ORIX CORP
Form 20-F
June 24, 2011
Table of Contents

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, 2011

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)

Mita NN Building, 4-1-23 Shiba, Minato-ku Tokyo 108-0014, Japan

(Address of principal executive offices)

Yoshiko Fujii

Mita NN Building, 4-1-23 Shiba, Minato-ku Tokyo 108-0014, Japan Telephone: +81-3-5419-5042 Facsimile: +81-3-5419-5901

(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 one-half of one Share	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, 2011, 110,245,846 Shares were outstanding, including Shares that were represented by 3,076,416 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.

Table of Contents

TABLE OF CONTENTS

Table of Contents

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) for which the Company and its subsidiaries are primary beneficiaries pursuant to ASC 810-10 (Consolidation Variable Interest Entities). 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 which precede them.

The Company s fiscal year ends on March 31. The fiscal year ended March 31, 2011 is referred to throughout this annual report as fiscal 2011, and other fiscal years are referred to in a corresponding manner. References to years not specified as being fiscal years are to calendar years.

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 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.

Table of Contents

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,					
	2007	2008	2009	2010	2011	2011
	(In millions of yen and millions of dollars)					
Income statement data[1]:						
Total revenues	¥ 1,111,655	¥ 1,125,950	¥ 1,032,486	¥ 912,294	¥ 970,110	$ 11,667
Total expenses	830,730	940,547	978,307	883,584	896,150	10,778
Operating income	280,925	185,403	54,179	28,710	73,960	889
Equity in net income (loss) of affiliates	31,951	48,316	(40,458)	8,364	16,806	202
Gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	1,962	12,232	(1,686)	17,519	1,199	15
Income before income taxes, discontinued operations and extraordinary gain	314,838	245,951	12,035	54,593	91,965	1,106
Income from continuing operations	189,021	148,309	14,633	32,199	64,348	774
Net income attributable to the noncontrolling interests	2,014	1,952	1,175	704	2,373	29
Net income attributable to the redeemable noncontrolling interests	3,032	1,950	698	2,476	2,959	35
Net income attributable to ORIX Corporation	196,506	169,597	21,924	37,757	67,275	809

Table of Contents

	As of March 31,					
	2007	2008	2009	2010	2011	2011
	(In millions of yen and millions of dollars, except number of Shares)					
Balance sheet data:						
Investment in direct financing leases[2]	¥ 1,258,404	¥ 1,098,128	¥ 914,444	¥ 756,481	¥ 830,853	$ 9,992
Installment loans[2]	3,490,326	3,766,310	3,304,101	2,464,251	2,983,164	35,877
Subtotal	4,748,730	4,864,438	4,218,545	3,220,732	3,814,017	45,869
Investment in operating leases	862,049	1,019,956	1,226,624	1,213,223	1,270,295	15,277
Investment in securities	875,581	1,121,784	926,140	1,104,158	1,175,381	14,136
Other operating assets	152,106	197,295	189,560	186,396	235,430	2,831
Allowance for doubtful receivables on direct financing leases and probable loan losses	(89,508)	(102,007)	(158,544)	(157,523)	(154,150)	(1,854)
Others	1,658,229	1,893,504	1,967,411	2,172,814	2,240,609	26,947
Total assets	¥ 8,207,187	¥ 8,994,970	¥ 8,369,736	¥ 7,739,800	¥ 8,581,582	$ 103,206
Short-term debt	¥ 1,174,391	¥ 1,330,147	¥ 798,167	¥ 573,565	¥ 478,633	$ 5,756
Long-term debt	3,863,057	4,462,187	4,453,845	3,836,270	4,531,268	54,495
Common stock	98,755	102,107	102,216	143,939	143,995	1,732
Additional paid-in capital	119,402	135,159	136,313	178,661	179,137	2,154
ORIX Corporation shareholders equity	1,194,234	1,267,917	1,167,530	1,298,684	1,319,341	15,867
Number of issued Shares	91,518,194	92,193,067	92,217,067	110,229,948	110,245,846	
Number of outstanding Shares	91,233,710	90,496,863	89,400,220	107,484,247	107,498,502	

	As of and For the Year Ended March 31,				
	2007	2008	2009	2010	2011
	(In yen and dollars, except ratios and number of employees)				
Key ratios (%)[3]:					
Return on ORIX Corporation shareholders equity (ROE)	18.30	13.78	1.80	3.06	5.14
Return on assets (ROA)	2.54	1.97	0.25	0.47	0.82
ORIX Corporation shareholders equity ratio	14.55	14.10	13.95	16.78	15.37
Allowance/investment in direct financing leases and installment loans	1.88	2.10	3.76	4.89	4.04
Per share data and employees:					
ORIX Corporation shareholders equity per Share[4]	¥ 13,089.83	¥ 14,010.62	¥ 13,059.59	¥ 12,082.56	¥ 12,273.11
Basic earnings per Share for income attributable to ORIX Corporation from continuing operations[5]	2,042.37	1,594.69	146.11	284.43	549.49
Basic earnings per Share for net income attributable to ORIX Corporation	2,177.10	1,860.63	246.59	370.52	625.88
Diluted earnings per Share for net income attributable to ORIX Corporation	2,100.93	1,817.81	233.81	315.91	527.75
Dividends applicable to fiscal year per Share	130.00	260.00	70.00	75.00	80.00
Dividends applicable to fiscal year per Share[6]	$ 1.07	$ 2.49	$ 0.73	$ 0.81	$ 0.99
Number of employees	16,662	18,702	18,920	17,725	17,578

(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 ¥134,394 million, ¥203,253 million, ¥495,514 million, ¥386,146 million and ¥344,855 million as of March 31, 2007, 2008, 2009, 2010 and 2011, respectively. These sums included: (i) investment in direct financing leases considered 90 days or more past due of ¥21,149 million, ¥22,637 million, ¥27,949 million, ¥25,682 million and ¥22,787 million as of March 31, 2007, 2008, 2009, 2010 and 2011, respectively, (ii) installment loans (excluding loans individually evaluated for impairment) considered 90 days or more past due of ¥12,656 million, ¥15,333 million, ¥17,860 million, ¥12,321 million and ¥10,037 million as of March 31, 2007, 2008, 2009, 2010 and 2011, respectively, and (iii) installment loans individually evaluated for impairment of ¥100,589 million, ¥165,283 million, ¥449,705 million, ¥348,143 million and ¥312,031 million as of March 31, 2007, 2008, 2009, 2010 and 2011, respectively. See Item 5. Operating and Financial Review and Prospects Results of Operations Year Ended March 31, 2011 Compared to Year Ended March 31, 2010 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 for the period to average ORIX Corporation shareholders equity based on fiscal year-end balances during the period. Return on assets is the ratio of net income attributable to ORIX Corporation for the period to average total assets based on fiscal year-end balances during 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 shareholder s equity per share is the amount derived by dividing ORIX Corporation shareholder s equity by the number of outstanding Shares.

(5) Basic earnings per Share for income attributable to ORIX Corporation from continuing operations is the amount derived by dividing income attributable to ORIX Corporation 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 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.

Table of Contents

EXCHANGE RATES

In certain parts of this annual report, we have translated yen amounts into dollars for the convenience of readers. The rate that we used for translations was ¥83.15 = $1.00, which was the approximate exchange rate in Japan on March 31, 2011 using the telegraphic transfer rate of the Bank of Tokyo-Mitsubishi UFJ, Ltd. The following table provides the noon buying rates for Japanese yen, expressed in per $1.00 in New York City for cable transfers in foreign currencies. As of June 17, 2011, the noon buying rate for Japanese yen was ¥80.10 = $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,				
	2007	2008	2009	2010	2011
	(In yen per dollar)				
Yen per dollar exchange rates:					
High	¥ 121.81	¥ 124.09	¥ 110.48	¥ 100.71	¥ 94.68
Low	110.07	96.88	87.80	86.12	78.74
Average of the last days of the months	116.55	113.61	100.85	92.49	85.00
At period-end	117.56	99.85	99.15	93.40	82.76

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
2010		
December	¥ 84.23	¥ 81.67
2011		
January	¥ 83.36	¥ 81.56
February	83.79	81.48
March	82.98	78.74
April	85.26	81.31
May	82.12	80.12

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) Our business activities, financial condition and results of operations may be adversely affected by sluggishness in the world s economies

The uncertainty in the world s economies caused by the financial meltdown is subsiding, and economies are gradually recovering in part due to implementation of monetary easing policies and fiscal stimulus measures.

Table of Contents

Developing economies have steadily expanded, while developed countries have generally experienced more gradual recovery with continued monetary easing policy. However, destabilizing factors, such as political instability in the Middle East and persistent financial problems in certain European countries, still exist.

There are signs of economic recovery in Japan, such as improved earnings and increased production, primarily by large companies, though funding requirements and capital expenditures of domestic companies still remain sluggish amid concerns about Japan s future economic growth, share price and exchange rate volatility and high unemployment rates. Recently, there is heightened concern about Japan s financial deficit, as shown by the downgrade of Japanese sovereign debt. Further, there is concern that damage to production facilities, unstable power supply, decline in consumer confidence and other factors caused by the Great East Japan Earthquake may force the Japanese economy into a slowdown; however, moderate recovery is forecasted from the second half of the fiscal year ending March 31, 2012.

Despite our attempts to minimize our exposure to these Japanese and global economic problems through the development and implementation of risk management procedures, continuing weakness in the European, U.S. and Japanese economies could adversely affect our business activities, financial condition and results of operations.

(2) We may lose market share or suffer reduced profitability if our competitors compete with us on pricing and other terms

We compete with our competitors primarily on the basis of pricing, transaction structure, service quality and other terms. Other competitive factors include industry experience and client relationships. Our competitors sometimes seek to compete aggressively on the basis of pricing and other terms without regard to profitability, and we may lose market share if we are unwilling to compete on pricing or other terms. Similarly, some of our competitors are larger than we are, can access to capital at a lower cost than we can and are better able to maintain profits at reduced prices. If we try to compete with such competitors on pricing, service quality or other terms, we may experience lower income or reduced profitability.

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

Our business depends upon the confidence of customers and market participants. Negative press coverage or rumors (including on the Internet) about our activities, our industries or parties with whom we do business could harm our reputation and diminish confidence in our business. If we become aware of such negative press coverage, we typically assess the situation and take action, if appropriate. However, even if we provide appropriate and timely explanations to the press and other interested parties, there is no assurance that we can prevent an adverse effect on our reputation. If we suffer reputational damage as a result of any negative publicity, we may lose customers or business opportunities, which could adversely affect our 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 overseas, including in the United States, Asia, Oceania, the Middle East and Europe. Shifts in commodity market prices and consumer demand, political instability or religious strife in any country of the world, including in such regions, could adversely affect our operations.

(5) 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 in Japan or overseas as well as our customers, borrowers, invested

5

companies and funding sources. Such enactment or changes are unpredictable and may cause our costs to increase. As a result of such enactment or changes, our business activities, financial condition and results of operations could be adversely affected.

Enactment of, or changes in, 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.

(6) 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, the event itself or any effects caused by such event may, among other things, cause unexpectedly large market price movements or an unexpected deterioration of the economic conditions of a country or region. If such a sudden and unpredictable event occurs in an area where we operate, either as a single event or in combination with other events, our business activities, financial condition or results of operations may be adversely affected as a result.

The Great East Japan Earthquake that occurred on March 11, 2011 and the resulting accident at a nuclear power facility are considerably affecting the Japanese economy. The long-term effects of the disaster, including disruptions of electricity and water supplies as a result of damage to infrastructure, interruption of logistics services, radiation leaking from the damaged nuclear power facility and a general decline in economic activity in the Japanese market, are still unknown. Our exposure in the affected areas is limited; however, these factors and other potential effects of the disaster are still uncertain and difficult to predict and may adversely affect our operating results and financial position.

(7) Risks relating to insurance

We carry comprehensive insurance, as necessary, covering each of our lease assets or our real estate investments acquired as part of real estate business, with coverage limits that we believe are reasonable in light of anticipated losses. However, certain types of losses, such as losses caused by wars, acts of terrorism, willful acts or gross negligence, are uninsurable. In addition, we cover only some assets for damages caused by natural disasters such as earthquakes, tsunamis and flooding because insurance coverage for such damages is limited and the insurance premiums are relatively expensive. Therefore, in the event that we suffer uninsured losses, insurance recoveries will not be available. Also, it is possible that, in the event of bankruptcy of an insurance underwriter, insurance money may not be collectible. In such case, our business activities, financial condition and results of operations could be adversely affected.

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

A few of our shareholders hold more than five percent of the total number of outstanding Shares. These shareholders may, for strategic or investment 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 the 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 reduced and may continue to reduce their investments in Japanese stocks. Further reduction in Japanese stock investment by such investors may adversely affect market prices for our Shares.

Table of Contents

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. This allowance reflects our judgment of the loss potential of these items, after considering factors such as:

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

We cannot be sure that our allowance for doubtful receivables on direct financing leases and probable loan losses will be adequate to cover future credit losses. This allowance may be inadequate due to adverse changes in the Japanese and overseas economies in which we operate, or discrete events that adversely affect specific customers, industries or markets.

Recently, the operating results of many companies have deteriorated due to restricted credit availability caused primarily by the meltdown of the global financial and capital markets and the ensuing economic recession. In response to such conditions, we endeavored to improve our portfolio management, an exercise which resulted in a decline in doubtful receivables and probable loan losses. While we will continue in our endeavors to improve our portfolio management, we may be required to make additional provision in the future and our results of operations may be adversely affected. See Item 5 Operating and Financial Review Results of Operations Year Ended March 31, 2011 Compared to Year Ended March 31, 2010 Details of Operating Results Revenues, New Business Volumes and Investments Installment loans and investment securities Asset quality of our owned installment loans for details of our additional provision for doubtful receivables and probable loan losses.

In order 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 economic or market conditions are adverse, the value of underlying collateral and guarantees may decline. As a result, 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 results of operations could be adversely affected.

3. Market Risk

(1) Changes in market interest rates and currency exchange rates could adversely affect our assets and our 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), fixed and variable interest rates and terms of fixed-rate assets and liabilities are not uniform among our assets and liabilities. As such, increases or decreases in market interest rates or changes in the yield curve could adversely affect our results of operations.

In addition, the value of our assets may move independently of market interest rates. When funds procurement costs increase due to rising market interest rates or the perception that an increase in market interest rates may occur, financing lease terms and loan interest rates for new transactions may diverge from the trend in market interest rates.

Table of Contents

Furthermore, changes in market interest rates could have an adverse effect on the credit quality of our assets and our asset structure. With respect to our 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 have subsidiaries and affiliates in the United States and other countries outside of Japan. Although we generally attempt to hedge foreign exchange risks that arise from these business operations through matched funding, foreign exchange contracts, currency swaps and other hedging instruments, not all of our foreign exchange risks are perfectly hedged. Similarly, any retained earnings accumulated in foreign currencies at our overseas subsidiaries are also subject to exchange risks. As a result, a significant change in currency exchange rates could have an adverse impact on our financial condition and results of operations.

(2) Our use of derivatives to manage risk and reduce price fluctuations in our investment portfolio may adversely affect our financial condition and results of operations

We utilize derivative instruments to reduce investment portfolio price fluctuations, and to manage interest rate and foreign exchange rate risk. However, we may not be able to successfully manage our risks through the use of derivatives. Counterparties may fail to honor the terms of their derivatives contracts with us, and we may be exposed to additional risks. Alternatively, our ability to enter into derivative transactions may be adversely affected 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. For a discussion of derivative financial instruments and hedging, see Note 28 in Item 18. Financial Statements.

Our use of these derivatives may adversely affect our financial condition and results of operations.

(3) Fluctuations in market prices of stocks and bonds

We hold investments in shares and bonds in Japan, the United States and other regions. 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 results of operations. For a discussion of our investments in securities and affiliates, see Note 9 and Note 12 in Item 18. Financial Statements, respectively.

4. Business Risk

(1) We may be exposed to increased risks as we expand or reduce the range of our products and services, or acquire companies or assets

We have been expanding the range of our businesses beyond our traditional businesses to offer new products and services in Japan and overseas. Such expansion may expose us to new and complex risks, which we may be unable to fully control, and, as a result, we may incur substantial losses. In addition, our efforts to offer new products and services may not achieve the expected results if business opportunities do not develop or increase as expected or if competitive pressures undermine the profitability of the available opportunities. Restructuring of, or withdrawal from, businesses in which we engage could harm our reputation and adversely affect our financial condition and results of operations.

As part of our business expansion or management of turn-around businesses, we may from time to time acquire companies or assets. We cannot guarantee that the price we pay for acquisitions will be fair and appropriate. If the results of operations of acquired companies are lower than what we expected at the time we made such acquisitions, our acquisitions could result in large future write-downs of goodwill and other assets.

Table of Contents

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. While we will continue to review and selectively pursue investment opportunities, there can be no assurance that we will continue to identify attractive 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. Failure to manage investee companies effectively could result in 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. We may also need to provide financial support, including credit support or equity investments, to some investee companies if their financial condition deteriorates. We may lose key personnel in investee companies if such personnel are not satisfied with our management.

If any subsidiary or affiliate to which we transfer our personnel to serve as directors or officers is implicated in a problem of significant public concern, our reputation may be adversely affected irrespective of whether such persons perform their obligations appropriately.

