, financial condition and results of operations may be adversely affected by unpredictable events or any continuing effects caused by such events. Unpredictable events include man-made events, such as accidents, war, terrorism and insurgency, and natural events, such as earthquakes, storms, tsunamis, fires and outbreaks of new strains of influenza or other infectious diseases. If any such event occurs, it may, among other things, cause unexpectedly large market price movements or an unexpected deterioration of economic conditions in a country or region. If such a sudden and unpredictable event occurs, our business activities, financial condition and results of operations may be adversely affected as a result.

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(6) Dispositions of Shares may adversely affect market prices for our Shares

As of June 24, 2014, four of our shareholders have filed large shareholder reports pursuant to the Financial Instruments and Exchange Act (FIEA) indicating at the time of its filing beneficial ownership, as that term is used in the FIEA, by the relevant shareholder of more than five percent of the total number of our outstanding Shares. Our shareholders may, for strategic, investment or other reasons, decide to reduce their shareholdings in ORIX. Dispositions of Shares, particularly dispositions of large numbers of Shares by major shareholders, may adversely affect market prices for our Shares. For information on major shareholders, see Item 7. Major Shareholders and Related Party Transactions.

A large portion of our Shares is held by investors outside Japan. Due to changes in the global economy or political conditions, investors outside Japan have at times reduced their investments in Japanese stocks. Further or renewed reduction in Japanese stock investment by such investors may adversely affect market prices for our Shares.

2. Credit Risk

(1) Our allowance for doubtful receivables on direct financing leases and probable loan losses may be insufficient and our credit-related costs might increase

We maintain an allowance for doubtful receivables on direct financing leases and probable loan losses. However, we cannot be sure that the allowance will be adequate to cover future credit losses. This allowance may be inadequate due to unexpected adverse changes in the Japanese and overseas economies in which we operate, or deterioration in the conditions of specific customers, industries or markets.

We are constantly striving to improve our portfolio management, however, we may be required to make additional provisions in the future depending on the economic trends.

To enhance our collections from debtors, we may forbear from exercising some or all of our rights as a creditor against companies that are unable to fulfill their repayment obligations. We may also forgive loans or extend additional loans to such companies. Furthermore, if, due to adverse economic or market conditions, the value of underlying collateral and guarantees declines, our credit-related costs might increase. If we need to increase our allowance for doubtful receivables on direct financing leases and probable loan losses, or if our credit-related costs increase to cover these changes or events, our business activities, financial condition and results of operations could be adversely affected.

3. Business Risk

(1) We are exposed to risks from our diverse and expanding range of products and services, acquisitions of companies and assets, and entry into joint ventures and alliances

We are expanding the range of our businesses in Japan and overseas. Such expansion may expose us to new and complex risks that we may be unable to fully control or foresee, and, as a result, we may incur unexpected and potentially substantial costs or losses. In addition, we may not achieve targeted results if business opportunities do not develop or increase as expected or if competitive pressures undermine profitability.

As part of our business expansion, we may acquire companies or businesses. If the results of operations of an acquired company or business are lower than what we expected at the time we made such acquisition, we could be required to make large write-downs of goodwill or other assets.

From time to time we also enter into joint ventures and other alliances, and the success of these alliances is often dependent upon the financial and legal stability of our counterparties. If an alliance suffers a decline in financial condition or is subject to operational instability because of a change in applicable laws or regulations, we may be required to pay in additional capital, reduce our investment at a loss, or terminate the alliance.

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The contribution from our consolidated subsidiaries and equity method affiliates to our consolidated results of operations is an important component of our income. There can be no assurance that this contribution will be maintained. Furthermore, there can be no assurance that we will continue to identify attractive investment opportunities, or that investments will be as profitable as we originally expected.

Our subsidiaries and affiliates have a wide range of business operations, including operations that are very different from our financial services business. If we fail to manage our investee companies effectively, we may experience financial losses as well as losses of future business opportunities. In addition, we may not be able to sell or otherwise dispose of investments at times or prices we initially expected or at all. We may also need to provide financial support, including credit support or equity investments, to some investee companies if their financial condition deteriorates.

If any such events occur, our business activities, financial condition and results of operations may be adversely affected.

(2) We are exposed to risks related to asset and collateral value volatility

We invest in ships, aircraft, real estate and other assets in Japan and overseas. The market values of our investments are volatile and may decline substantially in the future.

Valuation losses of our assets are recorded based on end-of-period fair market values in accordance with applicable accounting principles. However, losses from the sale of these assets, including as a result of a sudden need for liquidity, may exceed the amount of recorded valuation losses.

We estimate the residual value for operating leases at the time of contract. Our estimates of the residual value of equipment are based on current market values of used equipment and assumptions about when and to what extent the equipment will become obsolete; however, we may need to recognize additional valuation losses if our estimates differ from actual trends in equipment valuation and the secondhand market, and we may incur losses if we are unable to collect such estimated residual amounts.

We acquire collateral including real estate properties when we provide installment loans. If the value of this collateral decreases as a result of changes in market conditions, the expected collectable amount from the relevant loans may decrease and the provision for doubtful receivables and probable loan losses may increase accordingly.

In such event, our business activities, financial condition and results of operations may be adversely affected.

(3) Risks related to our other businesses

We operate a wide range of diversified businesses in Japan and overseas, including financial services business. Entry into these businesses, and the results of operations following such entry, are accompanied by various uncertainties, and if any unanticipated risk does eventuate, this may adversely affect our business activities, financial condition and results of operations.

4. Market Risk

(1) Changes in market interest rates and currency exchange rates could adversely affect our assets and our business activities, financial condition and results of operations

Our business activities are subject to risks relating to changes in market interest rates and currency exchange rates in Japan and overseas. Although we conduct asset-liability management (ALM), changes in the yield curve could adversely affect our results of operations.

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When fund procurement costs increase due to actual or perceived increases in market interest rates, financing lease terms and loan interest rates for new transactions may diverge from the trend in market interest rates.

Changes in market interest rates could have an adverse effect on the credit quality of our assets and our asset structure. For example, with respect to floating-rate loan assets, if market interest rates increase, the repayment burdens of our customers may also increase, which could adversely affect the financial condition of such customers and their ability to repay their obligations to us. Alternatively, a decline in interest rates could result in increased prepayments of loans and a decrease in our assets.

We do not perfectly hedge all of the currency risks that arise from business operations in foreign currencies and overseas investments. As a result, a significant change in interest rates or currency exchange rates could have an adverse impact on our business activities, financial condition and results of operations.

(2) Our use of derivatives may adversely affect our business activities, financial condition and results of operations

We use derivative instruments to reduce investment portfolio price fluctuations and manage interest rate and currency risk. However, we may not be able to successfully manage these risks through the use of derivatives. Furthermore our derivatives counterparties could fail to honor the terms of their contracts with us. We also may be unable to enter into derivative transactions if our credit ratings are downgraded.

We may also suffer losses from trading activities, a part of which includes the use of derivative instruments. As a result, our financial condition and results of operations could be adversely affected.

Our use of derivatives may adversely affect our business activities, financial condition and results of operations.

(3) Fluctuations in market prices of stocks and bonds may adversely affect our business activities, financial condition and results of operations

We hold investments in shares of private and public company stock, including shares of our equity method affiliates, and bonds, in Japan and overseas. The market values of our investment assets are volatile and may decline substantially in the future. A significant decline in the value of our investment assets could adversely affect our business activities, financial condition and results of operations.

5. Liquidity Risk (Risk Relating to Fund Procurement)

(1) Our access to liquidity and capital may be restricted by economic conditions, instability in the financial markets or changes in our credit ratings

Our primary sources of funds from financing activities include: borrowings from banks and other institutional lenders, funding from capital markets (such as offerings of commercial paper (CP), straight bonds and medium-term notes, asset-backed securities and other debt securities) and deposits. Such sources include a significant amount of short-term debt, such as CP and other short-term borrowings from various institutional lenders, and the portion of our long-term debt maturing in the current fiscal year. Some of our committed credit lines require us to comply with financial covenants.

Adverse economic conditions or financial market instability, among other things, may adversely affect our ability to raise new funds or to renew existing funding sources, may subject us to increased funding costs or credit market volatility or may cause a decline in demand for our securities. If our access to liquidity is restricted, or if we are unable to obtain our required funding at acceptable costs, our business activities, financial condition and results of operations may be significantly and adversely affected.

We obtain credit ratings from ratings agencies. Downgrades of our credit ratings could result in increases in our interest expenses and could have an adverse effect on our fund-raising ability by increasing costs of issuing CP and corporate debt securities, decreasing investor demand for our securities, increasing our bank borrowing costs or reducing the amount of bank credit available to us. As a result, our business activities, financial condition and results of operations may be significantly and adversely affected.

6. Legal Risk

(1) Enactment of, or changes in, laws, regulations and accounting standards may affect our business activities, financial condition and results of operations

Enactment of, or changes in, laws and regulations may affect the way that we conduct our business, the products or services that we may offer, as well as our customers, borrowers, invested companies and funding sources. Such enactment or changes may cause our costs to increase, or if relating to accounting standards, may significantly affect how we record and report our financial condition and results of operations, even if our underlying business fundamentals remain the same. As a result of such enactment or changes, our business activities, financial condition and results of operations could be adversely affected.

(2) A failure to maintain adequate controls to comply with regulations may harm our reputation and adversely affect our business activities, financial condition and results of operations

Our business and employees in Japan are subject to laws, as well as regulatory oversight by government authorities who implement those laws, relating to the various fields in which we operate. These include laws and regulations applicable to financial institutions, such as the Moneylending Business Act, the Installment Sales Act, the Insurance Business Act, the Banking Act, the Trust Business Act, the Building Lots and Buildings Transaction Business Act and the Building Standards Act, as well as general laws applicable to our business activities, such as the Companies Act, the Financial Instruments and Exchange Act, the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act on the Protection of Personal Information.

Our businesses outside of Japan are also subject to the laws and regulations of the jurisdictions in which they operate and are subject to oversight by the regulatory authorities of those jurisdictions. For example, in addition to being subject to U.S. securities laws, we are also subject to the USA Patriot Act, which prohibits us from entering into any transactions with countries listed as state sponsors of terrorism, and the U.S. Foreign Corrupt Practices Act, which prohibits us from offering bribes to foreign public servants.

Certain of our businesses are subject to industry-specific laws and regulations requiring, among other things, that each company conduct independent operations and maintain financial soundness and appropriateness of business activities. A total or partial suspension of operations or the revocation of one or more of our licenses may adversely affect our business activities, financial condition and results of operations.

Our effort to implement thorough internal controls for compliance and legal risk management to prevent violations of applicable laws and regulations, may not be fully effective in preventing all violations. In addition, we engage in a wide range of businesses, and our expansion into new businesses through acquisitions may require us to revise or cause our current internal controls to cease to function adequately. In such cases, we may be subject to sanctions or penalties, which could apply to our officers or employees, if we fail to revise them properly or at all. Such events could adversely affect our business activities, financial condition, results of operations and reputation.

Regardless of whether we have violated any laws, if we become the subject of a governmental investigation, litigation or other proceeding in connection with our businesses, our business activities, financial condition and results of operations may be adversely affected.

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7. Operational Risk

(1) Failures in our computer and other information systems could interfere with our operations and damage our business activities, financial condition and result of operations

We use information systems for financial transactions, personal information management, business monitoring and processing and as part of our business decision-making and risk management activities. Some of these information systems may be outsourced.

System shutdowns, malfunctions or failures, the mishandling of data or fraudulent acts by employees, vendors or other third parties, or infection by a computer virus, could have adverse effects on our operations, for example by causing delay in the receipt and payment of funds, the leak or destruction of confidential or personal information, the generation of errors in information used for business decision-making and risk management and the suspension of other services provided to our customers. In such event, our liquidity or the liquidity of customers who rely on us for financing or payment could be adversely affected.

Our information system equipment could suffer damage from a large-scale natural disaster or from terrorism, such as hacking or other unauthorized access. If networks or information systems fail, we could experience interruption of business activity, delay in the receipt and payment of funds, or substantial costs for recovery of functionality. As a result, our business activities, financial condition and results of operations may be adversely affected.

(2) We may not be able to hire or retain qualified personnel

Our businesses require a considerable investment in human resources and the retention of qualified personnel in order to successfully compete in markets in Japan and overseas. If we cannot develop, hire or retain the necessary qualified personnel, our business activities, financial condition and results of operations may be adversely affected.

(3) If our internal controls over financial reporting are insufficient, our share price, reputation and business activities may be adversely affected

We have established and assessed our internal controls over financial reporting in a manner intended to ensure compliance with the requirements of various laws and regulations. However, in future periods we or our independent registered public accounting firm may identify material weaknesses in our internal controls over financial reporting, such finding may cause us or our accountants to disclose that our internal controls over financial reporting are ineffective, which could cause a loss of investor confidence in the reliability of our financial statements and cause our share price to fall. In any such case, our business activities, financial condition and results of operations may be adversely affected.

(4) Our risk management may not be effective

We continuously seek to improve our risk management function. However, due to the rapid expansion of our business or significant changes in the business environment, our risk management may not be effective in some cases. As a result, our business activities, financial condition and results of operations could be adversely affected.

(5) Other operational risks

Our business entails many types of operational risk. Examples include inappropriate sales practices; inadequate handling of client and customer complaints; inadequate internal communication of necessary information; misconduct of officers, employees, agents, franchisees, trading associates, vendors or other third parties; errors in the settlement of accounts and conflicts with employees concerning labor and workplace management.

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Our management attempts to control operational risk and maintain it at a level that we believe is appropriate. Notwithstanding our control measures, operational risk is part of the business environment in which we operate, and our business activities, financial condition and results of operations may be adversely affected at any time due to this risk. Even if we do not incur direct pecuniary loss, our reputation may be adversely affected.

8. Risks Related to Holding or Trading our Shares and ADRs

(1) Rights of shareholders under Japanese law may be different from those under the laws of other jurisdictions

Our Articles of Incorporation, the regulations of our board of directors and the Companies Act govern our corporate affairs. Legal principles relating to matters such as the validity of corporate procedures, directors and officers fiduciary duties and shareholders rights are different from those that would apply if we were incorporated elsewhere. Shareholders rights under Japanese law are different in some respects from shareholders rights under the laws of jurisdictions within the United States and other countries. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in a jurisdiction outside Japan. For a detailed discussion of the relevant provisions of the Companies Act and our Articles of Incorporation, see Item 10. Additional Information Memorandum and Articles of Incorporation.

(2) It may not be possible for investors to affect service of process within the United States upon ORIX or ORIX s directors or executive officers, or to enforce against ORIX or those persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States

ORIX is a joint stock company incorporated in Japan. Most or all of ORIX s directors and executive officers are residents of countries other than the United States. Although some of ORIX s subsidiaries have substantial assets in the United States, substantially all of ORIX s assets and the assets of ORIX s directors and executive officers are located outside the United States. As a result, it may not be possible for investors to affect service of process within the United States upon ORIX or ORIX s directors and executive officers or to enforce against ORIX or those persons, in U.S. courts, judgments of U.S. courts predicated upon the civil liability provisions of U.S. securities laws. ORIX has been advised by its Japanese counsel that there is doubt, in original actions or in actions to enforce judgments of U.S. courts, as to the enforceability in Japan of civil liabilities based solely on U.S. securities laws. A Japanese court may refuse to allow an original action based on U.S. securities laws.

The United States and Japan do not currently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil or commercial matters. Therefore, if you obtain a civil judgment by a U.S. court, you will not necessarily be able to enforce such judgment directly in Japan.

(3) We expect to be a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. investors

We believe that we will be a passive foreign investment company under the U.S. Internal Revenue Code for the year to which this report relates and for the foreseeable future because of the composition of our assets and the nature of our income. Assuming this is the case, U.S. investors in our Shares or ADSs will be subject to special rules of taxation in respect of certain dividends or gains on such Shares or ADSs, including the treatment of gains realized on the disposition of, and certain dividends received on, the Shares or ADSs as ordinary income earned pro rata over a U.S. investor s holding period for such Shares or ADSs, taxed at the maximum rate applicable during the years in which such income is treated as earned, and subject to interest charges for a deemed deferral benefit. In addition, the favorable rates of tax applicable to certain dividends received by certain non-corporate U.S. investors would not be available. See Item 10. Additional Information Taxation United States Taxation. Investors are urged to consult their own tax advisors regarding all aspects of the income tax consequences of investing in our Shares or ADSs.

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(4) If you hold fewer than 100 Shares, you will not have all the rights of shareholders with 100 or more Shares

One unit of our Shares is comprised of one hundred Shares. Each unit of the Shares has one vote. A holder who owns Shares other than in multiples of one hundred will own less than a whole unit (i.e., for the portion constituting of fewer than one hundred Shares.) The Companies Act imposes significant restrictions on the rights of holders of shares constituting less than a whole unit, which include restrictions on the right to vote. Under the unit share system, a holder of Shares constituting less than a unit has the right to require ORIX to purchase its Shares and the right to require ORIX to sell it additional Shares to create a whole unit. However, a holder of ADRs is not permitted to withdraw underlying Shares representing less than one unit, which is equivalent to 20 ADSs, and, as a practical matter, is unable to require ORIX to purchase those underlying Shares. The unit share system, however, does not affect the transferability of ADSs, which may be transferred in lots of any number of whole ADSs.

(5) Foreign exchange fluctuations may affect the value of our securities and dividends

Market prices for our ADSs may decline if the value of the yen declines against the dollar. In addition, the dollar amount of cash dividends or other cash payments made to holders of ADSs will decline if the value of the yen declines against the dollar.

(6) A holder of ADRs has fewer rights than a shareholder and must act through the depositary to exercise those rights

The rights of shareholders under Japanese law to take various actions, including voting shares, receiving dividends and distributions, bringing derivative actions, examining a company s accounting books and records and exercising dissenters rights, are available only to holders of record on a company s register of shareholders. The Shares represented by our ADSs are registered in the name of a nominee of the depositary, through its custodian agent. Only the depositary is able to exercise those rights in connection with the deposited Shares. The depositary will make efforts to vote the Shares represented by our ADSs as instructed by the holders of the ADRs representing such ADSs and will pay to those holders the dividends and distributions collected from us. However, a holder of ADRs will not be able to directly bring a derivative action, examine our accounting books and exercise dissenters rights through the depositary unless the depositary specifically undertakes to exercise those rights and is indemnified to its satisfaction by the holder for doing so.

Item 4. Information on the Company

GENERAL

ORIX is a joint stock corporation *(kabushiki kaisha)* formed under Japanese law. Our principal place of business is at World Trade Center Building, 2-4-1 Hamamatsu-cho, Minato-ku, Tokyo 105-6135, Japan, and our phone number is: +81 3 3435 3000. Our general contact URL is https://ssl.orix-form.jp/ir/inquiry_e/ and our corporate website URL is: http://www.orix.co.jp/grp/en. The information on our website is not incorporated by reference into this annual report. ORIX USA Corporation (ORIX USA) is ORIX s agent in the United States, and its principal place of business is at 1717 Main Street, Suite 1100, Dallas, Texas 75201, USA.

CORPORATE HISTORY

ORIX was established on April 17, 1964 in Osaka, Japan as Orient Leasing Co., Ltd. by three trading companies and five banks that included Nichimen Corporation, Nissho Corporation and Iwai Corporation (presently Sojitz Corporation), the Sanwa Bank (presently The Bank of Tokyo-Mitsubishi UFJ, Ltd.), Toyo Trust & Banking (presently Mitsubishi UFJ Trust and Banking Corporation), the Industrial Bank of Japan and Nippon Kangyo Bank (presently Mizuho Bank, Ltd.), and the Bank of Kobe (presently Sumitomo Mitsui Banking Corporation).

Our initial development occurred during the period of sustained economic growth in Japan during the 1960s and the early 1970s. We capitalized on the growing demand in this period by expanding our portfolio of leasing assets.

During this time, our marketing strategy shifted from a focus on using the established networks of the trading companies and other initial shareholders to one that concentrated on independent marketing as the number of our branches expanded. In April 1970, we listed our Shares on the second section of the Osaka Securities Exchange. Since February 1973, our Shares have been listed on the first sections of the Tokyo Stock Exchange and the Osaka Securities Exchange (which was integrated into Tokyo Stock Exchange in 2013). ORIX was also listed on the first section of the Nagoya Stock Exchange from February 1973 to October 2004.

ORIX set up a number of specialized leasing companies to tap new market potential, starting with the establishment of Orient Auto Leasing Corporation (presently ORIX Auto Corporation) in 1973 and Orient Instrument Rentals Corporation (presently ORIX Rentec Corporation), Japan s first electric measuring equipment rental company, in 1976. With the establishment of the credit company Family Consumer Credit Corporation (presently ORIX Credit Corporation, concentrating on card loans) in 1979, ORIX began to move into the retail market by offering financing services to individuals.

It was also during this time that ORIX began expanding overseas, commencing with the establishment of its first overseas office in Hong Kong in 1971, followed by Singapore (1972), Malaysia (1973), Indonesia (1975), the Philippines (1977) and Thailand (1978).

In the 1980s and early 1990s, ORIX established offices in Sri Lanka (1980), the United States (1981), Australia (1986), Pakistan (1986) and Taiwan (1991). The Japanese company Budget Rent-a-Car (presently ORIX Auto Corporation) was also established in 1985.

In 1989, we introduced a corporate identity program and changed our name to ORIX Corporation from Orient Leasing Co., Ltd. to reflect our increasingly international profile and diversification into financial services other than leasing.

In 1991 ORIX established ORIX Aviation Systems Limited in Ireland. In the same year, ORIX established ORIX Omaha Life Insurance Corporation (presently ORIX Life Insurance Corporation) and entered the life insurance business. In 1998 ORIX purchased Yamaichi Trust & Bank, Ltd. (presently ORIX Bank Corporation). In 1998, ORIX listed on the New York Stock Exchange (Ticker Symbol: IX) and, through registration with the SEC, has worked to further strengthen its corporate governance regulations. ORIX Real Estate Corporation was established in 1999 to concentrate on condominium development that was first begun in 1993 as well as develop office buildings in pursuit of improved real estate expertise. In 1999 we established ORIX Asset Management and Loan Services Corporation.

Since 2000, we have actively expanded our automobile-related operations by acquiring companies and assets. We combined seven automobile-related companies into ORIX Auto Corporation in 2005.

We have also continued our overseas expansion. In China, we established a rental company in Tianjin in 2004 and in 2005 established a leasing company in Shanghai. In 2009, we established a Chinese Headquarters in Dalian. We also set up local subsidiaries in Saudi Arabia (2001), the United Arab Emirates (2002) and Kazakhstan (2005).

In 2006, we entered the investment banking field in the United States with the acquisition of Houlihan Lokey Inc. (Houlihan Lokey). In 2010, we acquired RED Capital Group, a U.S.-based company that provides financing for multi-family, senior living and healthcare-related real estate development projects in the United States. In 2010, we also acquired Mariner Investment Group LLC, a leading independent SEC-registered hedge fund manager.

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We managed ORIX Credit Corporation (ORIX Credit) over a continuous three-year period jointly with Sumitomo Mitsui Banking Corporation pursuant to an alliance established in July 2009. In June 2012, ORIX purchased all the shares of ORIX Credit, making ORIX Credit a wholly-owned subsidiary of ORIX.

In July 2013, ORIX acquired Robeco Groep N.V. (Robeco), a global asset management company based in the Netherlands, to pursue a new business model by combining finance with related services.

STRATEGY

Target Performance Indicators

In its pursuit of sustainable growth, ORIX Group uses the following performance indicators: Net income attributable to ORIX Corporation shareholders to indicate profitability, ROE to indicate capital efficiency and ROA to indicate asset efficiency. ORIX aims to steadily achieve 10% ROE by increasing asset efficiency through quality asset expansion to capture business opportunities and to increase capital efficiency by strengthening profit-earning opportunities such as fee-based businesses.

Three-year trends in performance indicators are as follows.

		As of March 31,		
		2012	2013	2014
Net income attributable to ORIX Corporation shareholders	(Millions of yen)	¥ 83,509	¥ 111,909	¥ 186,794
ROE[1]	(%)	6.2	7.4	10.5
ROA[2]	(%)	0.99	1.33	2.13

(1) ROE is the ratio of Net income attributable to ORIX Corporation shareholders for the period to average ORIX Corporation shareholders equity based on fiscal year beginning and ending balances.

(2) ROA is the ratio of Net income attributable to ORIX Corporation shareholders for the period to average total assets based on fiscal year beginning and ending balances.

Medium- and Long-Term Corporate Management Strategies

ORIX Group believes that it is vital to respond to changes in the market environment with agility and flexibility. ORIX Group consists of six business segments (Corporate Financial Services, Maintenance Leasing, Real Estate, Investment and Operation, Retail, and Overseas Business) representing a wide range of businesses, ORIX controls Group-wide risk through this diversified business portfolio. At the same time, ORIX aims to secure profits and business opportunities through the complementary nature of its diversified portfolio.

From a funding standpoint, ORIX continues to maintain a stable financial base characterized by high percentage of long-term debt from various funding sources that include borrowings from financial institutions and issuance of bonds in various markets, and ORIX Bank Corporation (ORIX Bank) deposits.

ORIX will continue pursuing its medium-term management strategies of accelerating Finance + Services and Embracing growth in emerging markets including Asia while focusing on expanding operations through business portfolio diversification. Additionally, by committing to new pillars of business to pursue medium- to long-term growth ORIX aims to challenge new business opportunities arising from the changing environment.

Accelerating Finance + Services : After the occurrence of structural changes in the finance business environment caused by the financial crisis, ORIX seeks to provide additional high value-added services has been deemed essential for pursuing increased profitability in the finance business. ORIX Group has been providing Finance + Services through its maintenance leasing, facilities operation, aircraft

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leasing, and asset management businesses. ORIX Group will capitalize on its accumulated Group client base, know-how and expertise to develop new business areas and provide more advanced services.

Embracing growth in emerging markets including Asia : In Asia s emerging economies, while China is in the process of shifting the emphasis of its economic policy away from high growth toward stable growth, other emerging Asian economies are expected to see increases in investments with a focus on high growth, due in part to economic resurgence among developed countries. ORIX Group will embrace growth in these countries by expanding operations through capitalizing on its local subsidiaries and the partner networks it has established in emerging markets including Asia in addition to leveraging its successful investment track record.

Establishing new pillars of business to pursue medium- to long-term growth : Business environment and customers needs are constantly changing, and even with existing businesses, ORIX believes that it is capable of capturing new profit-generating opportunities by modifying its existing business model. At the same time, ORIX will continue to provide products and services valued by customers and society by creating new pillars of business that will support future growth through Group-wide collaboration that transcends business divisions.

Evolution of Corporate Culture Underpinning the Management Strategies

It is vital for ORIX Group to continue maintaining and developing a business structure that flexibly and swiftly adapts to a changing operating environment. ORIX will take the following three steps in order to execute our medium- and long-term corporate management strategies.

1. *Further advance risk management*. Implement thorough and transparent monitoring and control of risks, which take into account characteristics of each business and the changing environment it operates in, and promote medium-term management strategies. ORIX will also continue to maintain financial stability.

2. *Pursue transactions that are both socially responsible and economically viable*. Pursue transactions that are socially responsible from compliance and environmental standpoints while providing products and services that are valued by clients and that improve ORIX Group s profitability.

3. *Create a fulfilling workplace*. Focus on ORIX Group s strengths as a global organization to create a fulfilling work environment for all employees, regardless of nationality, age, gender, background or type of employment.

PROFILE OF BUSINESS BY SEGMENT

Our reportable segments are based on ASC 280 (Segment Reporting). For a discussion of the basis for the breakdown of segments, see Note 34 in Item 18. Financial Statements. The following table shows a breakdown of profits by segment for the years ended March 31, 2012, 2013 and 2014.

	Years ended March 31,		
	2012	2013	2014
	(Millions of yen)		
Corporate Financial Services	¥ 22,989	¥ 25,932	¥ 24,874
Maintenance Leasing	33,253	34,913	37,062

Real Estate	1,349	5,582	17,956
Investment and Operation	15,983	34,937	94,111
Retail	19,352	43,209	49,871
Overseas Business	49,768	52,756	69,688
Total segment profits	142,694	197,329	293,562
Difference between segment total and consolidated amounts	(15,179)	(24,757)	(9,836)
Total Consolidated Amounts	¥ 127,515	¥ 172,572	¥ 283,726

Each of our segments is briefly described below.

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BUSINESS SEGMENTS

ORIX organizes its businesses into six segments to facilitate strategy formulation, resource allocation and portfolio balancing at the segment level. These six business segments are: Corporate Financial Services, Maintenance Leasing, Real Estate, Investment and Operation, Retail and Overseas Business. Management believes that organizing our business into large, strategic units allows us to maximize our corporate value by identifying and cultivating strategic advantages vis-à-vis anticipated competitors in each area and by helping ORIX Group achieve competitive advantage.

An overview of operations, operating environment and operating strategy for each of the six segments follows.

Corporate Financial Services

Overview of Operation

Operating through a nationwide network, ORIX provides leasing and loans and other products and services to its core customer base of domestic small and medium-sized enterprises (SMEs). The Corporate Financial Services segment functions as the central point of contact for the entire ORIX Group by gathering information on customers and products/services and responding to customer needs, including in connection with business succession and overseas expansion.

This segment has its origin in the leasing business developed at the time of ORIX s establishment in 1964. Even today, this segment serves as the foundation for the entire ORIX Group s sales activities.

This segment promotes consolidated management by target sharing with other business segments and Group companies, both domestic and foreign. In this way, this segment creates cross-functional tie ups with Group customers in order to swiftly provide wide-ranging services backed by expertise.

Operating Environment

In Japan, despite concerns over the impact of the consumption tax hike that went into effect on April 1, 2014, we have seen a steady increase in capital expenditures as corporate sentiment grew positive due to improvement in corporate revenues. We have also seen an increase in lending by financial institutions to SMEs in addition to large corporations. Going forward we anticipate an increase in capital expenditures by corporations capitalizing on the favorable financing environment.

On the other hand, due to the suspended operation of Japan s nuclear power stations since the Great East Japan Earthquake, corporate business activities have been impacted by electricity supply constraints and an increase in the cost of electricity. Nevertheless, the number of domestic corporate bankruptcies decreased for the fifth consecutive fiscal year thanks to sustained financial support by financial institutions, even after the expiration of the SME Financing Facilitation Act, and a decrease in bankruptcies in the construction and real estate industries, owing to an increase in public works projects associated with reconstruction following the Great East Japan Earthquake, and the selection of Tokyo as the host city of 2020 Olympics and Paralympics.

Overview of Business Strategies

Expand the customer base through strengthened cooperation with group companies

Accumulate small-sized quality assets

Expand fee revenues by capturing environment and energy-related demands

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Operating Strategy

Through various transactions, sales personnel in the Corporate Financial Services segment deepen their understanding of the segment s customers, including their specific needs and management issues. With this segment constituting ORIX s sales platform, sales personnel develop and deliver optimum solutions to customers by leveraging the high-level expertise of the Group s business segments to expand the Group s business opportunities. We seek to enhance the profitability of the Group as a whole by expanding the customer base through stronger cooperation with Group companies and by accumulating small-sized quality assets. Moreover, we seek to increase revenues from fee business by providing products and services aligned with customer needs to accelerate the pace of its Finance + Services strategy.

This segment promotes consolidated management by sharing business targets with other business segments and Group companies, both domestic and foreign, particularly ORIX Auto Corporation and ORIX Rentec Corporation. By promoting consolidated management, we seek to strengthen customer relations so that the customers of our Group companies including the customers of ORIX Auto Corporation will also become customers for other products and services offered by the Group.

The launch of solar panel sales has enabled the Corporate Financial Services segment to generate new customer relationships. This segment endeavors to expand transactions not only with customers who actually purchased solar panels but with all potential customers to whom it marketed solar panels by continuing to offer solutions to management issues, which lead to sales of the Group s products and services. In addition to sales of solar panels, this segment seeks to develop new businesses and services in order to expand the Group s customer base and build a more stable revenue base.

Maintenance Leasing

Overview of Operation

The Maintenance Leasing segment consists of ORIX s automobile and rental operations, both of which possess a high level of expertise.

In its automobile leasing business, ORIX engages in leasing, automobile rental and car sharing businesses. Automobile leasing operations began by offering leases including maintenance to corporate clients. Today, the segment s services include a complete range of vehicle maintenance outsourcing services requiring high-level expertise that encompasses solutions that meet clients compliance, environmental and safety management needs. This segment also offers a broad spectrum of tailor-made services that address both corporate and individual client needs.

Having initially specialized in precision measuring equipment rentals for corporate customers, the rental business has greatly expanded the range of products it offers and currently includes IT-related equipment and medical equipment, environmental analysis equipment as well as tablet computers. The rental business also offers a diverse range of services such as technical support, sales of software packages, equipment calibration and asset management.

Operating Environment

In Japan, despite concerns over the impact of the consumption tax hike that went into effect on April 1, 2014, we are seeing a steady increase in capital expenditures as corporate sentiment grew positive due to improvement in corporate revenues. Furthermore, demand for automobile leasing and truck rentals is expected to rise due to the government s plan for a large-scale public investment program. The weakening of the yen has helped increase tourism in Japan, resulting in greater demand for automobile rentals.

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Companies needs for services related to compliance, safety management, and reduction of environmental impact are increasing together with a continued emphasis on reducing vehicle maintenance and administrative costs. Reflecting the change in individuals perception of vehicles, there is a shift in consumption behavior from ownership to usage and sharing, and as a result, demand for car rental and car sharing services is rising.

The precision measuring equipment rental market in Japan is not expected to expand substantially, although there have been signs of a return of domestic manufacturing capacity in the manufacturing sector. On the other hand, the competitive landscape remains relatively stable owing to the high barriers to entry arising from substantial up-front investment and the difficulty of securing specialist personnel with the requisite expertise.

In the IT-related equipment field, the market for cloud computing services continues to grow, and there are signs of a shift in corporate IT investment from hardware ownership to service use. Whereas the PC market will likely remain flat over the medium term, the tablet market is expected to grow significantly.

Overview of Business Strategies

- Continue Group-wide sales activities
- Expand high value-added services
- Further expand market share and develop new markets

Operating Strategy

The automobile business aims to increase its leased assets to reinforce and expand its customer base. In Japan, while the leasing rate of vehicle fleets for enterprises that own more than 30 vehicles is relatively high, it is very low for enterprises and individuals that own 30 vehicles or fewer. On the other hand, these smaller enterprises and individuals account for a large proportion of the vehicles owned in Japan. Therefore, the automobile business will strive to increase the proportion of the customer base consisting of smaller enterprises and individuals while continuing to grow the large-enterprises customer base.

The automobile business is strengthening the provision of high value-added services. Seeking to ensure a stable revenue stream and differentiate itself from competitors, the automobile business leverages its consulting capabilities to select and offer optimum services to the customer from a wide range of vehicle management services. While continually reviewing the line-up of products and services in response to changes in the business environment and evolving customer needs, the automobile business develops new products and services to create new market segments.

The integration of our automobile rental operations, which had been operating under three brands, completed in April 2013. We seek to strengthen our brand, expand our network of outlets and provide high quality services to our customers. In our car sharing business, we will continue working to increase membership and improve customer convenience by optimizing the deployment of stations and vehicles.

In the equipment rental business, while working to maintain high market share, we intend to expand and strengthen our revenue base by increasing the number of new customers by focusing on growth areas, increasing rental of high margin products and introducing new rental items. We will also expand our customer base and range of products in the fields of environment and energy, environmental analysis, electronic components and next-generation automobile development and promote medical equipment rentals that require a high level of expertise and other high value-added rentals by providing applications and cloud services designed to meet the needs of customers renting tablets. We will seek tie-ups with manufacturers and system companies in order to expand our products and services.

All of our businesses in the Maintenance Leasing segment will continue to strengthen business management and cost control to maintain high profitability and competitiveness.

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Real Estate

Overview of Operation

The Real Estate segment is mainly comprised of the real estate development and rental business and the facilities operating business.

In the real estate development and rental business, ORIX Group is involved in the development and leasing of properties (including office buildings, commercial properties, logistics centers and residential condominiums), asset management and real estate finance. Together with this comprehensive value chain, the Group boasts significant specialist expertise in each aspect of real estate.

The operation and development of a diverse portfolio of properties including hotels, Japanese inns, aquariums, golf courses, training facilities, nursing care facilities, baseball stadiums and theaters are an integral part of the facilities operating business.

Operating Environment

As the Bank of Japan s monetary easing policy ripples out to the real economy, the real estate market has been recovering. Following the selection of Tokyo as the host of the 2020 Olympics and Paralympics, Japan s real estate market have attracted renewed interest, and there have been signs that overseas investors are resuming investment in Japanese real estate.

In the market for office buildings, vacancy rates have trended downward as the supply of new office buildings has slowed, and there have been indications that the decline in rents has bottomed out, such as rising office rents in Tokyo. In the J-REIT market, property acquisition have been increasing through initial public offerings and public offerings. The market has shown signs of rising sales prices with increased competition to acquire properties, and has produced several large-scale real estate deals.

In the condominium market, the contract completion rate in each of the Tokyo and Osaka metropolitan areas remains above the key benchmark level of 70%. Although demand is projected to fall in the wake of the consumption tax rate hike that went into effect on April 1, 2014, condominium sales are expected to remain robust.

The facilities operation business is expected to continue performing strongly, supported by a favorable business environment. Notably, consumer spending is increasing in step with domestic economic recovery and the number of inbound tourists surpassed 10 million for the first time in 2013. On the other hand, intensifying price-based competition is making the operating capabilities of each individual facility increasingly important.

Overview of Business Strategies

Turn over assets while taking advantage of the favorable business environment, and promote joint investment

Strengthen the facilities operation business

Expand fee business by enhancing the asset management business

Operating Strategy

In the real estate development and rental business, we aim to establish a revenue structure that can adapt to and leverage fluctuations of asset prices and rents in the real estate market by promoting fee revenues and capturing income gain on disposal of assets. To expand fee business, we will leverage the strength of the Real Estate segment s comprehensive value chain, including leasing, asset management, finance and ORIX Group s

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customer base. For example, not only will joint investment with foreign investors allow us to acquire a high-quality portfolio while minimizing the investment burden, the Real Estate segment s value chain will be deployed to maximum advantage to earn fees at every opportunity from property acquisition to asset management during the investment phase and from sales when exiting the investment.

In the facilities operation business, we will review our portfolio and secure new facilities, seeking to improve profitability. At the same time, we will improve service to ensure that ORIX delivers customer satisfaction that translates into repeat customers. In order to add value unique to ORIX facilities, we will promote personnel training and development.

Investment and Operation

Overview of Operation

In the Investment and Operation business segment, ORIX is engaged in three core business activities: environment and energy-related business, principal investments and loan servicing.

For more than ten years, ORIX has been actively involved in the environment and energy-related business through the collection and disposal of waste generated from end-of-lease assets. In addition to waste disposal and recycling and other energy saving measures, ORIX is also actively involved in operations relating to renewable energy sources such as megasolar (large-scale solar energy projects) and rooftop power generation.

The principal investment business invests in private equity both in Japan and overseas and capitalizes on the expertise and collective strength of the Group to increase the corporate value of investees.

The loan servicing business invests in non-performing loans, collects and manages commercial mortgage-backed securities (CMBS) and engages in joint operations of business rehabilitation support companies through capital alliances with financial institutions.

Operating Environment

In the environment and energy-business, increase in electricity prices by power companies and electricity shortages resulting from the suspension of Japan s nuclear reactors has increased the demand for electricity-saving measures and home power generation. The introduction of the feed-in-tariff program has promoted the spread of renewable energy, and, in particular, has spurred the introduction of solar power generation facilities. However, as the feed-in-tariff program will be reviewed annually, it will be necessary to monitor its development. Overseas, especially in Asia, economic growth is accelerating demand for energy. We expect this increase will continue.

In the M&A market, we expect increased demand for investment, finance and advisory services in line with increases in cross-border transactions by Japanese businesses, as well as corporate restructuring, privatization of subsidiaries and business succession planning in SMEs.

In the non-performing loan market, domestic financial institutions were expected to liquidate their non-performing loans following the expiration of the SME Finance Facilitation Act at the end of March 2013. However, these financial institutions have not taken such liquidation measures to date, and there have been only a few investment opportunities.

Overview of Business Strategies

Invest in the environment and energy field, and expand business operation such as megasolar projects

Expand principal investment both domestically and overseas

Pursue new profit opportunities capitalizing on loan servicing expertise

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Operating Strategy

In our environment and energy business, we will increase investment in renewable energy. We will promote cooperation between the domestic sales division and the rooftop power generation business throughout Japan and also advance the megasolar business in which ORIX has become a power generation operator. In addition to solar power, we are also entering into other renewable energy businesses such as wind power and geothermal.

Overseas, mainly in Asia, we are developing operations in both energy services businesses such as ESCO (Energy Service Company) and power generation businesses with the goal of becoming an independent energy services provider. To enter the business, we are investing in existing energy services providers.

Furthermore, in Japan, with the reform of the electric power system, we anticipate the full liberalization of electricity retailing, the implementation of the separation of electrical power production from power distribution and transmission and the removal of price restrictions. We will capture business opportunities in a wide variety of situations, including the restarting of electrical power retail operations, which were suspended after the Great East Japan Earthquake, the securing of stable electrical power transmission for the electricity sources we develop, facilitating the transparency of electricity usage and providing energy services for the home, such as the rental of storage batteries.

In the principal investment business, we will leverage our track record to carefully select and actively invest in foreign and domestic business operations. After investing, we will provide hands-on support backed by specialists, use the sales platform of the Group to develop a base of customers and business partners and implement other measures to improve the corporate value of investees in a manner unique to ORIX. We will seek opportunistic investments without limiting the industries we invest in. In Japan, we emphasize domestic investment in medical-related fields, IT services and the food industry. Overseas, we are focused on Asia and the Middle East, and are also looking at regions we have yet to enter, targeting the financial service industry.

In the areas of loan servicing and non-performing loan investment, we will perform service contract and debt acquisition to capture each financial institution s unique needs and circumstances, such as industry realignment. In addition, we will continue to pursue profit-generating opportunities, leveraging our loan servicing experience and expertise in the areas of management support (e.g., business succession, business rehabilitation), operation of corporate rehabilitation funds together with financial institution. We also enter into joint operations with business rehabilitation support companies through capital alliances.

Retail

Overview of Operation

The Retail business segment consists of life insurance business, banking business and card loan business.

ORIX Life Insurance Corporation (ORIX Life Insurance) was founded in 1991 and operates mainly through agencies and mail order sales. Regarding the banking business, ORIX Bank inherited the housing loan business ORIX began handling in 1980 and is now involved in corporate lending and other services. ORIX Bank began card loan operations in March 2012.

ORIX Credit is a card loan provider established in 1979. For approximately three years from July 2009, ORIX Credit was managed as a joint venture with Sumitomo Mitsui Banking Corporation before being re-consolidated as a wholly owned subsidiary of ORIX Group following the purchase of all of ORIX Credit s shares in June 2012.

ORIX Bank and ORIX Credit have been consolidating management to actively expand their card loan operations.

Operating Environment

In the domestic life insurance market, current trends include a shift toward small-lot individual insurance, an increase in the number of insurance policies and a decrease in total insurance in force. The demand for traditional life insurance remains sluggish, and the demand for so called third sector insurance such as medical insurance, which until now had shown steady growth, is showing signs of a slowdown. Meanwhile, the sales channels for insurance products continue to diversify to include bank, Internet and direct shop sales. In the investment environment, buoyant stock prices have eliminated the negative spreads of major life insurance companies, prompting moves by some of these life insurance companies to pay out policyholder dividends and reduce premiums.

In the banking industry, loan balances are increasing, and the range of borrowers is expanding from major corporations to include SMEs. Meanwhile, loan interest rates are declining due to intensified competition. Furthermore, capital expenditure is anticipated to increase based on the larger loan amounts. Capital demand by individual investors investing in rental condominiums continues to grow, and has remained robust.

In the card loan market, due to a reduction of the maximum permissible interest rates under the Act of Regulation of Receiving of Capital Subscription, Debt and Interest Rates, etc. and the introduction of restrictions on the allowable volume of loans, there has been a rapid decrease in loan balances and the number of loan providers. However, there are signs that the reduction in loan balances has bottomed out, and that banks are beginning to expand their individual unsecured loan lending activities.

Overview of Business Strategies

Develop distinctive new products and enhance the agency network in life insurance business

Expand card loan business via the consolidated management of ORIX Bank and ORIX Credit

Operating Strategy

In this segment, as an overall strategy, we will continue to provide products with a high level of customer satisfaction and develop new markets aimed at individual customers and the corporate loan customers while continuing to enhance our efficiency and unique expertise in niche markets.

ORIX Life Insurance will continue to enhance its products lineup with new insurance products developed to meet customer needs. In addition to third sector medical and cancer insurance, it will focus on sales of first sector products such as life insurance and aim to increase the number of policies in force. In addition, it will seek to widen its sales channels by expanding its network of agents and using mail order sales. It will also seek to improve its financial strength by improving business efficiency.

ORIX Bank has focused on corporate deposits and e-Direct Deposits , Internet-based fixed deposit accounts aimed at individual customers, and at the end of March 2014, ORIX Bank s deposit balance (including negotiable deposits) reached more than ¥1.2 trillion. In the housing loan business, ORIX Bank will increase its loan balance by leveraging its know-how and network that it has developed over the years. Through its financing operation of housing loans and corporate lending, ORIX Bank will continue to differentiate itself from other banks by continuing to establish a profitable and balanced portfolio and expanding its transactions with SMEs by offering consulting services that leverage the collective strength of the Group.

To capture latent demand in the much-reduced market, the card loan business is planning expansion in two ways first, by expanding our card loan balances mainly through ORIX Bank by capitalizing on ORIX Credit s know-how and personnel; and second, by expanding our card loan guarantee to other financial institutions using ORIX Credit s assessment know-how.

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Overseas Business

Overview of Operation

In the Overseas Business segment, in the United States, asset management is at the heart of efforts to expand Finance + Services boasting a high level of expertise in the fields of corporate finance, securities investment, M&A advisory, loan structuring and servicing and also fund management.

Since first expanding into Hong Kong in 1971, ORIX Group has established an overseas network spanning 398 bases in 35 countries and regions. Underpinned by a leasing, automobile leasing and corporate finance operating base that is aligned with the conditions of each country, the Overseas Business segment engages in real estate-related investments, principal investment and non-performing loan investment activities which are complemented by ship and aircraft leasing, management, investment, intermediary and sales activities.

Furthermore, the Overseas Business segment conducts asset management operations for individual and corporate clients through Robeco, a Dutch asset manager that became a consolidated subsidiary of ORIX Group in July 2013.

Operating Environment

In the United States, the Quantitative Easing Program (QE3) is on a tapering trend. However, we expect the United States to continue to lead the global economy, and to maintain stable growth with recovery in the employment market, increase in housing demand, and increase in consumer consumption.

In Asia, while China is in the process of shifting the emphasis of its economic policy away from high growth and toward stable growth, other emerging economies are expected to see increases in investments with a focus on high growth, due in part to economic resurgence among developed countries.

In the airline industry, despite lingering uncertainty within the global economy, the travel market continues to grow. Although in Europe the airline industry performance is still struggling, in Asia and the US the industry has gradually recovered. The flow of capital into the aircraft leasing market is continuing.

In the shipping industry, there are still no signs of recovery and from the continued unbalanced demand, new investment will be considered on a wait and see basis.

Overview of Business Strategies

Continue to strengthen Finance + Services based on high level of expertise in the United States

Expansion of leasing business and new investment centered on Asia

Accumulate quality assets in the ship- and aircraft-related business

Expand Robeco s assets under management (AUM)

Operating Strategy

In the United States, in addition to maintaining a stable presence in our traditional business of investing in municipal bonds, CMBS and other fixed-income securities and providing corporate finance services, we seek to enhance our fee business by leveraging the high-level of expertise of Houlihan Lokey s M&A advisory and business evaluation services, Red Capital Group s loan structuring and servicing services and Mariner Investment Group s fund management services. In addition, we plan to expand into the field of investment banking, structured finance and asset management through capital participation and M&A in Latin America via our Brazilian subsidiary established September 2012.

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In Asia, Oceania, the Middle East and Europe, while seeking to maintain stable profits from the financial services business platform of our existing local subsidiaries, which offer locally based lending and leasing, we plan to diversify our business into related fields. We will embrace growth in Asia s developing economies by promoting new investment activities in as-yet unexplored areas.

In the aircraft business, we will proceed to carefully select the type of aircraft for our portfolio and make new investments. In addition to pursuing opportunities to profit from Company-owned assets, we will seek to generate fees selling aircraft to investors and retaining management of the aircraft.

Furthermore, we will work to expand Robeco s assets under management, in an effort to increase ORIX Group s overall stable earnings base, and to upgrade and enlarge its global business platform.

DIVISIONS, MAJOR SUBSIDIARIES AND AFFILIATES

A list of major subsidiaries can be found in Exhibit 8.1.

CAPITAL PRINCIPAL EXPENDITURES AND DIVESTITURES

We are a financial services company with significant leasing, lending, real estate development and other operations based on investment in tangible assets. As such, we are continually acquiring and developing such assets as part of our business. A detailed discussion of these activities is presented elsewhere in this annual report, including in other parts of Item 4. Information on the Company and in Item 5. Operating and Financial Review and Prospects.

In general, we seek to expand and deepen our product and service offerings and enhance our financial performance through acquisitions of businesses or assets. We continually review acquisition opportunities, and selectively pursue such opportunities. We have in the past deployed a significant amount of capital for acquisition activities and expect to continue to make investments, on a selective basis. For a discussion of certain of our past acquisitions, see Item 4. Information on the Company Corporate History.

PROPERTY, PLANT AND EQUIPMENT

Because our main business is to provide diverse financial services to our clients, we do not own any material factories or facilities that manufacture products. We have no plans to build any factories that manufacture products.

The following table shows the book values of the primary facilities we own, which include four office buildings and one waste disposal facility.

	As of March 31, 2014	
	Book Value (Millions of yen)	**Land Space[1] (Thousands of m^2)**
Office building (Shiba, Minato-ku, Tokyo)	¥ 31,037	2
Office building (Tachikawa, Tokyo)	13,811	3
Office building (Osaka, Osaka)	12,903	2
Office building (Roppongi, Minato-ku, Tokyo)	11,245	1
Industrial waste disposal and recycling facility (Yorii, Saitama)	10,575	

(1) Land space is provided only for those facilities where we own the land.

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We plan to make capital expenditures of ¥450,000 million in relation to the operating lease business and the power generation business during fiscal 2015. The following table shows a breakdown of planned capital expenditures, which include the estimated investment amounts and methods of financing the activity.

	During fiscal 2015	
	Estimated investment amounts (Millions of yen)	Methods of financing the activity
Operating lease equipments and property	¥ 400,000	Funds on hand, bank borrowings, etc.
Power generation equipment	50,000	Funds on hand, bank borrowings, etc.
Total	¥ 450,000	

Our operations are generally conducted in leased office space in cities throughout Japan and in other countries in which we operate. We believe our leased office space is suitable and adequate for our needs. We utilize, or expect to utilize in the near future, substantially all of our leased office space.

We own office buildings, apartment buildings and recreational facilities for our employees and others with an aggregate book value of ¥126,397 million as of March 31, 2014.

As of March 31, 2014, the acquisition cost of equipment we held for operating leases amounted to ¥1,804,833 million, consisting of ¥845,820 million of transportation equipment, ¥228,386 million of measuring and information-related equipment, ¥712,828 million of real estate and ¥17,799 million of others, before accumulated depreciation. Accumulated depreciation on equipment held for operating leases was ¥449,435 million as of the same date.

SEASONALITY

Our business is not materially affected by seasonality.

RAW MATERIALS

Our business does not materially depend on the supply of raw materials.

PATENTS, LICENSES AND CONTRACTS

Our business and profitability are not materially dependent on any patents or licenses, industrial, commercial or financial contracts, or new manufacturing processes.

BUSINESS REGULATION

ORIX and its group companies in Japan are incorporated under, and our corporate activities are governed by, the Companies Act. However, ORIX and its group companies are involved in diverse businesses in overseas jurisdictions, including in Asia, North America, Middle East and Europe, and are therefore subject to various regulations and supervision in each jurisdiction in which they operate, including, but not limited to, regulations relating to business and investment approvals, antitrust, anti-bribery, consumer and business taxation, foreign exchange controls, intellectual property and personal information protection.

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The next section describes the laws and regulations of our business in Japan and the United States, our largest area of operation outside Japan.

JAPAN

There is no general regulatory regime which governs the conduct of our direct financing lease and operating lease businesses in Japan, although various laws regulate certain aspects of particular lease transactions, depending on the type of leased property.

The major regulations that govern our businesses are as follows:

Moneylending Business

ORIX and certain of our group companies are engaged in the moneylending business in Japan. The moneylending business is regulated by the Interest Rate Restriction Act, the Acceptance of Contributions Law, the Deposit Interest Law and the Moneylending Business Act. The Moneylending Business Act requires that all companies engaged in moneylending business register with the Prime Minister and the relevant prefectural governors. Registered moneylenders are regulated by the Financial Services Agency (FSA), and are required to report to or notify the FSA, providing specified documents such as their annual business reports. Accordingly, pursuant to the Moneylending Business Act, ORIX and certain of our group companies register with the Prime Minister and various prefectural governors and provide the necessary reporting and notification to the FSA. The FSA has the power to issue business improvement orders to suspend all or part of a business s activities, or to revoke the registration of a moneylender that has violated the law.

Real Estate Business

ORIX and certain of our group companies, including ORIX Real Estate Corporation, are engaged in the real estate business in Japan, including buying and selling land and buildings. Companies engaged in such operations are required to be licensed by the Ministry of Land, Infrastructure and Transport (MoLIT) and relevant prefectural governors under the Building Lots and Buildings Transaction Business Act, and their operations are regulated by such laws, including the maintenance of registered real estate transaction managers on staff and the provision and delivery of material information to counterparties.

Car Rental Business

ORIX Auto Corporation (OAC) is registered with the MoLIT under the Road Transportation Law to engage in the car rental business in Japan and is subject to the requirements of this law and is licensed by the Minister of MoLIT.

Insurance Business

ORIX Life Insurance is engaged in the life insurance business and has a license from the Prime Minister under the Insurance Business Act. The FSA has broad regulatory powers over the life insurance business of ORIX Life Insurance, including the authority to grant or, under certain conditions, revoke its operating license, to request information regarding its business or financial condition and to conduct on-site inspections. ORIX Life Insurance generally must also receive FSA approval for the sale of new products and to set new pricing terms. In addition, under the Insurance Business Act regulations, any party attempting to acquire voting rights in an insurance company at or above a specified threshold must receive approval from the Prime Minister. We have received such approval as a major shareholder in ORIX Life Insurance. Insurance solicitation, which we and our group companies conduct, is also governed by the Insurance Business Act. We and certain of our group companies, such as OAC, are registered as life insurance agents with the Prime Minister.

Financial Instruments Exchange Business

Certain businesses conducted by ORIX and our group companies in Japan are governed by the Financial Instruments and Exchange Act, the main purpose of which is to establish comprehensive and cross-sectional protection for investors. The financial instruments business as defined in the Financial Instruments and Exchange Act has four classifications, depending on the type of business; (1) First Class Financial Instruments Exchange Business, (2) Second Class Financial Instruments Exchange Business, (3) Investment Management Business, and (4) Investment Advisory and Agency Business. All companies engaged in such businesses are required to register with the Prime Minister, and thereby are designated registered financial instruments traders. Along with registered financial instruments traders, companies engaged in the financial instruments intermediary business, which is also governed by the Financial Instruments and Exchange Act, are regulated by the FSA and are required to file certain reports or notifications with the FSA. The FSA has the power to order improvement of a business, or suspension of a part or the whole of a business, or to revoke the registration of such a trader that has violated the law. Business regulations applicable to ORIX and our group companies are as follows:

(1) First Class Financial Instruments Exchange Business

ORIX Whole Sale Securities Corporation (ORIX Whole Sale) is registered with the Prime Minister under the Financial Instruments and Exchange Act. The first class financial instruments exchange business includes the trading of highly liquid financial products, such as the sale and solicitation of listed securities. The Financial Instruments and Exchange Act regulates the conduct and business activities of securities companies in connection with securities transactions. In addition, under the Financial Instruments and Exchange Act, any entity possessing voting rights in a securities company (first class financial instruments trader) or its parent company at or above a specified threshold is considered a major shareholder and must report its shareholding to the Prime Minister. ORIX has filed such a report as a major shareholder of ORIX Whole Sale.

(2) Second Class Financial Instruments Exchange Business

ORIX and certain of our group companies are registered with the Prime Minister under the Financial Instruments and Exchange Act to conduct the second class financial instruments exchange business. The second class financial instruments exchange business includes trading of low-liquidity financial instruments, such as the sale and solicitation of trust beneficiary interests and certain equity investments in partnerships.

(3) Investment Management Business

ORIX Asset Management Corporation (OAM), a wholly owned subsidiary, is registered with the Prime Minister under the Financial Instruments and Exchange Act as an investment manager. OAM is responsible for the asset management of a real estate investment corporation, ORIX JREIT Inc., which is listed on the Tokyo Stock Exchange. In addition, ORIX Real Estate Investment Advisory Corporation (ORIA) is registered with the Prime Minister to engage in the investment management business. Under the Financial Instruments and Exchange Act, any entity possessing voting rights in an investment manager at or above a specified threshold is considered a major shareholder and must report its shareholding to the Prime Minister. ORIX has filed such a report as a major shareholder with regard to OAM.

(4) Investment Advisory and Agency Business

ORIA is registered with the Prime Minister under the Financial Instruments and Exchange Act to engage in the investment advisory and agency business.

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(5) Financial Instruments Intermediary Business

The financial instruments intermediary business that we conduct is also regulated by the Financial Instruments and Exchange Act. ORIX is registered with the Prime Minister under the Financial Instruments and Exchange Act to conduct business as a financial instruments intermediary.

Banking and Trust Business

ORIX Bank is licensed by the Prime Minister to engage in the banking and trust business and is regulated under the Banking Act and the Act on Provision, etc. of Trust Business by Financial Institutions. The Banking Act governs the general banking business and the Act on Provision, etc. of Trust Business by Financial Institutions and the Trust Business Act govern the trust business. Our trust contract agency business is also governed by the Trust Business Act, and we are registered with the Prime Minister to engage in the trust contract agency business. In addition, under the Banking Act, any entity that attempts to obtain voting rights in a bank at or above a specified threshold must receive permission from the Prime Minister. ORIX has received such permission as a major shareholder of ORIX Bank.

Debt Management and Collection Business

ORIX Asset Management & Loan Services Corporation (OAMLS) is engaged in the loan servicing business and the business of managing and collecting certain assets. Consequently, OAMLS is regulated under the Act on Special Measures Concerning Business of Management and Collection of Claims. OAMLS is licensed by the Minister of Justice under such law to engage in the loan servicing business.

Waste Management

ORIX Environmental Resources Management Corporation and ORIX Eco Services Corporation provide waste management services regulated by the Waste Management and Public Cleansing Act.

ORIX Environmental Resources Management has permission under the Waste Management and Public Cleansing Act (i) from the governor of Saitama Prefecture for the installation of an industrial waste disposal facility acting as an industrial waste disposal contractor and a specially controlled industrial waste disposal contractor in the installation of a municipal solid waste disposal facility and (ii) from the mayor of Yorii Town to act as a municipal solid waste disposal contractor.

Also, ORIX Eco Services has permission under the Waste Management and Public Cleansing Act: (i) from each governor of Tokyo and six other prefectures in Kanto region to act as a Collection and Transportation of an industrial waste disposal collector and (ii) from the mayor of Funabashi City to act as an Industrial waste disposal contractor.

Regulation on Share Acquisitions

Certain activities of ORIX and our group companies are regulated by the Foreign Exchange and Foreign Trade Law of Japan and regulations promulgated thereunder (the Foreign Exchange Regulations).

Under the Foreign Exchange Regulations, ORIX and certain of our group companies in Japan are regulated as residents conducting capital transactions or foreign direct investments. If foreign shareholders hold 50% or more of ORIX s shares, ORIX and these group companies will be regulated as foreign investors conducting inward direct investment.

To conduct such activities under the Foreign Exchange Regulations, notices or reports are required to be filed with the governing agency through the Bank of Japan. In certain cases, the Minister of Finance and any other competent Ministers have the power to recommend the cancellation or modification of the activities specified in such notices and can order the cancellation or modification if the recommendations are not followed.

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OUTSIDE JAPAN

ORIX USA is incorporated under the laws of the state of Delaware, and its corporate activities are governed by the Delaware General Corporation Law.

The SEC, the Financial Industry Regulation Authority (FINRA) and various state agencies regulate the issuance and sale of securities and the activities of broker-dealers, investment companies and investment advisers in the United States. ORIX USA s majority-owned subsidiaries, Houlihan Lokey Capital, Inc. and Houlihan Lokey Financial Advisors, Inc., are a registered broker-dealer and a registered investment adviser, respectively, and as such, are regulated by the SEC. Similarly, ORIX USA s majority-owned subsidiary, Mariner Investment Group, LLC (Mariner), is a registered investment adviser and has an affiliated limited purpose broker-dealer, Mariner Group Capital Markets, Inc. (MGCM). Both Mariner and MGCM are registered and regulated by the SEC. ORIX USA s majority-owned subsidiary, Red Capital Group, LLC has a subsidiary, Red Capital Markets, LLC, that is registered as a broker-dealer and regulated by the SEC. All of our SEC-registered broker dealers are also regulated by FINRA. ORIX USA and its other subsidiaries are not subject to these regulations but must comply with U.S. federal and state securities laws.

ORIX USA s corporate finance, real estate finance and development, equipment finance, public finance and special servicing businesses are subject to numerous state and federal laws and regulations. Commercial and real estate loans may be governed by the USA Patriot Act, the Equal Credit Opportunity Act and Regulation B thereunder, the Flood Disaster Protection Act, the National Flood Insurance Reform Act of 1994 and state usury laws. Real estate transactions are also governed by state real property and foreclosure laws. ORIX USA s secured finance transactions are governed by the Uniform Commercial Code, as adopted by the various states. ORIX USA is registered with or has obtained licenses from the various state agencies that regulate the activity of commercial lenders in such states. For example, its consolidated subsidiary ORIX Corporate Capital Inc. is a Delaware Licensed Lender. Another consolidated subsidiary, ORIX Ventures, LLC, is licensed as a California Finance Lender.

In May 2010 ORIX USA acquired RED Capital Group, a Columbus, Ohio-headquartered provider of debt and equity capital, as well as advisory services, to the housing, health care and real estate industries. Red Capital Markets, LLC, a subsidiary of RED Capital Group, is registered as a broker-dealer and regulated by the SEC and FINRA. In addition, RED Capital Group and its subsidiaries must comply with rules and regulations administered by the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), the Department of Housing and Urban Development and the Federal Housing Administration.

In December 2010, ORIX USA acquired MIG Holdings, LLC, the parent company of Mariner. Mariner is registered with the SEC as an investment advisor and is headquartered in Harrison, New York, with additional offices in New York City, Boston, London and Tokyo.

Disruptions in the U.S. financial markets starting in 2007 caused lawmakers and regulators to evaluate the effectiveness of their oversight of the financial services industry, and eventually resulted in the adoption of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) by the U.S. Congress in January 2010. Certain regulations promulgated under the Dodd-Frank Act may affect our business operations. For example, the Dodd-Frank Act establishes the Financial Stability Oversight Counsel (FSOC) charged with, among other things, designating systemically important nonbank financial institutions for heightened supervisory requirements and prudential standards, supervision and regulation. In April 2012, the FSOC adopted its final rule and issued interpretive guidelines on criteria for designating systemically important nonbank financial institutions. If the FSOC designates ORIX as a systemically important nonbank financial institution, we could become subject to enhanced requirements regarding capital, leverage, liquidity, conflicts and risk management.

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Outside of the United States, ORIX USA s majority owned subsidiary, Houlihan Lokey (Europe) Limited (HL Europe), is authorized and regulated by the Financial Services Authority in the UK, *inter alia*, to arrange investments and to advise on investments by others. HL Europe has also established branches in France and Germany under the provisions of the Markets in Financial Instruments Directive and is regulated by the *Bundesanstalt für Finanzdienstleistungsaufsicht* in Germany and the *Autorité des marchés financiers* in France in the conduct of the respective businesses of the branches located in those countries. Mariner Europe Ltd. is authorized and regulated by the FSA and as such is subject to minimum regulatory capital requirements. Mariner Europe Ltd. is categorized as a limited license firm by the FSA for capital purposes. It is an investment management firm. Other such majority-owned subsidiaries include Houlihan Lokey (China) Limited, which is licensed to conduct regulated activities by the Securities and Futures Commission in Hong Kong, Mariner Japan, Inc., which is registered as an investment advisor branch office by the Financial Services Authority of Japan, and Mariner Investment Group, LLC, which has a Korean representative office registered with the Korean Ministry of Strategy and Finance.

On July 1, 2013, ORIX acquired approximately 90.01% of the total voting equity interests of Robeco Groep N.V. (Robeco). Robeco Institutional Asset Management B.V. (RIAM), Robeco Securities Lending B.V. and Robeco Direct N.V., each a wholly-owned subsidiary of Robeco, are authorized and regulated by The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*; hereinafter AFM) and *De Nederlandsche Bank* (DNB) in the Netherlands, *inter alia*, to offer certain investment services. RIAM has branches and representative offices worldwide, including in China, Dubai, Germany, Japan, Korea and Spain, each of which is subject to local regulatory supervision. RobecoSAM AG, a wholly-owned subsidiary of RIAM, is authorized and regulated by the Swiss Financial Market Supervisory Authority. Robeco Luxembourg S.A., another wholly-owned subsidiary of RIAM, is authorized and regulated by the *Commission de Surveillance du Secteur Financier* in Luxembourg. Transtrend B.V., an indirect subsidiary of Robeco that offers asset management and commodity trading advisory services, is authorized and regulated by AFM and DNB in the Netherlands, and is also registered with the National Futures Association (NFA) and regulated by the NFA and the Commodity Futures Trading Commission in the United States. Robeco Hong Kong Ltd., an indirect subsidiary of Robeco, is licensed to offer asset management and investment advisory services by the SFC in Hong Kong. Other affiliates of Robeco include Harbor Capital Advisors, Inc., Robeco Investment Management, Inc. and Robeco Institutional Asset Management US, Inc. which are registered with and regulated by the SEC to provide investment advisory services in the United States.

LEGAL PROCEEDINGS

We are a plaintiff or a defendant in various lawsuits arising in the ordinary course of our business. We aggressively manage our pending litigation and assess appropriate responses to lawsuits in light of a number of factors, including the potential impact of the actions on the conduct of our operations. In the opinion of management, none of the pending legal matters is expected to have a material adverse effect on our financial condition or results of operations. However, there can be no assurance that an adverse decision in one or more of these lawsuits will not have a material adverse effect.

Item 4A. Unresolved Staff Comments

None.

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Item 5. Operating and Financial Review and Prospects

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OVERVIEW

The following discussion provides management s explanation of factors and events that have significantly affected our financial condition and results of operations. Also included is management s assessment of factors and trends which are anticipated to have a material effect on our financial condition and results of operations in the future. However, please be advised that our financial condition and results of operations in the future may also be affected by factors other than those discussed here. This discussion should be read in conjunction with Item 3. Key Information Risk Factors and Item 18. Financial Statements included in this annual report.

Market Environment

Although steady growth in the global economy is anticipated due in part to economic upturn in developed countries, particularly the United States, downside risks, such as decelerating growth in emerging economies remain.

In the United States, the Quantitative Easing Program (QE3) is on a tapering trend. However, we expect the United States to continue to lead the global economy, and its economy to maintain stable growth with recovery in the employment market, increase in housing demand, and increase in consumer spending.

In Asia, while China is in the process of shifting the emphasis of its economic policy away from high growth and toward stable growth, other emerging economies are expected to see increases in investments with a focus on high growth, due in part to economic resurgence among developed countries.

In Japan, consumer spending and housing investment are expected to decrease in reaction to the consumption tax hike that went into effect on April 1, 2014. However, we anticipate steady recovery of the Japanese economy due to monetary easing and various economic measures by the Bank of Japan and the Abe administration, coupled with stable levels of employment.

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Results Overview

Net Income Attributable to ORIX Corporation Shareholders for fiscal 2014 increased 67% to ¥186,794 million compared to fiscal 2013, primarily due to a significant increase in profits from the Real Estate, Investment and Operation and Overseas Business segments, and to robust performance by the Maintenance Leasing and Retail segments.

The main factors underlying our performance in fiscal 2014 are outlined below.

Compared to fiscal 2013, segment profits increased for all segments except the Corporate Financial Services segment.

The Corporate Financial Services segment s profits decreased due to lower installment loan revenues, in spite of robust direct financing lease revenues.

The Maintenance Leasing segment s profits increased primarily due to an increase in revenues from operating leases.

The Real Estate segment s profits increased due to increases in revenues from the facility operating business and gains on sales of real estate under operating leases.

The Investment and Operation segment s profits increased due to revenue contributions from consolidated subsidiaries acquired during the previous fiscal year and revaluation gain recognized from consolidation of DAIKYO INCORPORATED (hereinafter DAIKYO).

The Retail segment s profits increased due to steady growth in life insurance premiums and increased installment loan revenues.

The Overseas Business segment s profits increased due to revenue contributions from the acquisition of Robeco, direct financing leases in Asia and aircraft operating leases.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management s current judgments. Note 1 of Item 18. Financial Statements includes a summary of the significant accounting policies used in the preparation of our consolidated financial statements. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and the possibility that future events affecting the estimates may differ significantly from management s current judgments. We consider the accounting estimates discussed in this section to be critical for us for two reasons. First, the estimates require us to make assumptions about matters that are highly uncertain at the time the accounting estimates are made. Second, different estimates that we reasonably could have used in the relevant period, or changes in the accounting estimates that are reasonably likely to occur from period to period, could have a material impact on the presentation of our financial condition, changes in financial condition or results of operations. We believe the following represent our critical accounting policies and estimates.

FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, a number of significant judgments, assumptions and estimates may be required. If observable market prices are not available, we use internally-developed valuation techniques, such as discounted cash flow methodologies, to measure fair value. These valuation techniques involve determination of assumptions that market participants would use in

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pricing the asset or liability. This determination involves significant judgment, and the use of different assumptions and/or valuation techniques could have a material impact on our financial condition or results of operations. Significant assumptions used in measuring fair values have a pervasive effect on various estimates, such as estimates of the allowance for real estate collateral-dependent loans, measurement of impairment of investments in securities, measurement of impairment of goodwill and intangible assets not subject to amortization, measurement of impairment of long-lived assets and recurring measurements of loans held for sale, investments in securities and derivative instruments.

ASC 820 classifies and prioritizes inputs used in valuation techniques to measure fair value into the following three levels:

Level 1 Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 Unobservable inputs for the assets or liabilities.

ASC 820 differentiates between those assets and liabilities required to be carried at fair value at every reporting period (recurring) and those assets and liabilities that are only required to be adjusted to fair value under certain circumstances (nonrecurring). We measure mainly loans held for sale, trading securities, available-for-sale securities, other securities and derivatives at fair value on a recurring basis. A subsidiary measures certain loans held for sale originated on and after October 1, 2011 and certain fund investments in other securities originated on and after April 1, 2012 at fair value on a recurring basis as it elected the fair value option under ASC 825 (Financial Instruments).

The following table presents recorded amounts of major financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2014:

	March 31, 2014			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Millions of yen)			
Financial Assets:				
Loans held for sale	¥ 12,631	¥ 0	¥ 12,631	¥ 0
Trading securities	16,079	275	15,804	0
Available-for-sale securities	881,606	230,618	566,987	84,001
Other securities	6,317	0	0	6,317
Derivative assets	12,437	8	9,943	2,486
Total	¥ 929,070	¥ 230,901	¥ 605,365	¥ 92,804
Financial Liabilities:				
Derivative liabilities	¥ 16,646	¥ 28	¥ 16,618	¥ 0
Accounts Payable	2,833	0	0	2,833

Total	¥ 19,479	¥ 28	¥ 16,618	¥ 2,833

Compared to financial assets classified as Level 1 and Level 2, measurements of financial assets classified as Level 3 are particularly sensitive because of their significance to the financial statements and the possibility that future events affecting the fair value measurements may differ significantly from management s current measurements.

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As of March 31, 2014, financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) and the percentages of total assets were as follows:

	March 31, 2014	
	Significant Unobservable Inputs (Level 3)	Percentage of Total Assets (%)
	(Millions of yen, except percentage data)	
Level 3 Assets:		
Available-for-sale securities	¥ 84,001	1
Corporate debt securities	661	0
Specified bonds issued by SPEs in Japan	6,772	0
CMBS and residential mortgage-backed securities (RMBS) in the U.S., and other asset-backed securities	65,018	1
Other debt securities	11,550	0
Other securities	6,317	0
Investment funds	6,317	0
Derivative assets	2,486	0
Options written and other	2,486	0
Total Level 3 financial assets	¥ 92,804	1
Total assets	¥ 9,069,392	100

As of March 31, 2014, the amount of financial assets classified as Level 3 was ¥92,804 million, among financial assets and liabilities (net) that we measured at fair value on a recurring basis. Level 3 assets represent 1% of our total assets.

Available-for-sale securities classified as Level 3 are mainly mortgage-backed and other asset-backed securities, including specified bonds issued by special purpose entities (SPEs) in Japan and CMBS and RMBS in the United States. Specified bonds issued by SPEs classified as Level 3 available-for-sale securities were ¥6,772 million as of March 31, 2014, which is 8% of Level 3 available-for-sale securities. CMBS and RMBS in the United States and other asset-backed securities classified as Level 3 available-for-sale securities were ¥65,018 million as of March 31, 2014, which is 77% of Level 3 available-for-sale securities. We classified the specified bonds as Level 3 because we measure their fair value using unobservable inputs. Since the specified bonds do not trade in an open market, no relevant observable market data is available. Accordingly, to measure their fair value we use a discounted cash flow model that incorporates significant unobservable inputs as further discussed below.

When evaluating the specified bonds issued by SPEs in Japan, we estimate the fair value by discounting future cash flows using a discount rate based on market interest rates and a risk premium. The future cash flows for the specified bonds issued by the SPEs in Japan are estimated based on contractual principal and interest repayment schedules on each of the specified bonds issued by the SPEs. Since the discount rate is not observable for the specified bonds, we use an internally developed model to estimate a risk premium considering the value of the real estate collateral (which also involves unobservable inputs in many cases when using valuation techniques such as discounted cash flow methodologies) and the seniority of the bonds. Under the model, we consider the loan-to-value ratio and other relevant available information to reflect both the credit risk and the liquidity risk in our own estimate of the risk premium. Generally, the higher the loan-to-value ratio, the larger the risk premium we estimate under the model. The fair value of the specified bonds issued by SPEs in Japan rises when the fair value of the collateral real estate rises and the discount rate declines. The fair value of the specified bonds issued by SPEs in Japan declines when the fair value of the collateral real estate declines and the discount rate rises.

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With respect to the CMBS and RMBS in the United States, we determined that due to the lack of observable trades for older vintage and below investment grade securities we continue to limit the reliance on independent pricing service vendors and brokers. As a result, we established internally developed pricing models (Level 3 inputs) using valuation techniques such as discounted cash flow methodologies in order to estimate fair value of these securities and classified them as Level 3. Under the models, we use anticipated cash flows of the security discounted at a risk-adjusted discount rate that incorporates our estimate of credit risk and liquidity risk that a market participant would consider. The cash flows are estimated based on a number of assumptions such as default rate and prepayment speed, as well as seniority of the security. An increase (decrease) in the discount rate or default rate would result in a decrease (increase) in the fair value of CMBS and RMBS in the United States.

In determining whether a market is active or inactive, we evaluate various factors such as the lack of recent transactions, price quotations that are not based on current information or vary substantially over time or among market makers, a significant increase in implied risk premium, a wide bid-ask spread, significant decline in new issuances, little or no public information (e.g., a principal-to-principal market) and other factors.

For more discussion, see Note 2 of Item 18. Financial Statements.

ALLOWANCE FOR DOUBTFUL RECEIVABLES ON DIRECT FINANCING LEASES AND PROBABLE LOAN LOSSES

The allowance for doubtful receivables on direct financing leases and probable loan losses represents management s estimate of probable losses inherent in the portfolio. This evaluation process is subject to numerous estimates and judgments. The estimate made in determining the allowance for doubtful receivables on direct financing leases and probable loan losses is a critical accounting estimate for all of our segments.

In developing the allowance for doubtful receivables on direct financing leases and probable loan losses, we consider, among other things, the following factors:

- business characteristics and financial condition of obligors;
- current economic conditions and trends;
- prior charge-off experience;
- current delinquencies and delinquency trends; and
- value of underlying collateral and guarantees.

We individually develop the allowance for credit losses for impaired loans. For non-impaired loans, including loans that are not individually evaluated for impairment, and direct financing leases, we evaluate prior charge-off experience, segmented by industry of the debtor and the purpose of the loans, and develop the allowance for credit losses based on such prior charge-off experiences as well as current economic conditions.

Impaired loans are individually evaluated for a valuation allowance based on the present value of expected future cash flows, the loan s observable market price or, if the loan is collateral-dependent, the fair value of the collateral securing the loan. For a non-recourse loan, in principle, the estimated collectible amount is determined based on the fair value of the collateral securing the loan, as such loan is collateral-dependent. Further, for certain non-recourse loans, the estimated collectible amount is determined based on the present value of expected future cash flows from each loan. The fair value of the real estate collateral securing the loans is determined using appraisals prepared by independent third-party appraisers or our own staff of qualified appraisers based on recent transactions involving sales of similar assets or other valuation techniques such as a discounted cash flows methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate. We generally obtain a new appraisal once a fiscal year. In addition, we periodically monitor circumstances of the real estate collateral and then obtain a new appraisal in

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situations involving a significant change in economic and/or physical conditions that may materially affect its fair value. For impaired purchased loans, we develop the allowance for credit losses based on the difference between the book value and the estimated collectible amount of such loans.

We charge off doubtful receivables when the likelihood of any future collection is believed to be minimal based upon an evaluation of the relevant debtors creditworthiness and recoverability from the collateral.

IMPAIRMENT OF INVESTMENT IN SECURITIES

We recognize write-downs of investment in securities (except securities held for trading) as follows.

For available-for-sale securities, we generally recognize losses related to equity securities for which the fair value has been significantly below the acquisition cost (or current carrying value if an adjustment has been made in the past) for more than six months. Also, we charge against income losses related to equity securities in situations where, even though the fair value has not remained significantly below the carrying value for six months, the decline in the fair value of an equity security is based on the issuer s specific economic conditions and not just general declines in the related market and where it is considered unlikely that the fair value of the equity security will recover within six months.

For debt securities, where the fair value is less than the amortized cost, we consider whether those securities are other-than-temporarily impaired using all available information about their collectability. We do not consider a debt security to be other-than-temporarily impaired if (1) we do not intend to sell the debt security, (2) it is not more likely than not that we will be required to sell the debt security before recovery of its amortized cost basis and (3) the present value of estimated cash flows will fully cover the amortized cost of the security. On the other hand, we consider a debt security to be other-than-temporarily impaired if any of the above mentioned three conditions are not met. When we deem a debt security to be other-than-temporarily impaired, we recognize the entire difference between the amortized cost and the fair value of the debt securities if we intend to sell the debt security or it is more likely than not that we will be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss. However, if we do not intend to sell the debt security and it is not more likely than not that we will be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss, we separate the difference between the amortized cost and the fair value of the debt securities into the credit loss component and the non-credit loss component. The credit loss component is recognized in earnings, and the non-credit loss component is recognized in other comprehensive income (loss), net of applicable income taxes.