(2) Changes in the legal or financial stability of, or cultural differences with, any counterparties with whom we enter into joint ventures or alliances could adversely affect our results of operations

We operate joint ventures and enter into alliances with foreign and domestic counterparties, and the success of these operations is often dependent upon the financial and legal stability of these counterparties. If one of the counterparties with whom we operate a joint venture or have a business alliance suffers a decline in its financial condition for any reason, or is subject to instability because of a change of the laws governing its operations after we have invested in the joint venture or the business alliance and begun operations, we may not be able to successfully operate the joint venture or alliance, or we may be required to pay in additional capital or close the operations altogether. Likewise, significant differences in corporate culture between us and these partners may come to light, and may result in significant changes to the assumptions that we made when we decided to begin the operations. If our alliance counterparties are unable to perform as expected, or if any unexpected events relating to the alliances occur, then we may not be able to continue those alliances successfully. Our inability to successfully operate joint ventures or alliances may adversely affect our reputation and results of operations.

(3) If our services to customers are insufficient, we may be obligated to compensate our customers

We provide M&A, financial advisory and consulting services to our customers. If such services are insufficient and our customers suffer losses as a consequence, we may be obligated to compensate our customers for those losses.

We also provide various services such as maintenance services for leasing assets, environment-related solution services, energy-related solution services including electricity retailing and the operation of hotels, golf courses and training facilities for which we are expected to meet our customer s expectations and standards of value applicable to such high value-added services. Although we strive to provide high quality services, if we fail to meet customer expectations or maintain service quality our reputation may be harmed and our business activities may be adversely affected. If such services are insufficient and our customers suffer losses as a consequence, we may be obligated to compensate our customers for those losses.

(4) Risk related to asset value volatility

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

Recent economic turmoil has resulted in stagnant ship, aircraft and real estate markets, and although these markets have gradually recovered, valuation losses may be recorded if this sort of turmoil recurs in the future.

Table of Contents

Additionally, these impairments are recorded based on end-of-period fair value in accordance with applicable accounting principles. However, losses from the sale of these assets may exceed the amount of valuation losses due to a decrease in or lack of liquidity.

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 or may incur losses from not being able to collect the estimated amount.

(5) Leasing equipment distributors inappropriate sales activity may increase the number of customer claims against us and adversely affect our reputation and business performance

Our leasing business and reputation could be affected by the behavior of individual distributors of equipment. In 2005, inappropriate sales activity by equipment distributors was a serious problem in the telephone equipment leasing industry, and we received an increased number of customer claims and inquiries. In response to the industry trend, the Ministry of Economy, Trade and Industry altered its position regarding the application of the Order for Enforcement of the Act on Specified Commercial Transactions in 2005 and has provided guidance to firms in the related industries on compliance measures.

If the same problems recur, whether in relation to telephone equipment or other types of equipment leased by us, leasing contracts may be cancelled before maturity, adversely affecting our business performance, and our reputation may suffer. The measures that we have taken or may take in the future to resolve and address these problems may cause leasing business costs to increase and leasing transactions to decline.

(6) Increased competition or regulatory changes in entertainment-related industries could weaken the financial condition of companies to which we provide credit, which may adversely affect their ability to repay us

We provide credit to companies in entertainment-related industries, such as pachinko hall operators, primarily through direct financing leases and installment loans. Even though we have accumulated credit know-how from past experience and obtain collateral that we consider adequate after thorough examination of the risks presented by these industries, our business activities, financial condition and results of operations could be adversely affected by an intensification of competition or substantial changes in the regulation of these industries, which may adversely affect the financial condition and credit of our customers in these industries.

(7) Accidents in our environment-related business could damage our reputation and cause us to incur financial losses

We began operations of an industrial waste disposal facility through ORIX Environmental Resources Management Corporation in June 2006 as a Private Finance Initiative, or PFI, under contract with Saitama prefecture in Yorii-machi, Saitama. In addition, we acquired Kanematsu Environmental Corporation (now Funabashi Environmental Corporation) in March 2008 to develop an industrial waste disposal business mainly in Funabashi, Chiba. In order to minimize the risk of emitting environmental pollutants, ORIX Environmental Resources Management Corporation utilizes advanced waste disposal techniques. ORIX Environmental Resources Management Corporation has contracted with the waste disposal specialist firm that constructed the facility to serve as operator of the facility. The Funabashi Environmental Corporation has established a facility that minimizes the risk of emitting environmental pollutants. Although we try to reduce the risks in operating our industrial waste disposal business, environmental pollution could occur due to an operational error or defect in the disposal facility. As a result, additional decontamination costs may arise and adversely affect our operating results. Also, if any legal action is taken or negative publicity is received regarding such pollution, our business activities and our reputation could be adversely affected.

Table of Contents

To protect against a variety of such accident risks, ORIX Environmental Resources Management Corporation has ensured that the relevant operator bears responsibility for the operation and maintenance of the facility under its operating agreement and responsibility for defects in the facility under the design and construction contracts.

However, if the financial condition of the operator deteriorates to the point that it cannot perform its contractual obligations or indemnify us for losses, we will be required to bear such losses. Furthermore, we will be responsible for any accident occurring by reason of any event other than those for which the operator is responsible by contract. If such an accident occurs, we will be required to incur loss. Even if we do not incur any direct financial loss, our reputation could be adversely affected.

(8) Our medical business and nursing care business expose us to various risks

We lease medical instruments to customers. We contract for the inspection of such medical instruments with professionals designated by the manufacturers and such manufacturers are responsible for any injuries or damages caused by defects in such medical instruments. However, as a lessor, we also have potential obligations for such defects. Further, even if there is no pecuniary liability, our reputation could be adversely affected by product defects.

We provide housing and elderly care services to senior citizens, including through the operation of at-home nursing care and nursing home facilities. If a nursing service accident occurs, we could be liable for damages and our reputation could be adversely affected. In addition, if the long-term home-healthcare insurance system is modified to reduce public financial support and the economic burden on the user is thereby increased, the long-term home-healthcare market could shrink and our results of operations could be adversely affected.

(9) Risks relating to real estate finance

Our real estate finance business is comprised of nonrecourse loans for which cash flow from real estate is the source of repayment, and underwriting specified bonds that are issued by special purpose entities (SPEs), which are secured by real estate.

Our real estate finance business is faced with a severe environment resulting from the current depressed state of the real estate market. A continuation of the present circumstances or further deterioration of real estate market conditions may decrease the estimated collectable amount and the value of real estate held as collateral, which could require us to increase our provision for doubtful receivables and probable loan losses or purchase the senior portion of debt to protect subordinated debt held by us. If the stagnation of the real estate market continues, losses on the collection of loans through sales of the real estate may exceed the amount that we initially estimated. As a result, our financial condition and results of operations may be adversely affected.

(10) Risks relating to development and lease of real estate

Even after obtaining relevant government approvals and licenses necessary for a particular real estate development project, we may need to amend initial real estate development plans as a result of discussions with residents neighboring the project site. However, if we do not do so, or if the amendments do not satisfy such residents, our reputation as a real estate developer may suffer.

Also, if any of our peer companies are reported to have engaged in misconduct in real estate development projects, the overall credibility of the real estate market could suffer and lead to shifts in consumer preferences. Sales volumes could be adversely affected due to bankruptcy, changes in financial condition or misconduct of our counterparties to joint ventures. These factors could adversely affect our financial condition and results of operations.

As real estate market conditions have deteriorated, vacancy rates have risen and rents have dropped. If such trends continue, our financial condition and results of operations could be adversely affected.

We invest in the acquisition of real estate and real estate development projects through SPEs. If any such SPE has difficulty repaying a third party, we may contribute additional funds or loans for such repayment.

(11) Risks relating to real estate quality and warranty against defects

When we commence a building construction project, we try to obtain indemnity against any breach of contract or defect of property from the contractor. Also, when we purchase a property, we try to obtain indemnity from the seller to cover losses and expenses caused by any defects of geological condition, building structure or material in relation to such property. If construction work is postponed or cancelled due to the contractor s circumstances, or if there is any defect in a building or facility sold or leased by us, and indemnity is not provided by the contractor or seller or if the indemnity provided is insufficient due to a deterioration of the indemnitor s financial condition, we may be required to indemnify the tenant or purchaser and thereby incur losses. Even if we do not have to indemnify the tenant or purchaser, we may incur additional costs, including additional construction costs, to complete or operate property causing our expenditures to exceed our initial budget. In addition, even if we do not incur financial loss, property defects may adversely affect our reputation due to our involvement as the seller, owner or original developer.

(12) Risks relating to land contamination

We may have latent liabilities for soil contamination cleanup costs related to certain of our real estate acquisitions. Before the Soil Contamination Countermeasures Act came into effect in February 2003, we did not, at the time of acquisition, investigate land (including land provided as loan collateral) that had been used as a factory site or operating facility in which hazardous materials were used or that otherwise could cause health problems due to soil contamination. If the land is polluted and it is necessary to take countermeasures under the Soil Contamination Countermeasures Act, this could adversely affect the value of the land or the amounts collectable on foreclosure from land held as collateral. Although we have conducted investigations at the time of acquisition with respect to land acquired after the Soil Contamination Countermeasures Act came into effect, our investigations may have failed to identify risk and a subsequent determination that such land is polluted may have the same adverse consequences.

(13) Regarding our licensed businesses

Certain of our businesses, including our life insurance business, banking business, securities trading business and real estate investment advisory business are subject to control by industry-specific laws and regulations requiring, among other things, that each company conduct independent operations and maintain financial health and appropriateness of business activities. A total or partial suspension of operations or the revocation of our license due to non compliance with applicable laws and regulations may adversely affect our operating results and financial condition.

(14) Our life insurance subsidiary is subject to risks that are specific to its business

We are exposed to the risk of unpredictable and potentially substantial increases in insurance payments for deaths and hospital benefits, in relation to the business of ORIX Life Insurance Corporation, or ORIX Life Insurance. ORIX Life Insurance may incur valuation losses or losses on sales if the value of securities or real estate that it purchases for asset management purposes decreases. It is also subject to strict regulatory oversight, which includes the maintenance of certain specified capital and liability reserve requirements. If ORIX Life Insurance suffers valuation or other losses that affect its ability to maintain its regulatory capital or liability reserve requirements, or if changes in regulations require ORIX Life Insurance to increase its capital or liability reserves, we may be required to provide financial support through capital contributions. In addition, if ORIX Life

Table of Contents

Insurance fails to conduct reasonable asset liability management, or ALM, to appropriately manage risks and returns on investment assets and underwriting risks on insurance policy benefits, its financial condition and results of operations may suffer.

ORIX Life Insurance is required to make contributions to the Life Insurance Policyholders Protection Corporation of Japan, or the PPC. The PPC was established in 1998 to provide financial support to insolvent life insurance companies. All life insurers in Japan, including ORIX Life Insurance, are members of the PPC and are required to make contributions to the PPC based on their respective share of insurance premiums and policy reserves within the industry. Because a number of life insurers have become insolvent since 1998, the PPC s financial resources have been depleted by financial support provided to those companies. If there are further bankruptcies of life insurers, other members of the PPC, including ORIX Life Insurance, may be required to make additional contributions to the PPC. In such an event, our financial condition and results of operations may be adversely affected.

(15) Ship brokerage exposes us to market and credit risks

We operate a ship brokerage business in which we simultaneously place orders for new ships with shipbuilders and enter into purchase agreements with our customers who purchase the ships for use upon completion. As the process of shipbuilding takes several years from the placement of an order to delivery of the ship, if a purchasing customer defaults under its purchase agreement due to a decline in market conditions or deterioration of its cash flow, we are not excused from our obligation to purchase the ship upon completion. Also, if a shipbuilder becomes unable to complete and deliver a ship for financial or other reasons, we will be obliged to repay the deposit received from the customer regardless of whether or not the advance was repaid by the shipbuilder. Any of these events may adversely affect our results of operation.

(16) If the reputation of our professional baseball team declines, our share price, business activities, financial condition and results of operations could be adversely affected

We own and manage a professional baseball team in Japan, the ORIX Buffaloes. Management of a professional baseball team in Japan, due to its public nature, requires us to consider the various social effects that it may have and the reputation of the team. If the reputation of the baseball team declines, our business activities, financial condition, results of operations and share price could be adversely affected as a consequence.

5. Risk Relating to Fund Procurement

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

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, or CP, medium-term notes, straight bonds, convertible bonds, asset-backed securities and other debt securities) and deposits. Such sources include a significant amount of short-term debt, such as CP and short-term borrowings from various institutional lenders, and long-term debt maturing in the current fiscal year ending March 31, 2012. Some of our committed credit lines require us to comply with financial covenants and maintain specified credit ratings. In addition, some of the nonrecourse loans under which we borrow funds to finance specific projects require early repayment if the relevant projects experience declines in performance.

The turmoil in the financial and capital markets led to a reduction in liquidity in Europe, the United States and Japan. Although the turmoil in the financial and capital markets has calmed down recently, there is no guarantee that such problems will not recur in the future.

The increased risks to our financial liquidity will increase the possibility that our ability to raise new funds in the market or to renew existing funding sources may become uncertain; we may be exposed to increased

Table of Contents

funding costs; we may be more subject to volatility in the credit markets; and our securities may not be attractive to investors in the capital markets. If our access to liquidity is restricted, or if we are unable to obtain our required funding at acceptable costs, our financial condition and results of operations will be significantly and adversely affected.

We obtain credit ratings from ratings agencies. See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources for details of our credit ratings. A downgrade in our credit ratings could result in an increase 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 financial condition and results of operations may be adversely affected.

Our sources of finance include borrowings from banks and other institutional lenders. There is a risk that, if any such institutional lenders are driven into bankruptcy due to decline in their creditworthiness, capital deficiencies or funding problems, any lendings to us from such lender will be suspended, which could have an adverse effect on our fund-raising ability. As a result, our financial condition and results of operations may be adversely affected.

6. Operational Risk

(1) A failure to comply with regulations to which our businesses are subject could result in sanctions or penalties, 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 of 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. We implement thorough compliance and legal risk management to prevent violations of such laws and regulations, but they may not be effective in preventing all future violations. We engage in a wide range of businesses and may expand into new businesses through our acquisition activities. We implement various internal control measures for our businesses; however, with the expansion of our operations, these controls may not function adequately. In such cases, we may be subject to sanctions or penalties, and our reputation may be adversely affected. Future violations of laws and regulations could result in regulatory action and harm our reputation, and our business activities, financial condition and results of operations could be adversely affected. Even if there are no violations of laws, if we are investigated by government authorities and the investigation becomes publicly known, our reputation may be harmed and our business activities may be adversely affected.

(2) Risks related to the claims servicing business

We are entrusted with the management and collection of receivables by foreign and domestic investors and rehabilitation funds. ORIX Asset Management & Loan Services Corporation has developed collection activities in Japan, using servicing know-how acquired in the United States. However, in the event that it is not possible to maintain a quality of operations that meets the expectations of investors, or to perform in accordance with the guidelines of the regulating agency, our business activities and reputation could be adversely affected.

(3) Outsourcing may adversely affect our business activities or reputation

We outsource some of our business functions including the management and development of our main information technology system, the maintenance of our leasing assets and the management and safekeeping of our contracts. If any of our outsourcing vendors are not able to conduct the entrusted business appropriately, whether due to their financial distress, the exposure of misconduct, their lack of ability, the leak or destruction of confidential or personal information owned or held by us or for any other reason, our business activities or reputation may be adversely affected.

(4) Failures in our computer and other information systems could hinder our operations and damage our reputation and relationships with customers

We utilize computer systems and other information systems for financial transactions, personal information management, business monitoring and processing and as part of our business decision-making and risk management activities. System shutdowns, malfunctions or failures, the mishandling of data or fraudulent acts by employees or 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 could be adversely affected. Alternatively, the liquidity of customers who rely on us for financing or payment could be adversely affected, and our relationships with such customers could also be adversely affected. The occurrence of any of these or any other disruptions could result in our being sued or subject to administrative penalty, or our reputation or credibility could be adversely affected.

Our information system equipment could suffer damage from a large-scale natural disaster or from terrorism. Since information systems serve an increasingly important role in business activities, there is an increasing risk of stoppage of the network or information systems due to disaster or terrorism. If networks or information systems fail, we could experience interruption of business activity, delay in payment or sales, or substantial costs for recovery of functionality.

(5) We may not be able to hire or retain human resources to achieve our strategic goals

Our businesses require a considerable investment in human resources and the retention of such resources in order to successfully compete in markets in Japan and overseas. Many of our businesses require employment of talented individuals who have experience and knowledge in the financial field. If we cannot develop, hire or retain the necessary human resources, we may not be able to achieve our strategic goals.

(6) If our independent registered public accounting firm finds that our internal controls over financial reporting are insufficient, investors may lose confidence in the reliability of our financial statements, adversely affecting our share price, financial condition and reputation

We have developed and operate an internal control system in order to manage the company soundly for achieving management objectives and to perform our business appropriately and efficiently. In particular, internal controls in relation to appropriate financial reporting are essential for the company s sound management, and we are subject to various regulations in this regard in the U.S. and Japan.

The U.S. Securities and Exchange Commission (the SEC), as directed by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring each SEC-registered foreign private issuer to include in its Annual Report on Form 20-F a report containing an assessment by management of the effectiveness of the company s internal control over financial reporting. In addition, the company s independent registered public accounting firm must provide an attestation report on the effectiveness of the company s internal controls over financial reporting. These requirements are reflected in our Annual Reports filed on Form 20-F for the fiscal years ended March 31, 2007 and thereafter.