In assessing whether available-for-sale debt securities are other-than-temporarily impaired, we consider all available information relevant to the collectability of the security, including but not limited to the following factors:

- duration and the extent to which the fair value has been less than the amortized cost basis;
- continuing analysis of the underlying collateral, age of the collateral, business climate, economic conditions and geographical considerations;
- historical loss rates and past performance of similar assets;

trends in delinquencies and charge-offs;

payment structure and subordination levels of the debt security;

changes to the rating of the security by a rating agency; and

subsequent changes in the fair value of the security after the balance sheet date.

For other securities, when we determine the decline in value is other than temporary we reduce the carrying value of the security to the fair value and charge against income losses related to these other securities.

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Determinations of whether a decline in value is other than temporary often involve estimating the outcome of future events that are highly uncertain at the time the estimates are made. Management s judgment is required in determining whether factors exist that indicate that an impairment loss should be recognized at any balance sheet date, mainly based on objective factors. In view of the diversity and volume of our shareholdings, the highly volatile equity markets make it difficult to determine whether the declines are other than temporary.

If the financial condition of an investee deteriorates, its forecasted performance is not met or actual market conditions are less favorable than those projected by management, we may charge against income additional losses on investment in securities.

The accounting estimates relating to impairment of investment in securities could affect all segments.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS NOT SUBJECT TO AMORTIZATION

We test for impairment of goodwill and any intangible assets that are not subject to amortization at least annually. Additionally, if events or changes in circumstances indicate that the asset might be impaired, we test for impairment when such events or changes occur.

Goodwill impairment is determined using a two-step impairment test either at the operating segment level or one level below the operating segments. Before a two-step impairment test, we may make a qualitative assessment to determine whether it is more likely than not that a reporting unit s fair value is less than its carrying amount. If we conclude that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we do not perform the two-step impairment test for that reporting unit. However, if we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount or if we cannot make any conclusion, we perform the two-step impairment test.

The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying value, including goodwill. If the carrying value of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss. The second step of the goodwill impairment test compares implied fair value of the reporting unit goodwill with the carrying value of that goodwill. If the carrying value of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner used to determine the amount of goodwill recognized in a business combination.

Impairment of intangible assets that are not subject to amortization is determined using a quantitative impairment test. Before a quantitative impairment test, we may make a qualitative assessment to determine whether it is more likely than not that the intangible asset is impaired. If we conclude that it is not more likely than not that the fair value of an intangible asset is less than its carrying amount, we do not perform the quantitative impairment test for that intangible asset. However, if we conclude that it is more likely than not that the fair value of an intangible asset is less than its carrying amount or if we cannot make any conclusion, we perform the quantitative impairment test. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

The fair value of a reporting unit under the first step and the second step is determined by estimating the outcome of future events and assumptions made by management. Similarly, estimates and assumptions are used in determining the fair value of any intangible asset that is not subject to amortization. When necessary, we refer to an evaluation by a third party in determining the fair value of a reporting unit; however, such determinations are often made by using discounted cash flows analyses performed by us. This approach uses numerous estimates and assumptions, including projected future cash flows of a reporting unit, discount rates reflecting the inherent risk and growth rate. If actual cash flows or any items which affect a fair value are less favorable than those projected by management due to economic conditions or our own risk in the reporting unit, we may charge additional losses to income.

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The accounting estimates relating to impairment of goodwill and any intangible assets that are not subject to amortization could affect all segments.

IMPAIRMENT OF LONG-LIVED ASSETS

We periodically perform an impairment review for long-lived assets held and used in operation, including tangible assets, intangible assets being amortized and real estate development projects. The assets are tested for recoverability whenever events or changes in circumstances indicate that those assets might be impaired, including, but not limited to, the following:

- significant decline in the market value of an asset;
- significant deterioration in the usage range and method, or physical condition, of an asset;
- significant deterioration of legal factors or the business environment, including an adverse action or assessment by a regulator;
- acquisition and construction costs substantially exceeding estimates;
- continued operating loss or actual or potential loss of cash flows; or
- potential loss on sale, having a plan of sale.

When we determine that assets might be impaired based upon the existence of one or more of the above factors or other factors, we estimate the future cash flows expected to be generated by those assets. Our estimates of the future cash flows are based upon historical trends adjusted to reflect our best estimate of future market and operating conditions. Also, our estimates include the expected future periods in which future cash flows are expected. As a result of the recoverability test, when the sum of the estimated future undiscounted cash flows expected to be generated by those assets is less than its carrying amount, and when its fair value is less than its carrying amount, we determine the amount of impairment based on the fair value of those assets.

If the asset is considered impaired, an impairment charge is recorded for the amount by which the carrying amount of the asset exceeds fair value. We determine the fair value using appraisals prepared by independent third-party appraisers or our own staff of qualified appraisers based on recent transactions involving sales of similar assets or other valuation techniques, as appropriate. If actual market and operating conditions under which assets are operated are less favorable than those projected by management, resulting in lower expected future cash flows or shorter expected future periods to generate such cash flows, additional impairment charges may be required. In addition, changes in estimates resulting in lower fair values due to unanticipated changes in business or operating assumptions could adversely affect the valuations of long-lived assets.

The accounting estimates relating to impairment of long-lived assets could affect all segments.

UNGUARANTEED RESIDUAL VALUE FOR DIRECT FINANCING LEASES AND OPERATING LEASES

We estimate unguaranteed residual values of leased equipment except real estate, which is explained in Impairment of Long-lived Assets described above, when we calculate unearned lease income to be recognized as income over the lease term for direct financing leases and when we calculate depreciation amounts for operating leases that carry inherently higher obsolescence and resale risks. Our estimates are based upon current market values of used equipment and estimates of when and how much equipment will become obsolete, and actual recovery being experienced for similar used equipment. If actual demand for re-lease or actual market conditions of used equipment is less favorable than that projected by management, write-downs of unguaranteed residual value may be required.

The accounting estimates relating to unguaranteed residual value for direct financing leases and operating leases affect mainly the Corporate Financial Services, Maintenance Leasing and Overseas Business segments.

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INSURANCE POLICY LIABILITIES AND DEFERRED POLICY ACQUISITION COSTS

A subsidiary of ORIX writes life insurance policies to customers. Liabilities for future policy benefits are established using the net level premium method, based on actuarial estimates of the amount of future policyholder benefits. The policies are characterized as long-duration policies and mainly consist of whole life, term life, endowments and medical insurance. Computation of policy liabilities and reserves necessarily includes assumptions about mortality, morbidity, lapse rates, future yields on related investments and other factors applicable at the time the policies are written. Our life insurance subsidiary continually evaluates the potential for changes in the estimates and assumptions applied in determining policy liabilities, both positive and negative, and uses the results of these evaluations to adjust recorded liabilities as well as underwriting criteria and product offerings. If actual assumption data, such as mortality, morbidity, lapse rates, investment returns and other factors, do not properly reflect future policyholder benefits, we may establish a premium deficiency reserve.

ASC 944 (Financial Services Insurance) requires insurance companies to defer certain costs related directly to the successful acquisition of new or renewal insurance contracts, or deferred policy acquisition costs, and amortize them over the respective policy periods in proportion to anticipated premium revenue. These deferred policy acquisition costs consist primarily of first-year commissions in excess of recurring policy maintenance costs and expenses for underwriting policies. (for information regarding deferred policy acquisition costs, see Note 1 (af) of Item 18. Financial Statements). Periodically, deferred policy acquisition costs are reviewed to determine whether relevant insurance and investment income are expected to recover the unamortized balance of the deferred acquisition costs. When such costs are expected to be unrecoverable, they are charged to income in that period. If the historical data, such as lapse rates, investment returns, mortality experience, morbidity, expense margins and surrender charges, which we use to calculate these assumptions, do not properly reflect future profitability, additional amortization may be required.

The accounting estimates relating to insurance policy liabilities and deferred policy acquisition costs affect our Retail segment.

ASSESSING HEDGE EFFECTIVENESS AND MEASURING INEFFECTIVENESS

We use foreign currency swap agreements, interest rate swap agreements and foreign exchange contracts for hedging purposes and apply either fair value hedge, cash flow hedge or net investment hedge accounting to measure and account for subsequent changes in their fair value.

To qualify for hedge accounting, details of the hedging relationship are formally documented at the inception of the arrangement, including the risk management objective, hedging strategy, hedged item, specific risks that are to be hedged, the derivative instrument and how effectiveness is being assessed. Derivatives for hedging purposes must be highly effective in offsetting either changes in fair value or cash flows, as appropriate, for the risk being hedged and effectiveness needs to be assessed at the inception of the relationship.

Hedge effectiveness is assessed quarterly on a retrospective and prospective basis. Ineffectiveness is also measured quarterly, with the results recognized in earnings. If specified criteria for the assumption of effectiveness are not met at hedge inception or upon quarterly testing, then hedge accounting is discontinued. To assess effectiveness and measure ineffectiveness, we use techniques including regression analysis and the cumulative dollar offset method.

The accounting estimates used to assess hedge effectiveness and measure ineffectiveness could affect our Overseas Business segment.

PENSION PLANS

The determination of our projected benefit obligation and expense for our employee pension benefits is mainly dependent on the size of the employee population, actuarial assumptions, expected long-term rate of return on plan assets and the discount rate used in the accounting.

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Pension expense is directly related to the number of employees covered by the plans. Increased employment through internal growth or acquisition would result in increased pension expense.

In estimating the projected benefit obligation, actuaries make assumptions regarding mortality rates, turnover rates, retirement rates and rates of compensation increase. In accordance with ASC 715 (Compensation Retirement Benefits), actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, affect expense in future periods.

We determine the expected long-term rate of return on plan assets annually based on the composition of the pension asset portfolios and the expected long-term rate of return on these portfolios. The expected long-term rate of return is designed to approximate the long-term rate of return actually earned on the plans assets over time to ensure that funds are available to meet the pension obligations that result from the services provided by employees. We use a number of factors to determine the reasonableness of the expected rate of return, including actual historical returns on the asset classes of the plans portfolios and independent projections of returns of the various asset classes.

We use March 31 as a measurement date for our pension assets and projected benefit obligation balances under all of our material plans. If we were to assume a 1% increase or decrease in the expected long-term rate of return, holding the discount rate and other actuarial assumptions constant, pension expense for fiscal 2014 would decrease or increase, respectively, by approximately ¥1,670 million.

Discount rates are used to determine the present value of our future pension obligations. The discount rates are reflective of rates available on long-term, high-quality fixed-income debt instruments with maturities that closely correspond to the timing of defined benefit payments. Discount rates are determined annually on the measurement date.

If we were to assume a 1% increase in the discount rate, and keep the expected long-term rate of return and other actuarial assumptions constant, pension expense for fiscal 2014 would decrease by approximately ¥1,672 million. If we were to assume a 1% decrease in the discount rate, and keep other assumptions constant, pension expense for fiscal 2014 would increase by approximately ¥2,206 million.

While we believe the estimates and assumptions used in our pension accounting are appropriate, differences in actual results or changes in these assumptions or estimates could adversely affect our pension obligations and future expenses.

INCOME TAXES

In preparing the consolidated financial statements, we make estimates relating to income taxes of the Company and its subsidiaries in each of the jurisdictions in which we operate. The process involves estimating our actual current income tax position together with assessing temporary differences resulting from different treatment of items for income tax reporting and financial reporting purposes. Such differences result in deferred tax assets and liabilities, which are included within the consolidated balance sheets. We must then assess the likelihood of whether our deferred tax assets will be recovered from future taxable income, and, to the extent we believe that realizability is not more likely than not, we must establish a valuation allowance. When we establish a valuation allowance or increase this allowance during a period, we must include an expense within the provision for income taxes in the consolidated statements of income.

Significant management judgments are required in determining our provision for income taxes, current income taxes, deferred tax assets and liabilities and any valuation allowance recorded against our deferred tax assets. We file tax returns in Japan and certain foreign tax jurisdictions and recognize the financial statement effects of a tax position taken or expected to be taken in a tax return when it is more likely than not, based on the technical merits, that the position will be sustained upon tax examination, including resolution of any related appeals or litigation processes, and measure the tax position that meets the recognition threshold at the largest amount of tax benefit that is greater than 50% likely to be realized upon settlement with the taxing authority. Management judgments, including the interpretations about the application of the complex tax laws of Japan and certain foreign tax jurisdictions, are required in the process of evaluating tax positions; therefore, these judgments may differ from the actual results. We have recorded a valuation allowance due to uncertainties about our ability to utilize certain deferred tax assets, primarily certain net operating loss carry forwards, before they expire. Although utilization of the net operating loss carry forwards is not assured, management believes it is more likely than not that all of the deferred tax assets, net of the valuation allowance, will be realized. The valuation allowance is based on our estimates of taxable income by jurisdiction in which we operate and the period over which our deferred tax assets will be recoverable. If actual results differ from these estimates or if we adjust these estimates in future periods, we may need to establish additional valuation allowances, which could materially impact the consolidated financial position and results of operations.

DISCUSSION WITH AND REVIEW BY THE AUDIT COMMITTEE

Our management discussed the development and selection of each critical accounting estimate with our Audit Committee in June 2014.

FAIR VALUE OF INVESTMENT AND RENTAL PROPERTY

We own real estate such as rental office buildings, rental logistics centers, rental commercial facilities other than office buildings, rental condominiums and land which is utilized for development as operating leases. A large portion of our real estate holdings is located around major cities in Japan such as Tokyo. The following table sets forth the carrying amount of investment and rental property as of the beginning and end of fiscal 2014, as well as the fair value as of the end of fiscal 2014.

Year ended March 31, 2014			
Carrying amount[1]			
Balance at April 1, 2013	Change amount	Balance at March 31, 2014	Fair value at March 31, 2014[2]
(Millions of yen)			
¥847,230	¥(120,691)	¥726,539	¥752,633

(1) Carrying amounts are stated as cost less accumulated depreciation.

(2) Fair value is obtained either from appraisal reports by external qualified appraisers, reports by internal appraisal department in accordance with Real estate appraisal standards, or by other reasonable internal calculation utilizing similar methods.

Revenue and expense for investment and rental property for fiscal 2014 consisted of the following:

Year ended March 31, 2014				
Revenue[1]	Expense[2]	Operating income	Income from discontinued operations[3]	Net
(Millions of yen)				
¥67,615	¥ 62,350	¥ 5,265	¥ 12,722	¥ 17,987

(1) Revenue consists of revenue from leases and Gains on sales of real estate under operating leases. Revenue from leases is included in real estate-related revenues from Operating leases and Life insurance premiums and related investment income.

(2) Expense consists of costs related to the above revenue such as depreciation expense, repair cost, insurance cost, tax and duty which are included in Costs of operating leases, and Write-downs of long-lived assets.

(3) Income from discontinued operations is income such as gains on sales of real estate under operating leases which we have sold or have decided to sell, without maintaining significant continuing involvement in the operation of the assets.

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RESULTS OF OPERATIONS

GUIDE TO OUR CONSOLIDATED STATEMENT OF INCOME

The following discussion and analysis provides information that management believes to be relevant to an understanding of our consolidated financial condition and results of operations. This discussion should be read in conjunction with our consolidated financial statements, including the notes thereto, included in this annual report. See Item 18. Financial Statements.

Our consolidated results of operations are presented in the accompanying financial statements with sub-categorization of revenues and expenses designed to enable the reader to better understand the diversified operating activities contributing to our overall operating performance.

As further described in Item 4. Information on the Company, after developing the Japanese leasing market in 1964, we extended the scope of our operations into various types of businesses which have become significant contributors to our consolidated operating results. Our initial leasing business has expanded into the provision of broader financial services, including direct lending to our lessees and other customers. Initial direct lending broadened into diversified finance such as housing loans, loans secured by real estate, unsecured loans and non-recourse loans. Through our lending experience, we developed a loan servicing business and a loan securitization business. Through experience gained by our focusing on real estate as collateral for loans, we also developed our real estate leasing, development and management operations.

Furthermore, we also expanded our business by the addition of securities-related operations, aimed at generating capital gains. Thereafter, we established and acquired a number of subsidiaries and affiliates in Japan and overseas to expand our operations, such as a bank, a life insurance company and a real estate-related company. The Investment and Operation Headquarters selectively invests in companies and actively seeks to fulfill the needs of companies involved in or considering M&A activity, including, among other things, management buyouts, privatization or carve-outs of subsidiaries or business units and business succession.

The diversified nature of our operations is reflected in our presentation of operating results through the categorization of our revenues and expenses to align with operating activities. We categorize our revenues into direct financing leases, operating leases, interest on loans and investment securities, brokerage commissions and net gains on investment securities, life insurance premiums and related investment income, real estate sales, gains on sales of real estate under operating leases, revenues from asset management and servicing and other operating revenues, and these revenues are summarized into a subtotal of Total revenues consisting of our Operating Income on the consolidated statements of income.

The following is an additional explanation of certain account captions on our consolidated statements of income to supplement the discussion above:

Interest on investment securities is combined with interest on loans because we believe that capital we deploy is fungible and, whether used to provide financing in the form of loans and leases or through investment in debt securities, the decision to deploy the capital is a banking-type operation that shares the common objective of managing earning assets to generate a positive spread over our cost of borrowings.

Securities investment activities originated by the Company were extended to group companies, such as our U.S. operations. As a result, gains on investment securities have grown and become one of our major revenue sources. With this background, we determined to present gains on investment securities under a separate income statement caption, together with brokerage commissions, because both gains on investment securities and brokerage commissions are derived from our securities operations.

Other operating revenues consist of revenues derived from our various operations which are considered a part of our recurring operating activities, such as integrated facilities management operations, vehicle maintenance and management services, management of golf courses, training facilities and hotels, real estate-related business and commissions for the sale of insurance and other financial products.

Similar to our revenues, we categorize our expenses based on our diversified operating activities. Total expenses includes mainly interest expense, costs of operating leases, life insurance costs, costs of real estate sales, expenses from asset management and servicing, other operating expenses and selling, general and administrative expenses.

Expenses reported under the account caption Other operating expenses are directly associated with the sales and revenues separately reported within other operating revenues. Interest expense is based on monies borrowed mainly to fund revenue-generating assets, including to purchase equipment for leases, extend loans and invest in securities and real estate operations. We also consider the principal part of selling, general and administrative expenses to be directly related to the generation of revenues. Therefore, they have been included within Total expenses deducted to derive Operating Income. We similarly view the provision for doubtful receivables and probable loan losses to be directly related to our finance activities and accordingly have included it within Total expenses. As our principal operations consist of providing financial products and/or finance-related services to our customers, these expenses are directly related to the potential risks and changes in these products and services. See Year Ended March 31, 2014 Compared to Year Ended March 31, 2013 and Year Ended March 31, 2013 Compared to Year Ended March 31, 2012.

We have historically reflected write-downs of long-lived assets under Operating Income as related assets, primarily real estate assets, representing significant operating assets under management or development. Accordingly, the write-downs were considered to represent an appropriate component of Operating Income derived from the related real estate investment activities. Similarly, as we have identified investment in securities to represent an operating component of our financing activities, write-downs of securities are presented under Operating Income.

We believe that our financial statement presentation, as explained above, with the expanded presentation of revenues and expenses, aids in the comprehension of our diversified operating activities in Japan and overseas and supports the fair presentation of our consolidated statements of income.

YEAR ENDED MARCH 31, 2014 COMPARED TO YEAR ENDED MARCH 31, 2013

Performance Summary

Financial Results

	Year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except ratios, per Share data and percentages)			
Total revenues	¥ 1,055,764	¥ 1,341,651	¥ 285,887	27
Total expenses	904,911	1,140,673	235,762	26

Income before Income Taxes and Discontinued Operations		172,572	283,726	111,154	64
Net Income Attributable to ORIX Corporation Shareholders		111,909	186,794	74,885	67
Earnings per Share	(Basic)	102.87	147.30	44.43	43
	(Diluted)	87.37	142.77	55.40	63
ROE[1]		7.4	10.5	3.1	
ROA[2]		1.33	2.13	0.80	

(1) ROE is the ratio of Net Income Attributable to ORIX Corporation Shareholders for the period to average ORIX Corporation Shareholders Equity based on fiscal year beginning and ending balances.

(2) ROA is the ratio of Net Income Attributable to ORIX Corporation Shareholders for the period to average Total Assets based on fiscal year beginning and ending balances.

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Total revenues for fiscal 2014 increased 27% to ¥1,341,651 million compared to ¥1,055,764 million during fiscal 2013. Compared to fiscal 2013, revenues from the asset management and servicing business increased due to the consolidation of Robeco, an asset management company we acquired on July 1, 2013, and Operating lease revenues increased due to growth in auto leasing in Japan and aircraft leasing overseas. In addition, other operating revenues increased mainly due to revenue contribution from companies acquired during fiscal 2013, growth in the environment and energy-related business, and an increase in fee income compared to fiscal 2013. On the other hand, interest on loans and investment securities and revenues from real estate sales decreased compared to fiscal 2013 due to a decrease in installment loan balance and a decrease in the number of condominium units delivered, respectively.

Total expenses for fiscal 2014 increased 26% to ¥1,140,673 million compared to ¥904,911 million during fiscal 2013. In addition to an increase in expenses from the asset management and servicing business resulting primarily from our acquisition of Robeco on July 1, 2013, costs of operating leases and other operating expenses also increased in line with an increase in revenues, and selling, general and administrative expenses increased mainly due to corporate acquisitions during fiscal 2014. Meanwhile, interest expense decreased due to a decrease in the average balance of borrowings outstanding; costs of real estate sales decreased due to a decrease in the number of condominium units delivered; and write-downs of securities decreased mainly due to a decrease in write-downs recorded for non-marketable securities compared to fiscal 2013.

Compared to fiscal 2013, equity in net income of affiliates increased in fiscal 2014 mainly due to an increase in profits from domestic real-estate joint ventures, and a net increase in gains on sales of subsidiaries and affiliates and liquidation losses due to gains of ¥58,435 million associated with the consolidation of DAIKYO on February 27, 2014.

As a result of the foregoing, income before income taxes and discontinued operations during fiscal 2014 increased 64% to ¥283,726 million compared to ¥172,572 million during fiscal 2013, and net income attributable to ORIX Corporation shareholders during fiscal 2014 increased 67% to ¥186,794 million compared to ¥111,909 million during fiscal 2013.

Balance Sheet data

	As of March 31,		Change	
	2013	**2014**	**Amount**	**Percent (%)**
	(Millions of yen except ratios, per share and percentages)			
Total Assets	¥ 8,439,710	¥ 9,069,392	¥ 629,682	7
(Segment assets)[3]	6,382,654	7,281,355	898,701	14
Total Liabilities	6,710,516	6,921,037	210,521	3
(Long- and short-term debt)	4,482,260	4,168,465	(313,795)	(7)
(Deposits)	1,078,587	1,206,413	127,826	12
ORIX Corporation Shareholders Equity	1,643,596	1,918,740	275,144	17
ORIX Corporation Shareholders Equity per share	1,345.63	1,465.31	119.68	9
ORIX Corporation Shareholders Equity ratio[1]	19.5%	21.2%	1.7%	
Adjusted ORIX Corporation Shareholders equity ratio[2]	21.4%	21.8%	0.4%	
D/E ratio (Debt-to-equity ratio) (Long- and short-term debt (excluding deposits) / ORIX Corporation Shareholders equity)	2.7x	2.2x	(0.5)x	
Adjusted D/E ratio[2]	2.3x	2.0x	(0.3)x	

(1) ORIX Corporation Shareholders equity ratio is the ratio as of the period end of ORIX Corporation Shareholder s equity to total assets.

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(2) Adjusted ORIX Corporation Shareholders equity ratio and Adjusted D/E ratio are non-GAAP financial measures presented on an adjusted basis that excludes the effect of consolidating certain VIEs on our assets or liabilities and reverses the cumulative effect on our retained earnings of such consolidation, which resulted from applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010. For a discussion of these and other non-GAAP financial measures, including a quantitative reconciliation to the most directly comparable GAAP financial measures, please see Non-GAAP Financial Measures under this Item 5.

(3) Goodwill and other intangible assets acquired in business combinations have been recognized as segment assets from July 1, 2013, Segment assets for fiscal 2013 have been reclassified as a result of this change.

Total assets as of March 31, 2014 increased 7% to ¥9,069,392 million compared to ¥8,439,710 million on March 31, 2013. Investment in direct financing leases increased due to an increase of new transactions in Japan and other Asian markets. Investment in securities increased primarily due to an increase in purchase of government bond securities and municipal bond securities in Japan. Other operating assets increased primarily due to the new acquisitions. In addition, inventories increased due to our the consolidation of DAIKYO on February 27, 2014 and other assets increased primarily due to the recognition of goodwill and other intangible assets from the acquisition of Robeco on July 1, 2013 and DAIKYO on February 27, 2014. On the other hand, installment loans decreased as of March 31, 2014 due to an increase in collections. Segment assets increased 14% compared to March 31, 2013, to ¥7,281,355 million.

The balance of interest bearing liabilities is managed at an appropriate level taking into account the nature and mix of assets and the liquidity on-hand as well as the domestic and overseas financial environment. As a result, long-term and short-term debt decreased compared to March 31, 2013.

ORIX Corporation Shareholders Equity as of March 31, 2014 increased 17% compared to March 31, 2013 to ¥1,918,740 million due to a decrease in treasury stock at cost that was paid as part of the consideration for the Robeco acquisition, and an increase in common stock and additional paid-in capital as a result of the conversion of convertible bonds with stock acquisition rights and the exercise of rights on stock acquisition rights, in addition to an increase in retained earnings.

Details of Operating Results

The following is a discussion of items in the consolidated statements of income, operating assets in the consolidated balance sheets and other selected financial information. See Item 4. Information on the Company Profile of Business by Segment.

Revenues, New Business Volumes and Investments

Direct financing leases

	As of and for the year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Direct financing leases:				
Direct financing lease revenues	¥ 54,356	¥ 57,483	¥ 3,127	6
Japan	35,179	34,933	(246)	(1)

Overseas	19,177	22,550	3,373	18
New equipment acquisitions	455,433	560,665	105,232	23
Japan	298,461	366,177	67,716	23
Overseas	156,972	194,488	37,516	24
Investment in direct financing leases	989,380	1,094,073	104,693	11
Japan	692,584	761,437	68,853	10
Overseas	296,796	332,636	35,840	12

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In Japan, the balance of direct financing leases increased primarily due to an increase in the volume of smaller leasing transactions. Overseas, the balance of direct financing leases increased in fiscal 2014 increased compared to fiscal 2013 primarily due to an increase in new equipment acquisitions overseas, particularly in Asia.

Revenues from direct financing leases in fiscal 2014 increased 6% compared to fiscal 2013 to ¥57,483 million. In Japan, despite an increase in the average balance of financing leases, revenues from direct financing leases decreased 1% compared to fiscal 2013 to ¥34,933 million due to a decrease in income from the cancellation of financing leases. Overseas, revenues from direct financing lease increased 18% compared to fiscal 2013 to ¥22,550 million due to an increase in the average balance of financing leases as a result of an increase in new equipment acquisitions mainly in Asia.

The average return on direct financing leases in Japan, calculated on the basis of quarterly balances, decreased to 4.87% in fiscal 2014 compared to 5.15% in fiscal 2013 due to a decrease in income from the cancellation of financing leases. The average return on overseas direct financing leases, calculated on the basis of quarterly balances, decreased to 7.12% in fiscal 2014 from 7.60% in fiscal 2013 due to a decrease in the proportion of high-yield investment in direct financing leases in China.

New equipment acquisitions related to direct financing leases increased 23% to ¥560,665 million compared to fiscal 2013. New equipment acquisitions for operations in Japan increased 23% in fiscal 2014, and new equipment acquisition for overseas operations increased 24% in fiscal 2014, as compared to fiscal 2013.

Investment in direct financing leases as of March 31, 2014 increased 11% to ¥1,094,073 million compared to March 31, 2013 due to the effect of yen depreciation and the increases in new equipment described above.

As of March 31, 2014, no single lessee represented more than 2% of our total portfolio of direct financing leases. As of March 31, 2014, 70% of our direct financing leases were to lessees in Japan, while 30% were to overseas lessees. Approximately 9% of our direct financing leases were to lessees in Malaysia and approximately 6% of our direct financing leases were to lessees in Indonesia. No other overseas country represented more than 5% of our total portfolio of direct financing leases.

	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases by category:				
Transportation equipment	¥ 351,340	¥ 386,913	¥ 35,573	10
Industrial equipment	172,318	199,731	27,413	16
Electronics	140,047	151,885	11,838	8
Information-related and office equipment	85,232	95,719	10,487	12
Commercial services equipment	67,122	70,781	3,659	5
Other	173,321	189,044	15,723	9
Total	¥ 989,380	¥ 1,094,073	¥ 104,693	11

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Operating leases

	As of and for the year ended March 31, 2013	2014	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Operating leases:				
Operating lease revenues	¥ 296,329	¥ 324,083	¥ 27,754	9
Japan	232,044	246,035	13,991	6
Overseas	64,285	78,048	13,763	21
Costs of operating leases	194,429	215,889	21,460	11
New equipment acquisitions	295,765	325,930	30,165	10
Japan	191,450	223,553	32,103	17
Overseas	104,315	102,377	(1,938)	(2)
Investment in operating leases	1,395,533	1,375,686	(19,847)	(1)
Japan	1,148,595	1,117,804	(30,791)	(3)
Overseas	246,938	257,882	10,944	4

Revenues from operating leases in fiscal 2014 increased 9% to ¥324,083 million compared to fiscal 2013. In Japan, operating lease revenues increased mainly due to an increase in revenue from automobile operations and an increase in revenues from rental operations such as measuring and information-related equipment. Overseas, operating lease revenues increased mainly due to an increase in aircraft leasing. In fiscal 2013 and 2014, gains from the disposition of operating lease assets other than real estate that were included in operating lease revenues, were ¥14,032 million and ¥17,820 million, respectively.

Costs of operating leases increased 11% to ¥215,889 million in fiscal 2014 compared to fiscal 2013 due to an increase in depreciation expenses resulting from a year on year increase in the average monthly balance of investment in operating leases.

New equipment acquisitions related to operating leases increased 10% to ¥325,930 million in fiscal 2014 compared to fiscal 2013. New equipment acquisitions by operations in Japan increased as a result of an increase in purchases of transportation equipment such as automobiles, and measuring and information-related equipment, and the purchase of real estate.

Investment in operating leases decreased 1% to ¥1,375,686 million in fiscal 2014 compared to fiscal 2013 due to sales of large amounts of real estate, despite an increase in new equipment acquisitions as described above.

	As of March 31, 2013	2014	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in operating leases by category:				
Transportation equipment	¥ 527,521	¥ 605,064	¥ 77,543	15
Measuring and information-related equipment	90,022	96,914	6,892	8
Real estate	750,956	649,367	(101,589)	(14)
Other	3,568	4,053	485	14
Accrued rental receivables	23,466	20,288	(3,178)	(14)
Total	¥ 1,395,533	¥ 1,375,686	¥ (19,847)	(1)

Investment in operating leases decreased 1% in fiscal 2014 compared to fiscal 2013, mainly due to the effect of sales of large amounts of real estate, despite an increase in investment in automobile operations in Japan. Investment in transportation equipment operating leases increased 15% in fiscal 2014 compared to fiscal 2013

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because of an increase in new equipment acquisitions in Japan. Investment in real estate operating leases decreased 14% in fiscal 2014 compared to fiscal 2013, mainly due to sales of real estate in Japan.

Installment loans

	As of and for the year ended March 31, 2013	As of and for the year ended March 31, 2014	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
Interest on installment loans[1]	¥ 144,458	¥ 118,287	¥ (26,171)	(18)
Japan	90,497	83,061	(7,436)	(8)
Overseas	53,961	35,226	(18,735)	(35)
New loans added	918,579	1,034,726	116,147	13
Japan	704,797	813,327	108,530	15
Overseas	213,782	221,399	7,617	4
Installment loans	2,691,171	2,315,555	(375,616)	(14)
Japan	2,055,340	1,988,108	(67,232)	(3)
Overseas	635,831	327,447	(308,384)	(49)

(1) The balance of installment loans related to our life insurance operations are included in installment loans in our consolidated balance sheets; however, income and losses on these loans are recorded in life insurance premiums and related investment income in our consolidated statements of income.

In Japan, the balance of installment loans decreased as a result of collection of loans to real estate companies and collection of non-recourse loans. As a result, the average balance of installment loans decreased and revenues decreased compared to fiscal 2013. Overseas, the balance of installment loans decreased mainly as a result of recovery of loans of VIEs in the United States. As a result, the average balance of installment loans decreased and revenues decreased compared to fiscal 2013.

Interest on installment loans decreased 18% from fiscal 2013 to ¥118,287 million for fiscal 2014. In Japan, interest on installment loans decreased 8% compared to fiscal 2013 as mentioned above. Overseas, interest on installment loans decreased 35% in fiscal 2014 as mentioned above.

The average interest rate earned on loans in Japan, calculated on the basis of quarterly balances, decreased to 4.15% in fiscal 2014 from 4.33% in fiscal 2013 due to a decrease in revenues from large collections in the loan servicing business in fiscal 2013. The average interest rate earned on overseas loans, calculated on the basis of quarterly balances, increased to 8.41% in fiscal 2014 from 7.81% in fiscal 2013.

New loans added increased 13% to ¥1,034,726 million compared to fiscal 2013. In Japan, new loans added increased 15% to ¥813,327 million in fiscal 2014 as compared to fiscal 2013 due to an increase in housing loans in Japan, and overseas, new loans added increased 4% to ¥221,399 million compared to fiscal 2013.

The balance of installment loans as of March 31, 2014 decreased 14% to ¥2,315,555 million compared to March 31, 2013. The balance of installment loans for borrowers in Japan decreased 3% to ¥1,988,108 million, and the balance of installment loans for overseas customers decreased 49% to ¥327,447 million for the reasons mentioned above. As of March 31, 2014, 86% of our installment loans were to borrowers in Japan, while 11% were to borrowers in the United States.

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The following table sets forth the balance of our installment loans to borrowers in Japan and overseas as of March 31, 2013 and 2014, further categorized by the type of borrower (i.e., consumer or corporate) for borrowers in Japan. As of March 31, 2014, ¥32,001 million, or 2%, of our portfolio of installment loans to consumer and corporate borrowers in Japan related to our life insurance operations. We reflect income from these loans as life insurance premiums and related investment income in our consolidated statements of income.

	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
Consumer borrowers in Japan				
Housing loans	¥ 912,651	¥ 973,439	¥ 60,788	7
Card loans	225,707	228,868	3,161	1
Other	26,967	24,875	(2,092)	(8)
Subtotal	1,165,325	1,227,182	61,857	5
Corporate borrowers in Japan				
Real estate companies	245,465	228,062	(17,043)	(7)
Non-recourse loans	134,440	72,625	(61,815)	(46)
Commercial, industrial and other companies	442,146	409,846	(32,300)	(7)
Subtotal	822,051	710,533	(111,518)	(14)
Overseas				
Non-recourse loans	434,517	101,579	(332,938)	(77)
Commercial, industrial companies and other	198,477	222,920	24,443	12
Subtotal	632,994	324,499	(308,495)	(49)
Purchased loans[1]	70,801	53,341	(17,460)	(25)
Total	¥ 2,691,171	¥ 2,315,555	¥ (375,616)	(14)

(1) Purchased loans represent loans with evidence of deterioration of credit quality since origination and for which it is probable at acquisition that collection of all contractually required payments from the relevant debtor is unlikely in accordance with ASC 310-30 (Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality).

As of March 31, 2014, ¥258,601 million, or 11%, of all installment loans were outstanding to real estate companies in Japan and overseas. Of this amount, ¥28,869 million, or 1.2% of all installment loans, were loans individually evaluated for impairment. We calculated an allowance of ¥8,911 million on these impaired loans. As of March 31, 2014, we had installment loans outstanding in the amount of ¥106,884 million, or 5% of all installment loans, to companies in the entertainment industry. Of this amount, ¥7,827 million, or 0.3% of all installment loans, were loans individually evaluated for impairment. We calculated an allowance of ¥1,801 million on these impaired loans.

The balance of loans to consumer borrowers in Japan as of March 31, 2014 increased 5% to ¥1,227,182 million compared to the balance as of March 31, 2013. The balance of loans to corporate borrowers in Japan as of March 31, 2014 decreased 14%, to ¥710,533 million, compared to the balance as of March 31, 2013, primarily due to a decrease in the balance of non-recourse loans. The balance of loans overseas, excluding purchased loans, as of March 31, 2014 decreased 49%, to ¥324,499 million, compared to the balance as of March 31, 2013, primarily due to a decrease in the balance of loans of VIEs in the United States.

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Asset quality

Direct financing leases

	As of March 31, 2013	As of March 31, 2014
	(Millions of yen, except percentage data)	
90+ days past-due direct financing leases and allowances for direct financing leases:		
90+ days past-due direct financing leases	¥ 15,806	¥ 13,887
90+ days past-due direct financing leases as a percentage of the balance of investment in direct financing leases	1.60%	1.27%
Provision as a percentage of average balance of investment in direct financing leases(1)	0.26%	0.35%
Allowance for direct financing leases	¥ 15,830	¥ 15,384
Allowance for direct financing leases as a percentage of the balance of investment in direct financing leases	1.60%	1.41%
The ratio of charge-offs as a percentage of the average balance of investment in direct financing leases	0.43%	0.42%

(1) Average balances are calculated on the basis of fiscal beginning balance and fiscal quarter-end balances.

The balance of 90+ days past-due direct financing leases decreased ¥1,919 million to ¥13,887 million compared to fiscal 2013. As a result, the ratio of 90+ days past-due direct financing leases decreased 0.33% from fiscal 2013 to 1.27%.

We believe that the ratio of allowance for doubtful receivables as a percentage of the balance of investment in direct financing leases provides a reasonable indication that our allowance for doubtful receivables was appropriate as of March 31, 2014 for the following reasons:

- lease receivables are generally diversified and the amount of realized loss on any particular contract is likely to be relatively small; and

- all lease contracts are secured by collateral consisting of the underlying leased equipment, and we can expect to recover at least a portion of the outstanding lease receivables by selling the collateral.

Loans not individually evaluated for impairment

	As of March 31, 2013	As of March 31, 2014
	(Millions of yen, except percentage data)	
90+ days past-due loans and allowance for installment loans:		
90+ days past-due loans not individually evaluated for impairment	¥ 7,745	¥ 6,149
90+ days past-due loans not individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.31%	0.28%
Provision (reversal) as a percentage of average balance of installment loans not individually evaluated for impairment(1)	(0.12)%	0.10%

Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment	¥ 23,283	¥ 20,257
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.94%	0.93%
The ratio of charge-offs as a percentage of the average balance of loans not individually evaluated for impairment	0.14%	0.24%

(1) Average balances are calculated on the basis of fiscal year s beginning balance and fiscal quarter-end balances.

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The balance of 90+ days past-due loans not individually evaluated for impairment that are not individually significant and accordingly are evaluated for impairment as a homogeneous group decreased 21% to ¥6,149 million in fiscal 2014.

The table below sets forth the outstanding balances of loans not individually evaluated for impairment by region and type of borrower.

	As of March 31, 2013	As of March 31, 2014
	(Millions of yen)	
90+ days past-due loans not individually evaluated for impairment:		
Consumer borrowers in Japan		
Housing loans	¥ 6,367	¥ 4,148
Card loans	719	720
Other	629	1,218
Subtotal	7,715	6,086
Overseas		
Housing loans	30	63
Total	¥ 7,745	¥ 6,149

We make allowance for housing loans, card loans and other loans in Japan after careful evaluation of the value of collateral underlying the loans, past loss experience and any economic conditions that we believe may affect the default rate.

We determine the allowance for our other items on the basis of past loss experience, general economic conditions and the current portfolio composition.

Loans individually evaluated for impairment

	As of March 31, 2013	As of March 31, 2014
	(Millions of yen)	
Loans individually evaluated for impairment:		
Impaired loans	¥ 212,740	¥ 135,824
Effect of the application of the accounting standards for the consolidation of VIEs[1]	44,646	15,776
Impaired loans requiring an allowance	159,942	110,775
Effect of the application of the accounting standards for the consolidation of VIEs[1]	29,880	12,718
Allowance for loans individually evaluated for impairment[2]	65,151	49,155
Effect of the application of the accounting standards for the consolidation of VIEs[1]	12,970	6,827

(1) These are the ending balances as of the dates indicated attributable to VIEs requiring consolidation under the accounting standards for consolidation of VIEs under ASU 2009-16 and ASU 2009-17.