Table of Contents

Similarly, the Financial Instruments and Exchange Act was enacted in June 2006 in Japan. Article 24-4-4 thereof requires that a listed company shall submit its internal control report with an audit certificate issued by an independent registered public accounting firm together with its annual securities report. These requirements are applicable to annual securities reports issued for the fiscal year ended March 31, 2011. Pursuant to the provisions of the Cabinet Office Ordinance on the System for Ensuring Appropriateness of Statements on Finance and Accounting and Other Information (2007, No. 62) (the Cabinet Office Ordinance), our internal control reports required under the Financial Instruments and Exchange Act are prepared in conformity with the requirements under U.S. standards for the terms, form and preparation method of internal control reports and by including additional information regarding significant differences between the reports prepared in accordance with Japanese standards.

Although 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, in future periods our independent registered public accounting firm may identify material weaknesses in our internal controls over financial reporting and may issue a report that our internal controls over financial reporting are ineffective. These possible outcomes could have a negative impact on our share price, reputation, business activities, financial condition or results of operations due to a loss of investor confidence in the reliability of our financial statements.

(7) 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. We operate in a wide variety of businesses and geographic areas, and if we are unable to effectively manage new or existing risks, our financial condition and results of operations could be adversely affected.

(8) Other operational risks

The conduct of our various businesses entails many types of operational risks in addition to those mentioned above. Examples include inappropriate sales practices; inadequate handling of clients complaints; failures of information security including the divulging of confidential or personal information; inadequate internal communication of necessary information; misconduct of officers, employees, agents, franchisees, trading associates or third parties; errors in the settlement of accounts breaking and entering; and conflicts with employees concerning labor and workplace management.

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 we may incur losses at any time due to this risk. Even if we do not incur direct pecuniary loss, our reputation may be adversely affected.

7. 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 such matters 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.

Table of Contents

(2) It may not be possible for investors to effect 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 effect 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 expect to be a passive foreign investment company under the U.S. Internal Revenue Code 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 gain on such Shares or ADSs, including the effective 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.

(4) If you hold fewer than 10 Shares, you will not have all the rights of shareholders with 10 or more Shares

One unit of the Shares is comprised of 10 Shares. Each unit of the Shares has one vote. A holder who owns Shares other than in multiples of 10 will own less than a whole unit (i.e., for the portion constituting fewer than 10 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 of 10 Shares. 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 size.

(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 their 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 Mita NN Building, 4-1-23 Shiba, Minato-ku, Tokyo 108-0014, Japan, and our phone number is: +81 3 5419 5000. 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 900, 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 and Toyo Trust & Banking (presently Mitsubishi UFJ Financial Group, Inc.), the Industrial Bank of Japan and Nippon Kangyo Bank (presently Mizuho Financial Group, Inc.), and the Bank of Kobe (presently Sumitomo Mitsui Financial Group, Inc.). While we maintain business relationships with these companies, they now hold only a limited number of our Shares in the aggregate.

Our initial development occurred during the period of sustained economic growth in Japan during the 1960s and the early 1970s. During this time, strong capital spending by the corporate sector fueled demand for equipment and led to the first wave of newly established leasing companies in Japan. Under the leadership of Tsuneo Inui, who served as president from 1967 to 1980, we capitalized on the growing demand in this period by expanding our portfolio of leasing assets.

It was also during this time that 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, which at the time was the fastest listing by a new company in post-World War II Japan. Since February 1973, our Shares have been listed on the first sections of the Tokyo Stock Exchange and the Osaka Securities Exchange. In September 1998, ORIX listed on the New York Stock Exchange (NYSE) with the ticker symbol IX. ORIX was also listed on the Nagoya Stock Exchange from February 1973 to October 2004.

The 1970s saw the gradual maturing of the Japanese leasing industry, and the Japanese economy was adversely affected by the two oil shocks of 1973 and 1979, resulting in reduced growth in capital spending and

Table of Contents

increased volatility in foreign exchange rates. Despite these difficulties, we continued to grow rapidly by expanding and diversifying our range of products and services to include ship and aircraft leasing along with real estate collateralized loans. Furthermore, in 1972, we established Orient Leasing Interior (renamed ORIX Alpha Corporation in April 1989 and merged with ORIX in April 2011), which concentrated on leasing furnishings and fixtures to retailers, hotels, restaurants and other businesses. We subsequently set up a number of specialized leasing companies to tap promising new markets, including ORIX Auto Leasing Corporation (now ORIX Auto) in 1973 and Orient Instrument Rentals (now ORIX Rentec) in 1976. We established Family Consumer Credit (now ORIX Credit) in 1979, with the aim of entering the consumer finance sector.

During the 1970s, we expanded overseas, establishing our first overseas office in Hong Kong in 1971, followed by Singapore in 1972, Malaysia in 1973, the United States in 1974, Indonesia in 1975, South Korea in 1975, the Philippines in 1977 and Thailand in 1978.

Yoshihiko Miyauchi became president and CEO in 1980. During the 1980s, we continued to expand the range of our products and services, and placed increased emphasis on strengthening synergies among our group companies by emphasizing knowledge sharing and cooperation to make optimal use of corporate resources. This included a focus on cross-selling a variety of products and services to our customers, a focus that continues to this day.

During the 1980s, we began using mergers and acquisitions to expand operations, investing in Akane Securities (renamed ORIX Securities in March 1995 and merged with MONEX, Inc. in May 2010) and Osaka Ichioka Corporation (integrated into ORIX Interior Corporation in December 2005) to expand our array of financial products and services.

In 1988, we acquired one of the twelve professional baseball teams in Japan, the Hankyu Braves (now ORIX Buffaloes), which has helped raise our name recognition and promote our corporate image. 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 the 1990s, the Japanese economy experienced a protracted period of industrial stagnation and, in the later half of the decade, instability within the financial sector. Notwithstanding these adverse conditions, we continued to develop and expand our financial activities and products and began to focus our attention on retail operations. For example, in 1991 we entered the life insurance business by establishing ORIX Omaha Life Insurance (now ORIX Life Insurance), and, from 1997, we began to offer ORIX Direct Life Insurance, a new life insurance product offered directly to individual customers. In April 1998, we acquired Yamaichi Trust & Bank, Ltd. (now ORIX Trust and Banking), which has since concentrated primarily on housing loans. Furthermore, with the deregulation of brokerage commissions in May 1999, ORIX Securities began ORIX Online, an Internet-based brokerage aimed at individual investors. We also entered the loan servicing business overseas in 1997 through a joint venture with Bank One Corporation of the United States. The entity that succeeded this joint venture is presently a subsidiary of ORIX USA.

We established our Investment Banking Headquarters in 1999 and have since been attempting to expand our investment banking activities, which include loan servicing, principal investments, corporate rehabilitation and consulting.

Since 2000, we have actively expanded our automobile-related operations by acquiring companies and assets. For example, in addition to our existing companies, ORIX Auto Leasing, ORIX Rent-A-Car and ORIX Rent-A-Car Hokkaido, we added Senko Lease and IFCO Ltd. in 2001, Nittetsu Leasing Auto Co., Ltd. in 2002 and JAPAREN in 2003. We combined these seven companies into ORIX Auto in January 2005.

In June 2008, to promote further diversification within ORIX s operations throughout Asia, Oceania, the Middle East and Europe, we consolidated our International Business Headquarters and our Alternative Investment and Development Headquarters to create the International Administrative Headquarters, which we

subsequently converted into our Global Business and Alternative Investment Headquarters in January 2009. In December 2009, as part of our strategy to expand local business and investments in China, we established ORIX (China) Investment Co., Ltd. in Dalian.

In July 2009, in line with our strategy of pursuing business alliances with financial institutions for future corporate development, we joined forces with Sumitomo Mitsui Banking Corporation to form the ORIX Credit joint venture. As a result, our shareholding in ORIX Credit decreased from 100% to 49%. Also, in January 2010, we formed a capital alliance with the Monex Group, Inc., pursuant to which we acquired a 22.5% stake of Monex Group, Inc. in exchange for our 100% stake of ORIX Securities.

In 1999, to increase the efficiency of our domestic real estate-related operations, we established our Real Estate Finance Headquarters primarily to engage in real estate-related finance (later transferred to the Investment Banking segment), and ORIX Real Estate Corporation (ORIX Real Estate), which focuses on the development, operation and management of real estate in Japan. In October 2010, we transferred the real estate finance business to the Real Estate segment with the aim for improved operational efficiency.

In December 2005, as a part of our business restructuring in the United States, we sold part of our loan servicing business, including primary and master servicing departments and entrusted servicing assets. In January 2006, we entered the investment banking field in the United States with the acquisition of Houlihan Lokey. Houlihan Lokey established operations in Hong Kong and Japan in 2007 and is expanding its financial advisory services across a broad range of operations, including advisory operations and valuation support for cross-border mergers and acquisitions. In May 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 through programs of the Federal Housing Administration (FHA) and the Federal National Mortgage Association (Fannie Mae). In December 2010, we acquired Mariner Investment Group LLC, a leading independent SEC-registered hedge fund founded in 1992.

STRATEGY

Target Performance Indicators

In our pursuit of sustained growth, we will use the following performance indicators: Net income attributable to ORIX Corporation to indicate profitability, ROE to indicate capital efficiency and ROA to indicate asset efficiency. For the foreseeable future, we will strive to expand profit-earning opportunities in line with increased assets for fee-based and other businesses, pursue increased profitability by replacing assets, and will aim to achieve the medium-term target of around 10% ROE.

Three-year trends in performance indicators are as follows.

		As of March 31,		
		2009	**2010**	**2011**
Net Income Attributable to ORIX Corporation	(millions of yen)	¥ 21,924	¥ 37,757	¥ 67,275
ROE	(%)	1.80	3.06	5.14
ROA	(%)	0.25	0.47	0.82

Medium- and Long-Term Corporate Management Strategies

We believe that it is vital to respond to changes in the market environment with agility and flexibility. The ORIX Group consists of six business segments (Corporate Financial Services, Maintenance Leasing, Real Estate, Investment Banking, Retail and Overseas Business) that represent a wide range of businesses, and Group-wide risk is controlled through a diversified business portfolio. At the same time, ORIX is able to capture profit-earning opportunities from various angles by the Group-wide sharing of information garnered from its wide-ranging domestic and international business and client base.

Table of Contents

As for funding, our ratio of funding from financial institutions is kept at around 50%. We maintain a stable funding base with solid relationships with over 200 domestic and international financial institutions together with a high share of long-term debt in the form of bonds.

Going forward, we will continue our pursuit of the mid-term management strategies of increasing the pace of Finance + Services and Embracing growth in emerging markets including Asia while focusing on expanding operations through business portfolio diversification.

Increase the pace of Finance + Services. After the occurrence of structural changes in the finance business environment caused by the financial crisis, we have emphasized providing additional high value-added services as such services have been deemed essential for pursuing increased profitability in the finance business. We are already providing Finance + Services through our maintenance leasing service and loan servicing operations. We will capitalize on our accumulated Group-wide client base, know-how and expertise to develop new business areas and provide more advanced services.

Embracing growth in emerging markets including Asia. As significant economic growth is observed in emerging markets, business expansion in Asia, especially China, is vital for company growth. We will embrace growth in these countries by expanding operations capitalizing on local subsidiaries and partner networks we have established in emerging markets including Asia in addition to leveraging our successful investment track record.

We will also further strengthen and enhance our existing operating platform in the deployment of these strategies. In addition, we will create a new operating base by continually developing new products and services and making proposals valued by clients and society.

Corporate Challenges to be Addressed

The operating environment we are currently facing is dramatically changing in line with structural changes in society, such as strong growth of emerging nations together with low growth of developed nations, contraction of the financial markets, new financial regulations and global warming. It is vital for the ORIX Group to continue to maintain and develop a business structure that can flexibly and swiftly adapt to such a rapidly changing operating environment. Specifically, we will adapt to the changing operating environment by taking the following steps:

- Further advancement of risk management;
- Pursue transactions that are both socially responsible and economically viable; and
- Create a fulfilling workplace.

Further advancement of risk management. We will seek to further enhance the thorough and transparent monitoring and control of each business in accordance with its characteristics while diversifying our businesses based on increasing the pace of Finance + Services and Embracing growth in emerging markets including Asia in line with the changing operating environment. We will also strive to strengthen financial stability.

Pursue transactions that are both socially responsible and economically viable. We will pursue transactions that are socially responsible from a compliance and environmental standpoint, while providing products and services that are valued by our clients and improving our profitability.

Create a fulfilling workplace. We will focus on our strength as a global organization to create a fulfilling work environment for all of our employees regardless of nationality, age, gender, background or type of employment.

Table of Contents

PROFILE OF BUSINESS BY SEGMENT

Our reportable segments are based on ASC 280-10 (Segment Reporting). For a discussion of the basis for the breakdown of segments, see Note 32 in Item 18. Financial Statements. The following table shows a breakdown of profits by segment for the years ended March 31, 2009, 2010 and 2011.

	Years ended March 31,		
	2009	2010	2011
	(In millions of yen)		
Corporate Financial Services	¥ (10,702)	¥ (18,983)	¥ 10,247
Maintenance Leasing	28,015	23,307	26,203
Real Estate	59,185	138	54
Investment Banking	(74,217)	(2,848)	13,000
Retail	9,573	31,104	23,777
Overseas Business	20,066	37,142	45,639
Total segment profits	31,920	69,860	118,920
Difference between segment total and consolidated amounts	(19,885)	(15,267)	(26,955)
Total Consolidated Amounts	¥ 12,035	¥ 54,593	¥ 91,965

Each of our segments is briefly described below.

BUSINESS SEGMENTS

As of April 1, 2008, ORIX reorganized 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 Banking, Retail and Overseas Business. Management believes that organizing our business into large strategic units allows us to maximize our corporate value by identifying and building strategic advantages vis-à-vis anticipated competitors in each area and by helping the ORIX Group achieve competitive advantages.

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

Corporate Financial Services

Overview of Business Strategies

Increase the pace of Finance + Services

Expand the client base through strengthened cooperation with ORIX Auto and ORIX Rentec

Capture new business opportunities presented by the changing environment

Overview of Operation

The Corporate Financial Services segment has its origin in the leasing business developed at the time of ORIX s establishment in 1964, and even today this segment serves as the foundation for the entire ORIX Group.

Operating through a nationwide network of 81 offices, ORIX provides capital through loans and leasing for capital investment and other needs to its core customer base of domestic small and medium enterprises (SMEs). In order to maximize synergies, the Corporate Financial Services segment functions as the central point of contact for the entire ORIX Group in responding to needs of other segments, including business succession and overseas business development.

In addition to lending and leasing, this segment includes environment and energy business, commercial facility development and rental business, a department specializing in construction equipment. By promoting cross-functional tie ups with domestic and overseas segments, this segment provides services backed by high expertise to its customers nationwide.

Operating Environment

The business environment of SMEs, the segment s core client base, is expected to remain severe in the short-term due to direct and indirect effects of the Great East Japan Earthquake such as plant and equipment damage and low production levels due to rolling blackouts. However, some movement toward recovery is seen depending on industry and scale of the company.

For example reconstruction demand such as investment in construction is anticipated, and there is potential for increased investment in power-saving, private power generation and renewable energy business, particularly solar power.

Operating Strategy

Sales personnel in the Corporate Financial Services segment develop and deliver optimal solutions based on a deep understanding of their customers including their specific needs and management issues, gained through day-to-day transactions, and supported where necessary by team efforts centered around the ORIX Group s high levels of expertise.

As a sales platform for the Group, this segment seeks to expand its client base while continuing to strengthen cooperation with Group companies with specialist expertise. ORIX will increase the pace of its Finance + Services strategy by leveraging the Group s high level of expertise such as the know-how accumulated through the diversification of the automobile and rental businesses, the provision of credit and servicing functions, and the competitive life insurance operation to discover new business opportunities in response to client needs.

Furthermore, we have developed a framework to swiftly provide solutions for client needs by collecting and sharing successful case studies through the Group s nationwide network. We also expect to capitalize on our overseas network and over 40 years of international operations experience to respond to the increasingly complex and diverse needs of our clients.

In addition, as an offshoot to this segment s leasing business, which includes the collection and disposal of end-of-lease assets, we have been involved in the environment and energy-related business for more than ten years. The segment has been promoting the usage of energy-saving measures and renewable energy in addition to making waste disposal and recycling related proposals. Furthermore, we will enhance our pursuit of new opportunities in the environment and energy fields in light of the change in social structure and awareness as a result of the recent earthquake.

This segment will continue to build a diversified, quality asset base by capitalizing on its nationwide sales network and responding to the needs of its broad clientele.

Maintenance Leasing

Overview of Business Strategies

- Continue Group-wide sales activities
- Expand high value-added services
- Improve profitability by streamlining operations and controlling costs

Table of Contents

Overview of Operation

This segment consists of ORIX s automobile and rental operations, both of which possess an extremely high level of expertise.

The automobile leasing business began in 1973, with automobile rentals starting in 1985 and expanding to include car sharing in 2002. Automobile leasing operations started by offering leases including maintenance to corporate clients, and today provides a complete range of specialized vehicle maintenance outsourcing services requiring increased expertise such as solutions that meet clients compliance, environmental and safety management needs. This segment also offers a wide range of services both to corporate and individual clients.

ORIX entered the rental business in 1976 with the leasing of precision measuring equipment to corporate clients. Today, the rental business covers a broad range of services, including IT-related equipment rentals, technical support, sales of software packages, calibration and asset management.

Operating Environment

The severe operating environment of the domestic corporate automobile operations is expected to continue due to sluggish demand from a continued decrease in automobile investment and cost reductions in addition to a trend toward using smaller automobiles. However, business opportunities are increasing in line with changes in corporations attitudes toward vehicle management.

In particular, need for vehicle maintenance and administrative cost reductions has increased among corporations, as has interest in areas such as compliance and safety management. Furthermore, we expect that heightened awareness of environmental issues will stimulate demand for leasing services for hybrid vehicles. An increase is also expected in the number of car sharing participants.

Although, signs of a full recovery of corporate capital expenditures are yet to be seen, the competitive landscape in the domestic precision measuring equipment rental market is relatively stable, due to comparatively high barriers to entry caused by the need for significant initial investment and the difficulty in obtaining personnel with specialized know-how.

Going forward, IT investment by client companies will shift from hardware ownership to hardware use as a part of IT service as the market continues to pursue reduced system operating costs and the flexible cloud computing market continues to grow. In addition, increased needs related to backup systems for business continuity in the event of a disaster are predicted as a result of the earthquake.

Operating Strategy

The Maintenance Leasing segment will cultivate new clients and provide new services to meet their needs through the continuation of Group-wide sales activities.

In the automobile leasing business, the segment will combine leasing, automobile rental and car sharing to provide optimal and low-cost vehicle solutions. As of March 31, 2011, the number of automobiles under management totaled approximately 870,000.

The corporate automobile leasing operation provides solutions based on compliance, environmental response and safety management. One example is the corporate automobile leasing operation that achieves complete business process outsourcing based on its high level of expertise and reliable operational quality. Additionally, ORIX Telematics Service offers vehicle dispatch control, a service that reduces fuel consumption, promotes efficient vehicle use and takes client employee safety into consideration through consultations based on analysis of a broad spectrum of driving data. Promotion of this type of high value-added fee business in addition to the asset business such as leasing and automobile rental increases fee revenues and differentiates ORIX from other companies. In addition, we aim to streamline operations and enhance cost control to maintain profitability and competitiveness.

Table of Contents

We continue to promote products such as My Car Lease, automobile rentals and car sharing to retail clients. Especially in the car sharing business, we will seek to increase the number of members by strengthening relationships with local authorities, railway companies, parking lot operators and public transportation systems.

In the rental business, we will continue to focus on maintaining our high market share while providing a broad scope of solutions, including technical support, sales of software packages, calibration and asset management. We will expand our services to include the rental of medical and environmental analytic equipment, and establish a base of SME clients by capitalizing on our Group network, centering on the Corporate Financial Services segment. As of March 31, 2011, the rental business owned more than 780,000 units of rental equipment spanning about 29,000 types.

Real Estate

Overview of Business Strategies

- Expand business based on the real estate value chain

- Realize balanced growth by expanding the stable revenue base

- Enhance the asset management business to expand fee-business and promote joint investment with outside investors

Overview of Operation

The Real Estate segment began with corporate dormitory rental operations in 1986, and started developing residential condominiums in 1993. Real estate operations gained momentum with the establishment of ORIX Real Estate in 1999 and the start of the real estate finance business including non-recourse lending in the same year. Today, the ORIX Group is involved in development and leasing of properties, such as office buildings and commercial facilities; residential condominium development and operation of hotels, golf courses, training facilities and senior housing; asset management and administration; and real estate finance.

Operating Environment

Despite trends of recovery in the residential condominium market such as contract completion rates surpassing the key benchmark level of 70% in the Tokyo and Osaka metropolitan areas, worsening consumer sentiment resulting from the earthquake is cause for concern.

Vacancy rates have increased and rental rates are decreasing in the office building market as a result of new buildings supplied to the market. The impact of the earthquake must also be taken into consideration, and it is difficult to forecast when market conditions will hit bottom.

The scale of the real estate finance market shrank as a result of a decrease in investor risk appetite and significant decline in real estate transactions due to the effects of the global economic slowdown that was triggered by the Lehman shock in September 2008. However, financial institutions stance toward lending is improving.

Operating Strategy

Even in a sluggish real estate market, we expect to secure stable revenue sources by managing and reducing business risks through capitalizing on our expertise in the areas of diversified small and medium-sized property investment, cash flow focus and risk sharing with business partners through joint ventures.

This segment will capitalize on and further expand its wide-ranging real estate-related expertise to increase the value of its held assets while promoting the provision of new value. The segment will also aim to make full

Table of Contents

use of its value chain through such means as joint investments with outside investors. Furthermore, we aim to realize balanced growth by controlling asset size and by swiftly establishing a stable revenue base through the further pursuit of businesses such as the real estate operating business that are not directly influenced by the real estate market.

In the real estate development and rental business, we will strive to improve occupancy rates and rental income by leveraging the characteristics of our small and diversified rental property portfolio and leasing capabilities. Although real estate transactions have not seen a full-scale recovery, we will pursue various exit strategies such as sales to overseas investors to promote asset turnover.

In the residential condominium development business, we have reduced our supply since the second half of 2007, ahead of our competitors. We are now carefully researching the market as customer demand recovers and will focus on those condominiums mainly within a price range that meets customer needs.

In our facilities operation business, we will establish a unique position in the market by developing a wide range of unique services in response to diversified needs and aging customers. We will continue to diversify our customer base and increase profitability by setting a clear customer target and concept for each operating facility including Japanese inns, golf courses and aquariums.

The asset management business targets increased fee-based revenue by addressing asset management needs outside the Group in addition to managing Group assets.

The real estate finance business will continue to take its project-by-project approach. It will reduce asset levels by actively monitoring the terms and conditions as well as backing assets for each project and maximizing collections.

We will also create new value by promoting large-scale projects such as the North Yard, a redevelopment project next to Osaka Station.

Investment Banking

Overview of Business Strategies

- Capitalize on high-quality servicer function with a large market share for CMBS-related profit opportunities and strengthen the corporate rehabilitation business

- Exit from existing investments and capture opportunities for new investments

Overview of Operation

This segment consists of a venture capital business established in 1983; a loan servicing business that invests in non-performing loans and CMBS management and collection, which was established in 1999; a principal investment business initiated in 2000; a securities brokerage; and a mergers and acquisitions and financial advisory business established in 2003.

Operating Environment

The global financial crisis triggered a significant change in the operating environment surrounding the Investment Banking segment. Japan s economic recovery has been slow and uncertainties in the financial and capital markets are expected to continue. Therefore, investments need to be stringently selected.

Opportunities for investment in non-performing loans are limited as financial institutions continue to reduce their disposals of large-scale assets. However, investment opportunities are expected to arise as foreign corporations withdraw from Japan, funds are divested and the selection and concentration of companies accelerates.

The domestic M&A market has seen a reduction in the number of transactions, reflecting the uncertain economic outlook and the impact of the financial crisis; however, this trend is starting to subside. As listed companies undertake restructuring and engage in strategic de-listing of subsidiaries, and as SMEs undergo business succession, the use of M&A as a corporate management strategy has become increasingly widespread in Japan. We see this as an opportunity to promote our financial advisory services and other corporate advisory services.

Operating Strategy

The Investment Banking segment is focusing on preserving and enhancing the value of existing loans and portfolio companies while taking advantage of investment opportunities presented by the changing environment.

In Japan, we believe there are business opportunities related to CMBS loans reaching maturity. ORIX Asset Management & Loan Services Corporation (OAMLS) has expertise in financial arrangement and servicing and a wide ranging information network through its servicing business, and capitalizing on these strengths, we will take advantage of opportunities to further expand our fee-based business by acting as an intermediary in the sales of collateralized properties and as a special servicer.

This segment will provide management support such as business succession and corporate rehabilitation (restructuring, transfer and funding arrangement) to our wide range of clients. We will also be actively involved in developing promising businesses as an investor in addition to the provision of services. For example, we provide joint investment arrangements and offer an investment platform acquired through our relationships forged with both domestic and overseas investors, in addition to pursuing investment in cross-border companies that are expanding into Asia.

We are also considering offering certain of our domestically-developed, solution-oriented businesses to financial institutions overseas, especially Asia, including NPL investment, corporate rehabilitation. Fund management and joint operations of corporate rehabilitation support through a capital alliance with a financial institution.

We aim to improve the corporate value of our existing investments by capitalizing on our characteristic hands-on approach while at the same time pursuing exit strategies. This segment is also constantly considering expansion and supplementation of its functions through such means as M&A.

Retail

Overview of Business Strategies

Life Insurance: Develop distinctive third sector (medical and cancer insurance) products, expand agencies channel and raise business efficiency

Trust and Banking: Enhance corporate customer platform and build a well-balanced portfolio

Overview of Operation

This segment consists of the life insurance business, the trust and banking business, and the card loan business operated by an affiliate. ORIX Life Insurance was founded in 1991 and operates mainly through representative agencies and mail order sales. ORIX Trust and Banking started in 1980 with housing loans and is also engaged in corporate lending and other services. ORIX entered the card loan business with ORIX Credit in 1979, which is currently being managed as a joint venture with Sumitomo Mitsui Banking Corporation pursuant to an alliance established in July 2009.

Operating Environment

In the domestic life insurance market, the number of individual insurance policies has continued to decrease, with demand for traditional life insurance products particularly sluggish. On the other hand, customer need for

27

distinctive third sector products, i.e., products centered on medical and cancer insurance have been growing. A rapid succession of third sector product introductions by various companies has intensified competition. Moreover, sales channels have diversified with the availability of complete clearance of insurance sales at bank counters, the arrival of pure-internet-play insurance companies, and an increased number of retail stores. The investment environment continues to be one where it is difficult to secure yields, as the long-term interest rate remains low.

In the banking industry, deposits have continued to grow as savings have continued to attract stability-oriented individuals. Meanwhile, demand for corporate capital expenditure is weak and need for capital continues to falter. However, even in a stagnant real estate market, capital demand for individual investors remains firm in the market for investment rental condominium units, the backbone of the housing loan business, which continues to perform strongly.

In the card loan market, a change in business models is required as the upper limit on interest rates has been lowered and a ceiling on total debt has been created.

Operating Strategy

This segment will maintain its strategy of developing new markets for individuals by offering products and services that provide a high level of customer satisfaction and by increasing its unique expertise and efficiency in niche markets.

ORIX Life Insurance, which concentrates mainly on developing and selling products for individuals, has experienced a substantial increase in the number of policies in force. ORIX Life Insurance will continue to enhance its product lineup by developing products that meet the needs of its customers, such as its cancer insurance Believe, which was originally introduced to the individual market in March 2010, and its medical insurance Cure, introduced in September 2010. Additionally, ORIX Life Insurance enhanced convenience and low insurance premiums that customers demand in May 2011 with the launch of an internet-based insurance application service and the release of Bridge, a term insurance policy available only online. The importance of the insurance business to the overall ORIX Group has been dramatically increasing and going forward, we will expand our operations by strengthening agent sales channels, and fortify our foundation by increasing business efficiency.

In line with its business expansion, ORIX Trust and Banking is steadily increasing deposits through e-Direct Deposits, internet-based fixed deposits for retail customers and corporate deposits. In March 2011, the deposit balance (including negotiable deposits) exceeded 1 trillion yen for the first time. On the lending side, in addition to the housing loan business, we have been seeking to establish a well-balanced loan portfolio by launching the corporate lending business in 2009, cultivating a new customer base and strengthening our relationship with trusted clients. Going forward, ORIX Trust and Banking will seek to differentiate itself from other banks by further increasing its transactions with SMEs and offering consulting services that leverage the ORIX Group s collective strength.

ORIX Credit, which handles the card loan business, seeks to expand its business utilizing Sumitomo Mitsui Financial Group s business platform, focusing on its ORIX VIP Loan Card.

Overseas Business

Overview of Business Strategies

United States: Expand Finance + Services centered on asset management based on a high level of expertise

Asia: Capitalize on ORIX s network to embrace growth in emerging markets such as Asia.

Find highly profitable transactions in China based on alliances with local partners

28

Table of Contents

Overview of Operation

Since expanding to Hong Kong in 1971, ORIX has built a broad overseas network spanning the United States, Asia and the Pacific, the Middle East, North Africa and Europe. Main operations include equipment leasing, automobile leasing, corporate financial services, ship- and aircraft-related operations, real estate-related operations and investment banking operations such as principal investment, investment in non-performing loans, investment in securities, M&A advisory and fund operation.

Operating Environment

The U.S. economy is headed toward recovery due to government stimulus measures. However, caution is still necessary as unemployment levels have remained high and recovery in consumer spending and the housing market still faces challenges. The U.S. financial market will continue to de-leverage as the high leverage financial business model has collapsed.

In Asia, where we have extensive business operations, the economies of emerging countries have recovered rapidly despite the effects of the global financial crisis and are on a track for further growth. As a result of high economic growth in recent years, Asia s economy has reached the stage where it consumes a wide range of products and services from developed countries such as Japan, which should lead to various business opportunities. China is a particularly attractive country in terms of economic scale and has garnered global attention as a promising market despite structural problems such as inflation and widening domestic economic disparity.

Operating Strategy

In the United States, we are engaged in corporate finance in addition to investment banking operations such as investments in CMBS and municipal bonds, advisory and enterprise valuation, loan structuring and servicing and fund management. The expertise we have been able to accumulate in the United States has allowed us to expand our profits even in the midst of the economic turmoil.

Investment banking operations are carried out by Houlihan Lokey, which has maintained a strong reputation in the United States for decades in financial advisory services, financial opinion services and financial restructuring services. In addition, in May 2010 we acquired RED Capital Group, a company that arranges specialty loans for real estate companies and obtains fees through loan servicing, and, in December 2010, we acquired Mariner Investment, a major independent hedge fund manager. Both companies are quintessential examples of capturing fee revenues without using the balance sheet, and will increase profitability by expanding their services going forward. Also, we are evaluating the possibility of re-entering the Latin American market through this segment to seek business opportunities by leveraging the experience with a local business partnership developed from 1970 until 2000.

In Asia, Oceania, the Middle East and Europe, we continue to secure stable revenues based on our platform of leasing, lending and other financial services closely tied to local communities, and will provide high value-added services from expertise accumulated in Japan and overseas. In Asia, we will embrace the growth in the region by providing various services such as maintenance leasing that match the stage of growth and needs of each country in addition to the stable growth of the existing leasing business. Especially in China, where the market is booming, we will continue to cultivate trusted clients and business partners and focus on various high profitability investments such as finance, automobiles, ships and aircraft, capitalizing on the Greater China network, including Taiwan and Hong Kong, primarily through our Chinese headquarters, which we established in December 2009.

We are also working to further promote our business and capitalize on our global network by supporting Japanese companies looking to move into overseas markets and foreign companies entering Japan and through joint investments in Japanese real estate with overseas investors.

Table of Contents

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 by pursuing acquisition opportunities. We are continually reviewing acquisition opportunities, and will 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, in the future. 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 three office buildings, one training facility and one waste disposal facility.

	As of March 31, 2011	
	Book Value (In millions of yen)	**Land Space[1] (In thousands of m^2)**
Office building (Shiba, Minato-ku, Tokyo)	¥ 37,221	2
Office building (Tachikawa, Tokyo)	22,552	5
Office building (Roppongi, Minato-ku, Tokyo)	11,464	1
Training facility (Funabashi, Chiba)	10,859	3
Industrial waste disposal facility (Yorii, Saitama)	12,802	

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

In addition to these major facilities, we have built a new regional headquarters in Osaka that allows us to manage our Osaka operations from a single location, and started moving in from April 2011. Although there are presently no other material plans to construct or improve facilities, we may build or acquire additional offices or make improvements to existing facilities if we believe the expansion of our business so warrants.

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 ¥102,403 million as of March 31, 2011.

As of March 31, 2011, net book value of equipment held for operating leases amounted to ¥1,270,295 million, which consists of ¥624,958 million of transportation equipment, ¥176,304 million of

Table of Contents

measuring and information-related equipment, ¥836,953 million of real estate and ¥19,152 million of others, before accumulated depreciation. Accumulated depreciation on the operating leases was ¥402,697 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 and Middle East, 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, anti-trust, anti-bribery, consumer and business taxation, foreign exchange controls, intellectual property and personal information protection.

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 certain 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. In addition, in December 2006, laws related to the moneylending business were amended for the purpose of enhancing borrower protection. The amendments have tightened regulations by, among other things, reducing the maximum interest rate and introducing limits on the maximum amount of money that may be loaned to individuals. These amendments have come into effect over a period of time and as of June 2010 have been fully implemented.

Real Estate Business

ORIX and certain of our group companies, including ORIX Real Estate, are engaged in the real estate business in Japan, including the buying and selling of land and buildings. Companies engaged in such operations are required to be licensed by the Ministry of Land, Infrastructure and Transport (the 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 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 of its books and records. 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 ORIX Auto, 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 the registered financial instruments traders, the 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

Table of Contents

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, as well as Monex Group, Inc., which became an equity-method affiliate of ORIX as a result of a share exchange completed in January 2010 with ORIX.

(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 (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 and ORIX Investment are 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 and ORIX Investment.

(4) Investment Advisory and Agency Business

ORIX Investment and ORIX Real Estate Investment Advisory are registered with the Prime Minister under the Financial Instruments and Exchange Act to engage in the investment advisory and agency business.

(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 Trust and Banking (OTB) 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 OTB.