(2)

The allowance is individually evaluated based on the present value of expected future cash flows, the loan s observable market price or the fair value of the collateral securing the loans if the loans are collateral dependent.

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New provision for probable loan losses was ¥10,648 million in fiscal 2013 and ¥7,839 million in fiscal 2014, and charge-off of impaired loans was ¥35,685 million in fiscal 2013 and ¥18,296 million in fiscal 2014. New provision for probable loan losses decreased ¥2,809 million compared to fiscal 2013. Charge-off of impaired loans decreased ¥17,389 million compared to fiscal 2013.

The table below sets forth the outstanding balance of impaired loans by region and type of borrower as of the dates indicated. Consumer loans in Japan primarily consist of restructured smaller-balance homogeneous loans individually evaluated for impairment.

	As of March 31,	
	2013	2014
	(Millions of yen)	
Impaired loans:		
Consumer borrowers in Japan		
Housing loans	¥ 8,494	¥ 7,312
Card loans	1,858	2,950
Other	504	1,529
Subtotal	10,856	11,791
Corporate borrowers in Japan		
Real estate companies	47,126	28,869
Non-recourse loans	23,415	7,868
Commercial, industrial and other companies	50,680	35,810
Subtotal	121,221	72,547
Overseas		
Non-recourse loans	37,635	17,034
Commercial, industrial companies and other	13,921	11,377
Subtotal	51,556	28,411
Purchased loans	29,107	23,075
Total	¥ 212,740	¥ 135,824

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Provision for doubtful receivables and probable loan losses

We make provision for doubtful receivables and probable loan losses for direct financing leases and installment loans.

	As of March 31, 2013	As of March 31, 2014	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Provision for doubtful receivables on direct financing leases and probable loan losses:				
Beginning balance	¥ 136,588	¥ 104,264	¥ (32,324)	(24)
Direct financing leases	16,852	15,830	(1,022)	(6)
Loans not individually evaluated for impairment	28,329	23,283	(5,046)	(18)
Loans individually evaluated for impairment	91,407	65,151	(26,256)	(29)
Provision charged to income	10,016	13,834	3,818	38
Direct financing leases	2,423	3,651	1,228	51
Loans not individually evaluated for impairment	(3,055)	2,344	5,399	
Loans individually evaluated for impairment	10,648	7,839	(2,809)	(26)
Charge-offs (net)	(43,188)	(28,112)	15,076	(35)
Direct financing leases	(4,046)	(4,351)	(305)	8
Loans not individually evaluated for impairment	(3,457)	(5,465)	(2,008)	58
Loans individually evaluated for impairment	(35,685)	(18,296)	17,389	(49)
Other[1]	848	(5,190)	(6,038)	
Direct financing leases	601	254	(347)	(58)
Loans not individually evaluated for impairment	1,466	95	(1,371)	(94)
Loans individually evaluated for impairment	(1,219)	(5,539)	(4,320)	354
Ending balance	104,264	84,796	(19,468)	(19)
Direct financing leases	15,830	15,384	(446)	(3)
Loans not individually evaluated for impairment	23,283	20,257	(3,026)	(13)
Loans individually evaluated for impairment	65,151	49,155	(15,996)	(25)

(1) Other mainly includes foreign currency translation adjustments and others.

Investment Securities

	As of and for the year ended March 31, 2013	As of and for the year ended March 31, 2014	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment securities[1]:				
Interest on investment securities	¥ 11,505	¥ 12,393	¥ 888	8
Japan	5,744	4,670	(1,074)	(19)
Overseas	5,761	7,723	1,962	34
New securities added	758,292	930,526	172,234	23
Japan	718,864	855,100	136,236	19
Overseas	39,428	75,426	35,998	91
Investment in securities	1,093,668	1,214,576	120,908	11
Japan	873,631	945,043	71,412	8
Overseas	220,037	269,533	49,496	22

(1) The balance of investment in securities related to our life insurance operations are included in investment in securities in the consolidated balance sheets. Income and losses on investment in securities related to our life insurance operations are recorded in life insurance premiums and related investment income in our consolidated statements of income.

Interest on investment securities other than those held in connection with our life insurance operations in Japan decreased 19% to ¥4,670 million in fiscal 2014 compared to fiscal 2013 primarily due to a lower average balance of bonds such as specified bonds issued by SPEs in Japan because of stringent selection of new transactions and enhanced collection efforts. Overseas interest on investment securities increased 34% to ¥7,723 million in fiscal 2014 compared to fiscal 2013 primarily due to the foreign exchange effects of the depreciated yen. The average interest rate earned on investment securities in Japan, calculated on a monthly basis, declined to 1.37% in fiscal 2014 compared to 1.45% in fiscal 2013. The average interest rate earned on overseas investment securities, calculated on a monthly basis, increased to 7.40% in fiscal 2014 compared to 6.51% in fiscal 2013.

New securities added increased 23% to ¥930,526 million in fiscal 2014 compared to fiscal 2013. New securities added in Japan increased 19% in fiscal 2014 compared to fiscal 2013 primarily due to an increase in investments in government bonds, municipal bonds and corporate debt securities. New securities added overseas increased 91% in fiscal 2014 compared to fiscal 2013 primarily due to an increase in investments in municipal bonds and CMBS and RMBS in the United States.

The balance of our investment in securities as of March 31, 2014 increased 11% to ¥1,214,576 million compared to fiscal 2013. The balance of our investment in securities in Japan increased 8% due to rebalancing of investment portfolios in our life insurance business and decreasing balances of specified bonds issued by SPEs in Japan. The balance of our investment in securities overseas increased 22% in fiscal 2014 compared to fiscal 2013 mainly due to an increase of municipal bonds in the United States and the foreign exchange effects of the depreciated yen.

	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in securities by security type:				
Trading securities	¥ 33,041	¥ 16,079	¥ (16,962)	(51)
Available-for-sale securities	757,299	881,606	124,307	16
Held-to-maturity securities	89,451	96,731	7,280	8
Other securities	213,877	220,160	6,283	3
Total	¥ 1,093,668	¥ 1,214,576	¥ 120,908	11

Investments in trading securities decreased 51% to ¥16,079 million in fiscal 2014 compared to fiscal 2013 primarily due to sales of municipal bonds in the United States. Investments in available-for-sale securities increased 16% to ¥881,606 million in fiscal 2014 compared to fiscal 2013 primarily due to increased balances of government and municipal bonds while balances of debt securities such as specified bonds issued by SPEs in Japan decreased. Held-to-maturity securities increased mainly as a result of our life insurance business s investment in Japanese government bonds. Other securities increased 3% to ¥220,160 million in fiscal 2014 compared to fiscal 2013 mainly due to increasing balances of fund investments in the United States.

For further information on investment in securities, see Note 9 of Item 18. Financial Statements.

	Year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Brokerage commissions and net gains on investment securities:				
Net gains on investment securities[1]	¥ 28,805	¥ 19,412	¥ (9,393)	(33)
Dividends income, other[1]	6,009	7,771	1,762	29

Total	¥ 34,814	¥ 27,183	¥ (7,631)	(22)

(1) Income and losses on investment in securities related to our life insurance operations are recorded in life insurance premiums and related investment income in our consolidated statements of income.

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Brokerage commissions and net gains on investment securities decreased 22% to ¥27,183 million in fiscal 2014 compared to fiscal 2013 due to decrease net gains on investment securities. Net gains on investment securities decreased 33% to ¥19,412 million in fiscal 2014 compared to fiscal 2013 primarily due to the gain on the sale of shares in Aozora Bank, Ltd. (Aozora Bank), in each case, recorded in fiscal 2013. Dividend income, other increased 29% to ¥7,771 million in fiscal 2014 compared to fiscal 2013.

As of March 31, 2014, gross unrealized gains on available-for-sale securities, including those held in connection with our life insurance operations, were ¥62,522 million, compared to ¥47,477 million as of March 31, 2013. As of March 31, 2014, gross unrealized losses on available-for-sale securities, including those held in connection with our life insurance operations, were ¥2,466 million, compared to ¥4,368 million as of March 31, 2013.

Life insurance

We reflect all income and losses (other than provision for doubtful receivables and probable loan losses) that we recognize on securities, installment loans, real estate under operating leases and other investments held in connection with life insurance operations as life insurance premiums and related investment income in our consolidated statements of income.

	Year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Life insurance premiums and related investment income and life insurance costs:				
Life insurance premiums	¥ 130,187	¥ 145,464	¥ 15,277	12
Life insurance-related investment income	8,539	9,942	1,403	16
Total	¥ 138,726	¥ 155,406	¥ 16,680	12
Life insurance costs	¥ 98,599	¥ 108,343	¥ 9,744	10

	Year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Breakdown of life insurance-related investment income:				
Net income on investment securities	¥ 5,350	¥ 6,421	¥ 1,071	20
Interest on loans, income on real estate under operating leases, and others	3,189	3,521	332	10
Total	¥ 8,539	¥ 9,942	¥ 1,403	16

Life insurance premiums and related investment income increased 12% to ¥155,406 million in fiscal 2014 compared to fiscal 2013.

Life insurance premiums increased 12% to ¥145,464 million in fiscal 2014 compared to fiscal 2013 due to an increase in contracts for new products.

Life insurance-related investment income increased 16% to ¥9,942 million in fiscal 2014 compared to fiscal 2013 due to an increase in net income on investment securities.

Life insurance costs increased 10% to ¥108,343 million in fiscal 2014 compared to fiscal 2013.

The margin ratio, which is calculated by dividing the difference between life insurance premiums and life insurance costs by life insurance premiums, expanded to 26% in fiscal 2014 compared to 24% in fiscal 2013.

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	As of March 31, 2013	2014	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investments by ORIX Life Insurance:				
Available-for-sale debt securities	¥ 287,514	¥ 363,108	¥ 75,594	26
Available-for-sale equity securities	12,287	7,612	(4,675)	(38)
Held-to-maturity securities	88,824	95,304	6,480	7
Other securities	6	6	0	0
Total investment in securities	388,631	466,030	77,399	20
Installment loans, real estate under operating leases and other investments	152,334	116,175	(36,159)	(24)
Total	¥ 540,965	¥ 582,205	¥ 41,240	8

Investment in securities increased 20% to ¥466,030 million in fiscal 2014 as a result of an increase in available-for-sale debt securities.

Installment loans, real estate under operating leases and other investments decreased 24% to ¥116,175 million in fiscal 2014 as a result of decreased installment loans and decreased real estate under operating leases.

Real estate sales

	Year ended March 31, 2013	2014	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Real estate sales:				
Real estate sales	¥ 38,804	¥ 23,139	¥ (15,665)	(40)
Costs of real estate sales	39,430	27,059	(12,371)	(31)
Margins	¥ (626)	¥ (3,920)	¥ (3,294)	

Real estate sales were down 40% year on year to ¥23,139 million compared to fiscal 2013 due to the decrease in the number of condominium units delivered in Japan.

Costs of real estate sales decreased 31% to ¥27,059 million compared to fiscal 2013 due to a decrease in number of condominium units delivered as described above, despite an increase in write-downs recorded on some projects under development. We recorded ¥3,377 million and ¥5,650 million of write-downs for fiscal 2013 and 2014, respectively. Costs of real estate sales include the upfront costs associated with advertising and creating model rooms.

Margins amounted to a loss of ¥3,920 million in fiscal 2014 compared to a loss of ¥626 million in fiscal 2013 due to the decrease in the number of condominium units delivered and the increase in write-downs as described above.

Gains on sales of real estate under operating leases

	Year ended March 31,		Change	
	2013	**2014**	**Amount**	**Percent (%)**
	(Millions of yen, except percentage data)			
Gains on sales of real estate under operating leases:				
Gains on sales of real estate under operating leases	¥ 5,816	¥ 5,872	¥ 56	1

Gains on sales of real estate under operating leases increased 1% to ¥5,872 million in fiscal 2014 compared to fiscal 2013.

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Where we have significant continuing involvement in the operations of real estate under operating leases which have been disposed of, the gains or losses arising from such disposition are separately disclosed as gains on sales of real estate under operating leases. If we have no significant continuing involvement of operations of such disposed real estate properties, the gains or losses are reported as income from discontinued operations. For a discussion of our accounting policy for discontinued operations, see Note 27 of Item 18. Financial Statements.

Asset Management and Servicing Operations

	Year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Asset Management and Servicing Operations:				
Revenues from asset management and servicing	¥ 15,265	¥ 126,492	¥ 111,227	729
Japan	7,136	6,372	(764)	(11)
Overseas	8,129	120,120	111,991	
Expenses from asset management and servicing	593	36,150	35,557	

Revenues from asset management and servicing increased 729% to ¥126,492 million in fiscal 2014 compared to fiscal 2013. In Japan, revenues from asset management and servicing decreased 11% to ¥6,372 million compared to fiscal 2013 due to a decrease in the volume of servicing business undertaken. Overseas, revenues from asset management and servicing increased to ¥120,120 million due to the consolidation of Robeco acquired on July 1, 2013.

Expenses from asset management and servicing increased to ¥36,150 million due to the consolidation of Robeco along with the increase in revenues from asset management and servicing described above.

Other operations

	As of and for the year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Other operations:				
Other operating revenues	¥ 315,691	¥ 491,313	¥ 175,622	56
Japan	249,884	331,758	81,874	33
Overseas	65,807	159,555	93,748	142
Other operating expenses	194,693	310,775	116,082	60
New assets added	12,931	39,108	26,177	202
Japan	12,479	30,445	17,966	144
Overseas	452	8,663	8,211	
Other operating assets	233,258	312,774	79,516	34
Japan	212,695	224,517	11,822	6
Overseas	20,563	88,257	67,694	329

Other operating revenues were up 56% year on year to ¥491,313 million. In Japan, other operating revenues were up 33% to ¥331,758 million in fiscal 2014 compared to ¥249,884 million in fiscal 2013, mainly due to an increase in earnings of private equity investment-related business and environment and energy-related business. Overseas, other operating revenues were up 142% to ¥159,555 million in fiscal 2014 compared to

¥65,807 million in fiscal 2013, due to an increase of revenues from private equity investment-related business resulting from STX Energy Co., Ltd. in South Korea being a consolidated subsidiary in fiscal 2014.

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Other operating expenses were up 60% year on year to ¥310,775 million resulting from the recognition of expenses from private equity investment-related business and environment and energy-related business, along with the increase in other operating revenues.

New assets added for other operating transactions include other operating assets and real estate for sale, such as residential condominiums. New assets added for other operating transactions were up 202% to ¥39,108 million in fiscal 2014 due to purchases of electric power facilities.

Other operating assets increased 34% to ¥312,774 million in fiscal 2014.

Expenses

Interest expense

Interest expense decreased 18% to ¥82,859 million in fiscal 2014 compared to fiscal 2013. Our total outstanding short-term debt, long-term debt and deposits decreased 3% to ¥ 5,374,878 million in fiscal 2014 compared to fiscal 2013.

The average interest rate on our short-term debt, long-term debt and deposits in domestic currency, calculated on the basis of average monthly balances, decreased to 0.9% in fiscal 2014, compared to 1.1% in fiscal 2013. The average interest rate on our short-term debt, long-term debt and deposits in foreign currency, calculated on the basis of average monthly balances, decreased to 3.4% in fiscal 2014, compared to 4.3% in fiscal 2013 due to a higher proportion of Euro-denominated debts with low-interest rates. For more information regarding our interest rate risk, see Item 3. Key Information Risk Factors. For more information regarding our outstanding debt, see Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Short-term and long-term debt and deposits.

Selling, general and administrative expenses

	Year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Selling, general and administrative expenses:				
Personnel expenses	¥ 138,238	¥ 196,654	¥ 58,416	42
Selling expenses	29,180	43,919	14,739	51
Administrative expenses	54,536	69,564	15,028	28
Depreciation of office facilities	2,994	3,494	500	17
Total	¥ 224,948	¥ 313,631	¥ 88,683	39

Employee salaries and other personnel expenses account for 63% of selling, general and administrative expenses in fiscal 2014, and the remaining portion consists of selling and other general and administrative expenses, such as rent for office space, communication expenses and travel expenses. Selling, general and administrative expenses in fiscal 2014 increased 39% year on year mainly due to the consolidation of the asset management company Robeco, acquired on July 1, 2013.

Write-downs of long-lived assets

As a result of impairment reviews we performed in fiscal 2014 for long-lived assets in Japan and overseas, such as golf courses, office buildings, commercial facilities other than office buildings, condominiums, and land undeveloped or under construction, write-downs of long-lived assets increased 27% to ¥26,742 million in fiscal 2014 compared to fiscal 2013. These write-downs are reflected as write-downs of long-lived assets and income from discontinued operations, net. ¥23,421 million is reflected as write-downs of long-lived assets in our consolidated statement of income for fiscal 2014. These write-downs consist of impairment losses of ¥9,136 million on eight office buildings, ¥3,113 million on three commercial facilities other than office buildings, ¥988 million on one condominium, ¥4,500 million on 11 parcels of lands undeveloped or under construction, and ¥9,005 million on other long-lived assets, because the assets were classified as held for sale or the carrying amount exceeded the estimated undiscounted future cash flows. In addition, write-down of other long-lived assets in fiscal 2014 includes write-downs of ¥5,052 million of a building used for training facility in facilities operation business and ¥1,292 million of information-related equipment in rental operation.

For a breakdown of long-lived assets by segment, see Note 34 of Item 18. Financial Statements.

Write-downs of securities

Write-downs of securities in fiscal 2014 were mainly non-marketable equity securities. In fiscal 2014, write-downs of securities decreased 65% from ¥22,838 million in fiscal 2013 to ¥7,989 million in fiscal 2014. For information regarding the impairment of investments in securities, see Item 5. Operating and Financial Review and Prospects Critical Accounting Policies and Estimates and Note 9 of Item 18. Financial Statements.

Foreign currency transaction loss (gain), net

We recognized a foreign currency transaction net loss in the amount of ¥723 million in fiscal 2014 compared to a foreign currency transaction net loss in the amount of ¥503 million in fiscal 2013. For information on the impact of foreign currency fluctuations, see Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Equity in net income of affiliates

Equity in net income of affiliates increased in fiscal 2014 to ¥17,825 million compared to ¥13,836 million in fiscal 2013 mainly due to contributions from real estate joint ventures in Japan.

For discussion of investment in affiliates, see Note 12 of Item 18. Financial Statements.

Gains on sales of subsidiaries and affiliates and liquidation losses, net

Gains on sales of subsidiaries and affiliates and liquidation losses, net increased to ¥64,923 million in fiscal 2014 as compared to ¥7,883 million in fiscal 2013 primarily due to gain of ¥58,435 million in earnings recorded in fiscal 2014 from the remeasurement to fair value of the previously held equity interest as a result of our consolidation of DAIKYO.

Provision for income taxes

Provision for income taxes in fiscal 2014 was ¥97,236 million, compared to ¥53,682 million in fiscal 2013. The increase of ¥43,554 million was primarily due to higher income before income taxes and discontinued operations.

For discussion of income taxes, see Note 16 in Item 18. Financial Statements.

Discontinued operations

We apply ASC 205-20 (Presentation of Financial Statements Discontinued Operations). Under ASC 205-20, the scope of discontinued operations includes operating results of any component of an entity with its own identifiable operations and cash flow and in which operations we will not have significant continuing involvement. Income from discontinued operations, net refers to net income from the sale or disposal by sale of subsidiaries, business units and real estate under operating leases in which we no longer have significant continuing involvement. Discontinued operations, net of applicable tax effect, was ¥7,501 million in fiscal 2014.

For discussion of discontinued operations, see Note 27 of Item 18. Financial Statements.

Net income attributable to the noncontrolling interests

Net income attributable to the noncontrolling interests was recorded as a result of the noncontrolling interests in earnings of certain of our subsidiaries. In fiscal 2014, net income attributable to the noncontrolling interests was ¥3,089 million.

Net income attributable to the redeemable noncontrolling interests

Net income attributable to the redeemable noncontrolling interests was recorded as a result of the noncontrolling interests in the earnings of our subsidiaries that issued redeemable stock. In fiscal 2014, net income attributable to the redeemable noncontrolling interests increased 3% year on year to ¥4,108 million.

Segment Information

Our business is organized into six segments that are based on major products, nature of services, customer base, and management organizations to facilitate strategy formulation, resource allocation and portfolio rebalancing at the segment level. Our six business segments are: Corporate Financial Services, Maintenance Leasing, Real Estate, Investment and Operation, Retail and Overseas Business.

Financial information about our operating segments reported below is information that is separately available and evaluated regularly by management in deciding how to allocate resources and in assessing performance. We evaluate the performance of segments based on income before income taxes and discontinued operations, adjusted for results of discontinued operations, net income attributable to the noncontrolling interests and net income attributable to the redeemable noncontrolling interests before applicable tax effect. Tax expenses are not included in segment profits.

From July 1, 2013, in conjunction with the acquisition of Robeco, goodwill and other intangible assets have been allocated to the relevant segments. In addition, from November 1, 2013, ORIX s Information and Communication Technology Department which was previously included in the Maintenance Leasing Segment, is disclosed as part of the Corporate Financial Services Segment due to reorganization of operation management.

Due to these changes, the reclassified figures are shown for the year ended March 31, 2013.

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For a description of the business activities of our segments, see Item 4. Information on the Company Profile of Business by Segment. See Note 34 of Item 18. Financial Statements for additional segment information, a discussion of how we prepare our segment information and the reconciliation of segment totals to consolidated financial statement amounts.

	Year ended March 31, 2013	Year ended March 31, 2014	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues[1]:				
Corporate Financial Services	¥ 76,128	¥ 76,877	¥ 749	1
Maintenance Leasing	234,651	251,366	16,715	7
Real Estate	215,212	198,450	(16,762)	(8)
Investment and Operation	121,933	178,532	56,599	46
Retail	188,695	211,468	22,773	12
Overseas Business	202,516	416,226	213,710	106
Segment Total	1,039,135	1,332,919	293,784	28
Difference between Segment Total and Consolidated Amounts	16,629	8,732	(7,897)	(47)
Consolidated Amounts	¥ 1,055,764	¥ 1,341,651	¥ 285,887	27

[1] Results of discontinued operations are included in segment revenues of each segment.

	Year ended March 31, 2013	Year ended March 31, 2014	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Profits[1]:				
Corporate Financial Services	¥ 25,932	¥ 24,874	¥ (1,058)	(4)
Maintenance Leasing	34,913	37,062	2,149	6
Real Estate	5,582	17,956	12,374	222
Investment and Operation	34,937	94,111	59,174	169
Retail	43,209	49,871	6,662	15
Overseas Business	52,756	69,688	16,932	32
Segment Total	197,329	293,562	96,233	49
Difference between Segment Total and Consolidated Amounts	(24,757)	(9,836)	14,921	
Consolidated Amounts	¥ 172,572	¥ 283,726	¥ 111,154	64

[1] We evaluate the performance of segments based on income before income taxes and discontinued operations, adjusted for results of discontinued operations, net income attributable to the noncontrolling interests and net income attributable to the redeemable noncontrolling interests before applicable tax effect. Tax expenses are not included in segment profits.

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	As of March 31, 2013	As of March 31, 2014	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Assets:				
Corporate Financial Services	¥ 943,295	¥ 992,078	¥ 48,783	5
Maintenance Leasing	549,300	622,009	72,709	13
Real Estate	1,133,170	962,404	(170,766)	(15)
Investment and Operation	444,315	565,740	121,425	27
Retail	1,994,140	2,166,986	172,846	9
Overseas Business	1,318,434	1,972,138	653,704	50
Segment Total	6,382,654	7,281,355	898,701	14
Difference between Segment Total and Consolidated Amounts	2,057,056	1,788,037	(269,019)	(13)
Consolidated Amounts	¥ 8,439,710	¥ 9,069,392	¥ 629,682	7

Corporate Financial Services Segment

This segment is involved in lending, leasing and fee business.

In Japan, despite concerns over the impact of the consumption tax hike that went into effect on April 1, 2014, we are seeing a steady increase in capital expenditures as corporate sentiment grew positive due to improvement in corporate revenues. We are also seeing an increase in lending by financial institutions to small and medium-sized enterprises in addition to large corporations, and going forward we anticipate an increase in capital expenditures by corporations taking advantage of the favorable financing environment.

Segment assets increased 5% compared to March 31, 2013, to ¥992,078 million, due to an increase in investment in direct financing leases despite a decrease in installment loans.

Installment loan revenues decreased in line with a decrease in average balance of installment loans. On the other hand, direct financing lease revenues remained robust due to an increase in average balance of direct finance leases. As a result, segment revenues remained relatively flat compared to fiscal 2013 at ¥76,877 million.

Segment profits decreased 4% to ¥24,874 million compared to ¥25,932 during fiscal 2013 due to an increase in segment expenses.

Maintenance Leasing Segment

This segment consists of automobile and rental operations. Automobile operations are comprised of automobile leasing, rentals and car sharing. Rental operations are comprised of leasing and rental of precision measuring and IT-related equipment.

Manufacturing activities of Japanese companies are expected to continue to recover. Despite concerns over the impact of consumption tax hike on the economy, large companies are increasing their planned capital expenditure and there are signs that private investment activities that had been halted for a period of time are beginning to be resumed. In such environment, revenues have increased due to our ability to provide customers with high value-added services that meet their capital expenditure and cost reduction needs.

Segment revenues increased 7% to ¥251,366 million compared to ¥234,651 million during fiscal 2013 due to an increase in operating lease revenues as a result of an increase in outstanding operating leases. On the other hand, segment expenses increased compared to fiscal 2013 due to an increase in the costs of operating leases in line with an increase in investment in operating leases.

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As a result of the foregoing, segment profits increased 6% to ¥37,062 million compared to ¥34,913 million during fiscal 2013.

Segment assets increased 13% compared to March 31, 2013, to ¥622,009 million due to increases in investment in operating leases and investment in financing leases.

Real Estate Segment

This segment consists of real estate development, rental and financing, facility operation, REIT asset management, and real estate investment advisory services.

The vacancy rate in the Japanese office building market is starting to fall below its peak due to an increase in companies expanding their offices in anticipation of economic recovery. In particular, we are seeing signs of office rents rising in the Tokyo Metropolitan area. In addition, in the J-REIT market, property acquisitions are increasing as a result of new stock exchange listings and capital raising activities through public offerings. We are also seeing sales of large real estate developments and rising sales prices due to increased competition among buyers.

Segment revenues decreased 8% to ¥198,450 million compared to ¥215,212 million during fiscal 2013 due to a decrease in real estate sales resulting from a decrease in the number of condominium units delivered, and a decrease in operating lease revenues due to sale of rental properties, despite an increase in gains from sales of rental properties and an increase in revenues from facilities operation.

Segment expenses decreased compared to fiscal 2013 due to decreases in costs of real estate sales and write-downs of securities despite increases in facilities operation expenses and write-downs of long-lived assets.

In addition to the foregoing, due to an increase in equity in net income of affiliates including real estate joint ventures, segment profits increased 222% to ¥17,956 million compared to ¥5,582 million during fiscal 2013.

Segment assets decreased 15% compared to March 31, 2013, to ¥962,404 million due to sales of rental properties and decreases in installment loans and investment in securities.

Investment and Operation Segment

This segment consists of environment and energy-related business, principal investment, and loan servicing.

In the environment and energy-related business in Japan, there has been ongoing, active investment in the power generation business, such as megasolar projects. In addition, investment targets are expanding beyond solar power generation projects to include wind and geothermal power generation projects. In the capital markets, there has been an increase in the number of initial public offerings for the fourth consecutive year and a spate of initial public offerings is expected to follow. In addition, M&A activities are increasing on the back of recovery in corporate profitability.

Segment revenues increased 46% to ¥178,532 million compared to ¥121,933 million during fiscal 2013 due to contributions from consolidated subsidiaries acquired during fiscal 2013, despite the absence of revenues from large collections in the loan servicing business that were recorded during fiscal 2013 and gains on sale of shares in Aozora Bank that were recorded during fiscal 2013.

Segment expenses increased compared to fiscal 2013 due to increases in expenses relating to our principal investment and environment and energy-related businesses in addition to an increase in expenses attributable to consolidated subsidiaries acquired during fiscal 2013.

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In addition, due to gains of ¥58,435 million associated with the consolidation of DAIKYO on February 27, 2014, which was previously an equity method affiliate, segment profits increased 169% to ¥94,111 million compared to ¥34,937 million during fiscal 2013.

Segment assets increased 27% compared to March 31, 2013, to ¥565,740 million due to an increase in inventories, etc. as a result of the consolidation of DAIKYO on February 27, 2014, despite decreases in investment in securities and installment loans mainly in the loan servicing business.

Retail Segment

This segment consists of life insurance operations, banking business and card loan business.

Although the life insurance business is being affected by macro factors such as a decline in the population, demand for medical insurance is increasing due to the so-called risks associated with lengthening life expectancy or life span faced by the aging population. In the consumer finance sector, we anticipate an increase in loan demand due to an improvement in consumer sentiment in line with economic recovery.

Segment revenues increased 12% to ¥211,468 million compared to ¥188,695 million during fiscal 2013 due to an increase in installment loan revenues, an increase in insurance premium income as a result of growth in the number of policies in force in the life insurance business and an increase in insurance-related investment income.

Segment expenses increased due to an increase in selling, general and administrative expenses as well as an increase in insurance-related costs.

As a result of the foregoing, segment profits increased 15% to ¥49,871 million compared to ¥43,209 million during fiscal 2013.

Segment assets increased 9% compared to March 31, 2013, to ¥2,166,986 million due to increases in investment in securities and installment loans despite decreases in rental properties owned for investment purposes in life insurance business and in investment in affiliates.

Overseas Business Segment

This segment consists of leasing, lending, investment in bonds, investment banking, asset management and ship- and aircraft-related operations in the United States, Asia, Australasia and Europe.

In the U.S. economy, the Quantitative Easing Program (QE3) is on a tapering trend. However, the U.S. is expected to continue to lead the global economy, maintaining stable growth with the recovery in the employment market, increasing housing demand, and increasing consumer consumption. In Asia s emerging economies, while China is in the process of switching its policy to stable growth, in other emerging economies, expansion of investments with a focus on high growth potential is expected, due in part to economic resurgence in developed countries.

Segment revenues increased 106% to ¥416,226 million compared to ¥202,516 million during fiscal 2013 due to an increase in revenues from the asset management business, resulting primarily from the acquisition of Robeco on July 1, 2013, and an increase in direct financing lease and operating lease revenues in Asia as well as in aircraft-related operations.

Segment expenses increased compared to fiscal 2013 due to an increase in expenses from asset management in line with the acquisition of Robeco on July 1, 2013, and an increase in selling, general and administrative expenses.

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As a result of the foregoing, segment profits increased 32% to ¥69,688 million compared to ¥52,756 million during fiscal 2013.

Segment assets increased 50% compared to March 31, 2013, to ¥1,972,138 million due to recognition of goodwill and other intangible assets resulting primarily from the acquisition of Robeco on July 1, 2013, and increased investment in direct financing leases and operating leases in Asia as well as in aircraft-related operations.

YEAR ENDED MARCH 31, 2013 COMPARED TO YEAR ENDED MARCH 31, 2012

Performance Summary

Financial Results

		Year ended March 31,		Change	
		2012	2013	Amount	Percent (%)
		(Millions of yen, except ratios, per share data and percentages)			
Total revenues		¥ 964,779	¥ 1,055,764	¥ 90,985	9
Total expenses		842,564	904,911	62,347	7
Income before Income Taxes and Discontinued Operations		127,515	172,572	45,057	35
Net Income Attributable to ORIX Corporation Shareholders		83,509	111,909	28,400	34
Earnings per share	(Basic)	77.68	102.87	25.19	32
	(Diluted)	65.03	87.37	22.34	34
ROE(1)		6.2	7.4	1.2	
ROA(2)		0.99	1.33	0.34	

(1) ROE is the ratio of Net Income Attributable to ORIX Corporation Shareholders for the period to average ORIX Corporation Shareholders Equity based on fiscal year beginning and ending balances.

(2) ROA is the ratio of Net Income Attributable to ORIX Corporation Shareholders for the period to average Total Assets based on fiscal year beginning and ending balance.

Total revenues for fiscal 2013 increased 9% to ¥1,055,764 million compared to ¥964,779 million during fiscal 2012. Compared to fiscal 2012, operating lease revenues increased due to increases in auto leasing and aircraft leasing overseas, life insurance premiums and related investment income increased due to an increase in the number of policies in force, and other operating revenues increased mainly due to an expansion in the real estate operating business and environment and energy-related business, and an increase in fee revenues. Meanwhile, revenues from real estate sales decreased compared to fiscal 2012 due to a drop in condominium units sold.

Total expenses for fiscal 2013 increased 7% to ¥904,911 million compared to ¥842,564 million during fiscal 2012. Costs of operating leases increased in line with an increase in investment in operating leases, other operating expenses increased mainly due to the expansion of the real estate operating business and environment and energy business, and selling, general and administrative expenses increased due to the consolidation of ORIX Credit as well as other corporate acquisitions. Meanwhile, compared to fiscal 2012, interest expense decreased due to decreases in the balance of liabilities and funding cost, and provision for doubtful receivables and probable loan losses decreased due to a decrease in the amount of non-performing loans.

Equity in net income of affiliates increased compared to fiscal 2012 due to the absence of a valuation loss for the investment in Monex Group Inc. that was recognized during fiscal 2012.

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As a result of the foregoing, income before income taxes and discontinued operations for fiscal 2013 increased 35% to ¥172,572 million compared to ¥127,515 million during fiscal 2012, and net income attributable to ORIX Corporation shareholders increased 34% to ¥111,909 million compared to ¥83,509 million during fiscal 2012.

Balance Sheet data

	As of March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen except ratios, per share and percentages)			
Total Assets	¥ 8,332,830	¥ 8,439,710	¥ 106,880	1
(Segment assets)[3]	6,123,874	6,382,654	258,780	4
Total Liabilities	6,874,726	6,710,516	(164,210)	(2)
(Long- and short-term debt)	4,725,453	4,482,260	(243,193)	(5)
(Deposits)	1,103,514	1,078,587	(24,927)	(2)
ORIX Corporation Shareholders Equity	1,380,736	1,643,596	262,860	19
ORIX Corporation Shareholders Equity per share	1,284.15	1,345.63	61.48	5
ORIX Corporation Shareholders Equity ratio[1]	16.6%	19.5%	2.9%	
Adjusted ORIX Corporation Shareholders equity ratio[2]	18.8%	21.4%	2.6%	
D/E ratio (Debt-to-equity ratio) (Long- and short-term debt (excluding deposits) / ORIX Corporation Shareholders equity)	3.4x	2.7x	(0.7)x	
Adjusted D/E ratio[2]	2.8x	2.3x	(0.5)x	

(1) ORIX Corporation Shareholders equity ratio is the ratio as of the period end of ORIX Corporation Shareholders equity to total assets.

(2) Adjusted ORIX Corporation Shareholders equity ratio and Adjusted D/E ratio are non-GAAP financial measures presented on an adjusted basis which excludes the effect of consolidating certain VIEs on our assets or liabilities and reverses the cumulative effect on our retained earnings of such consolidation, which resulted from applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010. For a discussion of these and other non-GAAP financial measures, including a quantitative reconciliation to the most directly comparable GAAP financial measures, please see Non-GAAP Financial Measures under this Item 5.

(3) Goodwill and other intangible assets acquired in business combinations have been recognized as segment assets from July 1, 2013, Segment assets for fiscal 2012 and 2013 have been reclassified as a result of this change.

Total assets as of March 31, 2013 increased 1% to ¥8,439,710 million from ¥8,332,830 million on March 31, 2012. Investment in direct financing leases increased due to robust new transactions in the Asian region, and investment in operating leases increased primarily due to strong auto leasing and aircraft leasing overseas. On the other hand, installment loans decreased due to collection of loans, while investment in securities also decreased primarily due to sales and redemption of available-for-sale securities. Segment assets increased 4% compared to March 31, 2012 to ¥6,382,654 million.

The balance of interest bearing liabilities is controlled at an appropriate level depending on the situation of assets, cash flow and liquidity on-hand in addition to the domestic and overseas financial environment. As a result, long-term and short-term debt and deposits decreased compared to March 31, 2012.

ORIX Corporation Shareholders equity increased 19% compared to March 31, 2012 to ¥1,643,596 million due to increases in common stock and additional paid-in capital as a result of execution of rights on convertible bonds, as well as an increase in retained earnings.

Details of Operating Results

The following is a discussion of items in the consolidated statements of income, operating assets in the consolidated balance sheets and other selected financial information. See Item 4. Information on the Company Profile of Business by Segment.

Revenues, New Business Volumes and Investments

Direct financing leases

	As of and for the year ended March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Direct financing leases:				
Direct financing lease revenues	¥ 50,934	¥ 54,356	¥ 3,422	7
Japan	34,647	35,179	532	2
Overseas	16,287	19,177	2,890	18
New equipment acquisitions	405,660	455,433	49,773	12
Japan	254,358	298,461	44,103	17
Overseas	151,302	156,972	5,670	4
Investment in direct financing leases	900,886	989,380	88,494	10
Japan	669,131	692,584	23,453	4
Overseas	231,755	296,796	65,041	28

In Japan, the balance of direct financing leases increased primarily due to a large volume of smaller leasing transactions. Overseas, the balance of direct financing leases increased primarily due to new equipment acquisitions overseas with a focus on Asia in fiscal 2013 increased compared to fiscal 2012.

Revenues from direct financing leases in fiscal 2013 increased 7% compared to fiscal 2012 to ¥54,356 million. In Japan, revenues from direct financing leases increased 2% compared to fiscal 2012 to ¥35,179 million due to an increase in the average balance of financing leases. Overseas, revenues from direct financing lease increased 18% compared to fiscal 2012 to ¥19,177 million due to an increase in the average balance of financing leases as a result of an increase in new equipment acquisitions mainly in Asia.

The average return we earned on direct financing leases in Japan, calculated on the basis of quarterly balances, decreased to 5.15% in fiscal 2013 compared to 5.48% in fiscal 2012 due to a decrease in the profit on sale of automobiles. The average return on overseas direct financing leases, calculated on the basis of quarterly balances, decreased to 7.60% in fiscal 2013 from 8.09% in fiscal 2012 due to a decrease in the proportion of high-yield investment in direct financing leases of China.

New equipment acquisitions related to direct financing leases increased 12% to ¥455,433 million compared to fiscal 2012. New equipment acquisitions for operations in Japan increased 17% in fiscal 2013, and new equipment acquisition for overseas operations increased 4% in fiscal 2013, as compared to fiscal 2012.

Investment in direct financing leases as of March 31, 2013 increased 10% to ¥989,380 million compared to March 31, 2012 due to the effect of yen depreciation and the increases in new equipment described above.

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As of March 31, 2013, no single lessee represented more than 2% of our total portfolio of direct financing leases. As of March 31, 2013, 70% of our direct financing leases were to lessees in Japan, while 30% were to overseas lessees. Approximately 8% of our direct financing leases were to lessees in Malaysia and approximately 6% of our direct financing leases were to lessees in Indonesia. No other overseas country represented more than 5% of our total portfolio of direct financing leases.

	As of March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases by category:				
Transportation equipment	¥ 318,364	¥ 351,340	¥ 32,976	10
Industrial equipment	133,667	172,318	38,651	29
Electronics	135,294	140,047	4,753	4
Information-related and office equipment	85,060	85,232	172	0
Commercial services equipment	62,339	67,122	4,783	8
Other equipment	166,162	173,321	7,159	4
Total	¥ 900,886	¥ 989,380	¥ 88,494	10

Operating leases

	As of and for the year ended March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Operating leases:				
Operating lease revenues	¥ 282,875	¥ 296,329	¥ 13,454	5
Japan	225,290	232,044	6,754	3
Overseas	57,585	64,285	6,700	12
Costs of operating leases	181,404	194,429	13,025	7
New equipment acquisitions	246,822	295,765	48,943	20
Japan	197,124	191,450	(5,674)	(3)
Overseas	49,698	104,315	54,617	110
Investment in operating leases	1,309,998	1,395,533	85,535	7
Japan	1,140,247	1,148,595	8,348	1
Overseas	169,751	246,938	77,187	45

Revenues from operating leases for fiscal 2013 increased 5% to ¥296,329 million compared to fiscal 2012. In Japan, operating lease revenues increased mainly due to an increase in revenue from automobile operations and an increase in revenues from rental operations such as measuring and information-related equipment. Overseas, operating lease revenues increased mainly due to an increase in aircraft leasing. In fiscal 2012 and 2013, gains from the disposition of operating lease assets other than real estate, which were included in operating lease revenues, were ¥14,721 million and ¥14,032 million, respectively.