Debt Management and Collection Business

ORIX Asset Management & Loan Services (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 and Funabashi Environmental 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, Funabashi Environmental has permission under the Waste Management and Public Cleansing Act: (i) to engage in the installation of an industrial waste disposal facility within Chiba Prefecture, (ii) from each governor of Tokyo and six other prefectures and also from the mayors of eight major cities in the Kanto region to act as a Collection and Transportation of an industrial waste disposal collector and (iii) from the mayor of Funabashi City to engage in the business of 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.

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 and various state agencies regulate the issuance and sale of securities and the conduct of broker-dealers, investment companies and investment advisers in the United States. ORIX USA s majority-owned subsidiaries, Houlihan Lokey Howard & Zukin Capital, Inc., Houlihan

Lokey Howard & Zukin 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) has an affiliated limited purpose broker-dealer, Mariner Group Capital Markets, Inc. (MGCM). Both Mariner and MGCM are registered and regulated by the SEC. MGCM s primary regulator is Financial Industry Regulation Authority (FINRA). ORIX USA s majority-owned subsidiary, Red Capital Group, LLC has a subsidiary, Red Mortgage Capital, LLC, that is registered as a broker-dealer and regulated by the SEC. 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

Table of Contents

laws. Real estate transactions are also governed by state real property and foreclosure laws. ORIX USA s equipment 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.

In May 2010 ORIX USA acquired the 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 Mortgage Capital, LLC, a subsidiary of RED Capital Group is registered as a broker-dealer and regulated by the SEC. In addition, the 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.

Recent disruptions in the U.S. financial markets 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 ORIX USA s business operations.

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 deals in 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 Financial Services Authority 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.

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 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.

35

Table of Contents

Item 5. Operating and Financial Review and Prospects

Table of Contents for Item 5

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

The global economy is in the process of a moderate recovery. However, recovery is occurring at different speeds in different countries. Economic recovery in advanced economies continues to rely on economic stimulus from the government, while developing economies continue to experience strong economic growth. Meanwhile, concerns remain about the effects of rising commodity prices, including the prices for crude oil, which have risen sharply, and lingering fiscal problems in Europe.

The U.S. economy has experienced mild recovery due in part to quantitative easing and tax reductions. Corporate performance is recovering and consumer spending is improving, despite continued weakness in the housing market.

Emerging economies in the Asian region continue to experience stable growth. In China, especially, both domestic and overseas demand is increasing.

The Japanese economy continues to tread water. However, moderate recovery is forecasted from the second half of fiscal 2012 despite direct and indirect effects of the Great East Japan Earthquake, including manufacturing plant and equipment damage, low industrial production levels due to rolling blackouts and concerns about a worsening of consumer sentiment.

Table of Contents

Results Overview

Net income attributable to ORIX Corporation increased 78% to ¥67,275 million compared to fiscal 2010 primarily due to a strong performance in the Overseas Business segment and favorable growth in the Retail and Maintenance Leasing segments.

The main factors underlying our performance in fiscal 2011 are outlined below.

Segment profits and losses for fiscal 2011 were as follows. The Real Estate and Retail segments experienced a decrease in profits compared to fiscal 2010, while the Corporate Financial Services, Maintenance Leasing, Investment Banking and Overseas Business segments each recorded increases in profits.

The Corporate Financial Services segment, the core business of the ORIX Group, returned to profitability due to decreased provision for doubtful receivables and probable loan losses and increased fee income.

The Maintenance Leasing segment s profits increased due to solid revenues from the sales of used automobiles and automobile maintenance.

The Real Estate segment s profits were flat year on year due to an increase in real estate sales resulting from an increase in the number of condominiums delivered and an increase in operating lease revenues from enhanced leasing, offset by an increase in write-downs on long-lived assets.

The Investment Banking segment returned to profitability due to contributions from gains on the sale of our interest in QB Net Co., Ltd.

The Retail segment experienced a decline in profits due to the absence in fiscal 2011 of gains on sales of subsidiaries in the current year like those recorded in connection with the sales of ORIX Credit and ORIX Securities in fiscal 2010.

The Overseas segment s profits increased due to contributions from aircraft and automobile operating leases and Red Capital.

The Effects of the Great East Japan Earthquake

Certain assets, including a portion of owned properties, real estate collateral and rental assets, were directly damaged by the Great East Japan Earthquake and subsequent tsunami that occurred on March 11, 2011. As of March 31, 2011, we estimate our total exposure in Iwate, Miyagi and Fukushima prefectures to be about 2% of our total assets, or approximately ¥150 billion, primarily comprised of direct financing lease assets, installment loans, operating lease assets and real estate in operation.

As a result of the earthquake and tsunami, we recorded increased provision for doubtful receivables and probable losses on direct financing lease assets and installment loans of approximately ¥4 billion and a loss on the disposal and decreased revenues of operating lease assets and real estate in operation of approximately ¥1 billion. However, we consider the impact of the earthquake and tsunami on performance for fiscal 2011 to be limited. For more information on the effects of each segment, see Item 5. Operating and Financial Review and Prospects Segment Information.

In the near term, we expect increased provision for assets in the areas affected by the earthquake, a decrease in new contracts for automobile leasing and rentals due to disruptions of automobile supplies and a decrease in real estate-related revenues due to worsening consumer sentiment. However, moderate recovery of the Japanese economy is forecasted from the second half of fiscal 2012, and ORIX Group believes that the negative effects can be reduced by providing additional high value-added Finance + Services.

Table of Contents

FAIR VALUE MEASUREMENTS

We have adopted ASC 820-10 (Fair Value Measurements and Disclosures), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC 820-10 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 820-10 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 trading securities, available-for-sale securities, certain investment funds and derivatives at fair value on a recurring basis.

The following table presents recorded amounts of major financial assets measured at fair value on a recurring basis as of March 31, 2011:

	March 31, 2011			
	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)
	(In millions of yen)			
Financial Assets:				
Trading securities	¥ 71,991	¥ 763	¥ 71,228	¥
Available-for-sale securities	883,410	74,914	492,820	315,676
Other securities	10,023		10,023	
Derivative assets	22,985	1,306	18,497	3,182
Total	¥ 988,409	¥ 76,983	¥ 592,568	¥ 318,858
Financial Liabilities:				
Derivative liabilities	¥ 42,076	¥ 977	¥ 40,863	¥ 236
Total	¥ 42,076	¥ 977	¥ 40,863	¥ 236

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.

Table of Contents

As of March 31, 2011, financial assets and liabilities (net) 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, 2011	
	Significant Unobservable Inputs (Level 3)	Percentage of Total Assets (%)
	(In millions of yen, except percentage data)	
Level 3 Assets and liabilities:		
Available-for-sale securities	¥ 315,676	4
Corporate debt securities	2,573	0
Specified bonds issued by SPEs in Japan	222,314	3
CMBS and RMBS in the U.S., and other asset-backed securities	90,789	1
Derivative assets and liabilities (net)	2,946	0
Options held/written, caps held and other	3,134	0
Credit derivatives held/written	(188)	0
Total Level 3 financial assets and liabilities (net)	¥ 318,622	4
Total assets	¥ 8,581,582	100

As of March 31, 2011, the amount of financial assets and liabilities (net) classified as Level 3 was ¥318,622 million, among financial assets and liabilities (net) that we measured at fair value on a recurring basis. Level 3 assets and liabilities (net) represent 4% 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 ¥222,314 million as of March 31, 2011, which is 70% 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, 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 are estimated based on contractual principal and interest repayment schedules on each of the specified bond 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 a discounted cash flow methodology) 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 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 declines when the fair value of the collateral real estate declines and the discount rate rises.

With respect to the CMBS and RMBS in the United States, we judged that the market had become inactive because there were few recent transactions and because brokers quotes or pricing evaluation from independent pricing service vendors for these securities were not available. As a result, we established internally developed pricing models (Level 3 inputs) using valuation techniques such as present value techniques 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.

Table of Contents

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.

The following table presents a reconciliation of financial assets and liabilities (net) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during fiscal 2011:

	Year ended March 31, 2011							
		Gains or losses (realized / unrealized)						
	Balance at March 31, 2010	Included in earnings[1]	Included in other comprehensive income	Total	Purchase, sales and settlements (net)	Transfers in and/or out of Level 3 (net)	Balance at March 31, 2011	Change in unrealized gains or losses included in earnings for assets and liabilities still held at March 31, 2011[1]
	(In millions of yen)							
Trading securities	¥ 53	¥ (26)	¥ (2)	¥ (28)	¥ (25)	¥	¥	¥
Available-for-sale securities	401,804	(6,242)	(3,248)	(9,490)	(33,102)	(43,536)	315,676	(5,848)
Derivative assets and liabilities (net)	493	(206)		(206)		2,659	2,946	(206)

(1) Principally, gains and losses from trading securities assets are included in brokerage commissions and net gains (losses) on investment securities ; available-for-sale securities are included in write-downs of securities or life insurance premiums and related investment income ; and derivative assets and liabilities (net) are included in other operating revenues /expenses.

For more information on fair value measurements, see Note 2 of Item 18. Financial Statements.

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 real estate under operating leases as of the beginning and end of fiscal 2011, as well as the fair value as of the end of fiscal 2011.

Year ended March 31, 2011			
Carrying amount[1]			
Balance at March 31, 2010	Change amount	Balance at March 31, 2011	Fair value at March 31, 2011[2]
(In millions of yen)			
¥ 930,767	¥9,059	¥939,826	¥937,873

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

(2) Fair value is obtained either by 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.

Table of Contents

Revenue and expense for real estate under operating leases for fiscal 2011 consisted of the following:

Year ended March 31, 2011				
Revenue(1)	Expense(1)	Operating income	Income from discontinued operations(2)	Net
(In millions of yen)				
¥ 69,710	¥ 53,685	¥ 16,025	¥ 7,520	¥ 23,545

(1) Revenue means revenue from leases and gains on sales of real estate under operating leases (less cost of sales), and expense means relevant expense such as depreciation expense, repair cost, insurance cost, tax and duty and write-downs of long-lived assets.

(2) 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.

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 because of 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

We have adopted the applicable provisions of ASC 820-10 (Fair Value Measurements and Disclosures). 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 methodology, to measure fair value. These valuation techniques involve determination of assumptions that market participants would use in 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 investments in securities and derivative instruments. For more discussion, see Item 5. Operating and Financial Review and Prospects Fair Value Measurements and 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.

Table of Contents

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 experience 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. The fair value of the 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 flow methodology. 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 an available-for-sale equity security, we generally recognize an impairment loss if the fair value of the equity security has remained significantly below our acquisition cost (or current carrying value if an adjustment has been made in the past) for more than six months. We also recognize an impairment loss in situations where, even though the fair value of an available-for-sale equity security has not remained significantly below the carrying value for six months, the decline in 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 an available-for-sale debt security, we assess whether impairment is other than temporary if the fair value of a debt security is less than its amortized cost basis at the balance sheet date. Under such circumstances, as required by ASC 320-10-35 (Investments Debt and Equity Securities Subsequent Measurement), an other-than-temporary impairment is considered to have occurred if (1) we intend to sell the debt security; (2) it is more likely than not that we will be required to sell the debt security before recovery of its amortized cost basis; or (3) we do not expect to recover the entire amortized cost basis of the security. In measuring the impairment, if we intend to sell the security or it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment is recognized in earnings equal to the entire difference between the security s amortized cost basis and its fair value at the balance sheet date. On the other hand, if we do not intend to sell the debt security and it is more likely than not that we will not be required to sell the security prior to recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment is separated into (a) the credit loss component and (b) the non-credit loss component. We recognize the credit loss component of an other-than-temporary impairment of the debt security in earnings and the non-credit loss component in other comprehensive income (loss), net of applicable income taxes.

In making an other-than-temporary impairment assessment for available-for-sale debt securities, we consider all available information relevant to the collectibility 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.

As for other securities, we recognize an impairment loss in income if the decline in the value of the security is other than temporary.

Determinations of whether a decline 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 to 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 process either at the operating segment level or one level below the operating segments. 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 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. Any intangible assets that are not subject to amortization are tested for impairment by comparing the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Table of Contents

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.

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 fair value based on 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 to estimate fair value. 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

44

as income over the lease term for direct financing leases and when we calculate depreciation amounts for operating leases which 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.

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 associated with writing insurances, or deferred policy acquisition costs, and amortize them over the respective policy periods in proportion to anticipated premium revenue. These deferred policy acquisition costs are the costs related to the acquisition of new and renewal insurance policies and consist primarily of first-year commissions in excess of recurring policy maintenance costs and certain variable costs and expenses for underwriting policies. 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.

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 2011 would decrease or increase, respectively, by approximately ¥854 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 2011 would decrease by approximately ¥920 million. If we were to assume a 1% decrease in the discount rate, and keep other assumptions constant, pension expense for fiscal 2011 would increase by approximately ¥1,035 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

Table of Contents

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 that our deferred tax assets will be recovered from future taxable income, and to the extent we believe that recovery 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 of being 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. In the event that 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 2011.

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.

Table of Contents

Furthermore, we also expanded our business by the addition of securities-related operations, aimed at capital gains and brokerage income. Thereafter, we established and acquired a number of subsidiaries and affiliates in Japan and overseas to expand our operations, such as a trust bank, a life insurance company and a real estate-related company. The Investment Banking Headquarters makes selective equity investments in companies and has been working to meet the needs of companies through recently expanding management buyouts, sales of subsidiaries by large corporations, carve-outs and business successions, in addition to investments in rehabilitation companies.

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 (losses) on investment securities, life insurance premiums and related investment income, real estate sales, gains on sales of real estate under operating leases 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, other operating expenses and selling, general and administrative expenses.

Expenses reported under an account caption of 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, 2011 Compared to Year Ended March 31, 2010 and Year Ended March 31, 2010 Compared to Year Ended March 31, 2009.

We have historically reflected write-downs of long-lived assets under Operating income as related assets, primarily real estate assets, represented significant operating assets under management or development.

Table of Contents

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, 2011 COMPARED TO YEAR ENDED MARCH 31, 2010

Performance Summary

Financial Results

	Year ended March 31,		Change	
	2010	2011	Amount	Percent (%)
	(In millions of yen, except ratios, per share data and percentages)			
Total revenues	¥ 912,294	¥ 970,110	¥ 57,816	6
Total expenses	883,584	896,150	12,566	1
Income before income taxes	54,593	91,965	37,372	68
Net income attributable to ORIX Corporation	37,757	67,275	29,518	78
Earnings per share (Basic)	370.52	625.88	255.36	69
(Diluted)	315.91	527.75	211.84	67
ROE	3.06	5.14	2.08	
ROA	0.47	0.82	0.35	

Total revenues in fiscal 2011 increased 6% to ¥970,110 million compared to ¥912,294 million in fiscal 2010. Due to the application of new accounting standards starting in fiscal 2011 relating to the consolidation of variable interest entities (VIEs) (see Note 11 of Item 18. Financial Statements), VIEs that have become subject to consolidation have increased, and, as a result, interest on loans and investment securities increased compared to fiscal 2010. Meanwhile, real estate sales increased compared to fiscal 2010 due to an increase in units delivered in the condominium business.

Expenses for fiscal 2011 were flat year on year at ¥896,150 million. Interest expense increased compared to fiscal 2010 in line with the application of the above-mentioned new accounting standards related to VIEs. In addition, costs of real estate sales increased compared to fiscal 2010 due to the above-mentioned increase in the number of condominiums delivered, and write-downs of long-lived assets also increased mainly in the real estate segment. However, provision for doubtful receivables and probable loan losses significantly decreased 56% to ¥31,122 million in fiscal 2011 compared to ¥71,529 million fiscal 2010 due to a large decrease in occurrences of non-performing loans. Also, selling, general and administrative expenses decreased as a result of the deconsolidation of ORIX Credit Corporation and ORIX Securities Corporation.

Equity in net income of affiliates increased 101% to ¥16,806 million in fiscal 2011 compared to ¥8,364 million in fiscal 2010, in which a loss was recorded resulting from an affiliate filing for protection under the Corporate Rehabilitation Law. The increase was mainly due to contributions from equity-method affiliates in the Asian region. Also, gains on sales of subsidiaries and affiliates and liquidation losses, net, decreased due to the absence of gains on the sales of ORIX Credit Corporation and ORIX Securities Corporation recorded in fiscal 2010.

As a result of the foregoing, income before income taxes and discontinued operations for fiscal 2011 increased 68% to ¥91,965 million compared to ¥54,593 million during fiscal 2010, and net income attributable to ORIX Corporation increased 78% to ¥67,275 million compared to ¥37,757 million during fiscal 2010.

Table of Contents

Balance Sheet data

	As of March 31,		Change	
	2010	2011	Amount	Percent (%)
	(In millions of yen except ratios, per share and percentages)			
Total assets	¥ 7,739,800	¥ 8,581,582	¥ 841,782	11
(Segment assets)	6,284,275	6,142,818	(141,457)	(2)
Total liabilities	6,395,244	7,206,652	811,408	13
(Long- and short-term debt)	4,409,835	5,009,901	600,066	14
(Deposits)	853,269	1,065,175	211,906	25
ORIX Corporation Shareholders equity	1,298,684	1,319,341	20,657	2
ORIX Corporation Shareholders equity per share	12,082.56	12,273.11	190.55	2
ORIX Corporation Shareholders equity ratio	16.8%	15.4%	(1.4%)	
Adjusted ORIX Corporation Shareholders equity ratio[(1)]	17.2%	17.7%	0.5%	
D/E ratio	3.4x	3.8x	0.4	
Adjusted D/E ratio[(1)]	3.2x	3.0x	(0.2)	

(1) Adjusted ORIX Corporation Shareholders equity ratio and Adjusted D/E ratio are non-GAAP financial measures presented on an adjusted basis which excludes the consolidation of certain assets or liabilities attributable to consolidated VIEs and reverses the cumulative effect on our retained earnings of applying the new 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.