Costs of operating leases increased 7% to ¥194,429 million in fiscal 2013 compared to fiscal 2012 due to an increase in depreciation expenses resulting from a year on year increase in the average monthly balance of investment in operating leases.

New equipment acquisitions related to operating leases increased 20% to ¥295,765 million in fiscal 2013 compared to fiscal 2012. New equipment acquisitions by operations in Japan decreased as a result of a decrease in the purchase of real estate, despite an increase in transportation equipment such as automobile and measuring and information-related equipment, while new equipment acquisitions by operations overseas increased due to an increase in aircraft purchases.

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Investment in operating leases increased 7% to ¥1,395,533 million in fiscal 2013 compared to fiscal 2012 due to the effect of yen depreciation and the increase in new equipment acquisitions described above.

	As of March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in operating leases by category:				
Transportation equipment	¥ 412,471	¥ 527,521	¥ 115,050	28
Measuring and information-related equipment	69,655	90,022	20,367	29
Real estate	802,063	750,956	(51,107)	(6)
Other	3,855	3,568	(287)	(7)
Accrued rental receivables	21,954	23,466	1,512	7
Total	¥ 1,309,998	¥ 1,395,533	¥ 85,535	7

Investment in transportation equipment operating leases increased 28% in fiscal 2013 compared to fiscal 2012, mainly due to an increase in investment in automobile operations in Japan and an increase in investment in aircraft overseas. Investment in measuring and information-related equipment operating leases increased 29% in fiscal 2013 compared to fiscal 2012 because of an increase in new equipment acquisitions in Japan. Investment in real estate under operating leases decreased 6% in fiscal 2013 compared to fiscal 2012, mainly due to sales of real estate.

Installment loans

	As of and for the year ended March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
Interest on installment loans[(1)]	¥ 132,719	¥ 144,458	¥ 11,739	9
Japan	74,718	90,497	15,779	21
Overseas	58,001	53,961	(4,040)	(7)
New loans added	743,113	918,579	175,466	24
Japan	588,815	704,797	115,982	20
Overseas	154,298	213,782	59,484	39
Installment loans	2,769,898	2,691,171	(78,727)	(3)
Japan	2,000,716	2,055,340	54,624	3
Overseas	769,182	635,831	(133,351)	(17)

(1) The balances of installment loans related to our life insurance operations are included in installment loans in the consolidated balance sheets; however, income and losses on these loans are recorded in life insurance premiums and related investment income in the consolidated statements of income.

In Japan, the balance of installment loans increased as a result of consolidation of ORIX Credit, offset by recovery of loans to real estate companies and non-recourse loans. As a result, the average balance of installment loans increased and revenues increased compared to fiscal 2012. Overseas, the balance of installment loans decreased mainly as a result of recovery of loans of VIEs in the United States. As a result, the average balance of installment loans decreased and revenues decreased compared to fiscal 2012.

Interest on installment loans increased 9% from fiscal 2012 to ¥144,458 million for fiscal 2013. In Japan, interest on installment loans increased 21% compared to fiscal 2012 as mentioned above. Overseas, interest on installment loans decreased 7% in fiscal 2013 as mentioned above.

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The average interest rate earned on loans in Japan, calculated on the basis of quarterly balances, increased to 4.33% in fiscal 2013 from 3.66% in fiscal 2012 due to an increase in revenues from large collections in the loan servicing business. The average interest rate earned on overseas loans, calculated on the basis of quarterly balances, increased to 7.81% in fiscal 2013 from 7.40% in fiscal 2012.

New loans added increased 24% to ¥918,579 million compared to fiscal 2012. In Japan, new loans added increased 20% to ¥704,797 million in fiscal 2013 as compared to fiscal 2012, and overseas, new loans added increased 39% to ¥213,782 million, primarily due to increased lending activity related to the moderate recovery of the U.S. economy.

The balance of installment loans as of March 31, 2013 decreased 3% to ¥2,691,171 million compared to March 31, 2012. The balance of installment loans for borrowers in Japan increased 3%, and the balance of installment loans for overseas customers decreased 17% as mentioned above. As of March 31, 2013, 76% of our installment loans were to borrowers in Japan, while 21% were to borrowers in the United States.

The table below sets forth the balances of our installment loans to borrowers in Japan and overseas as of March 31, 2012 and 2013, further categorized by the type of borrower (i.e., consumer or corporate) in the case of borrowers in Japan. As of March 31, 2013, ¥47,692 million, or 2%, of our portfolio of installment loans to consumer and corporate borrowers in Japan related to our life insurance operations. We reflect income from these loans as life insurance premiums and related investment income in our consolidated statements of income.

	As of March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
Consumer borrowers in Japan				
Housing loans	¥ 864,764	¥ 912,651	¥ 47,887	6
Card loans	236	225,707	225,471	
Other	13,590	26,967	13,377	98
Subtotal	878,590	1,165,325	286,735	33
Corporate borrowers in Japan				
Real estate companies	297,562	245,465	(52,097)	(18)
Non-recourse loans	226,887	134,440	(92,447)	(41)
Commercial, industrial and other companies	503,454	442,146	(61,308)	(12)
Subtotal	1,027,903	822,051	(205,852)	(20)
Overseas				
Non-recourse loans	549,326	434,517	(114,809)	(21)
Commercial, industrial companies and other	216,520	198,477	(18,043)	(8)
Subtotal	765,846	632,994	(132,852)	(17)
Purchased loans[1]	97,559	70,801	(26,758)	(27)
Total	¥ 2,769,898	¥ 2,691,171	¥ (78,727)	(3)

(1) Purchased loans represent loans with evidence of deterioration of credit quality since origination and for which it is probable at acquisition that collection of all contractually required payments from the debtors is unlikely in accordance with ASC 310-30 (Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality).

As of March 31, 2013, ¥276,681 million, or 10%, of all installment loans were outstanding to real estate companies in Japan and overseas. Of this amount, ¥47,126 million, or 2% of all installment loans, were loans individually evaluated for impairment. We calculated an allowance of ¥15,862 million on these impaired loans.

As of March 31, 2013, we had installment loans outstanding in the amount of ¥121,259 million, or 5% of all installment loans, to companies in the entertainment industry. Of this amount, ¥12,037 million, or 0.4% of all installment loans, were loans individually evaluated for impairment. We calculated an allowance of ¥2,118 million on these impaired loans.

The balance of loans to consumer borrowers in Japan as of March 31, 2013 increased 33% to ¥1,165,325 million compared to the balance as of March 31, 2012. The balance of loans to corporate borrowers in Japan as of March 31, 2013 decreased 20%, to ¥822,051 million, compared to the balance as of March 31, 2012, primarily due to a decrease in the balance of loans to real estate companies and non-recourse loans. The balance of loans to overseas, excluding purchased loans, as of March 31, 2013 decreased 17%, to ¥632,994 million, compared to the balance as of March 31, 2012, primarily due to a decrease in the balance of loans of VIEs in the United States.

Asset quality

Direct financing leases

	As of March 31, 2012	As of March 31, 2013
	(Millions of yen, except percentage data)	
90+ days past-due direct financing leases and allowances for direct financing leases:		
90+ days past-due direct financing leases	¥ 17,441	¥ 15,806
90+ days past-due direct financing leases as a percentage of the balance of investment in direct financing leases	1.94%	1.60%
Provision as a percentage of average balance of investment in direct financing leases[1]	0.31%	0.26%
Allowance for direct financing leases	¥ 16,852	¥ 15,830
Allowance for direct financing leases as a percentage of the balance of investment in direct financing leases	1.87%	1.60%
The ratio of charge-offs as a percentage of the average balance of investment in direct financing leases	0.81%	0.43%

(1) Average balances are calculated on the basis of fiscal beginning balance and fiscal quarter-end balances.

The balance of 90+ days past-due direct financing leases decreased ¥1,635 million to ¥15,806 million compared to fiscal 2012. As a result, the ratio of 90+ days past-due direct financing leases decreased 0.34% from fiscal 2012 to 1.60%.

We believe that the ratio of allowance for doubtful receivables as a percentage of the balance of investment in direct financing leases provides a reasonable indication that our allowance for doubtful receivables was appropriate as of March 31, 2013 for the following reasons:

- lease receivables are generally diversified and the amount of realized loss on any particular contract is likely to be relatively small; and
- all lease contracts are secured by the collateral of the underlying leased equipment, and we can expect to recover at least a portion of the outstanding lease receivables by selling the underlying equipment.

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Loans not individually evaluated for impairment

	As of March 31, 2012	As of March 31, 2013
	(Millions of yen, except percentage data)	
90+ days past-due loans and allowance for installment loans:		
90+ days past-due loans not individually evaluated for impairment	¥ 8,604	¥ 7,745
90+ days past-due loans not individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.35%	0.31%
Provision (reversal) as a percentage of average balance of installment loans not individually evaluated for impairment[1]	(0.20)%	(0.12)%
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment	¥ 28,329	¥ 23,283
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	1.14%	0.94%
The ratio of charge-offs as a percentage of the average balance of loans not individually evaluated for impairment	0.09%	0.14%

(1) Average balances are calculated on the basis of fiscal beginning balance and fiscal quarter-end balances.

The balance of 90+ days past-due loans not individually evaluated for impairment which are not individually significant and accordingly are evaluated for impairment as a homogeneous group decreased 10% to ¥7,745 million in fiscal 2013.

The table below sets forth the outstanding balances of loans not individually evaluated for impairment by region and type of borrower.

	As of March 31, 2012	As of March 31, 2013
	(Millions of yen)	
90+ days past-due loans not individually evaluated for impairment:		
Consumer borrowers in Japan		
Housing loans	¥ 8,557	¥ 6,367
Card loans		719
Other		629
Subtotal	8,557	7,715
Overseas		
Housing loans	47	30
Total	¥ 8,604	¥ 7,745

We make allowance for housing loans in Japan after careful evaluation of the value of collateral underlying the loans, past loss experience and any economic conditions that we believe may affect the default rate.

We determine the allowance for our other items on the basis of past loss experience, general economic conditions and the current portfolio composition.

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Loans individually evaluated for impairment

	As of March 31,	
	2012	2013
	(Millions of yen)	
Loans individually evaluated for impairment:		
Impaired loans	¥ 293,774	¥ 212,740
Effect of the application of the accounting standards for the consolidation of VIEs(1)	58,029	44,646
Impaired loans requiring an allowance	218,938	159,942
Effect of the application of the accounting standards for the consolidation of VIEs(1)	34,494	29,880
Allowance for loans individually evaluated for impairment(2)	91,407	65,151
Effect of the application of the accounting standards for the consolidation of VIEs(1)	15,267	12,970

(1) These are the ending balances as of the dates indicated attributable to VIEs requiring consolidation under the accounting standards for consolidation of VIEs under ASU 2009-16 and ASU 2009-17.

(2) The allowance is individually evaluated based on the present value of expected future cash flows, the loan s observable market price or the fair value of the collateral securing the loans if the loans are collateral dependent.

New provision for probable loan losses was ¥21,596 million in fiscal 2012 and ¥10,648 million in fiscal 2013, and charge-off of impaired loans was ¥27,286 million in fiscal 2012 and ¥35,685 million in fiscal 2013. New provision for probable loan losses decreased ¥10,948 million compared to fiscal 2012. Charge-off of impaired loans increased ¥8,399 million compared to fiscal 2012.

The table below sets forth the outstanding balance of impaired loans by region and type of borrower as of the dates indicated. Consumer loans in Japan primarily consist of restructured smaller-balance homogeneous loans individually evaluated for impairment.

	As of March 31,	
	2012	2013
	(Millions of yen)	
Impaired loans:		
Consumer borrowers in Japan		
Housing loans	¥ 8,979	¥ 8,494
Card loans		1,858
Other		504
Subtotal	8,979	10,856
Corporate borrowers in Japan		
Real estate companies	72,038	47,126
Non-recourse loans	44,148	23,415
Commercial, industrial and other companies	77,277	50,680
Subtotal	193,463	121,221
Overseas		
Non-recourse loans	38,809	37,635
Commercial, industrial companies and other	17,616	13,921
Subtotal	56,425	51,556

Purchased loans	34,907	29,107
Total	¥ 293,774	¥ 212,740

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Provision for doubtful receivables and probable loan losses

We make provision for doubtful receivables and probable loan losses for direct financing leases and installment loans.

	As of March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Provision for doubtful receivables on direct financing leases and probable loan losses:				
Beginning balance	¥ 154,150	¥ 136,588	¥ (17,562)	(11)
Direct financing leases	21,201	16,852	(4,349)	(21)
Loans not individually evaluated for impairment	35,626	28,329	(7,297)	(20)
Loans individually evaluated for impairment	97,323	91,407	(5,916)	(6)
Provision charged to income	19,186	10,016	(9,170)	(48)
Direct financing leases	2,568	2,423	(145)	(6)
Loans not individually evaluated for impairment	(4,978)	(3,055)	1,923	(39)
Loans individually evaluated for impairment	21,596	10,648	(10,948)	(51)
Charge-offs (net)	(36,259)	(43,188)	(6,929)	19
Direct financing leases	(6,783)	(4,046)	2,737	(40)
Loans not individually evaluated for impairment	(2,190)	(3,457)	(1,267)	58
Loans individually evaluated for impairment	(27,286)	(35,685)	(8,399)	31
Other[1]	(489)	848	1,337	
Direct financing leases	(134)	601	735	
Loans not individually evaluated for impairment	(129)	1,466	1,595	
Loans individually evaluated for impairment	(226)	(1,219)	(993)	439
Ending balance	136,588	104,264	(32,324)	(24)
Direct financing leases	16,852	15,830	(1,022)	(6)
Loans not individually evaluated for impairment	28,329	23,283	(5,046)	(18)
Loans individually evaluated for impairment	91,407	65,151	(26,256)	(29)

(1) Other mainly includes foreign currency translation adjustments and others.

Investment Securities

	As of and for the year ended March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment securities[1]:				
Interest on investment securities	¥ 15,169	¥ 11,505	¥ (3,664)	(24)
Japan	9,576	5,744	(3,832)	(40)
Overseas	5,593	5,761	168	3
New securities added	699,709	758,292	58,583	8
Japan	626,183	718,864	92,681	15
Overseas	73,526	39,428	(34,098)	(46)
Investment in securities	1,147,390	1,093,668	(53,722)	(5)
Japan	974,536	873,631	(100,905)	(10)
Overseas	172,854	220,037	47,183	27

(1) The balance of investment in securities related to our life insurance operations are included in investment in securities in our consolidated balance sheets. Income and losses on investment in securities related to our life insurance operations are recorded in life insurance premiums and related investment income in our consolidated statements of income.

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Interest on investment securities other than those held in connection with our life insurance operations in Japan decreased 40% to ¥5,744 million in fiscal 2013 compared to fiscal 2012 primarily due to a lower average balance of bonds such as specified bonds issued by SPEs in Japan because of stringent selection of new transactions and enhanced collection efforts. Overseas interest on investment securities increased 3% to ¥5,761 million in fiscal 2013 compared to fiscal 2012 primarily due to the foreign exchange effects of the depreciated yen. The average interest rate earned on investment securities in Japan, calculated on a monthly basis, declined to 1.45% in fiscal 2013 compared to 1.88% in fiscal 2012. The average interest rate earned on overseas investment securities, calculated on a monthly basis, increased to 6.51% in fiscal 2013 compared to 6.32% in fiscal 2012.

New securities added increased 8% to ¥758,292 million in fiscal 2013 compared to fiscal 2012. New securities added in Japan increased 15% in fiscal 2013 compared to fiscal 2012 primarily due to an increase in investments in government bonds. On the other hand, new securities added overseas decreased 46% in fiscal 2013 compared to fiscal 2012 primarily due to a decrease in investments in municipal bonds in the United States.

The balance of our investment in securities as of March 31, 2013 decreased 5% to ¥1,093,668 million in fiscal 2013 compared to fiscal 2012. The balance of our investment in securities in Japan decreased 10% in fiscal 2013 compared to fiscal 2012 due to rebalancing of our investment portfolios and decreasing balances of specified bonds issued by SPEs in Japan. The balance of our investment in securities overseas increased 27% in fiscal 2013 compared to fiscal 2012 mainly due to an increase of investment in trading securities and the foreign exchange effects of the depreciated yen.

	As of March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in securities by security type:				
Trading securities	¥ 12,817	¥ 33,041	¥ 20,224	158
Available-for-sale securities	886,487	757,299	(129,188)	(15)
Held-to-maturity securities	43,830	89,451	45,621	104
Other securities	204,256	213,877	9,621	5
Total	¥ 1,147,390	¥ 1,093,668	¥ (53,722)	(5)

Investments in trading securities increased ¥33,041 million in fiscal 2013 compared to fiscal 2012 primarily due to purchases of municipal bonds in the United States. Investments in available-for-sale securities decreased 15% in fiscal 2013 compared to fiscal 2012 primarily due to decreased balances of debt securities such as specified bonds issued by SPEs in Japan while balances of government and municipal bonds increased. As of March 31, 2013, CMBS and RMBS in available-for-sale securities in the United States were ¥24,338 million as compared to ¥31,024 million as of March 31, 2012. Our life insurance business invests in Japanese government bonds as held-to-maturity securities. Other securities increased 5% in fiscal 2013 compared to fiscal 2012 mainly due to increasing balances of fund investments in the United States.

For further information on investment in securities, see Note 9 of Item 18. Financial Statements.

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	Year ended March 31, 2012	2013	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Brokerage commissions and net gains on investment securities:				
Net gains on investment securities[1]	¥ 24,894	¥ 28,805	¥ 3,911	16
Dividends income, other[1]	4,443	6,009	1,566	35
Total	¥ 29,337	¥ 34,814	¥ 5,477	19

(1) Income and losses on investment in securities related to our life insurance operations are recorded in life insurance premiums and related investment income in the consolidated statements of income.

Brokerage commissions and net gains on investment securities increased 19% to ¥34,814 million in fiscal 2013 compared to fiscal 2012. Net gains on investment securities increased 16% to ¥28,805 million in fiscal 2013 compared to fiscal 2012 primarily due to an increase of net gains on domestic available-for-sale securities resulting from recovery of the financial and capital markets in Japan. Dividend income, other increased 35% to ¥6,009 million in fiscal 2013 compared to fiscal 2012.

As of March 31, 2013, gross unrealized gains on available-for-sale securities, including those held in connection with our life insurance operations, were ¥47,477 million, compared to ¥35,446 million as of March 31, 2012. As of March 31, 2013, gross unrealized losses on available-for-sale securities, including those held in connection with our life insurance operations, were ¥4,368 million, compared to ¥10,912 million as of March 31, 2012.

Life insurance

We reflect all income and losses (other than provision for doubtful receivables and probable loan losses) that we recognize on securities, installment loans, real estate under operating leases and other investments held in connection with life insurance operations as life insurance premiums and related investment income in our consolidated statements of income.

	Year ended March 31, 2012	2013	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Life insurance premiums and related investment income and life insurance costs:				
Life insurance premiums	¥ 116,836	¥ 130,187	¥ 13,351	11
Life insurance-related investment income	10,071	8,539	(1,532)	(15)
Total	¥ 126,907	¥ 138,726	¥ 11,819	9
Life insurance costs	¥ 93,178	¥ 98,599	¥ 5,421	6

	Year ended March 31, 2012	2013	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			

Breakdown of life insurance-related investment income:				
Net income on investment securities	¥ 5,786	¥ 5,350	¥ (436)	(8)
Interest on loans, income on real estate under operating leases, and others	4,285	3,189	(1,096)	(26)
Total	¥ 10,071	¥ 8,539	¥ (1,532)	(15)

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Life insurance premiums and related investment income increased 9% to ¥138,726 million in fiscal 2013 compared to fiscal 2012.

Life insurance premiums increased 11% to ¥130,187 million in fiscal 2013 compared to fiscal 2012 due to an increase in contracts for new products.

Income on real estate under operating leases decreased due to a decline of gains on sales of real estate. As a result, life insurance-related investment income decreased 15% to ¥8,539 million in fiscal 2013 compared to fiscal 2012.

Life insurance costs increased 6% to ¥98,599 million in fiscal 2013 compared to fiscal 2012.

The margin ratio, which is calculated by dividing the difference between life insurance premiums and life insurance costs by life insurance premiums, expanded to 24% in fiscal 2013 compared to 20% in fiscal 2012.

	As of March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investments by ORIX Life Insurance:				
Available-for-sale debt securities	¥ 326,107	¥ 287,514	¥ (38,593)	(12)
Available-for-sale equity securities	10,395	12,287	1,892	18
Held-to-maturity securities	43,658	88,824	45,166	103
Other securities	6	6	0	0
Total investment in securities	380,166	388,631	8,465	2
Installment loans, real estate under operating leases and other investments	110,499	152,334	41,835	38
Total	¥ 490,665	¥ 540,965	¥ 50,300	10

Investment in securities increased 2% to ¥388,631 million in fiscal 2013 as a result of increased available-for-sale equity securities and held-to-maturity securities.

Installment loans, real estate under operating leases and other investments increased 38% to ¥152,334 million in fiscal 2013 as a result of increased purchases of real estate.

Real estate sales

	Year ended March 31,		Change	

	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Real estate sales:				
Real estate sales	¥ 61,029	¥ 38,804	¥ (22,225)	(36)
Costs of real estate sales	59,534	39,430	(20,104)	(34)
Margins	¥ 1,495	¥ (626)	¥ (2,121)	

Real estate sales were down 36% year on year to ¥38,804 million and the number of condominiums sold to buyers in Japan decreased from 1,395 units in fiscal 2012 to 897 units in fiscal 2013.

Costs of real estate sales decreased 34% to ¥39,430 million compared to fiscal 2012 with fewer write-downs recorded on some projects under development in fiscal 2013. We recorded ¥4,039 million and ¥3,377 million of write-downs for fiscal 2012 and 2013, respectively. Costs of real estate sales include the upfront costs associated with advertising and creating model rooms.

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Margins recorded a loss of ¥626 million in fiscal 2013 compared to a gain of ¥1,495 million in fiscal 2012 due to the decrease in the number of condominiums delivered, despite of decrease write-downs.

Gains on sales of real estate under operating leases

	Year ended March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Gains on sales of real estate under operating leases:				
Gains on sales of real estate under operating leases	¥ 2,222	¥ 5,816	¥ 3,594	162

Gains on sales of real estate under operating leases increased 162% to ¥5,816 million in fiscal 2013 compared to fiscal 2012, mainly due to an increase in profits from the large sale of real estate in Japan.

Where we have significant continuing involvement in the operations of real estate under operating leases which have been disposed of, the gains or losses arising from such disposition are separately disclosed as gains on sales of real estate under operating leases, while if we have no significant continuing involvement of operations of such disposed real estate properties, the gains or losses are reported as income from discontinued operations. For a discussion of our accounting policy for discontinued operations, see Note 27 of Item 18. Financial Statements.

Asset Management and Servicing Operations

	Year ended March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Asset Management and Servicing Operations:				
Revenues from asset management and servicing	¥ 12,908	¥ 15,265	¥ 2,357	18
Japan	6,092	7,136	1,044	17
Overseas	6,816	8,129	1,313	19
Expenses from asset management and servicing	493	593	100	20

Revenues from asset management and servicing in fiscal 2013 increased 18% compared to fiscal 2012 to ¥15,265 million. In Japan, revenues from asset management and servicing increased 17% to ¥7,136 million in fiscal 2013 compared to fiscal 2012 due to an increase in revenue from servicing business. Overseas, revenues from asset management and servicing increased 19% to ¥8,129 million in fiscal 2013 compared to fiscal 2012 due to an increase in revenue from asset management business in the United States.

Expenses from asset management and servicing increased 20% to ¥593 million in fiscal 2013 compared to fiscal 2012 due to an increase in fee expenses from asset management business in the United States.

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Other operations

	As of and for the year ended March 31, 2012	2013	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Other operations:				
Other operating revenues	¥ 250,679	¥ 315,691	¥ 65,012	26
Japan	192,005	249,884	57,879	30
Overseas	58,674	65,807	7,133	12
Other operating expenses	152,521	194,693	42,172	28
New assets added	37,876	12,931	(24,945)	(66)
Japan	36,548	12,479	(24,069)	(66)
Overseas	1,328	452	(876)	(66)
Other operating assets	206,109	233,258	27,149	13
Japan	189,293	212,695	23,402	12
Overseas	16,816	20,563	3,747	22

Other operating revenues were up 26% year on year to ¥315,691 million. In Japan, revenues were up 30% to ¥249,884 million compared to ¥192,005 million in fiscal 2012, mainly due to an increase in earnings of the aquarium business and environment and energy-related business and an increase of private equity investment-related business. Overseas, revenues were up 12% to ¥65,807 million compared to ¥58,674 million in fiscal 2012, due to an increase of revenues from advisory services in the United States and an increase of revenues from car-related service associated with ORIX Auto Infrastructure Services Limited in India being a consolidated subsidiary for the full fiscal 2013.

Other operating expenses were up 28% year on year to ¥194,693 million resulting from the recognition of expenses from aquarium business, environment and energy-related business, and private equity investment-related business, along with the increase in other operating revenues.

New assets added for other operating transactions include other operating assets and real estate for sale, such as residential condominiums. New assets added for other operating transactions were down 66% to ¥12,931 million in fiscal 2013 due to a decrease in the number of condominiums completed.

Other operating assets increased 13% to ¥233,258 million in fiscal 2013.

Expenses

Interest expense

Interest expense decreased 8% to ¥100,966 million compared to fiscal 2012. Our total outstanding short-term debt, long-term debt and deposits decreased 5% to ¥5,560,847 million compared to fiscal 2012.

The average interest rate on our short-term debt, long-term debt and deposits in domestic currency, calculated on the basis of average monthly balances, decreased to 1.1% in fiscal 2013, compared to 1.2% in fiscal 2012. The average interest rate on our short-term debt, long-term debt and deposits in foreign currency, calculated on the basis of average monthly balances, decreased to 4.3% in fiscal 2013, compared to 4.5% in fiscal 2012 due to a lower proportion of debts in high-interest currencies in overseas subsidiaries located in Australia and South Korea. For more information regarding interest rate risk, see Item 3. Key Information Risk Factors. For more information regarding our debt, see Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Short-term and long-term debt and deposits.

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Selling, general and administrative expenses

	Year ended March 31, 2012	2013	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Selling, general and administrative expenses:				
Personnel expenses	¥ 126,089	¥ 138,238	¥ 12,149	10
Selling expenses	20,318	29,180	8,862	44
Administrative expenses	45,321	54,536	9,215	20
Depreciation of office facilities	3,228	2,994	(234)	(7)
Total	¥ 194,956	¥ 224,948	¥ 29,992	15

Employee salaries and other personnel expenses accounted for 61% of selling, general and administrative expenses in fiscal 2013, and the remaining portion consists of selling and other general and administrative expenses, such as rent for office spaces, communication expenses and travel expenses. Selling, general and administrative expenses in fiscal 2013 increased 15% year on year.

Write-downs of long-lived assets

As a result of the impairment reviews we performed during fiscal 2013 for long-lived assets in Japan and overseas, such as golf courses, office buildings, commercial facilities other than office buildings, condominiums, and land undeveloped or under construction, write-downs of long-lived assets increased 4% to ¥21,053 million during fiscal 2013 compared to fiscal 2012. These write-downs are reflected as write-downs of long-lived assets and income from discontinued operations, net. ¥17,896 million is reflected as write-downs of long-lived assets in our consolidated statement of income. These write-downs consist of impairment losses of ¥1,978 million on 16 office buildings, ¥2,024 million on six commercial facilities other than office buildings, ¥4,995 million on 17 condominiums, ¥7,426 million on five parcels of lands undeveloped or under construction, and ¥4,630 million on 23 other assets, because the assets were classified as held for sale or the carrying amount exceeded the estimated undiscounted future cash flows.

For a breakdown of long-lived assets by segment, see Note 34 of Item 18. Financial Statements.

Write-downs of securities

Write-downs of securities for fiscal 2013 were mainly in connection with non-marketable equity securities, preferred capital shares carried at cost and specified bonds issued by SPEs in Japan. In fiscal 2013, write-downs of securities increased 39% from ¥16,470 million in fiscal 2012 to ¥22,838 million in fiscal 2013. For information regarding the impairment of investment in securities, see Item 5. Operating and Financial Review and Prospects Critical Accounting Policies and Estimates and Note 9 of Item 18. Financial Statements.

Foreign currency transaction loss (gain), net

We recognized a foreign currency transaction net loss in the amount of ¥503 million in fiscal 2013 compared to a foreign currency transaction net gain in the amount of ¥217 million in fiscal 2012. For information on the impact of foreign currency fluctuations, see Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Equity in net income of affiliates

Equity in net income of affiliates increased in fiscal 2013 to ¥13,836 million compared to ¥1,983 million in fiscal 2012. In fiscal 2012, a write-down was recorded for the investment in the equity-method affiliate Monex Group, Inc. In fiscal 2013, the recorded gain was mainly due to contributions from equity-method affiliates in Japan. Net loss from joint ventures in Japan was ¥276 million improved from a net loss of ¥1,295 million in fiscal 2012. The number of residential condominiums delivered through joint ventures in Japan decreased to 519 units in fiscal 2013 from 785 units in fiscal 2012, however, gains from some real estate investment properties contributed to the profit improvement or these joint ventures.

For discussion of investment in affiliates, see Note 12 of Item 18. Financial Statements.

Gains on sales of subsidiaries and affiliates and liquidation losses, net

Gains on sales of subsidiaries and affiliates and liquidation losses, net increased to ¥7,883 million in fiscal 2013 as compared to ¥3,317 million in fiscal 2012. A gain on sales of an equity-method affiliate that owns real estate such as rental condominiums was recorded in fiscal 2012 and a gain of ¥3,132 million in earnings was recorded in fiscal 2013 from the remeasurement to fair value of the previously held equity interest in connection with making ORIX Credit a wholly-owned subsidiary.

Provision for income taxes

Provision for income taxes in fiscal 2013 was ¥53,682 million, compared to ¥44,608 million in fiscal 2012. The increase of ¥9,074 million was primarily due to higher income before income taxes and discontinued operations.

For discussion of income taxes, see Note 16 in Item 18. Financial Statements.

Discontinued operations

We apply ASC 205-20 (Presentation of Financial Statements Discontinued Operations). Under ASC 205-20, the scope of discontinued operations includes operating results of any component of an entity with its own identifiable operations and cash flow and in which operations we will not have significant continuing involvement. Income from discontinued operations, net refers to net income from the sale or disposal by sale of subsidiaries, business units and real estate under operating leases in which we no longer have significant continuing involvement. Discontinued operations, net of applicable tax effect, decreased 94% to ¥168 million in fiscal 2013 compared to fiscal 2012 primarily due to a decrease of net income from subsidiaries sold.

For discussion of discontinued operations, see Note 27 of Item 18. Financial Statements.

Net income attributable to the noncontrolling interests

Net income attributable to the noncontrolling interests was recorded as a result of the noncontrolling interests in earnings of certain of our subsidiaries. In fiscal 2013, net income attributable to the noncontrolling interests was ¥3,164 million.

Net income attributable to the redeemable noncontrolling interests

Net income attributable to the redeemable noncontrolling interests was recorded as a result of the noncontrolling interests in the earnings of our subsidiaries that issued redeemable stock. In fiscal 2013, net income attributable to the redeemable noncontrolling interests increased 46% year on year to ¥3,985 million.

Segment Information

Our business is organized into six segments that are based on major products, nature of services, customer base and management organizations to facilitate strategy formulation, resource allocation and portfolio rebalancing at the segment level. Our six business segments are: Corporate Financial Services, Maintenance Leasing, Real Estate, Investment and Operation, Retail and Overseas Business.

Financial information about our operating segments reported below is information that is separately available and evaluated regularly by management in deciding how to allocate resources and in assessing performance. We evaluate the performance of segments based on income before income taxes and discontinued

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operations, adjusted for results of discontinued operations, net income attributable to the noncontrolling interests and net income attributable to the redeemable noncontrolling interests before applicable tax effect. Tax expenses are not included in segment profits.

From July 1, 2013, in conjunction with the acquisition of Robeco, goodwill and other intangible assets have been allocated to the relevant segments. In addition, from November 1, 2013, ORIX s Information and Communication Technology Department, which was previously included in the Maintenance Leasing Segment, is disclosed as part of the Corporate Financial Services Segment due to reorganization of operation management.

Due to these changes, the reclassified figures are shown for the years ended March 31, 2012 and 2013.

For a description of the business activities of our segments, see Item 4. Information on the Company Profile of Business by Segment. See Note 34 of Item 18. Financial Statements for additional segment information, a discussion of how we prepare our segment information and the reconciliation of segment totals to consolidated financial statement amounts.

	Year ended March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues[1]:				
Corporate Financial Services	¥ 76,393	¥ 76,128	¥ (265)	(0)
Maintenance Leasing	228,007	234,651	6,644	3
Real Estate	222,631	215,212	(7,419)	(3)
Investment and Operation	73,293	121,933	48,640	66
Retail	160,071	188,695	28,624	18
Overseas Business	187,240	202,516	15,276	8
Segment Total	947,635	1,039,135	91,500	10
Difference between Segment Total and Consolidated Amounts	17,144	16,629	(515)	(3)
Consolidated Amounts	¥ 964,779	¥ 1,055,764	¥ 90,985	9

(1) Results of discontinued operations are included in segment revenues of each segment.

	Year ended March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Profits[1]:				
Corporate Financial Services	¥ 22,989	¥ 25,932	¥ 2,943	13
Maintenance Leasing	33,253	34,913	1,660	5
Real Estate	1,349	5,582	4,233	314
Investment and Operation	15,983	34,937	18,954	119
Retail	19,352	43,209	23,857	123
Overseas Business	49,768	52,756	2,988	6

Segment Total	142,694	197,329	54,635	38
Difference between Segment Total and Consolidated Amounts	(15,179)	(24,757)	(9,578)	
Consolidated Amounts	¥ 127,515	¥ 172,572	¥ 45,057	35

(1) We evaluate the performance of segments based on income before income taxes and discontinued operations, adjusted for results of discontinued operations, net income attributable to the noncontrolling interests and net income attributable to the redeemable noncontrolling interests before applicable tax effect. Tax expenses are not included in segment profits.

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	As of March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Assets:				
Corporate Financial Services	¥ 946,468	¥ 943,295	¥ (3,173)	(0)
Maintenance Leasing	490,869	549,300	58,431	12
Real Estate	1,390,518	1,133,170	(257,348)	(19)
Investment and Operation	471,923	444,315	(27,608)	(6)
Retail	1,742,906	1,994,140	251,234	14
Overseas Business	1,081,190	1,318,434	237,244	22
Segment Total	6,123,874	6,382,654	258,780	4
Difference between Segment Total and Consolidated Amounts	2,208,956	2,057,056	(151,900)	(7)
Consolidated Amounts	¥ 8,332,830	¥ 8,439,710	¥ 106,880	1

Corporate Financial Services Segment

This segment is involved in lending, leasing and fee business.

Segment assets remained relatively flat year on year at ¥943,295 million, as an increase in investment in direct financing leases offset a decrease in the balance of installment loans.

Installment loan revenues decreased in line with a decrease in the average balance of installment loans despite a steady trend in new business volume. Meanwhile, direct financing lease revenues remained robust, backed by solid new transaction volume and an increase in the average balance. As a result, segment revenues remained relatively flat compared to fiscal 2012 at ¥76,128 million.

Segment expenses decreased compared to fiscal 2012, due to a decrease in provision for doubtful receivables and probable loan losses.

As a result of the foregoing, segment profits increased 13% to ¥25,932 million during fiscal 2013 compared to ¥22,989 million during fiscal 2012.

Maintenance Leasing Segment

This segment consists of automobile and rental operations. The automobile operations are comprised of automobile leasing, rentals and car sharing and the rental operations are comprised of leasing and rental of precision measuring and IT-related equipment.

Production by Japanese companies improved during fiscal 2013 and continues to make a moderate recovery. Segment revenues remained stable due to ORIX s ability to provide customers with high value-added services that meet corporate customers cost reduction needs.

Segment revenues increased 3% to ¥234,651 million during fiscal 2013 compared to ¥228,007 million during fiscal 2012 due to solid revenues from operating leases. Meanwhile, segment expenses increased as a result of an increase in costs of operating leases in line with increased investment in operating leases, despite a decrease in selling, general and administrative expenses compared to fiscal 2012.

As a result of the foregoing, segment profits increased 5% to ¥34,913 million during fiscal 2013 compared to ¥33,253 million during fiscal 2012.

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Segment assets increased 12% compared to March 31, 2012, to ¥549,300 million due to an increase in investment in operating leases.

Real Estate Segment

This segment consists of real estate development, rental and financing; facility operation; REIT asset management; and real estate investment advisory services.

The office building market in Japan is showing signs of recovery. The vacancy ratio is falling below its peak and rent levels appear to be bottoming out. The real estate market is once again attracting attention, and in March 2013, J-REITs set a new market cap record, exceeding their peak level. However, the number of condominiums delivered decreased to 1,416 units from 2,180 units during fiscal 2012.

Segment revenues decreased 3% to ¥215,212 million during fiscal 2013 compared to ¥222,631 million during fiscal 2012 due to increases in revenues from the facility operating business and gains on sales of real estate under operating leases, not fully offsetting a decrease in real estate sales revenues, which resulted from a drop in the delivery of condominium units.

Segment expenses decreased compared to fiscal 2012 due to a significant decrease in costs of real estate sales and interest expense, despite increases in operating business expenses and write-downs of securities.

As a result of the foregoing, segment profits increased 314% to ¥5,582 million during fiscal 2013 compared to ¥1,349 million during fiscal 2012.

Segment assets decreased 19% compared to March 31, 2012, to ¥1,133,170 million due to sales of real estate under operating leases, as well as decreases in installment loans and investment in securities.

Investment and Operation Segment

This segment consists of environment and energy-related business, principal investment, and loan servicing.

In the environment business in Japan, following the introduction of a renewable energy feed-in tariff program, an increasing number of companies from various industries have been entering into power generation through ventures such as megasolar projects. There have been signs of improvement in the investment market, with the number of IPOs beginning to increase after years of decline since 2006, and with initial IPO prices of many companies exceeding the offer prices.

Segment revenues increased 66% to ¥121,933 million during fiscal 2013 compared to ¥73,293 million during fiscal 2012 due to gains on sales of Aozora Bank shares, an increase in revenues from large collections in the servicing business, and recognition of revenues from Kawachiya Corporation and KINREI CORPORATION, which ORIX acquired during the three-month periods ended March 31, 2012 and June 30, 2012, respectively.

Similarly, segment expenses increased compared to fiscal 2012 due to increases in costs relating to the aforementioned consolidated subsidiaries.

As a result of the foregoing, segment profits increased 119% to ¥34,937 million during fiscal 2013 compared to ¥15,983 million during fiscal 2012.

Segment assets decreased 6% compared to March 31, 2012 to ¥444,315 million during fiscal 2013 due to decreases in investment in securities and installment loans.

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Retail Segment

This segment consists of the life insurance operations, the banking business and the card loan business.

Segment revenues increased 18% to ¥188,695 million during fiscal 2013 compared to ¥160,071 million during fiscal 2012 due to an increase in installment loan revenues as a result of consolidation of ORIX Credit, and steady growth in life insurance premiums from an increase in the number of policies in force.

Segment expenses increased due to an increase in selling, general and administrative expenses as a result of consolidation of ORIX Credit, as well as an increase in insurance-related expenses.

Segment profits increased 123% to ¥43,209 million during fiscal 2013 compared to ¥19,352 million during fiscal 2012 due to gains associated with the consolidation of ORIX Credit and the absence in fiscal 2013 of a write-down that was recognized for investment in equity-method affiliate Monex Group, Inc. during fiscal 2012.