Total assets in fiscal 2011 increased 11% to ¥8,581,582 million from ¥7,739,800 million on March 31, 2010 primarily due to the application of new accounting standards starting in fiscal 2011 relating to the consolidation of VIEs (see Note 11 of Item 18. Financial Statements), which increased the amount of installment loans and investment in direct financing leases as compared to March 31, 2010. Segment assets decreased 2% to ¥6,142,818 million compared to March 31, 2010.

Regarding liabilities, the application of new accounting standards relating to VIEs resulted in an increase in long-term debt compared to March 31, 2010. Furthermore, deposits have increased in accordance with business expansion in the trust and banking business.

ORIX Corporation Shareholders equity increased 2% to ¥1,319,341 million primarily due to an increase in Retained earnings compared to fiscal 2010.

While D/E ratio increased year on year from 3.4 to 3.8 due to applying the new accounting standards starting in fiscal 2011 relating to the consolidation of VIEs (see Note 11 of Item 18. Financial Statements), Adjusted D/E ratio declined year on year from 3.2 to 3.0.

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.

Table of Contents

Revenues, New Business Volumes and Investments

Direct financing leases

	As of and for the year ended March 31, 2010	2011	Change Amount	Percent (%)
	(In millions of yen, except percentage data)			
Direct financing leases:				
Direct financing lease revenues	¥ 50,004	¥ 51,320	¥ 1,316	3
Japan	34,873	36,786	1,913	5
Overseas	15,131	14,534	(597)	(4)
New equipment acquisitions	232,629	351,116	118,487	51
Japan	157,012	232,264	75,252	48
Overseas	75,617	118,852	43,235	57
Investment in direct financing leases	756,481	830,853	74,372	10
Japan	578,263	642,827	64,564	11
Overseas	178,218	188,026	9,808	6

The balance of direct financing leases increased primarily due to the purchase of leasing receivables from Sun Telephone Co., Ltd., the acquisition of Tsukuba Lease Co., Ltd, and a large volume of small-sized leasing transactions in Japan. The amount of new equipment acquisitions overseas with a focus on the Asia area in fiscal 2011 increased compared to fiscal 2010.

As a result, revenues from direct financing leases in fiscal 2011 increased 3% compared to fiscal 2010 to ¥51,320 million. In Japan, revenues from direct financing leases increased 5% compared to fiscal 2010 to ¥36,786 million. Overseas, revenues from direct financing lease decreased 4% compared to fiscal 2010 to ¥14,534 million due to a decrease in the average balance of financing leases as a result of restrictions on new transactions implemented during fiscal 2010.

The average return we earned on direct financing leases in Japan, calculated on the basis of quarterly balances, was up slightly at 5.46% in fiscal 2011 compared to 5.43% in fiscal 2010. The average return on overseas direct financing leases, calculated on the basis of quarterly balances, increased to 8.21% in fiscal 2011 from 7.93% in fiscal 2010 mainly due to higher average rates in Asia.

New equipment acquisitions related to direct financing leases increased 51% to ¥351,116 million compared to fiscal 2010 primarily due to the purchase of leasing receivables described above. New equipment acquisitions for operations in Japan increased 48% in fiscal 2011, and new equipment acquisition for overseas operations increased 57% in fiscal 2011, as compared to fiscal 2010.

Investment in direct financing leases as of March 31, 2011 increased 10% to ¥830,853 million compared to March 31, 2010 due to the application of new accounting standards in fiscal 2011 relating to the consolidation of VIEs (see Note 11 of Item 18. Financial Statements) and an increase in new equipment acquisitions as described above.

Table of Contents

As of March 31, 2011, no single lessee represented more than 1% of our total portfolio of direct financing leases. As of March 31, 2011, 77% of our direct financing leases were to lessees in Japan, while 23% were to overseas lessees. Approximately 5% of our direct financing leases were to lessees in Malaysia and Indonesia. No other overseas country represented more than 5% of our total portfolio of direct financing leases.

	As of March 31,		Change	
	2010	2011	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment in direct financing leases by category:				
Information-related and office equipment	¥ 74,113	¥ 79,006	¥ 4,893	7
Industrial equipment	102,137	117,915	15,778	15
Commercial services equipment	54,481	57,286	2,805	5
Transportation equipment	311,381	302,080	(9,301)	(3)
Other equipment	214,369	274,566	60,197	28
Total	¥ 756,481	¥ 830,853	¥ 74,372	10

Operating leases

	As of and for the year ended March 31,		Change	
	2010	2011	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Operating leases:				
Operating lease revenues	¥ 274,266	¥ 283,545	¥ 9,279	3
Japan	218,375	226,623	8,248	4
Overseas	55,891	56,922	1,031	2
Costs of operating leases	191,173	188,671	(2,502)	(1)
New equipment acquisitions	189,915	297,954	108,039	57
Japan	161,391	210,803	49,412	31
Overseas	28,524	87,151	58,627	206
Investment in operating leases	1,213,223	1,270,295	57,072	5
Japan	1,083,284	1,096,689	13,405	1
Overseas	129,939	173,606	43,667	34

Revenues from operating leases increased 3% to ¥283,545 million compared to fiscal 2010. In Japan, operating lease revenues increased due to solid revenues in automobile operations from used automobile sales, as well as an increase in revenues from real estate leasing. Overseas, operating lease revenues increased mainly because of an increase in the balance of investments in aircraft leasing. In fiscal 2010 and 2011, gains from the disposition of operating lease assets other than real estate, which were included in operating lease revenues, were ¥7,552 million and ¥9,968 million, respectively.

Costs of operating leases decreased 1% to ¥188,671 million compared to fiscal 2010 due to the effect of appreciated yen overseas as well as a decrease in depreciation expenses resulting from a year on year decrease in the average monthly balance of investment in operating leases.

New equipment acquisitions related to operating leases increased 57% to ¥297,954 million compared to fiscal 2010. New equipment acquisitions by operations in Japan increased as a result of an increase in the purchase of transportation equipment such as automobiles and measuring and information-related equipment, while new equipment acquisitions by operations overseas increased due to an increase in the purchase of transportation equipment, mainly aircraft.

Investment in operating leases increased 5% to ¥1,270,295 million compared to fiscal 2010 due to the increase in new equipment acquisitions described above, despite the effect of appreciated yen overseas.

Table of Contents

	As of March 31, 2010	As of March 31, 2011	Change Amount	Change Percent (%)
	(In millions of yen, except percentage data)			
Investment in operating leases by category:				
Transportation equipment	¥ 358,227	¥ 408,883	¥ 50,656	14
Measuring and information-related equipment	51,170	54,310	3,140	6
Real estate	782,272	787,584	5,312	1
Other	4,305	3,893	(412)	(10)
Accrued rental receivables	17,249	15,625	(1,624)	(9)
Total	¥ 1,213,223	¥ 1,270,295	¥ 57,072	5

Investment in transportation equipment operating leases rose 14% year on year due to the expansion of our aircraft-related business overseas. Investment in measuring and information-related equipment operating leases rose 6% year on year, mainly because of an increase in assets in Japan in connection with the increase of new equipment acquisitions. Investment in real estate under operating leases rose 1% year on year, attributable to real estate collateral acquired from non-recourse loans and others.

Installment loans

	As of and for the year ended March 31, 2010	As of and for the year ended March 31, 2011	Change Amount	Change Percent (%)
	(In millions of yen, except percentage data)			
Installment loans:				
Interest on installment loans(1)	¥ 114,730	¥ 152,118	¥ 37,388	33
Japan	96,120	80,759	(15,361)	(16)
Overseas	18,610	71,359	52,749	283
New loans added	598,046	721,189	123,143	21
Japan	552,312	601,981	49,669	9
Overseas	45,734	119,208	73,474	161
Installment loans	2,464,251	2,983,164	518,913	21
Japan	2,207,943	2,105,791	(102,152)	(5)
Overseas	256,308	877,373	621,065	242

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

Due to the application of new accounting standards starting in fiscal 2011 relating to the consolidation of VIEs (see Note 11 of Item 18. Financial Statements), VIEs that have become subject to consolidation have increased, and, as a result, installment loans and interest on installment loans increased, mainly overseas. In Japan, revenues on installment loans from corporate financial services decreased in line with a decrease in the average balance of installment loans as a result of restrictions on new loan executions implemented during fiscal 2010.

Interest on installment loans increased 33% compared with fiscal 2010 to ¥152,118 million in fiscal 2011. In Japan, interest on installment loans decreased 16% compared to fiscal 2010 for the reasons discussed above, and overseas, interest on installment loans increased 283% in fiscal 2011, primarily due to consolidation of VIEs in the United States.

53

Table of Contents

The average interest rate earned on loans in Japan, calculated on the basis of quarterly balances, decreased to 3.59% in fiscal 2011 from 3.84% in fiscal 2010. The average interest rate earned on overseas loans, however, calculated on the basis of quarterly balances, increased to 7.30% in fiscal 2011 from 6.53% in fiscal 2010, primarily due to contributions from Red Capital.

New loans added increased 21% to ¥721,189 million compared to fiscal 2010. In Japan, new loans added increased 9% to ¥601,981 million in fiscal 2011 as compared to fiscal 2010, and overseas, new loans added increased 161% to ¥119,208 million, primarily due to the moderate recovery of the U.S. economy.

The balance of installment loans as of March 31, 2011 increased 21% to ¥2,983,164 million compared to March 31, 2010. The balance of installment loans for borrowers in Japan fell by 5%, but the balance of installment loans for overseas customers increased 242%, primarily due to consolidation of VIEs in the United States. As of March 31, 2011, 71% of our installment loans were to borrowers in Japan, while 27% 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, 2010 and 2011, further categorized by the type of borrower (i.e., consumer or corporate) in the case of borrowers in Japan. As of March 31, 2011, ¥66,114 million, or 3%, 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	
	2010	2011	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Installment loans:				
Consumer borrowers in Japan				
Housing loans	¥ 731,184	¥ 823,974	¥ 92,790	13
Other	13,663	14,317	654	5
Subtotal	744,847	838,291	93,444	13
Corporate borrowers in Japan				
Real estate companies	447,181	345,078	(102,103)	(23)
Commercial, industrial and other companies	904,729	817,493	(87,236)	(10)
Subtotal	1,351,910	1,162,571	(189,339)	(14)
Total (Japan)	2,096,757	2,000,862	(95,895)	(5)
Overseas corporate, industrial and other borrowers	244,521	870,967	626,446	256
Purchased loans[1]	122,973	111,335	(11,638)	(9)
Total	¥ 2,464,251	¥ 2,983,164	¥ 518,913	21

(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). These loans consist mainly of housing loans and loans to real estate companies and commercial, industrial and other companies in Japan.

As of March 31, 2011, ¥386,214 million, or 13%, of all installment loans were outstanding to real estate companies in Japan and overseas. Of this amount, ¥93,607 million, or 3% of all installment loans, were loans individually evaluated for impairment. We calculated an allowance of ¥30,552 million on these impaired loans. As of March 31, 2011, we had installment loans outstanding in the amount of ¥145,473 million, or 5% of all installment loans, to companies in the entertainment industry. Of this amount, ¥29,597 million, or 1% of all installment loans, was loans individually evaluated for impairment. We calculated an allowance of ¥4,114 million on these impaired loans.

Table of Contents

The balance of loans to consumer borrowers in Japan as of March 31, 2011 increased by 13% to ¥838,291 million compared to the balance as of March 31, 2010. The balance of loans to corporate borrowers in Japan as of March 31, 2011 decreased by 14%, to ¥1,162,571 million, compared to the balance as of March 31, 2010, primarily due to a decrease in the balance of loans to real estate companies.

Asset quality

Direct financing leases

	As of March 31, 2010	As of March 31, 2011
	(In 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	¥ 25,682	¥ 22,787
90+ days past-due direct financing leases as a percentage of the balance of investment in direct financing leases	3.39%	2.74%
Provision as a percentage of average balance of investment in direct financing leases[1]	0.58%	0.51%
Allowance for direct financing leases	¥ 23,969	¥ 21,201
Allowance for direct financing leases as a percentage of the balance of investment in direct financing leases	3.17%	2.55%

(1) Average balances are calculated on the basis of fiscal beginning balance and fiscal quarter-end balances. The application of new accounting standards starting in fiscal 2011 relating to the consolidation of VIEs is included in the fiscal beginning balance.

The balance of 90+ days past-due direct financing leases decreased by ¥2,895 million to ¥22,787 million compared to fiscal 2010. As a result, the ratio of 90+ days past-due direct financing leases decreased by 0.65% from fiscal 2010 to 2.74%.

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 adequate as of March 31, 2011 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.

The ratio of charge-offs as a percentage of the average balance of investment in direct financing leases was 1.06% and 0.88% for fiscal 2010 and 2011, respectively.

Table of Contents

Loans not individually evaluated for impairment

	As of March 31, 2010	As of March 31, 2011
	(In 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	¥ 12,321	¥ 10,037
90+ days past-due loans not individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.58%	0.38%
Provision as a percentage of average balance of installment loans[1]	0.37%	0.12%
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment	¥ 33,299	¥ 35,626
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	1.57%	1.33%

(1) Average balances are calculated on the basis of fiscal beginning balance and fiscal quarter-end balances. The application of new accounting standards starting in fiscal 2011 relating to the consolidation of VIEs is included in the fiscal beginning balance.

The balance of 90+ days past-due loans not individually evaluated for impairment as to past-due loans which are not individually significant and accordingly are evaluated for impairment as a homogeneous group decreased by 19% to ¥10,037 million in fiscal 2011, but the allowance for probable loan losses increased by 7% to ¥35,626 million due to an increase of ¥3,799 million as a result of the application of new accounting standards starting in fiscal 2011 relating to the consolidation of VIEs (see Note 11 of Item 18. Financial Statements).

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, 2010	As of March 31, 2011
	(In millions of yen)	
90+ days past-due loans not individually evaluated for impairment:		
Consumer borrowers in Japan		
Housing loan	¥ 12,025	¥ 9,960
Other	279	
Overseas corporate, industrial and other borrowers	17	77
Total	¥ 12,321	¥ 10,037

We make provision against losses for these homogenous loans by way of general reserves for installment loans included in the allowance for doubtful receivables. 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.

The ratio of charge-offs as a percentage of the average balance of installment loans was 0.26% and 0.14% for fiscal 2010 and 2011, respectively.

Table of Contents

Loans individually evaluated for impairment

	As of March 31,	
	2010	2011
	(In millions of yen)	
Loans individually evaluated for impairment:		
Impaired loans	¥ 348,143	¥ 312,031
Effect of the application of the new accounting standards[1]		52,335
Impaired loans requiring a valuation allowance	268,145	243,749
Effect of the application of the new accounting standards[1]		50,155
Valuation allowance[2]	100,255	97,323
Effect of the application of the new accounting standards[1]		19,343

(1) These are the ending balances attributable to VIEs which were newly consolidated at the beginning of fiscal 2011 due to the application of the new accounting standards for consolidation of VIEs under ASU 2009-16 and ASU 2009-17.

(2) The valuation 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 ¥57,615 million in fiscal 2010 and ¥23,288 million in fiscal 2011, and charge-off of impaired loans was ¥42,705 million in fiscal 2010 and ¥50,059 million in fiscal 2011. New provision for probable loan losses decreased by ¥34,327 million compared to fiscal 2010. Charge-off of impaired loans increased by ¥7,354 million compared to fiscal 2010 due to the level of our collection of impaired loan receivables through sales of real estate collateral and our determination that prospects for further recovery from the obligor are minimal.

The table below sets forth the outstanding balances of impaired loans by region and type of borrower. Consumer loans in Japan primarily consist of restructured smaller-balance homogeneous loans individually evaluated for impairment. Overseas loans increased by ¥46,407 million compared to fiscal 2010 mainly due to the application of new accounting standards starting in fiscal 2011 relating to the consolidation of VIEs (see Note 11 of Item 18. Financial Statements). Impaired corporate loans in Japan decreased by ¥93,115 million in fiscal 2011 as compared to fiscal 2010 mainly due to a decrease in impaired corporate loans for real estate companies in Japan.

	As of March 31,	
	2010	2011
	(In millions of yen)	
Impaired loans:		
Consumer borrowers in Japan	¥ 8,996	¥ 8,306
Corporate borrowers in Japan		
Real estate companies	152,455	91,934
Commercial, industrial and other companies	141,406	108,812
Subtotal	293,861	200,746
Overseas corporate, industrial and other borrowers	21,265	66,294
Purchased loans	24,021	36,685
Total	¥ 348,143	¥ 312,031

Table of Contents

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	
	2010	2011	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Provision for doubtful receivables on direct financing leases and probable loan losses:				
Beginning balance	¥ 158,544	¥ 157,523	¥ (1,021)	(1)
Direct financing leases	27,540	23,969	(3,571)	(13)
Loans not individually evaluated for impairment	41,768	33,299	(8,469)	(20)
Loans individually evaluated for impairment	89,236	100,255	11,019	12
Effect of the application of the new accounting standards(1)		32,181	32,181	
Direct financing leases		158	158	
Loans not individually evaluated for impairment		3,799	3,799	
Loans individually evaluated for impairment		28,224	28,224	
Beginning balance after the application of the new accounting standards	158,544	189,704	31,160	20
Direct financing leases	27,540	24,127	(3,413)	(12)
Loans not individually evaluated for impairment	41,768	37,098	(4,670)	(11)
Loans individually evaluated for impairment	89,236	128,479	39,243	44
Provision charged to income	71,529	31,122	(40,407)	(56)
Direct financing leases	4,807	4,322	(485)	(10)
Loans not individually evaluated for impairment	9,107	3,512	(5,595)	(61)
Loans individually evaluated for impairment	57,615	23,288	(34,327)	(60)
Charge-offs (net)	(57,797)	(61,654)	(3,857)	7
Direct financing leases	(8,744)	(7,505)	1,239	(14)
Loans not individually evaluated for impairment	(6,348)	(4,090)	2,258	(36)
Loans individually evaluated for impairment	(42,705)	(50,059)	(7,354)	17
Other(2)	(14,753)	(5,022)	9,731	(66)
Direct financing leases	366	257	(109)	(30)
Loans not individually evaluated for impairment	(11,228)	(894)	10,334	(92)
Loans individually evaluated for impairment	(3,891)	(4,385)	(494)	13
Ending balance	157,523	154,150	(3,373)	(2)
Direct financing leases	23,969	21,201	(2,768)	(12)
Loans not individually evaluated for impairment	33,299	35,626	2,327	7
Loans individually evaluated for impairment	100,255	97,323	(2,932)	(3)

(1) This effect results from our application of the new accounting standards for consolidation of VIEs under ASU 2009-16 and 2009-17, effective April 2010.

(2) Other includes foreign currency translation adjustments, amounts reclassified to discontinued operations and decrease in allowance related to sales of subsidiaries.

Due to the adoption of new accounting standards starting in fiscal 2011 relating to the consolidation of VIEs (see Note 11 of Item 18. Financial Statements), VIEs that have become subject to consolidation have increased, and as a result, provision for doubtful receivables and probable loan losses increased, mainly overseas. However in Japan, as a result of stricter collateral requirements, provision for doubtful receivables and probable loan losses from corporate financial services decreased 56% in fiscal 2011 as compared to fiscal 2010. The breakdown is: direct financing leases, a 10% decrease; loans not individually evaluated for impairment, a 61% decrease; and loans individually evaluated for impairment, a 60% decrease due to a large decrease in the occurrences of non-performing loans.

Investment Securities

	As of and for the year ended March 31,		Change	
	2010	2011	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment securities:				
Interest on investment securities	¥ 20,436	¥ 17,690	¥ (2,746)	(13)
Japan	13,311	11,067	(2,244)	(17)
Overseas	7,125	6,623	(502)	(7)
New securities added	519,769	791,054	271,285	52
Japan	450,304	757,816	307,512	68
Overseas	69,465	33,238	(36,227)	(52)
Investment in securities	1,104,158	1,175,381	71,223	6
Japan	940,938	992,871	51,933	6
Overseas	163,220	182,510	19,290	12

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

Interest on investment securities other than those held in connection with our life insurance operations in Japan decreased 17% to ¥11,067 million in fiscal 2011 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 also decreased 7% to ¥6,623 million in fiscal 2011 primarily due to the foreign exchange effects of an appreciated yen. The average interest rate earned on investment securities in Japan, calculated on a monthly basis, was 2.20% in fiscal 2011 compared to 2.59% in fiscal 2010. The average interest rate earned on overseas investment securities, calculated on a monthly basis, declined to 6.54% in fiscal 2011 compared to 7.05% in fiscal 2010.

New securities added increased 52% to ¥791,054 million in fiscal 2011 primarily due to the recovery trend in financial and capital markets and rebalancing of our investment portfolios. New securities added in Japan increased 68% in fiscal 2011. On the other hand, new securities added overseas decreased 52%, primarily due to cautious monitoring of investments despite gradual improvement in the U.S. financial and capital markets.

The balance of our investment in securities as of March 31, 2011 increased 6% to ¥1,175,381 million compared to fiscal 2010. The balance of our investment in securities in Japan increased 6% primarily due to an investment in debt securities by trust banking and increasing fair value of investment in securities in line with recovery of the domestic financial and capital markets. The balance of our investment in securities overseas also increased 12% mainly due to increasing fair value of investment in securities in accordance with recovery of the U.S. financial and capital markets.

	As of March 31,		Change	
	2010	2011	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment in securities by security type:				
Trading securities	¥ 49,596	¥ 71,991	¥ 22,395	45
Available-for-sale securities	845,234	883,410	38,176	5
Held-to-maturity securities	43,732	43,695	(37)	(0)
Other securities	165,596	176,285	10,689	6

Total	¥ 1,104,158	¥ 1,175,381	¥ 71,223	6

Table of Contents

Investments in trading securities increased to ¥71,991 million in fiscal 2011 primarily due to increasing balances of municipal bonds and increasing fair value of investment in securities in line with recovery of the U.S. financial and capital markets. Investments in available-for-sale securities increased 5% in fiscal 2011 primarily due to decreased balances of debt securities containing comparatively high risk such as specified bonds issued by SPEs in Japan and increased balances of government and municipal bonds, which have relatively lower risk. As of March 31, 2011, CMBS and RMBS in available-for-sale securities in the United States were ¥37,772 million as compared to ¥63,960 million as of March 31, 2010. Our life insurance business invests in Japanese government bonds as held-to-maturity securities. Other securities increased 6% in fiscal 2011 mainly due to an increase of new execution of fund investment in accordance with recovery of financial and capital markets in Japan and overseas.

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

	Year ended March 31,		Change	
	2010	2011	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Brokerage commissions and net gains (losses) on investment securities:				
Brokerage commissions	¥ 3,418	¥ 119	¥ (3,299)	(97)
Net gains (losses) on investment securities[1]	14,863	16,656	1,793	12
Dividends income	5,072	4,345	(727)	(14)
Total	¥ 23,353	¥ 21,120	¥ (2,233)	(10)

(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 (losses) on investment securities decreased 10% to ¥21,120 million in fiscal 2011, compared to fiscal 2010. Our brokerage commissions decreased 97% primarily due to the deconsolidation of ORIX Securities in January 2010. Subsequent to such deconsolidation, income from the deconsolidated business is recorded as equity in net income (loss) of affiliates. Net gains (losses) on investment securities increased 12% to ¥16,656 million in fiscal 2011, compared to fiscal 2010, primarily due to an increase of net gains on domestic and overseas fund investment resulting from recovery of the domestic and international financial markets. Dividend income decreased 14% to ¥4,345 million in fiscal 2011 compared to fiscal 2010, primarily due to a decrease in distributions from SPEs that invest in real estate.

As of March 31, 2011, gross unrealized gains on available-for-sale securities, including those held in connection with our life insurance operations, were ¥31,230 million, compared to ¥29,399 million as of March 31, 2010. As of March 31, 2011, gross unrealized losses on available-for-sale securities, including those held in connection with our life insurance operations, were ¥11,605 million, compared to ¥17,354 million as of March 31, 2010. Unrealized gains and losses improved primarily due to recovery in the domestic securities market in Japan and overseas and a result of stringent selection of transactions.

Table of Contents

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 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	
	2010	2011	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Life insurance premiums and related investment income and life insurance costs:				
Life insurance premiums	¥ 104,133	¥ 107,860	¥ 3,727	4
Life insurance-related investment income	11,465	10,613	(852)	(7)
Total	¥ 115,598	¥ 118,473	¥ 2,875	2
Life insurance costs	¥ 92,348	¥ 91,497	¥ (851)	(1)

	As of March 31,		Change	
	2010	2011	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Breakdown of life insurance-related investment income:				
Net gains (losses) on investment securities	¥ 2,228	¥ 2,950	¥ 722	32
Interest on loans and investment securities, and others	9,237	7,663	(1,574)	(17)
Total	¥ 11,465	¥ 10,613	¥ (852)	(7)

Life insurance premiums and related investment income increased 2% to ¥118,473 million in fiscal 2011 compared to fiscal 2010.

Life insurance premiums increased 4% to ¥107,860 million in fiscal 2011 compared to fiscal 2010 due to an increase in contracts for new products.

Although net gains (losses) on investment securities increased due to reconstructing our portfolio, life insurance-related investment income decreased 7% to ¥10,613 million in fiscal 2011 compared to fiscal 2010 primarily due to a decline in the amount of interest earned on loans and investment securities and others.

Life insurance costs decreased 1% to ¥91,497 million in fiscal 2011 compared to fiscal 2010.

The margin ratio, which subtracts life insurance costs from life insurance premiums expanded to 15% in fiscal 2011 compared with 11% in fiscal 2010.

	As of March 31,		Change	
	2010	2011	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investments by ORIX Life Insurance:				
Available-for-sale debt securities	¥ 245,133	¥ 259,049	¥ 13,916	6
Available-for-sale equity securities	495	4,021	3,526	712
Held-to-maturity securities	43,732	43,695	(37)	(0)
Other securities	1,678	1,219	(459)	(27)
Total investment in securities	291,038	307,984	16,946	6
Installment loans and other investments	174,297	138,295	(36,002)	(21)
Total	¥ 465,335	¥ 446,279	¥ (19,056)	(4)

Table of Contents

Investments in securities increased 6% to ¥307,984 million in fiscal 2011 as the result of increased available-for-sale debt securities and available-for-sale equity securities.

Installment loans and other investments decreased 21% to ¥138,295 million in fiscal 2011 as the result of increased collection of principal of installment loans.

Real estate sales

	Year ended March 31, 2010	2011	Change Amount	Percent (%)
	(In millions of yen, except percentage data)			
Real estate sales:				
Real estate sales	¥ 40,669	¥ 54,741	¥ 14,072	35
Costs of real estate sales	46,757	58,930	12,173	26
Margins	¥ (6,088)	¥ (4,189)	¥ 1,899	

Real estate sales were up 35% year on year to ¥54,741 million and the number of condominiums sold to buyers in Japan increased from 856 units in fiscal 2010 to 1,087 units in fiscal 2011.

Costs of real estate sales increased 26% to ¥58,930 million compared to fiscal 2010 with more write-downs recorded on some projects under development in fiscal 2011. We recorded ¥7,115 million and ¥9,844 million of write-downs for fiscal 2010 and 2011. Costs of real estate sales include the upfront costs associated with advertising and creating model rooms.

Margins recorded a loss of ¥4,189 million in fiscal 2011 improving from a loss of ¥6,088 million in fiscal 2010 due to the increase in the number of condominiums delivered, despite the increase of aforementioned write-downs.

Gains on sales of real estate under operating leases

	Year ended March 31, 2010	2011	Change Amount	Percent (%)
	(In millions of yen, except percentage data)			
Gains on sales of real estate under operating leases:				
Gains on sales of real estate under operating leases	¥ 6,841	¥ 5,103	¥ (1,738)	(25)

Gains on sales of real estate under operating leases decreased 25% year on year to ¥5,103 million in fiscal 2011, mainly due to a decrease in profit related to the 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 26 of Item 18. Financial Statements.

Table of Contents

Other operations

	As of and for the year ended March 31,		Change	
	2010	2011	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Other operations:				
Other operating revenues	¥ 266,397	¥ 266,000	¥ (397)	(0)
Japan	198,604	205,817	7,213	4
Overseas	67,793	60,183	(7,610)	(11)
Other operating expenses	149,872	156,827	6,955	5
New assets added	24,186	40,763	16,577	69
Japan	24,186	40,763	16,577	69
Overseas				
Other operating assets	186,396	235,430	49,034	26
Japan	182,022	220,742	38,720	21
Overseas	4,374	14,688	10,314	236

Other operating revenues remained flat year on year at ¥266,000 million. In Japan, revenues were up 4% to ¥205,817 million compared to ¥198,604 million in fiscal 2010, mainly due to the earnings of hotels and golf courses which we consolidated in fiscal 2011 and an increase in earnings from electric power buying and selling. Overseas, revenues were down 11% to ¥60,183 million, compared to ¥67,793 million during fiscal 2010, due to the decrease in revenues from advisory services in the United States.

Other operating expenses were up 5% year on year to ¥156,827 million resulting from the recognition of expenses from hotels and golf courses which we consolidated in fiscal 2011. The change in other operating expenses correlates with the increase in other operating revenues.

New assets added for other operating transactions were up 69% to ¥40,763 million in fiscal 2011 due to an increase in the number of condominiums completed. New assets added for other operating transactions include other operating assets and real estate for sale, such as residential condominiums and commercial real estate.

Other operating assets increased 26% to ¥235,430 million in fiscal 2011.

Expenses

Interest expense

Due to the application of new accounting standards starting in fiscal 2011 relating to the consolidation of VIEs, (see Note 11 of Item 18. Financial Statements), interest expense increased 51% to ¥123,503 million compared to fiscal 2010. Our total outstanding short-term debt, long-term debt and deposits increased 15% to ¥6,075,076 million compared to fiscal 2010, attributed to increases both in Japan and overseas.

The average interest rate on our short-term debt, long-term debt and deposits in Japan, calculated on the basis of average monthly balances, increased to 1.38% in fiscal 2011, compared to 1.36% in fiscal 2010. The average interest rate on our short-term debt, long-term debt and deposits held overseas, calculated on the basis of average monthly balances, increased to 4.76% in fiscal 2011, compared to 3.16% in fiscal 2010 due to the application of new accounting standards relating to the consolidation of VIEs. For more information regarding interest rate risk, see Item 3. Key Information Risk Factors. For more information regarding our level of debt, see Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Levels of Borrowings.

63

Table of Contents

Selling, general and administrative expenses

	Year ended March 31,		Change	
	2010	2011	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Selling, general and administrative expenses:				
Personnel expenses	¥ 132,150	¥ 131,795	¥ (355)	(0)
Selling expenses	18,439	17,318	(1,121)	(6)
Administrative expenses	64,580	52,973	(11,787)	(18)
Depreciation of office facilities	3,153	2,906	(247)	(8)
Total	¥ 218,322	¥ 204,812	¥ (13,510)	(6)

Employee salaries and other personnel expenses account for 64% of selling, general and administrative expenses in fiscal 2011, 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 2011 decreased 6% year on year.

Write-downs of long-lived assets

As a result of the impairment reviews we performed during fiscal 2011 for long-lived assets in Japan and overseas, such as golf courses, office buildings, commercial facilities, condominiums, and hotels, in accordance with ASC 360-10 (Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets), we recorded write-downs totaling ¥20,310 million in fiscal 2011, an increase of 114% compared to fiscal 2010. These write-downs are reflected as write-downs of long-lived assets and income from discontinued operations, net. ¥18,853 million is reflected as write-downs of long-lived assets in our consolidated statement of income. These write-downs consist of impairment losses of ¥2,464 million on seven office buildings, ¥5,284 million on 12 commercial facilities other than office buildings, ¥4,111 million on 44 condominiums and ¥8,451 million on 18 other assets, mainly because the carrying amounts exceeded the estimated undiscounted future cash flows.

In accordance with ASC 360-10, an asset held and used is generally deemed to be impaired if the undiscounted future cash flows estimated to be generated by the asset are expected to be less than its carrying amount, and if its fair value is less than its carrying amount. If an asset is deemed to be impaired, the value of the asset is written down to fair value. The requirements of ASC 360-10 potentially result in large charges being recorded in a given period as a result of relatively smaller changes in estimated future cash flows. An asset is generally not considered to be impaired so long as its estimated future cash flows exceed its carrying amount. However, once the estimated future cash flows are believed to be less than the carrying amount, the asset is written down to estimated fair value (which is in general the appraised value).

For a breakdown of long-lived assets by segment, see Note 32 of Item 18. Financial Statements.

Write-downs of securities

Write-downs of securities for fiscal 2011 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 2011, write-downs of securities decreased 8% from ¥23,634 million in fiscal 2010 to

¥21,749 million in fiscal 2011. 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

Foreign currency transaction net loss decreased 80% compared with fiscal 2010 to ¥186 million in fiscal 2011. For information on the impact of foreign currency fluctuations, see Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Table of Contents

Equity in net income of affiliates

Equity in net income of affiliates increased in fiscal 2011 to ¥16,806 million compared to ¥8,364 million in fiscal 2010. The difference is primarily attributable to a loss having been recorded in fiscal 2010 due to an affiliate filing for protection under the Corporate Rehabilitation as well as contributions from equity-method affiliates in the Asian region in fiscal 2011. The number of residential condominiums developed through certain joint ventures in Japan decreased to 529 units in fiscal 2011 from 674 units in fiscal 2010, and net income from these condominiums decreased to ¥483 million as compared to ¥3,567 million for fiscal 2010.

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

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

Gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net decreased to ¥1,199 million in fiscal 2011 as compared to ¥17,519 million in fiscal 2010. The difference is chiefly due to the gain on the sales of the portion of the ownership interest of ORIX Credit transferred and the remeasurement to fair value of the interest retained by us and the gain on the sale of ORIX Securities by means of a share exchange for a stake in Monex Group which were recorded in fiscal 2010.

Provision for income taxes

Provision for income taxes in fiscal 2011 was ¥27,617 million, compared to the provision of ¥22,394 million, in fiscal 2010. The increase of ¥5,223 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 5% compared to fiscal 2010 to ¥8,259 million in fiscal 2011 primarily due to lower gains on sales of real estate under operating leases in Japan.