Segment assets increased 14% compared to March 31, 2012 to ¥1,994,140 million, mainly due to an increase in installment loans as a result of consolidation of ORIX Credit.

Overseas Business Segment

This segment consists of leasing, lending, investment in bonds, investment banking, and ship- and aircraft-related operations in the United States, Asia, Oceania and Europe.

The U.S. economy is slowly improving, as consumer spending and the residential property market make a gradual recovery. Meanwhile, although there are signs of an economic slowdown in China and India, countries in Southeast Asia such as Indonesia continue to maintain relatively high growth.

Segment revenues increased 8% to ¥202,516 million during fiscal 2013 compared to ¥187,240 million in fiscal 2012 as a result of strong growth in direct financing leases in Asia and automobile and aircraft operating leases, as well as an increase in fee revenues in the United States, compared to fiscal 2012, despite a decrease in gains on sales of investment securities in the United States.

Segment expenses increased compared to fiscal 2012 due to an increase in selling, general and administrative expenses, despite decreases in write-downs of securities and provision for doubtful receivables and probable loan losses.

As a result of the foregoing, segment profits increased 6% to ¥52,756 million compared to ¥49,768 million during fiscal 2012.

Segment assets increased 22% compared to March 31, 2012 to ¥1,318,434 million due to increases in investment in operating leases, including aircraft, and investment in direct financing leases in Asia, in addition to the effect of yen depreciation.

LIQUIDITY AND CAPITAL RESOURCES

Funding Activities

We prioritize funding stability, maintaining adequate liquidity, and reducing capital costs. We formulate and execute on funding policies that are resilient to sudden deterioration in financial markets, and then conduct funding activities in accordance with actual transitions in our assets and changes in financial markets. In preparing our management plan, we project funding activities to maintain a balanced capital structure in light of projected cash flows, asset liquidity and our own liquidity situation. In implementation, we adjust our funding plan based on changes in the external funding environment and our funding needs in light of our business activities, and endeavor to maintain flexibility in our funding activities.

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In our funding activities during fiscal 2014, we have tried to reinforce our funding structure by diversifying our funding resources, promoting longer maturities, staggering redemption dates and maintaining sufficient liquidity. In fiscal 2014, we also implemented various international funding activities, such as international bond offerings outside Japan. We also have enhanced our use of longer maturities, employed staggered interest and principal repayment dates and endeavored to reduce risk in refinancing by leveling out annual redemption amounts both in borrowing from financial institutions and bonds. As of March 31, 2014, the total balance of cash and cash equivalents and unused committed credit facilities was ¥1,254,524 million. The balance of these liquidity resources equals approximately 399% of our short-term marketable liabilities, namely bonds and medium term notes (MTNs) maturing within one year and CP. We maintain adequate levels of liquidity and monitor liquidity risk to minimize the effect on us of sudden market deteriorations and to enable us sustain our operations.

As a result of these initiatives our ratio of long-term debt to total debt (excluding deposits) reached 91% as of March 31, 2013 and 93% as of March 31, 2014. On an adjusted basis, our ratio of long-term debt to total debt (excluding deposits) was 89% as of March 31, 2013 and 92% as of March 2014. This ratio is a non-GAAP financial measure presented on an adjusted basis, which excludes payables under securitized leases, loan receivables and other assets. For a discussion of this and other non-GAAP financial measures, including a quantitative reconciliation to the most directly comparable GAAP measure, see Non-GAAP Financial Measures under this Item 5.

For more information regarding our liquidity risk management, see Risk Management under this Item 5.

Group Liquidity Management

ORIX is primarily responsible for accessing liquidity for ORIX Group and for managing the allocation of liquidity to subsidiaries. In managing our capital resources and controlling liquidity risk, we employ various measures, including a cash management system for supplying funds to, and receiving funds from, our major domestic subsidiaries, other than regulated subsidiaries like ORIX Bank and ORIX Life Insurance. Our overseas subsidiaries rely primarily on local funding sources such as borrowings from local financial institutions and issuing bonds in local capital markets, but they may also obtain loans from ORIX. We also support liquidity of overseas subsidiaries by establishing local commitment lines and maintaining a multi-currency commitment line available to ORIX and some of its overseas subsidiaries.

ORIX Bank and ORIX Life Insurance are our main regulated subsidiaries in terms of liquidity controls, although several other subsidiaries also operate under such regulations. ORIX Bank and ORIX Life Insurance are regulated by Japanese financial authorities. Under relevant regulations, each of them employs prescribed measures to monitor liquidity risk at the entity level and maintains internal policies to manage its portfolios and capital resources on a standalone basis. Each of these subsidiaries met the relevant regulatory threshold relating to measures for monitoring its liquidity risk as of March 31, 2014.

ORIX Bank raises the majority of the funds it needs to operate its business through deposit taking. Although ORIX Bank provides loans to several of our domestic subsidiaries in the ordinary course of its business, such loans are subject to a maximum limit set by the Japanese Banking Act. Under such regulations, ORIX Bank may not make loans to other members of ORIX Group in an aggregate amount exceeding a regulatory limit. ORIX Life Insurance underwrites insurance, receives insurance premiums from policyholders, and conducts financing and investment activities, including lending. Lending from ORIX Life Insurance to other members of ORIX Group is subject to regulation, including under the Japanese Insurance Business Act. For these reasons, ORIX Group manages its liquidity separately from ORIX Bank and ORIX Life Insurance.

Ratings

As of the date of this filing, Standard & Poor s has assigned an A- as our counterparty credit rating, Moody s has assigned a Baa2 as our long-term issuer rating, and Rating and Investment Information, Inc. (R&I) has assigned an A+ as our issuer rating.

Sources of Liquidity

Borrowings from Financial Institutions

ORIX Group borrows from a variety of sources, including major banks, regional banks, foreign banks, life insurance companies, casualty insurance companies and financial institutions associated with agricultural cooperatives. As of March 31, 2014, the number of our lenders exceeded 200. We have promoted regular face-to-face communications and established positive working relationships with financial institutions in Japan and overseas. The majority of our loan balances consists of borrowings from Japanese financial institutions. As of March 31, 2013 and March 31, 2014, short-term debt from Japanese and foreign financial institutions was ¥268,588 million and ¥208,598 million, respectively, while long-term debt from financial institutions was ¥2,099,408 million and ¥2,430,225 million, respectively.

As is typical in Japan, contracts for borrowings from Japanese banks and insurance companies contain clauses that require us to pledge assets upon request by the lenders when they consider reasonably necessary to preserve their claims. In addition, in certain bank loan agreements, the bank is assigned the right to offset deposits with any debt for which payment is due, and, under certain conditions, such as default, the bank has the right to offset all our debt with deposits. Whether or not such provision is applied depends upon the circumstances at that time. As of the time of filing we have not received any such demand from any lender.

Committed Credit Facilities

We regularly enter into committed credit facilities agreements, including syndicated agreements, with financial institutions to secure liquidity. The maturity dates of these committed credit facilities are staggered to prevent an overlap of contract renewal periods. The total amount of our committed credit facilities as of March 31, 2013 and March 31, 2014 was ¥481,096 million and ¥469,747 million, respectively. Of these figures, the unused amount as of March 31, 2013 and March 31, 2014 was ¥439,530 million and ¥427,225 million, respectively. A part of the facilities are arranged to be drawn down in foreign currencies by ORIX and our subsidiaries.

The decision to enter into a committed credit facility is made based on factors including our balance of cash and repayment schedules of short-term debt such as CP.

Some of these committed credit facility agreements include financial covenants, such as the maintenance of a minimum ORIX Corporation shareholders equity ratio. In addition, the majority of our committed credit facilities require the relevant obligor to represent and warrant that there has been, among other things, no material negative change in its financial condition since the date of the agreement. As of March 31, 2014, we were in compliance with all of our financial covenants and have been able to make the necessary representations and warranties concerning our financial condition.

Debt from the Capital Markets

Our debt from capital markets is mainly composed of bonds, MTNs, CP, and securitization of leases, loans receivables and other assets.

Bonds and MTNs

We regularly issue straight bonds and MTNs domestically and internationally to diversify our funding sources and maintain longer liability maturities. In fiscal 2014, we issued ¥100,000 million of domestic straight bonds in Japan, and THB1,000 million and KRW60,000 million of notes outside Japan. Domestic straight bond issuances are divided mainly into bonds for institutional investors and bonds for individual investors. As of March 31, 2013 and March 31, 2014, the balance of straight bonds issued by ORIX for domestic institutional investors was ¥308,100 million and ¥343,100 million, respectively, while the balance of straight bonds issued by ORIX for individual investors was ¥664,487 million and ¥519,487 million, respectively. The balance of bonds issued by domestic subsidiaries as of March 31, 2013 and March 31, 2014 was ¥5,756 million and ¥12,140 million, respectively. The balance of straight bonds and short-term notes issued outside Japan, which includes SEC-registered U.S. dollar-denominated straight bonds, was ¥183,690 million and ¥198,016 million as of March 31, 2013 and March 31, 2014, respectively.

ORIX and three overseas subsidiaries currently are participants in a Multi-Issuer Euro MTN program (the EMTN program) with a maximum issuance limit of $4,000 million. During fiscal 2013 ORIX issued Australian dollar denominated notes under the EMTN program. In addition to the EMTN program, ORIX Group has established other MTN programs in several countries and issues MTNs to meet funding necessities. The total balance of MTNs issued as of March 31, 2013 and March 31, 2014 was ¥58,169 million and ¥46,034 million, respectively, of which MTNs amounting to ¥12,871 million and ¥9,898 million, respectively, were issued by foreign subsidiaries.

ORIX does not have any convertible bonds outstanding as of March 31, 2014.

We plan to continue to issue straight bonds and MTNs in a balanced manner to institutional and individual investors both inside and outside Japan in line with our strategy of maintaining longer maturities and diversified funding sources.

CP

We offer CP (direct paper) as a direct financing source, and have successfully obtained a diverse range of investors such as investment trusts, life insurance companies, casualty insurance companies and other financial institutions, as well as private corporations. We consider our liquidity levels and spread out the date of issuance and the terms over time so as to avoid significant overlap. The balance of outstanding CP as of March 31, 2013 and March 31, 2014 was ¥151,504 million and ¥100,993 million, respectively.

Securitization

We securitize leases, loan receivables and other assets, primarily in Japan. We also invest in CMBS in the United States and elsewhere while acting as a servicer or asset manager for the underlying assets. We recognize liabilities consolidated with such investments as our liabilities when required under applicable accounting standards. The total amount of payables under securitized lease, loan receivables and other assets as of March 31, 2013 and March 31, 2014 was ¥679,766 million and ¥253,827 million, respectively.

Deposits

ORIX Bank and ORIX Asia Limited each accept deposits. These deposit taking subsidiaries are regulated institutions, and loans from these subsidiaries to ORIX Group are subject to maximum regulatory limits.

The majority of deposits are attributable to ORIX Bank, which attracts both corporate and retail deposits, and which has seen sustained growth in deposits outstanding. Deposit balances of ORIX Bank as of March 31, 2013 and March 31, 2014 were ¥1,078,340 million and ¥1,206,183 million, respectively.

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Short-term and long-term debt and deposits

Short-term Debt

	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Short-term debt[1]:				
Borrowings from financial institutions	¥ 268,588	¥ 208,598	¥ (59,990)	(22)
Notes	634		(634)	
Commercial paper	151,504	100,993	(50,511)	(33)
Total short-term debt	¥ 420,726	¥ 309,591	¥ (111,135)	(26)

(1) The above table includes the following liabilities of consolidated VIEs as of March 31, 2013 and 2014, for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries.

	As of March 31,	
	2013	2014
	(Millions of yen)	
Short-term debt[1]:		
Borrowings from financial institutions	¥ 1,710	¥ 2,180

Short-term debt as of March 31, 2014 was ¥309,591 million, representing 7% of total debt (excluding deposits) as of March 31, 2014, while the ratio was 9% of total debt as of March 31, 2013. As of March 31, 2014, 67% of short-term debt was borrowings from financial institutions.

Long-term debt

	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Long-term debt[2]:				
Borrowings from financial institutions	¥ 2,099,408	¥ 2,430,225	¥ 330,817	16
Bonds	1,224,191	1,128,788	(95,403)	(8)
Medium-term notes	58,169	46,034	(12,135)	(21)
Payable under securitized lease, loan receivables and investment in securities	679,766	253,827	(425,939)	(63)
Total long-term debt	¥ 4,061,534	¥ 3,858,874	¥ (202,660)	(5)

(2) The above table includes the following liabilities of consolidated VIEs as of March 31, 2013 and 2014 for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries.

	As of March 31, 2013	As of March 31, 2014
	(Millions of yen)	
Long-term debt[2]:		
Borrowings from financial institutions	¥ 126,991	¥ 140,809
Bonds	100	100
Payable under securitized lease, loan receivables and investment in securities	679,766	253,827

Long-term debt as of March 31, 2014 was ¥3.858,874 million, representing 93% of total debt (excluding deposits) as of March 31, 2014, while the ratio was 91% of total debt as of March 31, 2013. Borrowings from financial institutions comprised 63% of the long-term debt as of March 31, 2014.

Approximately 54% of interest paid on long-term debt in fiscal 2014 was fixed rate interest, with the remainder being floating rate interest based mainly on TIBOR or LIBOR.

For information regarding the repayment schedule of our long-term debt and interest rates for long and short-term debt, see Note 14 of Item 18. Financial Statements.

We have entered into interest rate swaps and other derivative contracts to manage risk associated with fluctuations in interest rates. For information with respect to derivative financial instruments and hedging, see Note 29 of Item 18. Financial Statements.

Deposits

	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Deposits[3]	¥ 1,078,587	¥ 1,206,413	¥ 127,826	12

(3) VIEs did not have any deposits as of March 31, 2013 and 2014.

For further information with respect to deposits, see Note 15 of Item 18. Financial Statements.

CASH FLOWS

In addition to cash required for the payment of operating expenses such as selling, general and administrative expenses, as a financial services company our primary uses of cash are for:

- payment and repayment of interest on and principal of short-term and long-term debt; and
- purchases of lease equipment, installment loans made to customers, investment in securities and cash outlays for real estate development projects.

The use of cash, therefore, is heavily dependent on new business volumes for our operating assets. When new business volumes for such assets as leases and loans increase, we require more cash to meet these requirements, while a decrease in new business volumes results in a reduced use of cash for new assets and an increase in debt repayment.

We have cash inflows from the principal payments received under direct financing leases and installment loans, and proceeds from sales of investment securities and operating lease assets. For cash flow information regarding interest and income tax payments, see Note 4 of Item 18. Financial Statements.

Year Ended March 31, 2014 Compared to Year Ended March 31, 2013

Cash and cash equivalents as of March 31, 2014 increased by ¥1,003 million to ¥827,299 million compared to March 31, 2013.

Cash flows provided by operating activities were ¥470,993 million during fiscal 2014, up from ¥391,304 million during fiscal 2013, primarily resulting from an increase in net income, an increase in trade notes and accounts payable, a decrease in trading securities, and a smaller decrease in restricted cash and inventories, each as compared to fiscal 2013. In addition, adjustments were made for non-cash revenue and expense items such as depreciation and amortization and write-downs of securities, and for gains on sales of subsidiaries and affiliates and liquidation losses, net as compared to fiscal 2013.

Cash flows used in investing activities were ¥202,166 million during fiscal 2014, while having provided ¥105,657 million during fiscal 2013. This change was primarily due to increases in acquisitions of subsidiaries,

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net of cash acquired, installment loans made to customers, purchases of available-for-sale securities and purchases of lease equipment, but partially offset by increases in principal collected on installment loans and proceeds from sales of operating lease assets.

Cash flows used in financing activities were ¥274,579 million during fiscal 2014, decreased from ¥467,193 million during fiscal 2013. This change was primarily due to a decrease in repayment of debt with maturities longer than three months and an increase in deposits due to customers, partially offset by decrease in proceeds from debt with maturities longer than three months.

Year Ended March 31, 2013 Compared to Year Ended March 31, 2012

Cash and cash equivalents as of March 31, 2013 increased by ¥39,404 million to ¥826,296 million compared to March 31, 2012.

Cash flows provided by operating activities were ¥391,304 million in fiscal 2013, up from ¥332,994 million in fiscal 2012, primarily resulting from an increase in net income and a decrease in inventories compared to fiscal 2012, in addition to the non-cash revenue and expense items such as depreciation and amortization, provision for doubtful receivables and probable loan losses, equity in net income of affiliates (excluding interest on loans), write-downs of long-lived assets and write-downs of securities.

Cash flows provided by investing activities were ¥105,657 million in fiscal 2013, up from ¥41,757 million during fiscal 2012. This change was primarily due to an increase in principal collected on installment loans.

Cash flows used in financing activities were ¥467,193 million in fiscal 2013, up from ¥318,477 million during fiscal 2012. This change was primarily due to a decrease in proceeds from debt with maturities longer than three months.

COMMITMENTS FOR CAPITAL EXPENDITURES

As of March 31, 2014, we had commitments for the purchase of equipment to be leased in the amount of ¥20,390 million. For information on commitments, guarantees and contingent liabilities, see Note 33 of Item 18. Financial Statements.

OFF-BALANCE SHEET ARRANGEMENTS

USE OF SPECIAL PURPOSE ENTITIES

We periodically securitize lease receivables, loan receivables and other assets. These securitizations allow us to access the capital markets, provide us with alternative sources of funding and diversify our investor base and help us to mitigate, to some extent, credit risk associated with our customers and risk associated with fluctuations in interest rates.

In the securitization process, the assets for securitization are sold to SPEs, which issue asset-backed securities to investors. SPEs can be structured to be bankruptcy-remote, and, if structured in this manner (and subject to certain other conditions) the assigned assets used to be removed from the balance sheet. However, from April 1, 2010, we started applying Accounting Standards Update 2009-16 (ASC 860 (Transfers and Servicing)) and Accounting Standards Update 2009-17 (ASC 810 (Consolidation)), which require us to consolidate many SPEs that had not been previously consolidated. In managing our business, we assume that if we conduct securitization we will be required to consolidate almost all of our SPEs based on the accounting standards.

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We expect to continue to utilize SPE structures for securitization of assets. For further information on our securitization transactions, see Note 10 of Item 18. Financial Statements.

Investment Products

We provide investment products to our customers that employ a contractual mechanism known in Japan as a *kumiai*, which is in effect a type of SPE. We arrange and market *kumiai* products to investors as a means to finance the purchase of aircraft, ships or other large-ticket items to be leased to third parties. A portion of the funds necessary to purchase the item is contributed by such investors, while the remainder is borrowed by the *kumiai* from one or more financial institutions in the form of a non-recourse loan. The *kumiai* investors (and any lenders to the *kumiai*) retain all of the economic risks and rewards in connection with the purchase and leasing activities of the *kumiai*, and all related gains or losses are recorded on the financial statements of investors in the *kumiai*. We are responsible for the arrangement and marketing of these products, and may act as servicer or administrator in *kumiai* transactions. Fee income for arranging and administering these transactions is recognized in our consolidated financial statements. In most *kumiai* transactions, excluding some *kumiai* and SPE, we do not guarantee or otherwise have any financial commitments or exposure with respect to the *kumiai* or its related SPE and, accordingly, their assets are not reflected on our consolidated balance sheet.

Other Financial Transactions

We occasionally enter into loans, equity or other investments in SPEs in connection with finance transactions related to aircraft, ships and real estate, as well as transactions involving investment funds, in addition to real estate purchases and development projects. All transactions involving use of SPE structures are evaluated to determine whether we hold a variable interest that would result in our being defined as the primary beneficiary of the SPE pursuant to ASC 810 (Consolidation). When we are considered to own the primary beneficial interest in the SPEs, the SPEs are fully consolidated into our consolidated financial statements. In all other circumstances our loan, equity or other investments are recorded on our consolidated balance sheets as appropriate.

See Note 11 of Item 18. Financial Statements for further information concerning our SPEs and the effect of ASC 810 on our results of operations or financial position.

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Not applicable.

TREND INFORMATION

See the discussion under Results of Operations and Liquidity and Capital Resources.

COMMITMENTS

The table below sets forth the maturities of guarantees and other commitments as of March 31, 2014.

		Amount of commitment expiration per period			
	Total	Within 1 year	1-3 years	3-5 years	After 5 years
			(Millions of yen)		
Commitments:					
Guarantees	¥ 441,929	¥ 83,674	¥ 88,001	¥ 104,690	¥ 165,564
Committed credit lines and other	364,454	77,239	42,367	9,304	235,544
Total commercial commitments	¥ 806,383	¥ 160,913	¥ 130,368	¥ 113,994	¥ 401,108

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A subsidiary in the United States is authorized to underwrite, originate, fund and service multi-family and senior housing loans without prior approval from Fannie Mae under Fannie Mae s Delegated Underwriting and Servicing program. As part of this program, Fannie Mae provides a commitment to purchase the loans.

In return for the delegated authority, the subsidiary guarantees the performance of certain housing loans transferred to Fannie Mae and has the payment or performance risks or the guarantees to absorb some of the losses when losses arise from the transferred loans. The amount attributable to the guarantee included in the table above is ¥212,150 million as of March 31, 2014.

The subsidiary makes certain representations and warranties in connection with the sale of loans through Fannie Mae, including among others, that: the mortgage meets Fannie Mae requirements; there is a valid lien on the property; the relevant transaction documents are valid and enforceable; and title insurance is maintained on the property. If it is determined that a representation and warranty was breached, the subsidiary may be required to repurchase the related loans or indemnify Fannie Mae for any related losses incurred. The subsidiary had no such repurchase claims during fiscal 31, 2014.

For a discussion of commitments, guarantee and contingent liabilities, see Note 33 of Item 18. Financial Statements.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The table below sets forth the maturities of contractual cash obligations as of March 31, 2014.

			Payments due by period		
	Total	Within 1 year	1-3 years	3-5 years	After 5 years
			(Millions of yen)		
Contractual cash obligations:					
Deposits	¥ 1,206,413	¥ 873,365	¥ 246,252	¥ 86,796	
Long-term debt	3,858,874	706,325	1,573,095	1,072,080	507,374
Operating leases	56,145	7,558	13,046	9,892	25,649
Unconditional purchase obligations of lease equipment	20,390	20,289	101		
Unconditional noncancelable contracts for computer systems	5,966	2,931	2,398	512	125
Interest rate swaps:					
Notional amount (floating to fixed)	102,181	52,229	30,066	11,067	8,819
Notional amount (fixed to floating)	104,424		101,424	3,000	
Total contractual cash obligations	¥ 5,354,393	¥ 1,662,697	¥ 1,966,382	¥ 1,183,347	¥ 541,967

Items excluded from the above table include short-term debt, security deposits, trade notes and accounts payable and policy liabilities. The amounts of such items were ¥309,591 million, ¥158,467 million, ¥443,333 million and ¥454,436 million, respectively, as of March 31, 2014. For information on pension plans and derivatives, see Notes 17 and 29 of Item 18. Financial Statements. We expect to fund commitments and contractual obligations from one, some or all of our diversified funding sources depending on the amount to be funded, the time to maturity and other characteristics of the commitments and contractual obligations.

For a discussion of debt and deposit-related obligations, see Notes 14 and 15 of Item 18. Financial Statements.

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RECENT DEVELOPMENTS

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In February 2013, Accounting Standards Update 2013-04 (Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date ASC 405 (Liabilities)) was issued. This Update requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The Update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The adoption is not expected to have a material effect on the Company and its subsidiaries results of operations or financial position.

In March 2013, Accounting Standards Update 2013-05 (Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity ASC 830 (Foreign Currency Matters)) was issued. This Update requires that when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity, the parent release any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. This Update continues to require an entity to release a pro rata portion of the cumulative translation adjustment into net income upon a partial sale of an equity method investment that is a foreign entity. This Update requires an acquirer to release any related cumulative translation adjustment into net income when the acquirer obtains a controlling financial interest in a foreign entity that was previously an equity method affiliate in a business combination achieved in stages. The Update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. Generally, the effect of adopting this Update on the Company and its subsidiaries results of operations or financial position will depend on future transactions.

In April 2013, Accounting Standards Update 2013-07 (Liquidation Basis of Accounting ASC 205 (Presentation of Financial Statements)) was issued. This Update requires an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent and provides principles for the recognition and measurement of assets and liabilities and requirements for financial statements prepared using the liquidation basis of accounting. The Update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. Generally, the effect of adopting this Update on the Company and its subsidiaries results of operations or financial position will depend on future transactions.

In June 2013, Accounting Standards Update 2013-08 (Amendments to the Scope, Measurement, and Disclosure Requirements ASC 946 (Financial Services Investment Companies)) was issued. This Update changes the approach to the investment company assessment, clarifies the characteristics of an investment company, and provides comprehensive guidance for assessing whether an entity is an investment company. This Update requires an investment company to measure noncontrolling ownership interests in other investment companies at fair value rather than using the equity method of accounting. This Update requires an investment company to disclose the additional information about an entity s status as an investment company and financial support provided or contractually required to be provided by an investment company to its investees. The Update is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. Early adoption is prohibited. The adoption is not expected to have a material effect on the Company and its subsidiaries results of operations or financial position.

In July 2013, Accounting Standards Update 2013-11 (Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ASC 740 (Income Taxes)) was issued. This Update requires an entity to present an unrecognized tax benefit as a

reduction of a deferred tax asset for a net operating loss carryforward, or similar tax loss or tax credit carryforward, rather than as a liability, with certain exceptions. This Update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date, although retrospective application is permitted. Early adoption is permitted. The adoption is not expected to have a material effect on the Company and its subsidiaries results of operations or financial position.

In January 2014, Accounting Standards Update 2014-04 (Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure ASC 310-40 (Receivables Troubled Debt Restructurings by Creditors)) was issued. This Update clarifies when a creditor is considered to have received physical possession resulting from an in substance repossession or foreclosure of residential real estate property collateralizing a consumer mortgage loan. Additionally, this Update requires an entity to disclose the amount of foreclosed residential real estate property and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. This Update is effective for fiscal years, and interim periods within those annual periods beginning after December 15, 2014. The amendments should be applied on either a prospective basis or a modified retrospective basis. Early adoption is permitted. The adoption is not expected to have a material effect on the Company and its subsidiaries results of operations or financial position.

In April 2014, Accounting Standards Update 2014-08 (Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ASC 205 (Presentation of Financial Statements) and ASC 360 (Property, Plant, and Equipment)) was issued. This Update requires an entity to report a disposal (or a classification as held for sale) of a component of an entity or a group of components of an entity in discontinued operations if it represents a strategic shift that has (or will have) a major effect on an entity s operations and financial results. This Update requires an entity to present, for each comparative period, the assets and liabilities of discontinued operations separately in the asset and liability sections, respectively, of the statement of financial position. Furthermore, this Update requires additional disclosures about discontinued operations and a disposal of an individually significant component that does not qualify for discontinued operations. The Update is effective prospectively for disposals (or classifications as held for sale) that occur within fiscal years, and interim periods within those annual periods beginning after December 15, 2014. Early adoption is permitted. Generally, the effect of adopting this Update on the Company and its subsidiaries results of operations or financial position will depend on future transactions.

In May 2014, Accounting Standards Update 2014-09 (Revenue from Contracts with Customers ASC 606 (Revenue from Contracts with Customers)) was issued. The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply a five-step model to determine when to recognize revenue, and in what amount. The five steps to apply the model are:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

This Update requires an entity to disclose more information about contracts with customers than under the current disclosure requirements. The Update is effective for fiscal years, and interim periods within those years beginning after December 15, 2016.

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Early adoption is prohibited. An entity should apply the amendments in this Update using either a retrospective method or a cumulative-effect method. The entity using the retrospective method may elect some optional expedients to simplify a full retrospective basis. The entity using the cumulative-effect method would recognize the cumulative effect of initially applying this Update as an adjustment to the opening balance of retained earnings or net assets at the date of initial application. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries results of operations and financial position.

NON-GAAP FINANCIAL MEASURES

The sections Results of Operation and Liquidity and Capital Resources contain certain financial measures presented on a basis not in accordance with U.S. GAAP (commonly referred to as non-GAAP financial measures), including long-term debt, ORIX Corporation Shareholders equity and total assets, as well as other measures or ratios calculated based on those measures, presented on an adjusted basis, which excludes payables under securitized leases, loan receivables and investment in securities and reverses the cumulative effect on retained earnings of applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010.

Our management believes these non-GAAP financial measures provide investors with additional meaningful comparisons between our financial condition as of March 31, 2014, as compared to prior periods. Effective April 1, 2010, we adopted ASU 2009-16 and ASU 2009-17, which changed the circumstances under which we are required to consolidate certain VIEs. Our adoption of these accounting standards caused a significant increase in our consolidated assets and liabilities and a decrease in our retained earnings without affecting the net cash flow and economic effects of our investments in such consolidated VIEs. Accordingly, our management believes that providing certain financial measures that exclude the impact of consolidating certain VIEs on our assets and liabilities as a supplement to financial information calculated in accordance with U.S. GAAP enhances understanding of the overall picture of our current financial position and enables investors to evaluate our historical financial and business trends without the large balance sheet fluctuation caused by our adoption of these accounting standards.

We provide these non-GAAP financial measures as supplemental information to our consolidated financial statements prepared in accordance with U.S. GAAP, and they should not be considered in isolation or as substitutes for the most directly comparable U.S. GAAP measures.

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The tables set forth below provide reconciliations of these non-GAAP financial measures to the most directly comparable financial measures presented in accordance with U.S. GAAP as reflected in our consolidated financial statements for the periods provided.

		As of March 31,		
		2012	2013	2014
		(Millions of yen, except ratios and percentage data)		
Total assets	(a)	¥ 8,332,830	¥ 8,439,710	9,069,392
Deduct: Payables under securitized leases, loan receivables and investment in securities*		874,705	679,766	253,827
Adjusted total assets	(b)	7,458,125	7,759,944	8,815,565
Short-term debt	(c)	457,973	420,726	309,591
Long-term debt	(d)	4,267,480	4,061,534	3,858,874
Deduct: Payables under securitized leases, loan receivables and investment in securities*		874,705	679,766	253,827
Adjusted long-term debt	(e)	3,392,775	3,381,768	3,605,047
Long- and short-term debt (excluding deposits)	(f)=(c)+(d)	4,725,453	4,482,260	4,168,465
Adjusted long- and short-term debt (excluding deposits)	(g)=(c)+(e)	3,850,748	3,802,494	3,914,638
ORIX Corporation Shareholders equity	(h)	1,380,736	1,643,596	1,918,740
Deduct: The cumulative effect on retained earnings of applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010		(19,248)	(16,593)	(5,195)
Adjusted ORIX Corporation Shareholders equity	(i)	1,399,984	1,660,189	1,923,935
ORIX Corporation Shareholders Equity Ratio	(h)/(a)	16.6%	19.5%	21.2%
Adjusted ORIX Corporation Shareholders Equity Ratio	(i)/(b)	18.8%	21.4%	21.8%
D/E ratio	(f)/(h)	3.4x	2.7x	2.2x
Adjusted D/E ratio	(g)/(i)	2.8x	2.3x	2.0x
Long-term debt ratio	(d)/(f)	90%	91%	93%
Adjusted long-term debt ratio	(e)/(g)	88%	89%	92%

* These deductions represent amounts recorded as liabilities and included in long-term debt on the consolidated balance sheet.

RISK MANAGEMENT

Group-Wide Risk Management System

Risk Management System

ORIX Group monitors and manages the risks relating to the Group businesses through its risk management system. In addition to the Risk Management Headquarters, which primarily monitors risks related to individual transactions, and the Corporate Planning Department, which monitors risks at the corporate level, each business unit has designated staff responsible for managing risks at the business unit level. Risk Management Headquarters, the Corporate Planning Department and individual business units respectively analyze and monitor various risks in collaboration with each other. The results are reported to the Investment and Credit Committee held three times a month, to the Group Executive Officer Committee held on a monthly basis and to the board of directors held on a regular basis for evaluation, and the relevant executive officers, along with the Chief Financial Officer (CFO) as the central person responsible for overall risk management, take measures deemed appropriate.

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Risk Control

ORIX Group allocates management resources by taking into account Group-wide risk preference based on management strategies as well as the strategy of individual business units. Our board of directors and executive officers evaluate the performance and profitability of each business unit, and the executive officers, along with the CFO as the person responsible for overall risk management, take the responsive measures they deem necessary. This process enables us to control the balance sheet and allocate more management resources to business units viewed as having greater growth potential.

ORIX Group, in addition to the monitoring by business unit, monitors risks on an individual transaction and total portfolio basis.

For individual transactions, the Risk Management Headquarters evaluates the operating environment, strategies, risks and profitability of each transaction prior to execution, and reports on such individual transactions to the Investment and Credit Committee for review. Changes to the operating environment and cash flow are monitored after transaction execution, and transactions for which there has been a major change in circumstance or strategy are then reported to the appropriate executive officers. In addition, individual business units conduct their risk analysis together with the trend analysis of relevant industries aimed at controlling risks for individual transactions.

In analyzing a portfolio, the Risk Management Headquarters monitors the following characteristics from a Group-wide perspective: business type, region, transaction type, risk type, asset quality status and concentration status of major debtors. The Corporate Planning Department monitors risks at the corporate level, including market risk and risk related to fund procurement, in cooperation with the Treasury Headquarters and the Risk Management Headquarters.

Main Risk Management

We view credit risk, business risk, market risk, liquidity risk (risk relating to fund procurement), legal risk and other operational risk as the main risks facing us. Each risk is managed according to its individual characteristics.

Credit Risk Management

We define *credit risk* as uncertainty in future investment recovery caused by the fluctuation of cash flow from debtors and investees.

Our basic credit evaluation policy focuses on factors such as the adequacy of collateral and guarantees, the liquidation of debt and the concentration of debtors and their respective industries. In the credit evaluation process of each individual transaction, we comprehensively review the customer s financial soundness, cash flow position, underlying security interests, profitability and other factors.

Moreover, analysis of our portfolio, as well as measures to establish appropriate credit limits, allows us to control exposure to markets with potentially high risks.

We define problem assets to include credit extended to debtors who have petitioned for bankruptcy, civil rehabilitation or other insolvency proceedings, whose bank transactions have been suspended, whose bills have been dishonored, or whose debts have not been collected for three months or more. The relevant business units, in cooperation with the Risk Management Headquarters, take steps to secure collateral or other guarantees and to begin the collection process. The accumulated collection know-how from sending an initial reminder to actively seizing collateral is consolidated at the Risk Management Headquarters and is reflected in our credit evaluation criteria for individual transactions and portfolio analysis.

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Business Risk Management

We define *business risk* as uncertainties related to new business areas, potential obsolescence of the products or services we offer or a decline in their quality, and variability in market prices for products or services of the types we offer.

We monitor business plans and operations using scenario analyses and stress tests for uncertainties related to new businesses. The cost of withdrawal from a business is also factored in the business risk evaluation and verification process.

In addition to monitoring the quality of our products and services, we also review the resilience of our lineup of products and services to changes in the business environment and evolving customer needs, and respond proactively to maintain or improve quality and our responsiveness.

A principal risk relating to operating leases is fluctuation in the residual value of the leased properties. In order to control fluctuation in residual value, we monitor our inventories of leased properties, market environments and the overall business environment. We generally limit our operating leases to leased properties with high versatility that are comparatively easy to re-lease, and evaluate the sale of such properties depending on changes in market conditions.

We endeavor to reduce the risk related to real estate market price fluctuation by strengthening our cash flow position.

Market Risk Management

We define *market risk* as the risk of changes in the fair value of assets and liabilities caused by changes in market variables, such as interest rates, exchange rates and stock prices.

We establish Group-wide ALM policies, and we endeavor to comprehensively verify and understand market risks.

Interest rate risk is comprehensively evaluated based on the expected impact of interest rate changes on the periodic profit and loss and on the balance sheet, the assets and liabilities positions, and the funding environment. These analyses are reviewed, as required, depending on the situation.

We generally manage exchange rate risk by using foreign currency loans, foreign exchange contracts, currency swaps and other instruments, to hedge exchange rate volatility in our business transactions in foreign currencies and overseas investments. For unhedged foreign currency-denominated assets, we employ risk monitoring and management procedures including VaR(value at risk) and other metrics.

We manage counterparty credit risk and other risks of hedging derivative transactions in accordance with internal rules on derivative transaction management.

For assets under management in the banking business, the life insurance business and our United States operations, we regularly monitor monetary policies, macroeconomic indicators and securities and financial market trends and manage the asset portfolios by analyzing on a daily basis individual security price movements and gains and losses. Market volatility is managed according to guidelines that include fixed loss amounts and decreases in position. Our risk management departments monitor compliance with the guidelines.

For quantitative and qualitative analysis information on market risk, please see Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Liquidity Risk Management (Risk Management Relating to Fund Procurement)

We define *liquidity risk* as the risk that we will be unable to obtain the required funds, or that we will be forced to procure funds at an unusually high rate of interest due to market turmoil, deterioration in the financial condition of the ORIX Group or other reasons.

To reduce liquidity risk, we diversify fund procurement methods and sources and monitor liquidity on hand. To manage liquidity on hand, we project future cash flows and evaluate liquidity risk in hypothetical stress scenarios. We take necessary measures in accordance so that business may continue undisturbed in the event of environmental changes.

In addition, we monitor the effect on the business of each subsidiary by ascertaining liquidity risk in each subsidiary and in every country in which ORIX operates and take appropriate measures to manage liquidity risk, such as parent-to-subsidiary lending.

ORIX Bank and ORIX Life Insurance are engaged in retail financial activities such as accepting deposits and insurance underwriting and are regulated by Japanese financial authorities. Therefore they are required to manage liquidity risk independently from other ORIX Group companies based on internal regulations formulated according to the relevant regulations.

ORIX Bank maintains the required liquidity levels by maintaining deposits and liquid assets such as marketable securities above a fixed percentage and setting an upper limit for capital market-based funding. In addition, it regularly monitors the status of these measures, estimates the tightness of cash flows under different scenarios and conducts stage-by-stage management of liquidity risk accordingly.

ORIX Life Insurance conducts stress tests on insured accidents and maintains the required liquidity levels by setting an upper limit on the amount of held-to-maturity securities and by holding deposits and liquid assets such as marketable securities for policy reserve amounts above a specified percentage.

Legal Risk Management

We define *legal risk* as the risk of legal responsibility or legal disadvantage arising due to noncompliance with applicable laws and/or regulations in any business or corporate management.

To avoid, prevent and mitigate transactional legal risk in Japan, we generally require that the Risk Management Headquarters and the Group Compliance Department be involved in transactions. In addition to establishing internal rules necessary to observe applicable laws, we implement necessary measures to ensure that we are, and continue to be, in compliance with revisions to laws as they take effect.

For transactional agreements, we have established an approval process involving the Risk Management Headquarters, in accordance with our prescribed internal rules. In addition, depending on the size and importance of a given transaction, we might also consult external legal advisors.

To ensure that proper legal procedures are followed in connection with legal disputes and litigation, we require that the Group Compliance Department and the Risk Management Headquarters be involved in the management of such disputes and litigation, including lawsuits that have been, or are expected to be, brought against us and lawsuits that we bring, or expect to bring, against third parties.

To prevent the violation of intellectual property rights, Group Administration Department conducts the monitoring and takes necessary measures promptly upon detection of any violations.

Overseas, each Group company works to avoid, prevent and mitigate risks by utilizing in-house legal functions and, when necessary, by engaging outside lawyers and other advisers.

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Operational Risk Management

We define *operational risk* as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Each department within the Group conducts monitoring activities in accordance with its self-examination program, which incorporates material risks considered at the Group level. The Group Internal Audit Department monitors and focuses on the material risks based on an annual internal audit plan. Through these monitoring activities, we endeavor to minimize operational risk exposure and strive for reinforcement in this risk management area.

To raise awareness of compliance issues among executives and employees, the Group Compliance Department supports the self-examination system, and has produced a compliance manual and distributed it to all executives and employees in the Group.

ORIX Computer Systems Corporation works to reduce operational risk through the maintenance and operational administration of internal systems.

We have established internal rules to manage risks associated with natural disasters, which are designed to protect management resources and minimize losses, while giving priority to the safety of our executives and employees.

Individual Business Risk Management

We have a broadly dispersed business portfolio, including financial service operations, and we perform complete and transparent monitoring and control according to the characteristics of each operation.

Corporate Financial Services Segment

Credit risk is the main risk of the Corporate Financial Services segment.

After individual transactions have been executed, the Corporate Financial Services segment regularly monitors performance and collateral as well as collection from customers whose balances exceed specified levels. The Risk Management Headquarters regularly evaluates customers with large credit balances.

We analyze the current condition and outlook for specific business types and industries and analyze the potential impact on customers while making decisions about future transactions in that specific business type or industry.

For problem assets, particularly in transactions collateralized by real estate, we take various measures such as capitalizing on our network of real estate-related departments to sell properties or introduce tenants.

Maintenance Leasing Segment

Business risk and credit risk are the main risks of the Maintenance Leasing segment.

To manage the risk of changes in market values of property under operating leases, we continuously monitor market environments and fluctuation in the resale value of leased property and adjust residual value estimates of leased property in new transactions accordingly.

Cost fluctuation (prime cost) is the main risk of providing various services such as outsourcing. We analyze initial preconditions and performance, monitor future forecasts and control costs at an appropriate level.

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In addition to manage the risk that the quality of our services might fall short of customer expectations due to changes in the operating environment or changes and diversification of client needs, we monitor our service quality quantitatively and qualitatively and continuously strive to improve our service according to the operating environment.

We also conduct credit examinations of individual transactions before and after execution to manage credit risk.

Real Estate Segment

In the Real Estate segment, the main risk of business involving real estate development, possession and operation is business risk, and the main risks of the real estate finance business are market risk and credit risk.

When making a decision on a real estate investment, we compare cash flow performance to the initial plan and, after making the investment, monitor investment strategies and schedules. The strategy is reevaluated in the case of a major divergence from the initial forecast. We invest mainly in small properties and diversify risk by investing in large properties through joint ventures with partners.

For condominiums, we monitor development and sales schedule, unit sales progress and rate of return. For development and leasing properties, we monitor development and retention schedule and NOI yield. We capitalize on the Group s network in order to improve occupancy rates and promote sales.

We monitor occupancy rates and rates of return and create manuals and educate employees in our operation business.

For non-recourse loans in our real estate finance business, we carefully examine the loan-to-value ratio (LTV), the debt-service coverage ratio (DSCR) and other contractual terms and conditions such as equity provided by other companies, interest reserve and guarantees to control the relevant risks.

To minimize credit risk in the event of a significant drop in market liquidity, we may agree to changes in loan terms based on our view of the potential cash flows from properties and the credit worthiness of the borrower. In addition, depending on the circumstances, we may foreclose on collateral and hold and operate it ourselves, thereby taking on business risk.

Investment and Operation Segment

Credit risk, market risk and business risk are the main risks of the Investment and Operation segment.

When making investment decisions in the principal investment business, we do a credit evaluation, analyzing the investee s credit risk and assessing its cash flow. In addition, we perform a multi-faceted evaluation on the characteristics of the operation and investment scheme, in which administrative departments such as the accounting and legal departments are also involved. After an investment has been made, each transaction is monitored for deviations from the original scenario.

Credit risk is emphasized for the companies for which we are raising corporate value due to the focus on cash flow. We also monitor market risk as time for collection nears, measuring corporate value by referencing the corporate values of similar business types. The frequency of monitoring may increase based on changes in the business environment, and we simultaneously verify the adequacy of investment scenarios and take necessary action. Furthermore, we work to enhance the management of investments in investees that have a significant impact on the profitability of ORIX Group through such measures as the dispatch of management personnel.

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In the servicer business, we seek to reduce credit and operational risks by conducting periodic internal auditing and monitoring and by implementing a business operation based on work procedures in accordance with applicable guidance from regulatory authorities. We also aim to strengthen our legal and regulatory compliance and, to this end, have appointed an outside lawyer as a director who also oversees our legal and compliance departments as the head of OAMLS s Legal and Compliance Department to respond to potential legal issues.

We endeavor to minimize business risk in the environment and energy-related businesses by deploying appropriate equipment and technology, by forming alliances with expert operators for renewable energy, energy conservation, and resource and waste processing operations, and by streamlining our organizational structure to allow for changes in the business environment and the description of businesses.

Retail Segment

The main risk in the life insurance business is business risk, especially that associated with underwriting insurance contracts.

Before underwriting insurance contracts, ORIX Life Insurance works to ensure the hiring of sufficient staff and cultivates expert staff with specialized know-how for the rigorous assessment of health condition declarations and medical examination reports, in combination with steps to check the status of insurance solicitation, to prevent the underwriting of fraudulent contracts. ORIX Life Insurance also educates and instructs representative branch staff and agents to enhance compliance with applicable laws and regulations regarding the privacy of personal information as well as sales practices.

Credit risk is the main risk of the housing loan business, the corporate loan business and the card loan business.

When we arrange housing loans (for the purchase of condominiums and apartments for investment purposes), we conduct screenings, each of which consists of a comprehensive evaluation of each transaction including the client s ability to repay, the cash flows that can be derived from the property and collateral value. Decision making for corporate loans is based on an investigation of the client s performance, business plan, the purpose of the loan, the source of repayment and industry trends. We also reduce risks by diversifying the business types and products of our portfolio.

The card loan business uses a proprietary scoring system that incorporates a credit model. We set interest rates and credit limits in line with each customer s credit risk profile, after evaluating customer creditworthiness based on an analysis of customer attributes or payment history, as well as other factors that might affect the borrower s ability to repay, such as past credit quality and other outstanding debt. Also, we undertake subsequent credit evaluations at regular intervals to monitor changes in the customer s financial condition.

Overseas Business Segment

In the Overseas Business segment, credit risk is the main risk of the leasing and loan businesses operated by local subsidiaries mainly in Asia.

Individual transactions in this segment are conducted in a manner similar to those in the domestic business segments. The Risk Management Headquarters monitors the country risk of the overseas portfolio. Information regarding the portfolios of the respective local subsidiaries, the performance of major clients, the condition of problem assets and clients of particular concern is shared internally.

Risk management in the principal investment business and the automobile-related business, which are mainly in Asia, is conducted in a similar manner as those in the domestic business segments.

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We monitor market environments and the overall business environment for the business risk for the ship and aircraft-related business. We generally limit our operating leases to ships and aircraft with high versatility that are comparatively easy to re-lease, and evaluate sales such equipment depending on changes in market conditions.

Credit risk and market risk are the main risks for the investment and finance business such as corporate loans and securities investment in the United States.

Regarding credit risk, at the time of origination we assign an internal credit rating to each investment and loan taking into consideration the credit status and the collateral status. For investees and customers with a rating requiring attention, we evaluate the need to recognize an allowance of doubtful accounts or impairment.

To manage market risk, we monitor market values while referring to credit risk information and pursue sales as appropriate to secure profits or minimize losses.

Operational risk is the main risk for the loan servicing business in the United States. In the loan servicing business, we are committed to the arrangement and servicing of loans under the public financial system provided by Fannie Mae and the Federal Housing Administration (FHA). We conduct our operations based on the designated operating procedures set forth by these public financial institutions, and monitor and manage service quality through internal auditing.

Operational risk and business risk are the main risks for the advisory business and the asset management business in the United States.

In the advisory business, we maintain and ensure quality and operational procedures that meet the operating standards set forth by authorities through an internal quality control committee and other oversight so that high-quality advisory and evaluation services can be provided according to proper operating procedures.

To manage operational risk for the asset management business, we have established an internal compliance system and manage our operations to abide by established compliance standards as an SEC-registered company.

For business risk in the advisory business and the asset management business, in addition to monitoring to maintain satisfactory quality levels, we review products and services in response to changes in the business environment and evolving customer needs to constantly improve quality.

GOVERNMENTAL AND POLITICAL POLICIES AND FACTORS

In our opinion, no current governmental economic, fiscal, monetary or political policies or factors have materially affected, or threaten to materially affect, directly or indirectly, our operations or the investments in our Shares by our U.S. shareholders.

Item 6. Directors, Senior Management and Employees

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

CORPORATE GOVERNANCE SYSTEM

ORIX believes that a robust corporate governance system is a vital element of effective enhanced management and therefore has established sound and transparent corporate governance to carry out appropriate business activities in line with our core policies and ensure objective management.

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ORIX s corporate governance system is characterized by:

- separation of operation and oversight through a Company with Committees board model;
- The Audit Committee is formed entirely by outside directors. Both Nominating and Compensation Committees are comprised of 6 members, of which 5 members are outside directors;
- all outside directors satisfy strict conditions for independence; and
- outside directors highly qualified in their respective fields.

Reason to adopt ORIX s Corporate Governance System and history of the system

We believe that swift execution of operations is vital to effectively respond to changes in the business environment. Furthermore, we believe that ORIX s governance system promotes improved management transparency by creating a system in which outside directors with expertise in their respective fields monitor and advise on legal compliance and appropriate execution of operations.

ORIX adopted the Company with Committees board model in June 2003 followed by the new Company with Committees board model in line with the enactment of the Companies Act of Japan in May 2006, as outlined below, with the aim of further enhancing management and operational oversight and to accelerate management decision-making and operations.

Furthermore, oversight by directors is separated from the execution of operations with the three committees (Nominating, Audit and Compensation Committees) that form the heart of the board of directors. The Audit Committee is formed entirely by outside directors, and the Nominating and Compensation Committees are each comprised of 6 members, of which 5 members are outside directors to help avoid conflicts of interest with our shareholders.

In addition, all outside directors must meet the specific conditions necessary for director independence as set forth by the Nominating Committee (described below under Nominating Committee).

Below is a summary of the history of ORIX s corporate governance system;

June 1997	Established Advisory Board
June 1998	Introduced Corporate Executive Officer System
June 1999	Introduced Outside Directors
June 2003	Adopted the Company with Committees board model
May 2006	Adopted the new Company with Committees board model in line with the enactment of the Companies Act of Japan

The Company with Committees board model, as stipulated under the Companies Act of Japan, requires the establishment of three board of director committees: the Nominating, Audit and Compensation Committees. Each committee is required to consist of three or more directors, a majority of whom must be outside directors. Directors may serve on more than one committee. The term of office of committee members is not stipulated under the Companies Act of Japan. However, as a committee member must be a director of the Company, the term expires at the close of the first annual general meeting of shareholders after his or her election. Under the Companies Act of Japan, an outside director is defined as a director who does not have a role in executing the Company s business, meaning those who have not assumed in the past the position of a representative director or a director with the role of executing the business, executive officer (*shikkou-yaku*), manager or any other employee of the Company or its subsidiaries, and who does not currently assume such position of such company or subsidiaries.

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Board of Directors

ORIX s board of directors has the ultimate decision-making responsibility for our important affairs. It also monitors the performance of the directors and executive officers and receives performance reports from the executive officers and others. The Articles of Incorporation of ORIX provide for no fewer than three directors. Directors are elected at general meetings of shareholders. The term of office for any director, as stipulated under the Companies Act of Japan, for companies that adopt a Company with Committees board model, expires at the close of the first annual general meeting of shareholders after his or her election.

The board of directors carries out decisions related to items that, either as a matter of law or pursuant our Articles of Incorporation, cannot be delegated to executive officers, and important items as determined by the regulations of the board of directors. The board of directors is responsible for approving and monitoring ORIX s policies on a regular basis, which include corporate planning such as capital management, fund procurement and personnel strategies. Aside from such items, the board of directors delegates decision-making regarding operational execution to representative executive officers. The board of directors also receives reports from executive officers and committees regarding the status of business operations and finances.

With the exception of the aforementioned items, the board of directors may delegate substantial management authority to representative executive officers. Representative executive officers make decisions on management issues as delegated by the board of directors and execute the business of the Company. For example, the board may delegate to representative executive officers the authority to approve issuances of shares of capital stock and bonds. In addition, the Companies Act of Japan permits an individual to simultaneously be a director and a representative executive officer of the Company.

From April 1, 2013 through March 31, 2014, the board of directors met eight times. The attendance rate of directors for these meetings was 99%.

The board of directors as of June 26, 2014 includes 13 members, six of whom are outside directors.

Structure and Activities of the Three Committees

The members of each committee along with the number of committee meetings and attendance rates are shown below.

	Nominating Committee	Audit Committee	Compensation Committee
Members as of June 26, 2014	6 Members (Outside Directors: 5)	4 Members (Outside Directors: 4)	6 Members (Outside Directors: 5)
	Takeshi Sasaki (Chairman)	Eiko Tsujiyama (Chairwoman)	Robert Feldman (Chairman)
	Robert Feldman	Takeshi Sasaki	Takeshi Sasaki
	Takeshi Niinami	Nobuaki Usui	Eiko Tsujiyama

	Nobuaki Usui Ryuji Yasuda Hideaki Takahashi	Ryuji Yasuda	Takeshi Niinami Ryuji Yasuda Hideaki Takahashi
Number of meetings held during fiscal 2014 (Attendance rate)	Four (4) meetings (90%)	Nine (9) meetings (100%)	Four (4) meetings (90%)

Nominating Committee

The Nominating Committee is authorized to propose the slate of director appointment or dismissal to be submitted to the annual general meeting of shareholders. Directors shall be elected and dismissed by a resolution

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of the annual general meeting of shareholders. In addition, the Nominating Committee deliberates on the appointment or dismissal of our executive officers, although this is not required under the Companies Act of Japan.

The Nominating Committee determines whether the conditions for director independence have been met in accordance with nomination criteria for outside directors, which are:

No individuals, or any of their family members, may receive a compensation of ¥10 million or higher annually excluding compensation as an employee for family members, and excluding the individual s compensation as outside directors, from ORIX or its subsidiaries.

Family members include a spouse, those related within the second degree by consanguinity or affinity, or other kin living with the outside director. (hereinafter the same)

No individuals, or any of their family members, may be a major shareholder of ORIX (more than 10% of issued shares) or represent the interests of a major shareholder.

No individuals may have served as an executive officer (including operating officers, hereinafter the same) or an employee of ORIX or its subsidiaries within the past five years. No family members may have served as an executive officer of ORIX or its subsidiaries within the past five years.

No individuals may be a principal trading partner or executive officer or an employee of a principal trading partner of ORIX or its subsidiaries. If such circumstances existed in the past, five years must have passed since that person s retirement from office or employment.

A principal trading partner refers to an entity with a business connection with ORIX Group with a transaction amount equivalent to more than the greater of 2% of consolidated total revenues, or US$ 1,000,000 in any fiscal year of the previous three years.

There must be no concurrent directorship relationship between the company for which the individual is serving as an executive officer and ORIX.

Concurrent directorship relationship is defined as being a relationship in which the company for which the individual is serving as an executive officer has a director that is also an executive officer of ORIX or its subsidiaries.

No individuals may be directors, or executive officers of organizations receiving donations or assistance of large amounts (annual average of ¥10 million or higher over the past three years) from ORIX or its subsidiaries.

There must be no material conflict of interest or any possible conflict of interest that might influence the individual s judgment in performing their duties as an outside director.

Audit Committee

The Audit Committee monitors the operational execution of the directors and executives and prepares audit reports. In addition, the Audit Committee proposes the appointment or dismissal, or the passage of resolutions refusing the reappointment of the Company s independent certified public accountants to the annual general meeting of shareholders. The Audit Committee Secretariat (three people) was established to provide advice to the Audit Committee regarding the execution of its duties. Eiko Tsujiyama, chairwoman of the Audit Committee, is qualified as a certified public accountant and has extensive knowledge in finance and accounting as a professional accountant.

The Audit Committee engages independent certified public accountants and the responsible person in corporate audit and internal control-related departments who will report to the Audit Committee, and it evaluates the Company s internal controls through the following processes and procedures:

The Audit Committee reviews and discusses based on the reports that it receives from the independent certified public accountants regarding whether there are any material items relating to the audit.

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The Audit Committee reviews the report related to the results of the audit and items indicated for improvement that has been prepared by the executive officer responsible for Group Internal Audit Department. The Audit Committee approves the Group Internal Audit Department s annual audit plan. The Group Internal Audit Department agrees to fully support any inspection request the Audit Committee may issue.

The Audit Committee engages in discussions on material risk control, after it receives explanations from the heads of internal control related department.

Under the Company with Committees board model, the directors who compose the Audit Committee are not permitted to be executive officers, executive directors, managers, any other employees or accounting counselors (*kaikei san-yo*) of the Company or its subsidiaries. Under the Company with Committees board model, the Audit Committee generally has powers and duties to monitor the performance of the directors and executive officers in the performance of their responsibilities, as well as the right to propose the appointment or dismissal, or to pass resolutions for refusing reappointment of the Company s independent certified public accountants at the annual general meeting of shareholders. Any proposal for appointment or dismissal of a certified public accountant needs to be submitted to a general meeting of shareholders for approval. In furtherance of its responsibilities, the Audit Committee has the power to request a report of business operations from any director, executive officer, manager or other employee at any time, and to inspect for itself the details of the Company s business operations and financial condition.

Compensation Committee

The Compensation Committee has the authority to set the policy for determining compensation for directors and executive officers in accordance with the Companies Act of Japan and to set the specific compensation for each individual director and executive officer. Director and executive officer compensation information is disclosed in accordance with the Companies Act and the Financial Instruments and Exchange Act.

The Compensation Committee sets the following Policy of Determining Compensation of Directors and Executive Officers.

Policy of Determining Compensation of Directors and Executive Officers

Our business objective is to increase shareholder value over the medium and long term. We believe in each director and executive officer responsibly performing his or her duties and in the importance of cooperation among different business units in order to achieve continued growth of ORIX Group. The Compensation Committee believes that in order to accomplish such business objectives, directors and executive officers should place emphasis not only on performance during the current fiscal year, but also on medium- and long-term results. Accordingly, under the basic policy that compensation should provide effective incentives, we take such factors into account when making decisions regarding the compensation system and compensation levels for our directors and executive officers. Taking into consideration this basic policy, we have established separate policies for the compensation of directors and that of executive officers in accordance with their respective roles.

Compensation Policy for Directors

The compensation policy for directors who are not also executive officers aims for a level and composition of compensation that is effective in maintaining supervisory and oversight functions of executive officers performance in business operations, which is the main duty of directors.

Specifically, while aiming to maintain competitive compensation standards, our compensation structure consists of a fixed compensation component based on duties performed, and a shares component of compensation.

Fixed compensation is, in principal, a certain amount that is added to the compensation of the chairperson and member of each committee. Share-based compensation reflecting medium- to long-term performance is granted based on the number of points earned by the individual while in office, and the amount of the payment is decided according to the share price at the time of an individual director s retirement. In addition, the Company strives to maintain a competitive level of compensation with director compensation according to the role fulfilled, and receives third-party research reports on compensation for this purpose.

The shares component of compensation is a program in which points are annually allocated to directors and executive officers based upon prescribed standards while in offices, and the compensation provided is the amount equal to the accumulated number of points multiplied by the stock price at the time of retirement. Points granted to the members of each position are determined based on title and seniority in accordance with guidelines set by the Compensation Committee. Under this program, directors and executive officers have an obligation to purchase shares from the Company at the stock price that prevails at the time of their retirement using the after-tax compensation provided. The Compensation Committee has not set a fixed term in which directors and executive officers must retain the shares after their retirement. The Compensation Committee may restrict the awarding of stock-based compensation to directors and executive officers in the event that they engage in inappropriate behavior while in office that would inflict harm on the Company.

Compensation Policy for Executive Officers

The compensation policy for executive officers, including those who are also directors, aims for a level of compensation that is effective in maintaining business operation functions, while incorporating in its composition a component that is linked to current period business performance. Specifically, while aiming to maintain competitive compensation standards, our compensation structure consists of a fixed compensation component based on positions and duties performed, a performance-linked component, and a shares component of compensation as described above.

Fixed compensation is decided for each individual based on a standard amount for each position. Compensation linked to business performance uses the level of achievement of the net income target as a performance indicator, adjusting the level-based standard amount within the range of 0% to 200%. Share-based compensation reflecting medium- to long-term performance is granted as a certain number of points based on a standard amount for each position while in office, and the amount of the payment is decided according to the share price at the time of an individual executive officer s retirement. In addition, and based on the outcome of a third-party compensation research agency investigation, the Company strives to maintain a competitive level of compensation with executive officer compensation functioning as an effective incentive.

AUDITOR INDEPENDENCE

ORIX Group must appoint independent certified public accountants, who have the statutory duty of examining the nonconsolidated financial statements prepared in accordance with accounting principles generally accepted in Japan (Japanese GAAP). The independent certified public accountants must present an auditor s report to the Audit Committee and the executive officers specified by the board of directors. The independent certified public accountants are also responsible for auditing financial statements that are submitted to the Kanto Local Finance Bureau of the Ministry of Finance (Kanto Local Finance Bureau). The board of directors is required to submit the audited consolidated and nonconsolidated financial information to the annual general meeting of shareholders, and this information is also required to be submitted to the Tokyo Stock Exchange and the Kanto Local Finance Bureau.

Presently, our independent certified public accountants are KPMG AZSA LLC. The independence of KPMG AZSA LLC has been evaluated by our Audit Committee.

In addition to the nonconsolidated financial statements that are prepared under Japanese GAAP, we also prepare consolidated financial statements in accordance with U.S. GAAP. U.S. GAAP consolidated financial

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information is used by management for evaluating our performance and forms the basis for presentation of financial information to our shareholders. The consolidated financial statements prepared in accordance with U.S. GAAP that are included in this annual report filed with the SEC have been audited by KPMG AZSA LLC, which is registered with the PCAOB in the United States.

In the opinion of management, the provision of non-audit services did not impair the independence of KPMG AZSA LLC.

DIRECTORS

The directors of ORIX as of June 26, 2014 are as follows:

Name (Date of birth)	Current positions and principal outside positions[1]		Business experience	Shareholdings as of June 26, 2014
Makoto Inoue	Director,	Apr. 1975	Joined ORIX	46,329
		Jan. 2003	Deputy Head of Investment Banking Headquarters	
(Oct. 2, 1952)	Representative Executive Officer,	Feb. 2005	Executive Officer	
		Jan. 2006	Corporate Senior Vice President	
	President and Chief Executive Officer	Jun. 2009	Corporate Executive Vice President	
		Jun. 2010	Director Deputy President	
		Oct. 2010	Responsible for Investment Banking Headquarters	
		Jan. 2011	Representative Executive Officer, President and Chief Operating Officer	
		Jan. 2014	Co-Chief Executive Officer	
		Jun. 2014	Chief Executive Officer	
Haruyuki Urata	Director,	Apr. 1977	Joined ORIX	39,560
(Nov. 8, 1954)	Representative Executive Officer,	Feb. 2004	Deputy Head of Risk Management Headquarters	
		Feb. 2005	Executive Officer	
		Aug. 2006	Corporate Senior Vice President	
	Deputy President and Chief Financial Officer	Jun. 2007	Director	
		Jan. 2008	Deputy President	
		Jan. 2009	Chief Financial Officer	
	Responsible for Corporate Planning Department	Jun. 2009	Head of Financial Control Headquarters	
		Nov. 2009	Responsible for Corporate Communications Department	
	Responsible for Corporate Communications Department	Jun. 2010	Responsible for Corporate Planning Department	
		Jan. 2011	Representative Executive Officer	
		Jan. 2014	Responsible for Corporate Planning Department Responsible for Corporate Communications Department	

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Name (Date of birth)	Current positions and principal outside positions[1]		Business experience	Shareholdings as of June 26, 2014
Tamio Umaki (Jan. 16, 1948)	Director, Deputy President and Chief Information Officer Head of Human Resources and Corporate Administration Headquarters Responsible for Secretarial Office	Apr. 1972	Joined ORIX	34,964
		Mar. 1999	Head of Tohoku Area	
		Jun. 1999	Executive Officer	
		Jan. 2002	Group Executive	
		Jan. 2007	Group Senior Vice President	
		Oct. 2008	Corporate Senior Vice President Chief Information Officer	
		Jan. 2009	Head of Human Resources and Corporate Administration Headquarters	
		Jun. 2010	Corporate Executive Vice President	
		Jun. 2011	Director	
		Jun. 2013	Deputy President	
		Sep. 2013	Responsible for Group Legal and Compliance Department Responsible for Group Internal Audit Department	
		Oct. 2013	Responsible for Group Compliance Department	
		Jan. 2014	Responsible for Secretarial Office	
Kazuo Kojima (Jul. 5, 1956)	Director, Corporate Executive Vice President Responsible for Investment and Operation Headquarters Responsible for Energy and Eco Services Business Headquarters Head of Global Business and Alternative Investment Headquarters Outside Director, Ubiteq, INC.	Apr. 1980	Joined ORIX	31,820
		Apr. 2003	Deputy Head of Real Estate Finance Headquarters	
		Feb. 2005	Executive Officer	
		Jan. 2007	Corporate Senior Vice President	
		Jan. 2008	Corporate Executive Vice President	
		Jun. 2008	Director	
		Jan. 2010	Head of Domestic Sales Headquarters	
		Sep. 2012	Responsible for Investment and Operation Headquarters	
		Sep. 2013	Outside Director, Ubiteq, INC.	
		Jan. 2014	Responsible for Energy and Eco Services Business Headquarters Head of Global Business and Alternative Investment Headquarters	
Yoshiyuki Yamaya (Oct. 20, 1956)	Director, Corporate Executive Vice President Special Advisor to CEO Responsible for Group Retail Business Responsible for Retail Business Planning Office President, ORIX Credit	Apr. 1980	Joined ORIX	25,800
		Apr. 2001	General Manager of Office of the President	
		Feb. 2005	Group Executive	
		Aug. 2006	Executive Officer	
		Jan. 2008	Group Senior Vice President	
		Jan. 2009	Corporate Senior Vice President	
		Jun. 2009	Director Corporate Executive Vice President	

Name (Date of birth)	Current positions and principal outside positions[1]		Business experience	Shareholdings as of June 26, 2014
		Jan. 2014	Responsible for Special Investments Group Responsible for Finance Department	
		Jun. 2014	Special Advisor to CEO Responsible for Group Retail Business Responsible for Retail Business Planning Office President, ORIX Credit	
Katsunobu Kamei (Jul. 8, 1957)	Director, Corporate Executive Vice President Head of Domestic Sales Headquarters President, ORIX Auto Corporation	Apr. 1980	Joined ORIX	15,433
		Feb. 2005	Deputy Head of Kinki Sales Headquarters	
		Jan. 2008	Executive Officer	
		Jan. 2010	Domestic Sales Headquarters: Head of Kinki Sales	
		Jan. 2011	Group Senior Vice President President, ORIX Auto Corporation	
		Jun. 2014	Director Corporate Executive Vice President Head of Domestic Sales Headquarters	
Hideaki Takahashi (Mar. 22, 1948)	Non-Executive Director, Special Advisor to CEO Professor, Graduate School of Media and Governance at Keio University Outside Director, Fukuoka Financial Group, Inc.	Aug. 1974	Joined NCR Corporation	0
		Mar. 1992	Deputy President and Representative Director, NCR Japan, Ltd.	
		Dec. 1997	Senior Deputy President, NCR Corporation, Chairman and Representative Director, NCR Japan, Ltd.	
		Mar. 2000	Deputy President and Representative Director, Fuji Xerox Co., Ltd.	
		Jan. 2006	Professor, Graduate School of Media and Governance at Keio University	
		Nov. 2006	Part-time Advisor, ORIX	
		Apr. 2007	Outside Director, Fukuoka Financial Group, Inc.	
		Jun. 2014	Non-Executive Director, ORIX Special Advisor to CEO	
Takeshi Sasaki (Jul. 15, 1942)	Outside Director Outside Director, East Japan Railway Company	Apr. 1968	Assistant Professor, School of Law at the University of Tokyo	0
		Nov. 1978	Professor, School of Law at the University of Tokyo	
		Apr. 1991	Professor, Graduate Schools of Law and Politics at the University of Tokyo	
		Apr. 1998	Dean, Graduate Schools of Law and Politics and School of Law at the University of Tokyo	
		Apr. 2001	President, the University of Tokyo	

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Name (Date of birth)	Current positions and principal outside positions(1)		Business experience	Shareholdings as of June 26, 2014
		Jun. 2003	Chairman, The Japan Association (currently, incorporated) of National Universities	
		Apr. 2005	Professor, Faculty of Law, Department of Politics at Gakushuin University	
		Jul. 2005	Advisor, ORIX	
		Jun. 2006	Outside Director, ORIX	
			Outside Director, East Japan Railway Co.	
Eiko Tsujiyama (Dec. 11, 1947)	Outside Director	Apr. 1974	Certified Public Accountant	0
	Professor, Faculty of Commerce at Waseda University	Aug. 1980	Assistant Professor, College of Humanities at Ibaraki University	
		Apr. 1985	Assistant Professor, School of Economics at Musashi University	
	Corporate Auditor, Mitsubishi Corporation	Apr. 1991	Professor, School of Economics at Musashi University	
	Corporate Auditor, Lawson, Inc.	Apr. 1996	Dean, School of Economics at Musashi University	
	Audit & Supervisory Board Member, NTT DOCOMO, Inc.	Apr. 2003	Professor, School of Commerce and the Graduate School of Commerce at Waseda University	
	Audit & Supervisory Board Member, Shiseido Company, Limited	Sep. 2004	Professor, Faculty of Commerce at Waseda University	
		Jun. 2008	Corporate Auditor, Mitsubishi Corporation	
		Jun. 2010	Outside Director, ORIX	
		Sep. 2010	Dean, Graduate School of Commerce at Waseda University	
		May 2011	Corporate Auditor, Lawson, Inc.	
		Jun. 2011	Audit & Supervisory Board Member, NTT DOCOMO, Inc.	
		Jun. 2012	Audit & Supervisory Board Member, Shiseido Company, Limited	
Robert Feldman (Jun. 12, 1953)	Outside Director	Oct. 1983	Economist, International Monetary Fund	0
	Managing Director and Chief Economist, Morgan Stanley MUFG Securities Co., Ltd.	May 1989	Chief Economist, Salomon Brothers Inc. (currently Citigroup Global Markets Japan Inc.)	
		Feb. 1998	Joined Morgan Stanley Securities, Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.) as Managing Director and Chief Economist Japan	

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Name (Date of birth)	Current positions and principal outside positions(1)		Business experience	Shareholdings as of June 26, 2014
		Apr. 2003	Managing Director, Co-Director of Japan Research and Chief Economist, Morgan Stanley Japan Securities Co., Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.)	
		Dec. 2007	Managing Director and Head of Japan Economic Research, Morgan Stanley Japan Securities Co., Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.)	
		Jun. 2010	Outside Director, ORIX	
		Jul. 2012	Managing Director, Chief Economist and Head of Fixed Income Research, Morgan Stanley MUFG Securities Co., Ltd.	
		Mar. 2014	Managing Director and Chief Economist, Morgan Stanley MUFG Securities Co., Ltd.	
Takeshi Niinami (Jan. 30, 1959)	Outside Director Chairman and Member of the Board, Lawson, Inc. Outside Director, ACCESS, Co., Ltd.	Jun. 1995	President, Sodex Corporation (currently LEOC Co., Ltd.)	0
		Apr. 2001	Unit Manager, Lawson Business and Mitsubishi s Dining Logistical Planning team, Consumer Industry division, Mitsubishi Corporation	
		May 2002	President, Representative Director and Executive Officer, Lawson, Inc.	
		Mar. 2005	President, Representative Director and CEO, Lawson, Inc	
		Apr. 2006	Outside Director, ACCESS Co., Ltd.	
		Jun. 2010	Outside Director, ORIX	
		May 2013	Representative Director and CEO, Lawson, Inc.	
		May 2014	Chairman and Representative Director, Lawson, Inc. Chairman and Member of the Board, Lawson, Inc.	
Nobuaki Usui (Jan. 1, 1941)	Outside Director Corporate Auditor, KONAMI CORPORATION	May 1995	Director-General of the Tax Bureau, Ministry of Finance	0
		Jan. 1998	Commissioner, National Tax Agency	
		Jul. 1999	Administrative Vice Minister, Ministry of Finance	
		Jan. 2003	Governor and CEO, National Life Finance Corporation (currently Japan Finance Corporation)	
		Dec. 2008	Chairman, The Japan Research Institute, Limited	
		Jun. 2011	Corporate Auditor of KONAMI CORPORATION	
		Jun. 2012	Outside Director, ORIX	

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Name (Date of birth)	Current positions and principal outside positions[1]		Business experience	Shareholdings as of June 26, 2014
Ryuji Yasuda (Apr. 28, 1946)	Outside Director Professor, Graduate School of International Corporate Strategy at Hitotsubashi University Outside Director, Daiwa Securities Group Inc. Outside Director, Fukuoka Financial Group, Inc. Outside Director, Yakult Honsha Co., Ltd.	Jun. 1991	Director, McKinsey & Company	0
		Jun. 1996	Chairman, A.T. Kearney, Asia	
		Jun. 2003	Chairman, J-Will Partners, Co., Ltd. Outside Director, Daiwa Securities Group Inc.	
		Apr. 2004	Professor, Graduate School of International Corporate Strategy at Hitotsubashi University	
		Apr. 2007	Outside Director, Fukuoka Financial Group, Inc.	
		Jun. 2009	Outside Director, Yakult Honsha Co., Ltd.	
		Jun. 2013	Outside Director, ORIX	

Note: All ORIX directors are engaged full-time except Hideaki Takahashi, Takeshi Sasaki, Eiko Tsujiyama, Robert Feldman, Takeshi Niinami, Nobuaki Usui and Ryuji Yasuda.

EXECUTIVE OFFICERS

Under the Company with Committees board model, and within the scope of laws and ordinances, corporate decisions reached at the board of directors meeting are delegated to the executive officers to accelerate and achieve efficiency of the operation. The representative executive officer makes our important business execution decisions after deliberations by the Investment and Credit Committee (ICC) in accordance with the various regulations of the Company. The business execution duties of executive officers are decided by the board of directors and the representative executive officer and these duties are carried out based upon the various regulations of the Company. Group executives are appointed by the board of directors from among directors and executive officers of Group companies.

Important decision-making related to business execution, monitoring, discussions, and information sharing is carried out by the following bodies:

Investment and Credit Committee

The ICC, which includes members of top management and the executive officer in charge of investment and credit, meets on average three times a month primarily to deliberate and decide on credit transactions and investments that exceed certain specified investment or credit amounts, important matters related to management of the Company and matters that have been entrusted to executive officers by the board of directors. Matters considered crucial to our operations are decided by the ICC and reported to the board of directors as appropriate.

Group Executive Officer Committee

The Meetings of the Group Executive Officer Committee, in which executive officers and group executives of the Company participate, are held on a monthly basis to share important information related to the business execution of ORIX Group.

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Monthly Strategy Meetings

Monthly Strategy Meetings include meetings between top management and the individuals in charge of individual departments and business units to discuss matters such as the state of achievement of strategic targets and changes in the business environment. Matters of key importance discussed at Monthly Strategy Meetings are deliberated and decided by the ICC and reported to the board of directors as necessary.

Information Technology Management Committee

The Information Technology Management Committee includes members of the top management and the executive officer in charge of information technology (IT) systems, and meets once a month to deliberate and approve important matters concerning fundamental policies for IT operations and IT systems. The committee determines the needs of and priorities for IT investment based on ORIX Group s fundamental IT strategies. This method enables ORIX to ensure that IT decisions are consistent with its business strategies. Furthermore, this enables ORIX to pursue its goal of making IT investments that contribute to business growth and help reduce risk.

Disclosure Committee

The Disclosure Committee, which plays a key role in our disclosure control, is chaired by the CFO and consists of the executive officers in charge of various departments, including: Treasury Headquarters, Accounting Headquarters, Risk Management Headquarters, Group Compliance Department, Human Resources and Corporate Administration Headquarters, Corporate Planning Department and Corporate Communications Department. Upon receiving material information from an executive officer of ORIX Group or the person in charge of an ORIX Group company department, the committee discusses whether or not any timely disclosure is necessary, and takes steps to provide appropriate disclosure of such information.

The executive officers of the ORIX Group as of June 26, 2014, excluding those who are also directors as listed above are as follows:

Name	Title	Areas of duties	Shareholdings as of June 26, 2014
Hiroaki Nishina	Vice Chairman	Group Kansai Representative Responsible for Group Real Estate Business Chairman, ORIX Real Estate Corporation President, ORIX Baseball Club Co., Ltd.	43,842
Shintaro Agata	Corporate Executive Vice President	Treasury Headquarters	40,900
Yuki Ohshima	Corporate Executive Vice President	East Asia Business Headquarters	40,500
Eiji Mitani	Corporate Senior Vice President		13,100

		Domestic Sales Headquarters: Head of Kinki Sales	
Takao Kato	Corporate Senior Vice President	Group Kansai Deputy Representative Accounting Headquarters	12,661
Kazutaka Shimoura	Corporate Senior Vice President	President, ORIX Management Information Center Corporation Risk Management Headquarters	5,405

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Name	Title	Areas of duties	Shareholdings as of June 26, 2014
Yuichi Nishigori	Corporate Senior Vice President	Energy and Eco Services Business Headquarters	11,964
Hideto Nishitani	Corporate Senior Vice President	Chairman, ORIX USA Corporation	20,807
Yasuyuki Ijiri	Executive Officer	Domestic Sales Headquarters: Head of District Sales	19,927
Shigeki Seki	Executive Officer	Human Resources and Corporate Administration Headquarters	18,903
Satoru Katahira	Executive Officer	Domestic Sales Headquarters: Head of OQL Business Headquarters, Regional Business, Administration Center and Call Center IT Planning Office	13,485
Tetsuro Masuko	Executive Officer	Real Estate Headquarters Special Investments Group Finance Department President, ORIX Real Estate Corporation	23,655
Shuji Irie	Executive Officer	Investment and Operation Headquarters	538
Satoru Matsuzaki	Executive Officer	Domestic Sales Headquarters: Head of Tokyo Sales and Head of New Business Development	6,138
Tsukasa Kimura	Executive Officer	Energy and Eco Services Business Headquarters	6,391
Hiroshi Nishio	Executive Officer	Global Business and Alternative Investment Headquarters	266
Masaaki Kawano	Executive Officer	Robeco Groep N.V.	1,679
Hiroko Yamashina	Executive Officer	Group Compliance Department Group Internal Audit Department	32,700
Ryuhei Sakamoto	Executive Officer	Treasury Headquarters	7,636
Masatoshi Kemmochi	Group Senior Vice President	Vice Chairman, ORIX Real Estate Corporation	19,748

Note: Name on the family register of Hiroko Yamashina is Hiroko Arai.

EMPLOYEES

As of March 31, 2014, we had 25,977 full-time employees, compared to 19,043 as of March 31, 2013 and 17,488 as of March 31, 2012. We employ 2,317 staff in the Corporate Financial Services segment, 2,670 staff in the Maintenance Leasing segment, 4,277 staff in the Real Estate segment, 7,482 staff in the Investment and Operation segment, 1,629 staff in the Retail segment, 6,414 staff in the Overseas Business segment and 1,188 staff as part of our headquarters function as of March 31, 2014. With the exception of the Overseas

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Business segment, all other staff are located in Japan. As of March 31, 2014, we had 18,411 temporary employees. Some of our employees are represented by a union. We consider our labor relations to be excellent.

The mandatory retirement age for our employees is 65, but for our subsidiaries and affiliates the retirement age varies. ORIX and major domestic subsidiaries introduced a system for retirement at age 65 from April 2014. By implementing the system alongside the current re-employment system at retirement age, the system will allow employees to choose how they will work from age 60 according to their lifestyles. In April 2010, ORIX introduced an early voluntary retirement program that is available to ORIX employees who are at least 45 years old. Employees who take advantage of this program receive their accrued retirement package plus an incentive premium.

ORIX and some of its subsidiaries have established contributory and noncontributory funded pension plans covering substantially all of their employees. The contributory funded pension plans include defined benefit pension plans and defined contribution pension plans. Under the plans, employees are entitled to lump sum payments at the time of termination of their employment or, if enrollment period requirements have been met, to pension payments. Defined benefit pension plans consist of a cash balance plan and a plan in which the amount of the payments are determined on the basis of length of service and remuneration at the time of termination. Our funding policy in respect of these plans is to contribute annually the amounts actuarially determined to be required. Assets of the plans are invested primarily in interest-bearing securities and marketable equity securities. In July 2004, ORIX introduced a defined contribution pension program. In November 2004, we received permission from the Japanese Ministry of Health, Labor and Welfare to transfer the substitutional portion of benefit obligation from our employer pension fund to the government and these assets were transferred back to the government in March 2005. Total costs (termination or pension plans for both employees and directors and corporate auditors) charged to income for all benefit plans (including defined benefit plans) were ¥4,614 million, ¥4,952 million and ¥6,478 million in fiscal 2012, 2013 and 2014, respectively.

SHARE OWNERSHIP

As of June 26, 2014, the directors, executive officers and group executives of the Company directly held an aggregate of 534,151Shares, representing 0.04% of the total Shares issued as of such date.

COMPENSATION

To ensure greater management transparency, we established the executive nomination and compensation committee in June 1999. Its functions included recommending executive remuneration. With the adoption of a Company with Committees board model in June 2003, the committee was replaced with separate Nominating and Compensation Committees. For discussion of these committees, see Item 6 Directors, Senior Management and Employees Nominating Committee and Compensation Committee.

In June 2003, with our adoption of the Company with Committees board model, ORIX terminated its program for retirement payments to directors and corporate auditors. In connection with the termination of this system, shareholders approved payments of an aggregate maximum amount of ¥3,250 million to directors and ¥50 million to corporate auditors for accumulated payments. The amount, timing and method of payment was approved for each director and corporate auditor by the then newly established Compensation Committee. The payments to individual directors and corporate auditors were based on the length of service and remuneration at the time of termination.

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Compensation for directors, executive officers and group executives in fiscal 2014 was as follows (in millions of yen);

	Fixed compensation (Number of people)	Compensation linked to the performance (Number of people)	Share component of compensation (Number of people)	Total compensation
Outside Director	68			68
	(7)	( )	( )	
Executive Officer and Group Executive	968	282	48	1,298
	(28)	(28)	(1)	
Total	1,036	282	48	1,367
	(35)	(28)	(1)	

In June 2005, we introduced a share component of compensation. The total number of points granted to directors, executive officers and group executives for fiscal 2014 is equivalent to 399,000 points. Under this system, ¥127 million, which is equivalent to 93,250 points accumulated up to the time of retirement, was paid to executive officers and group executive who retired during fiscal 2014. As a result, the balance to directors, executive officers and group executives as of March 31, 2014 was 2,043,542 points.

Compensation for Yoshihiko Miyauchi, Senior Chairman of ORIX(formerly Representative Executive Officer, Chairman and Chief Executive Officer of ORIX), for fiscal 2014 was ¥165 million in fixed compensation and ¥48 million in compensation linked to the performance of the Company. Compensation for Makoto Inoue, Representative Executive Officer, President and Chief Executive Officer of ORIX, for fiscal 2014 was ¥91 million in fixed compensation and ¥36 million in compensation linked to the performance of the Company.

In addition, in June 2005 we established guidelines for ownership of our shares for directors, executive officers and group executives.

There are no service contracts between any of our directors, executive officers or group executives and the Company or any of its subsidiaries providing for benefits upon termination of employment.

The following table shows the names of directors, executive officers and group executives who received stock options, and the numbers of Shares for which they were granted options, under the stock option plans for each year from 2004 to 2008. No stock options were granted for each year from 2009 to 2014. Each unit of the Shares has one vote. We have not issued any preferred shares.

Titles for each individual as of June 26, 2014, unless otherwise described, are as follows:

Name	Title	2004 2008 stock option plans
Makoto Inoue	Director, President and Chief Executive Officer	68,000
Haruyuki Urata	Director, Deputy President and Chief Financial Officer	80,000
Tamio Umaki	Director, Deputy President	59,000

Kazuo Kojima	Director, Corporate Executive Vice President	77,000
Yoshiyuki Yamaya	Director, Corporate Executive Vice President	73,000
Katsunobu Kamei	Director, Corporate Executive Vice President	37,000
Hideaki Takahashi	Non-Executive Director	0
Takeshi Sasaki	Outside Director	12,000
Eiko Tsujiyama	Outside Director	0
Robert Feldman	Outside Director	0
Takeshi Niinami	Outside Director	0

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Name	Title	2004 2008 stock option plans
Nobuaki Usui	Outside Director	0
Ryuji Yasuda	Outside Director	0
Hiroaki Nishina	Vice Chairman	180,000
Shintaro Agata	Corporate Executive Vice President	111,000
Yuki Ohshima	Corporate Executive Vice President	68,000
Eiji Mitani	Corporate Senior Vice President	106,000
Takao Kato	Corporate Senior Vice President	25,400
Kazutaka Shimoura	Corporate Senior Vice President	19,800
Yuichi Nishigori	Corporate Senior Vice President	22,400
Hideto Nishitani	Corporate Senior Vice President	15,200
Yasuyuki Ijiri	Executive Officer	25,800
Shigeki Seki	Executive Officer	17,200
Satoru Katahira	Executive Officer	20,000
Tetsuro Masuko	Executive Officer	13,600
Shuji Irie	Executive Officer	0
Satoru Matsuzaki	Executive Officer	13,600
Tsukasa Kimura	Executive Officer	23,800
Hiroshi Nishio	Executive Officer	9,200
Masaaki Kawano	Executive Officer	9,200
Hiroko Yamashina	Executive Officer	13,600
Ryuhei Sakamoto	Executive Officer	10,400
Masatoshi Kemmochi	Group Senior Vice President	40,000

STOCK OPTION PLAN

We have adopted various incentive plans including a stock option plan. The purpose of our stock option plan is to enhance the awareness of the option holders of the link between management, corporate performance and stock price, and, in this way, improve our business results. These plans are administered by the Human Resources Department of ORIX. For further discussion of the stock-based compensation, see Note 19 in Item 18. Financial Statements.

Our shareholders approved stock option plans at the annual general meetings of shareholders in the years from 1997 to 2000 inclusive, under which Shares were purchased from the open market and were held by ORIX for transfer to directors and executive officers and some employees of ORIX upon the exercise of their options. Shareholders also approved a stock subscription rights plan in 2001 and stock acquisition rights plans from 2002 to 2005. From 2006 to 2008, the Compensation Committee approved stock acquisition rights plans for our directors and executive officers, and shareholders approved similar plans for certain ORIX employees, as well as directors, executives and certain employees of our subsidiaries and affiliates. From 2009 to 2014, no stock option plans were adopted for our directors, executive officers, employees, or those of our subsidiaries and affiliates.

Options granted under stock option plans generally expire one year after the termination of the option holder s service with ORIX Group.

An outline of the stock option plans authorized since 2004 is as follows:

	Shares granted	Exercise price per Share	Option expiration date
2004 Stock Acquisition Rights Plan	5,289,000	¥ 1,172	June 23, 2014
2005 Stock Acquisition Rights Plan	4,774,000	¥ 1,891	June 21, 2015
2006 Stock Acquisition Rights Plan	1,942,000	¥ 2,962	June 20, 2016
2007 Stock Acquisition Rights Plan	1,449,800	¥ 3,101	June 22, 2017
2008 Stock Acquisition Rights Plan	1,479,000	¥ 1,689	June 24, 2018

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Item 7. Major Shareholders and Related Party Transactions

MAJOR SHAREHOLDERS

The following table shows our major shareholders registered on our Register of Shareholders as of March 31, 2014.

On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company s register of shareholders as of March 31, 2013. The numbers of issued shares and the numbers of shares held described herein have been retrospectively adjusted to reflect the stock split. As a result of the stock split, the ratio of underlying shares to ADSs changed from 0.5 underlying shares per 1 ADS to 5 underlying shares per 1 ADS.

Each unit of Shares (1 unit = 100 Shares) has one vote, and none of our major shareholders have different voting rights. We do not issue preferred shares.

Name	Number of Shares held (Thousands)	Percentage of Issued shares (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	107,429	8.12
The Master Trust Bank of Japan, Ltd. (Trust Account)	85,020	6.42
JP Morgan Chase Bank 380072	56,369	4.26
The Chase Manhattan Bank 385036	36,589	2.76
State Street Bank and Trust Company	33,110	2.50
Japan Trustee Services Bank, Ltd. (Trust Account 9)	24,208	1.83
State Street Bank and Trust Company 505225	22,644	1.71
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	18,785	1.42
The Bank of New York Mellon SA/NV 10	16,517	1.24
CITIBANK, N.A. -N.Y, AS DEPOSITARY BANK FOR DEPOSITARY SHARE HOLDERS	16,192	1.22

ORIX is not directly or indirectly owned or controlled by any corporations, by any foreign government or by any natural or legal persons severally or jointly. As of March 31, 2014, the percentage of issued Shares held by overseas corporations and individuals was 64.06%. On March 31, 2014, approximately 3,238,401 ADSs were outstanding (equivalent to 16,192,005 or approximately 1.22% of ORIX s issued Shares as of that date). As of March 31, 2014, all our ADSs were held by two record holders in the United States.

In May 2014, we received a copies of a filings made by Capital Group to the Kanto Local Finance Bureau on May 9 and 13, 2014 indicating that Capital Group, primarily through Capital Research and Management Company, held 82,985,530 Shares, representing 6.36% of ORIX s outstanding Shares, as part of Capital Group s assets under management.

In February 2014, we received a copy of a filing made by Mizuho Financial Group to the Kanto Local Finance Bureau on February 21, 2014 indicating that Mizuho Financial Group, primarily through Mizuho Trust & Banking Co., Ltd., held 30,387,795 Shares, representing 2.32% of ORIX s outstanding Shares, as part of Mizuho Financial Group s assets under management.

In December 2013, we received a copy of a filing made by JPMorgan Group to the Kanto Local Finance Bureau on December 20, 2013 indicating that JP Morgan Group, primarily through JP Morgan Asset Management (Japan) Limited, held 68,417,463 Shares, representing 5.27% of ORIX s outstanding Shares, as part of JP Morgan Group s assets under management.

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In December 2013, we received a copy of a filing made by Fidelity Group to the Kanto Local Finance Bureau on December 20, 2013 indicating that FIL Investments (Japan) Limited and FMR LCC held 38,656,200 Shares and 74,342,860 Shares respectively, representing 2.98% and 5.73% of ORIX s outstanding Shares, as part of Fidelity Group s assets under management.

In September 2013, we received a copy of a filing made by Nomura Group to the Kanto Local Finance Bureau on September 5, 2013 indicating that Nomura Group, primarily through Nomura Asset Management Co., Ltd., held 62,602,122 Shares, representing 4.88% of ORIX s outstanding Shares, as part of Nomura Group s assets under management.

RELATED PARTY TRANSACTIONS

To our knowledge, no person beneficially owns 5% or more of any class of the Shares that might give that person significant influence over us. In addition, we are not directly or indirectly owned or controlled by, or under common control with, any enterprise.

We may enter into transactions with the Fidelity Group, the Capital Group the Nomura Group, the Sumitomo Mitsui Trust Holdings, the JP Morgan Group or other shareholders or potential large investors in the ordinary course of our business. We may also enter into transactions in the ordinary course of our business with certain key management personnel or with certain companies over which we, or our key management personnel, may have a significant influence. Our business relationships with these companies and individuals cover many of the financial services we provide our clients generally. We believe that we conduct our business with these companies and individuals in the normal course and on terms equivalent to those that would exist if they did not have equity holdings in us, if they were not our key management personnel, or if we or our key management personnel did not have significant influence over them, as the case may be. None of these transactions is or was material to us or, to our knowledge, to the other party.

Other than as outlined below, since the beginning of our last full fiscal year, there have been no transactions or outstanding loans, including guarantees of any kind, and there are none currently proposed, that are material to us, or to our knowledge, to the other party, between us and any (i) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, us; (ii) associates; (iii) individuals owning, directly or indirectly, an interest in the voting power of us that gives them significant influence over us, and close members of any such individual s family; (iv) key management personnel, including directors and senior management of companies and close members of such individuals families; or (v) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (iii) or (iv) or over which such a person is able to exercise significant influence.

There are no outstanding loans (including guarantees of any kind) made by us or any of our subsidiaries to or for the benefit of any of the persons listed in clauses (i) through (v) in the foregoing paragraph other than those listed in the table below. Certain of our affiliates may fall within the meaning of a related party under clauses (i) or (ii) of the foregoing paragraph. The amount of outstanding loans (including guarantees of any kind) made by us to or for the benefit of all our affiliates, including those which may fall within the meaning of a related party, totaled ¥9,374 million as of March 31, 2014 and did not exceed ¥10,000 million at any time during fiscal 2014.

Each of these loans was made in the ordinary course of business. The following table describes, for each related party borrower, the applicable interest rate (or range of interest rates), the largest aggregate amount outstanding during fiscal 2014 and the aggregate amount outstanding as of March 31, 2014.

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Related Party	The largest aggregate amount outstanding during fiscal 2014	Aggregate amount outstanding as of March 31, 2014	Interest rate (%)
	(Millions of yen)		
Flexible Energy Service Co., Ltd.	¥ 43	¥ 35	6.0
Plaza Sunroute Co	1,433	1,288	3.5
ORIX JREIT Inc.	3,500	3,500	0.7 0.9
Yamaguchi Leasing Corporation*	377	377	1.1
SHIGAGIN LEASE CAPITAL CO., LTD.	1,126	1,126	0.7 1.0
Torigin Leasing Corporation	279	279	1.0 1.2
TOMONY Lease, Inc.	300	300	1.0
BAROQUE JAPAN Ltd.	157	66	2.0 4.4
Hyakugo Leasing Company Limited	100	90	0.8
Dragon Wealth Development Limited	848	828	2.2 2.3
Aisling Airlease Ltd.	243	238	8.0
ORIVA Airlease Limited	419	0	8.0
Tsubaki Marine S.A.	190	190	1.0
Sazanka Marine S.A.	190	190	1.0
Taurusky Shipping S.A.	775	775	1.0
TOKYOYAMAKI CO., Ltd.	80	80	2.7
Yamatojuken	21	12	3.9
World Service Corporation	96	0	1.7

* On April 1, 2014, Yamaguchi Leasing Corporation changes the company s name to YM Leasing Corporation.

One of our subsidiaries, ORIX Living Corporation is party to a customer referral agreement with I Seeds Corporation (I Seeds). A son of Yoshihiko Miyauchi, former Chairman and Chief Executive Officer, is a representative director of I Seeds. Although the agreement and related transactions were made in the ordinary course of business and are not material to us, they may be material to I Seeds. ORIX Living Corporation had six transactions with I Seeds. The total fees ORIX Living Corporation paid under the agreement for fiscal 2014 was less than ¥2 million.

We are party to various real estate transactions with ORIX JREIT Inc. (ORIX JREIT). We hold ORIX JREIT shares and it is an affiliated company. Our transactions with ORIX JREIT primarily relate to the purchase of our rental properties by ORIX JREIT. These transactions were effected at fair prices based on third-party appraisals, and were valued less than ¥27,900 million in the aggregate for fiscal 2014. We also entered into certain ordinary course of business transactions with ORIX JREIT. These transactions are not material to us, although they may be material to ORIX JREIT.

Item 8. Financial Information

All relevant financial statements are attached hereto. See Item 18. Financial Statements.

LEGAL PROCEEDINGS

See Item 4. Information on the Company Legal Proceedings.

DIVIDEND POLICY AND DIVIDENDS

See Item 10. Additional Information Dividend Policy and Dividends.

SIGNIFICANT CHANGES

None.

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Item 9. The Offer and Listing

TOKYO STOCK EXCHANGE

The primary market for the Shares is the Tokyo Stock Exchange. The Shares have been traded on the First Section of the Tokyo Stock Exchange since 1973.

The following table shows the reported high and low closing sales prices of the Shares on the Tokyo Stock Exchange, excluding off-floor transactions. High and low sales price quotations from the Tokyo Stock Exchange have been translated in each case into dollars per ADS at the noon buying rate for yen expressed in yen per $1.00 in New York City for cable transfer in foreign currencies on the relevant date or the noon buying rate for yen on the next business day if the relevant date is not a New York business day. On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company s register of shareholders as of March 31, 2013. As a result of the stock split, the ratio of ADSs to underlying shares changed from 0.5 underlying shares per one ADS to five underlying shares per one ADS. In the following tables and elsewhere in this document unless indicated otherwise, numbers of shares of ORIX s common stock, per share, including price per share, information for ORIX s common stock and ORIX s ADS information in this annual report have been retroactively adjusted to reflect the 10-for-1 stock split on April 1, 2013.

TOKYO STOCK EXCHANGE PRICE PER SHARE

	Price per Share (¥)		Translated into dollars per ADS	
	High	Low	High	Low
Fiscal Year ended March 31, 2010	848	320	44	17
Fiscal Year ended March 31, 2011	945	741	57	35
Fiscal Year ended March 31, 2012	846	555	54	37
Fiscal Year ended March 31, 2013				
First fiscal quarter	812	642	49	41
Second fiscal quarter	802	710	51	45
Third fiscal quarter	973	771	57	49
Fourth fiscal quarter	1,217	915	65	52
Fiscal Year ended March 31, 2014				
First fiscal quarter	1,638	1,152	80	61
Second fiscal quarter	1,657	1,327	84	68
Third fiscal quarter	1,873	1,482	92	77
Fourth fiscal quarter	1,840	1,361	88	67
Recent Six Months				
December 2013	1,863	1,705	90	83
January 2014	1,840	1,590	88	77
February 2014	1,574	1,449	77	73
March 2014	1,545	1,361	75	67
April 2014	1,534	1,340	73	66
May 2014	1,649	1,503	80	74

NEW YORK STOCK EXCHANGE

The ADS are listed on the New York Stock Exchange under the symbol IX.

One ADSs represents five shares. On March 31, 2014, approximately 3,238,401 ADSs were outstanding. This is equivalent to 16,192,005 or approximately 1.22% of the total number of Shares outstanding on that date. On that date, all our ADSs were held by two record holders in the United States.

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The following table provides the high and low closing sales prices and the average daily trading volume of the ADSs on the New York Stock Exchange based on information provided by Bloomberg L.P.

NYSE PRICE PER ADS

	Price per ADS ($)		Average daily trading volume (shares)
	High	Low	
Fiscal Year ended March 31, 2010	44.29	17.35	46,577
Fiscal Year ended March 31, 2011	56.78	34.53	20,334
Fiscal Year ended March 31, 2012	54.23	36.94	26,119
Fiscal Year ended March 31, 2013			
First fiscal quarter	49.44	41.28	12,255
Second fiscal quarter	51.22	45.12	8,742
Third fiscal quarter	57.42	49.13	12,936
Fourth fiscal quarter	64.53	51.76	17,628
Fiscal Year ended March 31, 2014			
First fiscal quarter	80.38	61.24	28,277
Second fiscal quarter	83.55	67.96	12,776
Third fiscal quarter	91.83	76.58	17,991
Fourth fiscal quarter	87.98	66.67	26,047
Recent Six Months			
December 2013	90.46	83.45	28,525
January 2014	87.98	76.56	22,250
February 2014	77.36	73.12	22,497
March 2014	75.41	66.67	33,057
April 2014	72.98	66.25	18,674
May 2014	80.01	74.00	12,597

Item 10. Additional Information

MEMORANDUM AND ARTICLES OF INCORPORATION

Purposes

Our corporate purposes, as provided in Article 2 of our Articles of Incorporation, are to engage in the following businesses: (i) lease, purchase and sale (including purchase and sale on an installment basis), maintenance and management of movable property of all types; (ii) moneylending business, purchase and sale of claims of all types, payment on behalf of third parties, guarantee and assumption of obligations, agent for collection of money and other financial business; (iii) holding, investment in, management, purchase and sale of financial instruments such as securities and other investment business; (iv) advice, brokerage and agency relating to the merger, capital participation, business alliance and business succession and reorganization, etc.; (v) financial instruments and exchange business, financial instruments broker business, banking, trust and insurance business, advisory service business relating to investment in commodities, trust agreement agency business and credit management and collection business; (vi) non-life insurance agency business, insurance agency business under the Automobile Accident Compensation Security Law, and service related to soliciting life insurance; (vii) lease, purchase and sale, ground preparation, development, maintenance and management of real property and warehousing; (viii) contracting for construction, civil engineering, building utility and interior and exterior furnishing, and design and supervision thereof; (ix) management of various facilities for sports, lodging, restaurant, medical treatment, welfare and training and education, and conducting sports, etc.; (x) waste-disposal business; (xi) trading of emission rights for greenhouse gases and other various subjects; (xii) supply of various energy resources and the products in relation thereto; (xiii) planning, developing, contracting for, lease and sale of, intangible property rights; (xiv) information processing and providing services, telecommunications business; (xv) business of dispatching workers to enterprise and employment agency business; (xvi) purchase and sale of antiques; (xvii) transport business; (xviii) brokerage, agency, investigation and consulting for business relating to any of the preceding items, and pension consulting service; (xix) as a result of holding shares in a subsidiary company engaged in those activities, engaging in business relating to any of the preceding items and managing such company s business activities; and (xx) any and all businesses incidental or related to any of the preceding items.

Directors and Board of Directors, and Committees

There shall be no less than three directors of the Company (Article 16). The term of office of a director is for one (1) year and expires upon conclusion of the annual General Meeting of Shareholders relating to the last fiscal year ending within one year after election of director (Article 18). Resolutions of the Board of Directors are adopted by a majority vote of the directors present at a meeting attended by a majority of the directors who may participate in making resolutions (Article 21).

There is no provision in our Articles of Incorporation as to a director s power to vote on a proposal or arrangement in which the director is materially interested, but, under the Companies Act or Regulations of the board of directors, the director must refrain from voting on such matters at meetings of the board of directors. Under the Companies Act, the board of directors may, by resolution, delegate to the executive officers its authority to make decisions with regard to certain important matters, including the incurrence by ORIX of a significant amount of loan, prescribed by law.

We are required to maintain a Nominating Committee, an Audit Committee and a Compensation Committee (Article 10). The Compensation Committee sets the specific compensation for each individual director and executive officer based on the policy for determining compensation for directors and executive officers (see Item 6). No member of the Compensation Committee may vote on a resolution with respect to his or her own compensation as a director.

Neither the Companies Act nor our Articles of Incorporation includes special provisions as to the retirement age of directors, or a requirement to hold any shares of capital stock of ORIX to qualify him or her as a director of ORIX.

Stock

Our authorized share capital is 2,590,000,000 shares. Currently our Articles of Incorporation provide only for the issuance of shares of common stock. All shares of capital stock of us have no par value. All issued shares are fully-paid and non-assessable.

Unless shareholders approval is required as described in Voting Rights, the shares will be issued under a resolution approved by the board of directors and a decision made by the executive officer under delegation by the board of directors.

For changes in the number of shares issued for the past three fiscal years, see Note 21 of Item 18. Financial Statements .

Under the Law Concerning Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan and regulations thereunder, or the Book-Entry Law, in Japan, every share which is listed on any of the stock exchanges in Japan shall be transferred and settled only by the central clearing system provided by Japan Securities Depository Center, Inc. (JASDEC) and all Japanese companies listed on any Japanese stock exchange no longer issue share certificates. Shareholders of listed shares must have accounts at account management institutions to hold their shares unless such shareholder has an account at JASDEC, and any transfer of shares is effected through book entry, and title to the shares passes to the transferee at the time when the transferred number of the shares is recorded in the transferee s account at an account managing institution under the Book-Entry Law. The holder of an account at an account managing institution is presumed to be the legal owner of the shares recorded in such account. Under the Companies Act and the Book-Entry Law, in order to assert shareholders rights against us, the transferee must have his or her name and address registered on our Register of Shareholders, except in limited circumstances. Foreign shareholders may file specimen signatures in lieu of seals. Nonresident shareholders are required to appoint a standing proxy in Japan or designate a mailing address in Japan. The registration of transfer and the application for reduced withholding tax on dividends can usually be handled by a standing proxy. See Taxation Japanese Taxation. Japanese securities companies and commercial banks customarily will act as standing proxies and provide related services for standard fees.

Our transfer agent is Mitsubishi UFJ Trust and Banking Corporation, located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan.

In general, there are no limitations on the right to own shares of our common stock, including the rights of nonresidents or foreign shareholders to hold or exercise voting rights on the securities imposed under Japanese law or by our Articles of Incorporation.

Settlement of transactions for shares listed on any of the stock exchanges in Japan will normally be effected on the fourth trading day from and including the transaction. Settlement in Japan shall be made through JASDEC as described above.

Distributions of Surplus

Annual dividends may be distributed by us in cash to shareholders or pledgees of record as of March 31 of each year in proportion to the number of shares held by each shareholder or registered pledgee, as the case may be.

We may make distributions of surplus to the shareholders any number of times per fiscal year, subject to certain limitations as described below. Under our Articles of Incorporation, distributions of cash dividends need to be declared by a resolution of the board of directors. Distributions of surplus may be made in cash or in kind in proportion to the number of shares held by respective shareholders. A resolution of the board of directors authorizing a distribution of surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of surplus is to be made in kind, we may, pursuant to a resolution of a general meeting of shareholders or the board of directors, as the case may be, grant a right to the shareholders to require us to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of surplus must be approved by a special resolution of a general meeting of shareholders.

Under our Articles of Incorporation, if the dividends from surplus as of the last day of the fiscal year are distributed within three months for common shares, we treat the shareholders or share pledgees registered or recorded on the Register of Shareholders as of the last day of the fiscal year as the person having rights to receive such dividends. Dividends or other distributable assets shall not incur interest thereon. If the relevant distributed assets are not received within a full three years from the date on which the distribution of relevant distributed assets became effective, we may be released from its obligation to distribute such assets.

Under the Companies Act, when we make distributions of surplus, if the sum of our capital reserve (*shihonjunbikin*) and earned surplus reserve (*riekijunbikin*) is less than one-quarter of our stated capital, we must, until such sum reaches one-quarter of the stated capital, set aside in our capital reserve and/or earned surplus reserve an amount equal to one-tenth of the amount of surplus so distributed as required by ordinances of the Ministry of Justice.

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The amount of surplus at any given time must be calculated in accordance with the following formula:

A + B + C + D (E + F + G)

In the above formula:

A = the total amount of other capital surplus and other earnings surplus, each such amount being that appearing on our nonconsolidated balance sheet as of the end of the last fiscal year;

B = (if we have disposed of our treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by us less the book value thereof;

C = (if we have reduced our stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to capital reserve or earned surplus reserve (if any);

D = (if we have reduced our capital reserve or earned surplus reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);

E = (if we have cancelled our treasury stock after the end of the last fiscal year) the book value of such treasury stock;

F = (if we have distributed surplus to our shareholders after the end of the last fiscal year) the amount of the assets distributed to shareholders by way of such distribution of surplus;

G = certain other amounts set forth in an ordinance of the Ministry of Justice, including (if we have reduced surplus and increased stated capital, capital reserve or earned surplus reserve after the end of the last fiscal year) the amount of such reduction and (if we have distributed surplus to our shareholders after the end of the last fiscal year) the amount set aside in capital reserve or earned surplus reserve (if any) as required by ordinances of the Ministry of Justice.

Under the Companies Act, the aggregate book value of surplus distributed by us may not exceed a prescribed distributable amount, as calculated on the effective date of such distribution. Our distributable amount at any given time shall be the amount of surplus less the aggregate of: (a) the book value of our treasury stock; (b) the amount of consideration for any of our treasury stock disposed of by us after the end of the last fiscal year; and (c) certain other amounts set forth in an ordinance of the Ministry of Justice, including (if the total of the one-half of goodwill and the deferred assets exceeds the total of stated capital, capital reserve and earned surplus reserve, each such amount being that appearing on our nonconsolidated balance sheet as of the end of the last fiscal year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice. If we have opted to become a company that applies the restriction on distributable amounts on a consolidated basis (*renketsu haito kisei tekiyo kaisha*), we will further deduct from the amount of surplus a certain amount which is calculated based on our nonconsolidated and consolidated balance sheets as of the end of the last fiscal year as provided in ordinances of the Ministry of Justice.

If we have prepared interim financial statements as described below after the end of the last fiscal year, and if such interim financial statements have been approved by our board of directors or (if so required) by a general meeting of our shareholders, then the distributable amount must be adjusted to take into account the amount of profit or loss as set forth in ordinances of the Ministry of Justice, and the amount of consideration for any of our treasury stock disposed of by us, during the period in respect of which such interim financial statements have been prepared. Under the Companies Act, we are permitted to prepare nonconsolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Interim financial statements prepared by us must be reviewed by our independent auditors, as required by an ordinance of the Ministry of Justice.

In Japan, the ex-dividend date and the record date for dividends precede the date of determination of the amount of the dividend to be paid. The price of the shares generally goes ex-dividend on the second business day prior to the record date.

Capital and Reserves

When we issue new shares, the amount of the cash or assets paid or contributed by subscribers for the new shares (with some exceptions) is required to be accounted for as stated capital, although we may account for an amount not exceeding one-half of the cash or assets as capital reserve by resolutions of the board of directors.

We may at any time transfer the whole or any part of our additional paid-in capital and legal reserve to stated capital by a resolution of a general meeting of shareholders. The whole or any part of surplus which may be distributed as annual dividends may also be transferred to stated capital by a resolution of a general meeting of shareholders. We may, by a resolution of a general meeting of shareholders (in the case of the reduction of stated capital, a special resolution of a general meeting of shareholders, see Voting Rights) reduce stated capital, additional paid-in capital and/or legal reserve.

Stock Splits

We may at any time split the shares into a greater number of shares by resolution of the board of directors. When the board of directors resolves on the split of shares, it may also amend the Articles of Incorporation to increase the number of authorized shares to be issued in proportion to the relevant stock split. We must give public notice of the stock split, specifying the record date therefore, not less than two weeks prior to such record date.

On October 26, 2012, the board of directors adopted a resolution on a ten-for-one stock split, effective as of April 1, 2013. The record date for the stock was one day prior to the effective date of the stock split. Our Articles of Incorporation were amended to increase the authorized share capital to cover the number of shares increased by the stock split, which amendment became effective simultaneously with the effectiveness of the stock split.

Unit Share System

Our Articles of Incorporation provides that one hundred shares constitute one unit of shares. The number of shares constituting a unit may be altered by amending our Articles of Incorporation. The number of shares constituting a unit is not permitted to exceed 1,000 shares.

A shareholder may not exercise shareholders rights in relation to any shares that it holds that are less than one unit other than the rights set forth below under the Companies Act and the Articles of Incorporation.

(i) The right to receive the distribution of money, etc., when the Company distributes the money, etc. in exchange for acquiring one class of shares subject to terms under which the Company shall acquire all of such class shares;

(ii) The right to receive the distribution of money, etc., in exchange for acquisition of shares subject to terms under which the Company shall acquire such shares;

(iii) The right to receive allocation of shares when the Company allocates its shares without having a shareholder make new payment;

(iv) The right to demand that the Company purchase shares that are less than one Unit held by the shareholder;

(v) The right to receive distribution of remaining assets;

(vi) The right to demand review of the Articles of Incorporation and the Register of Shareholders and delivery of their copies or a document describing registered matters, etc.;

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(vii) The right to demand registration or recordation of matters to be registered or recorded on the Register of Shareholders when the shareholder acquired the shares;

(viii) The right to receive the distribution of money, etc. pursuant to reverse stock split, stock split, allocation of stock acquisition right for free (which means that the Company allocates its stock acquisition right without having a shareholder make new payment), distribution of dividends from retained earnings or change of corporate organization;

(ix) The right to receive the distribution of money, etc. to be distributed pursuant to merger, share exchange or share-transfer effected by the Company;

(x) The right to subscribe to Offering Shares and Offering Stock Acquisition Rights on a pro rata basis based upon the number of shares held by the shareholder; and

(xi) The right to demand that the Company sell to the shareholder the number of additional shares necessary to make the number of shares of less than one Unit held by the shareholder, equal to one Unit.

Under the book-entry transfer system operated by JASDEC, shares constituting less than one unit are generally transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

A holder of shares constituting less than one unit may require us to purchase such shares at their market value in accordance with the provisions of our Share Handling Regulations. In addition, our Articles of Incorporation provide that a holder of shares constituting less than one unit may request us to sell to such holder such amount of shares which will, when added together with the shares constituting less than one unit held by such holder, constitute one unit of shares, in accordance with the provisions of the Share Handling Regulations.

General Meetings of Shareholders

The ordinary general meeting of our shareholders is usually held in Tokyo in June of each year. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a shareholders meeting stating the place, time and purpose thereof must be dispatched to each shareholder (or, in the case of a nonresident shareholder, to its resident proxy or mailing address in Japan) having voting rights at least two weeks prior to the date of such meeting. The record date for an ordinary general meeting of shareholders is March 31 of each year. General meetings of shareholders can be called by a director pursuant to a resolution of the board of directors.

Any shareholder or group of shareholders with at least 3.0% of the total number of voting rights for a period of six months or longer may require the convocation of a general meeting of shareholders for a particular purpose by showing such a purpose and reason for convocation to one of our directors. Unless such shareholders meeting is convened promptly or a convocation notice of a meeting which is to be held not later than eight weeks from the day of such demand is dispatched, the requiring shareholder may, upon obtaining a court approval, convene such shareholders meeting.

Any shareholder or group of shareholders holding at least 300 voting rights or 1.0% of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a written request to one of our directors at least eight weeks prior to the date of such meeting.

Under the Companies Act, any of minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened if the articles of incorporation of a joint stock corporation so provide.

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Voting Rights

A holder of shares constituting one or more units is entitled to one vote for each unit. However, we do not have voting rights with respect to our own shares and if we directly or indirectly own 25% or more of voting rights of a corporate or other entity which is a shareholder, such corporate shareholder cannot exercise its voting rights. Except as otherwise provided by law or in our Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the number of voting rights represented at the meeting. The quorum for election of directors is one-third of the total number of voting rights. Our shareholders are not entitled to cumulative voting in the election of directors. Our shareholders may exercise their voting rights through proxies, provided that the proxies are also shareholders having voting rights.

Under the Companies Act and our Articles of Incorporation, any amendment to our Articles of Incorporation (except for certain amendments, see Stock Splits) and certain other instances require approval by a special resolution of shareholders, where the quorum is one-third of the total number of voting rights and the approval by at least two-thirds of the number of voting rights represented at the meeting is required. Other instances requiring such a special resolution include (i) the reduction of its stated capital, (ii) the removal of a director, (iii) the dissolution, liquidation, merger or consolidation, merger and corporate split or (iv) the formation of a parent company by way of share exchange or share transfer, (v) the transfer of the whole or a substantial part of its business, (vi) the acquisition of the whole business of another company, (vii) the issue to persons other than the shareholders of new shares at a specially favorable price or the issue or transfer to persons other than the shareholders of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) under specially favorable conditions, (vii) consolidation of shares and (ix) acquisition of its own shares from a specific party other than its subsidiaries.

Subscription Right

Holders of the shares have no pre-emptive rights. The board of directors may, however, determine that shareholders be given subscription rights to new shares, in which case such rights must be given on uniform terms to all shareholders as of a record date of which not less than two weeks prior public notice must be given. The issue price of such new shares must be paid in full.

Stock Acquisition Rights

We may issue stock acquisition rights (*shinkabu yoyakuken*) and bonds with stock acquisition rights (*shinkabu yoyakuken-tsuki shasai*). Except where the issue would be on specially favorable conditions, the issue of stock acquisition rights or bonds with stock acquisition rights may be authorized by a resolution of the board of directors. Upon exercise of the stock acquisition rights, the holder of such rights may acquire shares by way of payment of the applicable exercise price or, if so determined by a resolution of the board of directors, by way of substitute payments in lieu of redemption of the bonds. If our Articles of Incorporation prohibit us from delivering shares, it will pay a cash payment equal to the market value of the shares.

Liquidation Rights

In the event of our liquidation, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among shareholders in proportion to the respective number of shares which they hold.

Reports to Shareholders

We currently furnish to our shareholders notices of shareholders meetings, annual business reports, including financial statements, and notices of resolutions adopted at the shareholders meetings, all of which are in Japanese. Public notice shall be electronic public notice, provided, however, that if the Company is unable to give an electronic public notice due to an accident or any other unavoidable reason, public notices of the Company shall be given in the Nihon Keizai Shinbun.

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Record Date of Register of Shareholders

As stated above, March 31 is the record date for the payment of annual dividends and the determination of shareholders entitled to vote at the ordinary general meeting of shareholders. In addition, we may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks prior public notice. Under the Book-Entry Law, JASDEC is required to give us a notice of the names and addresses of the shareholders, the number of shares held by them and other relevant information as of each such record date, and the register of our shareholders shall be updated accordingly.

Repurchase of Own Shares

We may acquire our shares, including shares of our common stock: (i) by way of purchase on any Japanese stock exchange or by way of tender offer (pursuant to a resolution of the board of directors); (ii) from a specific shareholder other than any of our subsidiaries (pursuant to a special resolution of a general meeting of shareholders); or (iii) from any of our subsidiaries (pursuant to a resolution of the board of directors).

In the case of (ii) above, any other shareholder of such class may make a request to a director, at least five days prior to the relevant shareholders meeting, to include such shareholder as a seller in the proposed purchase. However, no such right will be available if the relevant class of shares is listed on any Japanese stock exchange and the purchase price or any other consideration to be received by the relevant specific shareholder does not exceed the then market price of the shares calculated in a manner set forth in ordinances of the Ministry of Justice.

Any such acquisition of our shares must satisfy certain requirements that the total amount of the purchase price may not exceed the distributable amount, as described in Distributions of Surplus. We may hold our shares acquired in compliance with the provisions of the Companies Act, and may generally cancel such shares by a resolution of the board of directors, although the disposal of such shares is subject to the same proceedings for the issuance of new shares, in general.

Stock Options

Under the Companies Act, a stock option plan is available by issuing stock acquisition rights.

Generally, a stock option plan may be adopted by a resolution of the board directors. However, if the conditions of such stock acquisition rights are specially favorable, a special resolution at a general meeting of shareholders is required. The special resolution must set forth the class and number of shares to be issued or transferred on exercise of the options, the exercise price, the exercise period and other terms of the options.

MATERIAL CONTRACTS

None.

FOREIGN EXCHANGE AND OTHER REGULATIONS

Foreign Exchange

The Foreign Exchange and Foreign Trade Law of Japan, as amended, and the cabinet orders and ministerial ordinances thereunder (the Foreign Exchange Regulations) govern the acquisition and holding of shares of capital stock of ORIX by exchange nonresidents and by foreign investors (as defined below). The Foreign Exchange Regulations currently in effect do not, however, regulate transactions between exchange nonresidents who purchase or sell shares outside Japan for non-Japanese currencies.

Exchange nonresidents are defined as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Generally, the branch and other offices of nonresident corporations

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located within Japan are regarded as residents of Japan and branch and other offices of Japanese corporations located outside Japan are regarded as exchange nonresidents. Foreign investors are defined to be (i) individuals who are exchange nonresidents, (ii) corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan, and (iii) corporations (1) of which 50% or more of their voting rights are held, directly or indirectly, by (i) and/or (ii) or (2) a majority of the officers (or officers having the power of representation) of which are nonresident individuals.

In general, the acquisition of a Japanese company s stock shares (such as the shares of capital stock of ORIX) by an exchange nonresident from a resident of Japan is not subject to any prior filing requirements. In certain limited circumstances, however, prior notification or report to the Minister of Finance and any other competent Ministers for an acquisition of this type may be required. While prior notification, as described above, is not required, in the case where a resident of Japan transfers shares of a Japanese company (such as the shares of capital stock of ORIX) for consideration exceeding \100 million to an exchange nonresident, the resident of Japan who transfers the shares is required to report the transfer to the Minister of Finance within 20 days from the date of the transfer, unless the transfer was made through a bank, securities company or financial future trader licensed under the Japanese laws.

If a foreign investor acquires shares of a Japanese company listed on a Japanese stock exchange (such as the shares of capital stock of ORIX) or that are traded on an over-the-counter market in Japan and as a result of the acquisition the foreign investor in combination with any existing holdings directly or indirectly holds 10% or more of the issued shares of the relevant company, the foreign investor is, in genera