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 2011, net income attributable to the noncontrolling interests increased 237% year on year to ¥2,373 million compared to fiscal 2010.

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 2011, net income attributable to the redeemable noncontrolling interests increased 20% year on year to ¥2,959 million.

Segment Information

Our business is organized into six segments 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 Banking, Retail and Overseas Business.

Table of Contents

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.

For a description of the business activities of our segments, see Item 4. Information on the Company Profile of Business by Segment. See Note 32 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	
	2010	2011	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Segment Revenues[1]:				
Corporate Financial Services	¥ 98,063	¥ 103,239	¥ 5,176	5
Maintenance Leasing	226,179	225,830	(349)	(0)
Real Estate	215,001	217,590	2,589	1
Investment Banking	73,422	65,661	(7,761)	(11)
Retail	155,491	148,768	(6,723)	(4)
Overseas Business	185,906	176,875	(9,031)	(5)
Total	954,062	937,963	(16,099)	(2)
Difference between Segment Total and Consolidated Amounts	(41,768)	32,147	73,915	
Total Consolidated Revenues	¥ 912,294	¥ 970,110	¥ 57,816	6

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

	Year ended March 31,		Change	
	2010	2011	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Segment Profits[1]:				
Corporate Financial Services	¥ (18,983)	¥ 10,247	¥ 29,230	
Maintenance Leasing	23,307	26,203	2,896	12
Real Estate	138	54	(84)	(61)
Investment Banking	(2,848)	13,000	15,848	
Retail	31,104	23,777	(7,327)	(24)
Overseas Business	37,142	45,639	8,497	23
Total	69,860	118,920	49,060	70
Difference between Segment Total and Consolidated Amounts	(15,267)	(26,955)	(11,688)	
Total consolidated income before income taxes and discontinued operations	¥ 54,593	¥ 91,965	¥ 37,372	68

(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.

Table of Contents

	As of March 31,		Change	
	2010	2011	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Segment Assets:				
Corporate Financial Services	¥ 1,178,879	¥ 1,006,107	¥ (172,772)	(15)
Maintenance Leasing	515,716	502,738	(12,978)	(3)
Real Estate	1,677,402	1,539,814	(137,588)	(8)
Investment Banking	472,705	468,231	(4,474)	(1)
Retail	1,578,758	1,653,704	74,946	5
Overseas Business	860,815	972,224	111,409	13
Total	6,284,275	6,142,818	(141,457)	(2)
Difference between Segment Total and Consolidated Amounts	1,455,525	2,438,764	983,239	68
Total consolidated assets	¥ 7,739,800	¥ 8,581,582	¥ 841,782	11

Corporate Financial Services Segment

This segment is involved in lending, leasing, commission business for the sale of financial products, and environment-related businesses.

Segment revenues increased 5% to ¥103,239 million compared to ¥98,063 million during fiscal 2010. This is due to increased investment in direct financing leases resulting from the purchase of Sun Telephone Co., Ltd. s leasing receivables and the purchase of Tsukuba Lease Co., Ltd. as well as increased revenues from the environmental business. These increases were partially offset by a decrease in installment loan revenues in line with a lower average balance of installment loans as a result of restrictions on new loan transactions implemented during fiscal 2010.

Segment expenses decreased compared to fiscal 2010 resulting from a significant decrease in provision for doubtful receivables and probable loan losses. As a result of restrictions on new transactions and stricter collateral requirements, the new occurrence of non-performing loans has been decreasing since the fourth quarter of fiscal 2009. Despite the one-time occurrence of a provision due to the Great East Japan Earthquake, provision for doubtful receivables and probable loan losses have decreased due to the effects of economic recovery as corporate earnings improve.

As a result, segment profits for fiscal 2011 were ¥10,247 million compared to a loss of ¥18,983 million in fiscal 2010.

Segment assets decreased 15% to ¥1,006,107 million compared to March 31, 2010, due to a decline in the balance of installment loans offsetting an increase in investment in direct financing leases from the purchases of Sun Telephone Co., Ltd. s leasing receivables and Tsukuba Lease Co., Ltd. and an increase in the volume of new, small-sized leasing transactions.

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.

Despite limited recovery of domestic capital expenditure and an otherwise bleak business environment outlook which has continued as a result of the Great East Japan Earthquake, Maintenance Leasing segment revenues have remained stable due to our ability to provide customers with high value-added services while meeting corporate customers cost reduction needs.

Table of Contents

Segment revenues remained robust at ¥225,830 million compared to ¥226,179 million during fiscal 2010 due to solid revenues from the sales of used automobiles and fees from automobile maintenance despite a decrease in direct financing lease revenues.

Segment expenses decreased compared to fiscal 2010, due to decreases in depreciation and interest expenses and a lower average balance of operating lease assets.

As a result, segment profits for the fiscal 2011 increased 12% to ¥26,203 million compared to ¥23,307 million during fiscal 2010.

Segment assets decreased 3% to ¥502,738 million compared to March 31, 2010 mainly due to a decrease in direct financing lease assets.

Real Estate Segment

This segment consists of development and rental of commercial real estate and office buildings, condominium development and sales, hotel, golf course, and training facility operation, senior housing development and management, REIT asset management, real estate investment and advisory services, and real estate finance.

The real estate finance business, previously included in the Investment Banking segment, was transferred to the Real Estate segment beginning in the third quarter of fiscal 2011 to consolidate management with the Real Estate Headquarters to improve operational efficiency.

Despite signs of recovery in the residential condominium market such as contract completion rates surpassing the key benchmark level of 70% in the Tokyo and Osaka metropolitan areas, worsening consumer sentiment resulting from the Great East Japan Earthquake is cause for concern. Under these conditions, over 1,000 condominiums were delivered in the fourth quarter of fiscal 2011, resulting in the delivery of 1,616 units for fiscal 2011, up from 1,530 units during fiscal 2010.

Vacancy rates have increased and rental rates are decreasing in the office building market as a result of new buildings supplied to the market. The impact of the Great East Japan Earthquake must also be considered, making it difficult to forecast when market conditions will hit bottom. In this environment, the real estate investment business is pursuing a policy of turning over assets while carefully monitoring the market and making appropriate asset sales based on real demand.

The real estate operating business, consisting of various facilities such as hotels, Japanese inns, golf courses and training facilities, has stable revenues even though a portion of the facilities stopped operating due to the Great East Japan Earthquake.

Segment revenues remained flat year on year at ¥217,590 million compared to ¥215,001 million during fiscal 2010 due to increases in real estate sales resulting from the increase in number of condominiums delivered and operating lease revenues from enhanced leasing, offset by a decrease in revenues resulting from lower average balances of installment loans and investment securities (including specified bonds) in the real estate finance business and the absence of a gain from the sale of a large property in fiscal 2011 like that which was recorded in fiscal 2010.

Segment expenses were flat year on year as provision for doubtful receivables and probable loan losses, interest expense and selling, general and administrative expenses decreased while write-downs on long-lived assets increased.

As a result, segment profits for fiscal 2011 were ¥54 million compared to ¥138 million during fiscal 2010.

Segment assets were down 8% to ¥1,539,814 million compared to March 31, 2010 due to decreases in installment loans, investments in securities (including specified bonds) and real estate under operating leases.

Table of Contents

Investment Banking Segment

This segment consists of loan servicing (asset recovery), principal investment, M&A advisory, venture capital and securities brokerage.

There have been signs of increased M&A activity both inbound and outbound. There have also been opportunities for investment in non-performing loans arising from changes in domestic and international financial regulations.

Segment revenues decreased 11% to ¥65,661 million compared to ¥73,422 million during fiscal 2010 in line with decreased revenues resulting from the sale of consolidated subsidiaries despite large collections in the loan servicing business and robust fee revenues from the CMBS servicing business.

Segment expenses decreased year on year due to a decrease in expenses in line with the sale of consolidated subsidiaries despite an increase in provision for doubtful receivables and probable loan losses in the loan servicing business.

In addition, a gain on the sale of a subsidiary was recorded from the sale of QB Net Co., Ltd. during the third quarter of fiscal 2011. That gain, together with continued robust profits from the loan servicing business, resulted in a segment profit for fiscal 2011 of ¥13,000 million compared to loss of ¥2,848 million during fiscal 2010. The loss in fiscal 2010 was mainly caused by an affiliate filing for protection under the Corporate Rehabilitation Law during that fiscal year.

Segment assets remained flat year on year at ¥468,231 million due to the investment in Tokyo Star Bank, which was offset by a decrease resulting from the sale of our interest in Fuji Fire and Marine pursuant to a public tender offer.

Retail Segment

This segment consists of the life insurance operations, the trust and banking business, and the card loan business operated by our affiliates.

In the life insurance business, insurance-related investment income remained robust and insurance-related gains showed favorable growth due to an increase in contracts for new products.

Installment loans in the trust and banking business increased and assets surpassed ¥1 trillion. Both revenues and profits for the trust and banking business increased year on year. Also, Internet-based deposits are increasing steadily.

Segment revenues and expenses from the card loan business are recognized as segment profits under equity in net income of affiliates due to the share transfer of the card loan business during fiscal 2010. Furthermore, gain on the sale of a subsidiary was recognized for the card loan business during the second quarter of fiscal 2010.

In addition, segment revenues and expenses from the subsidiary for which a gain on the sale of a subsidiary was recognized following a share transfer with Monex Group, Inc. in the fourth quarter of fiscal 2010 are recognized as segment profits under equity in net income of affiliates.

As a result of the foregoing, segment revenues decreased 4% to ¥148,768 million compared to ¥155,491 million during fiscal 2010. Segment expenses also decreased mainly due to decreases in selling, general and administrative expenses and fewer provision for doubtful receivables and probable loan losses. However, due to a large gain on sales of subsidiaries in fiscal 2010, segment profits for fiscal 2011 decreased 24% to ¥23,777 million compared to ¥31,104 million during fiscal 2010.

Segment assets increased 5% to ¥1,653,704 million compared to March 31, 2010 as a result of an increase in investment securities and an increase in installment loans in the trust and banking business.

Table of Contents

Overseas Business Segment

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

In the United States there have been signs of moderate economic recovery despite persistent concerns about the housing market and high unemployment. In contrast, high growth in the Asian region is expected to continue.

Segment revenues decreased 5% to ¥176,875 million compared to ¥185,906 million during fiscal 2010 as a result of decreases in investment securities-related revenues and fee revenues offsetting contributions from aircraft and automobile operating leases and Red Capital.

The cost of operating leases decreased, as well as provision for doubtful receivables and probable loan losses and write-downs of securities in the United States. In addition, equity in net income of affiliates increased due to contributions from a joint venture condominium development in Asia resulting in segment profits for fiscal 2011 increasing 23% to ¥45,639 million compared to ¥37,142 million during fiscal 2010.

Despite the effect of the appreciated yen, segment assets increased 13% to ¥972,224 million compared to March 31, 2010 due to an increase in investment securities from the purchase of municipal bonds in the United States and increased aircraft operating lease assets and private equity investments centered on Asian countries.

YEAR ENDED MARCH 31, 2010 COMPARED TO YEAR ENDED MARCH 31, 2009

Performance Summary

Income Statement Data

	Year ended March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Income statement data:				
Total revenues	¥ 1,032,486	¥ 912,294	¥ (120,192)	(12)
Total expenses	978,307	883,584	(94,723)	(10)
Operating income	54,179	28,710	(25,469)	(47)
Income before income taxes and discontinued operations	12,035	54,593	42,558	354
Net income attributable to ORIX Corporation	21,924	37,757	15,833	72

Total Revenues

	Year ended March 31, 2009	2010	Change Amount	Percent (%)
	(In millions of yen, except percentage data)			
Total revenues:				
Direct financing leases	¥ 63,275	¥ 50,004	¥ (13,271)	(21)
Operating leases	283,006	274,266	(8,740)	(3)
Interest on loans and investment securities	196,161	135,166	(60,995)	(31)
Brokerage commissions and net gains (losses) on investment securities	(12,544)	23,353	35,897	
Life insurance premiums and related investment income	117,751	115,598	(2,153)	(2)
Real estate sales	71,088	40,669	(30,419)	(43)
Gains on sales of real estate under operating leases	24,346	6,841	(17,505)	(72)
Other operating revenues	289,403	266,397	(23,006)	(8)
Total	¥ 1,032,486	¥ 912,294	¥ (120,192)	(12)

Table of Contents

Total revenues in fiscal 2010 decreased 12% to ¥912,294 million compared to ¥1,032,486 million in fiscal 2009. Brokerage commissions and net gains (losses) on investment securities returned to profitability particularly due to improvements in the U.S. bond and equity markets in line with recovery of the domestic and international financial markets. However, revenues from direct financing leases and interest on loans and investment securities decreased compared to fiscal 2009 as a result of stringent selection of transactions. In particular, interest on loans significantly decreased due to a reduction in real estate-related finance and the change in status of ORIX Credit from a consolidated subsidiary to an equity-method affiliate. Gains on sales of real estate under operating leases declined compared to fiscal 2009 as we held back on the sales of real estate under operating leases due to stagnation in the real estate market.

Total Expenses

	Year ended March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Total expenses:				
Interest expense	¥ 101,919	¥ 82,029	¥ (19,890)	(20)
Costs of operating leases	192,937	191,173	(1,764)	(1)
Life insurance costs	105,899	92,348	(13,551)	(13)
Costs of real estate sales	79,058	46,757	(32,301)	(41)
Other operating expenses	171,557	149,872	(21,685)	(13)
Selling, general and administrative expenses	229,066	218,322	(10,744)	(5)
Provision for doubtful receivables and probable loan losses	76,985	71,529	(5,456)	(7)
Write-downs of long-lived assets	3,673	6,977	3,304	90
Write-downs of securities	18,574	23,634	5,060	27
Foreign currency transaction loss (gain), net	(1,361)	943	2,304	
Total	¥ 978,307	¥ 883,584	¥ (94,723)	(10)

Total expenses in fiscal 2010 decreased 10% to ¥883,584 million compared to ¥978,307 million in fiscal 2009 due to a decline in costs of real estate sales mainly resulting from a decrease in the number of condominiums sold, a decrease in interest expense resulting from a decrease in interest-bearing liabilities, and a decrease in selling, general and administrative expenses resulting from cost reduction programs.

Operating Income, Income before Income Taxes and Discontinued Operations, and Net Income Attributable to ORIX Corporation

Operating income in fiscal 2010 decreased 47% to ¥28,710 million from ¥54,179 million in fiscal 2009.

Losses were recorded for equity in net income (loss) of affiliates in the third quarter of fiscal 2009 due to the write-downs caused by losses stemming from the deteriorated financial conditions and decreases in share prices of equity-method affiliates in Japan. A loss was recorded in the first quarter of fiscal 2010 in connection with an affiliate filing for protection under the Corporate Rehabilitation Law. However, equity in net income (loss) of affiliates returned to profitability due to contributions from overseas equity-method affiliates, recording a gain of ¥8,364 million, up from a loss of ¥40,458 million in fiscal 2009. Regarding gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net, gains on sales of subsidiaries were recorded due to a 51% stake of ORIX Credit being transferred to Sumitomo Mitsui Banking Corporation (SMBC) in July 2009 as well as our exchange of 100% of ORIX Securities shares for a 22% stake in Monex Group, Inc. (Monex Group) in January 2010.

As a result of the foregoing, income before income taxes and discontinued operations recorded a more than four-fold increase to ¥54,593 million compared to ¥12,035 million in fiscal 2009, and net income attributable to ORIX Corporation increased 72% to ¥37,757 million from ¥21,924 million in fiscal 2009.

Basic and diluted earnings per share in fiscal 2010 were ¥370.52 and ¥315.91, respectively, compared to ¥246.59 and ¥233.81 in fiscal 2009.

Total Assets

	As of March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment in direct financing leases	¥ 914,444	¥ 756,481	¥ (157,963)	(17)
Installment loans	3,304,101	2,464,251	(839,850)	(25)
Investment in operating leases	1,226,624	1,213,223	(13,401)	(1)
Investment in securities	926,140	1,104,158	178,018	19
Other operating assets	189,560	186,396	(3,164)	(2)
Allowance for doubtful receivables on direct financing leases and probable loan losses	(158,544)	(157,523)	1,021	(1)
Others	1,967,411	2,172,814	205,403	10
Total assets	¥ 8,369,736	¥ 7,739,800	¥ (629,936)	(8)

Total assets in fiscal 2010 decreased 8% to ¥7,739,800 million from ¥8,369,736 million on March 31, 2009. Investment in securities increased mainly in the Retail segment due to the purchase of bonds, but installment loans and investment in direct financing leases decreased due to the stringent selection of new transactions. Furthermore, installment loans decreased as a result of the deconsolidation of ORIX Credit and ORIX Securities as mentioned above. In addition, investment in affiliates increased as a result of ORIX Credit and Monex Group becoming equity-method affiliates.

ORIX Corporation Shareholders Equity, ROE and ROA

ORIX Corporation shareholders equity increased 11% to ¥1,298,684 million compared to fiscal 2009, due to the issuance of common stock in fiscal 2010, resulting in an increase in common stock by ¥41,677 million and an increase in additional paid-in capital by ¥41,347 million.

As a result, ORIX Corporation shareholders equity ratio increased year on year from 13.95% to 16.78%, and ROE and ROA increased year on year from 1.80% to 3.06%, and from 0.25% to 0.47%, respectively.

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	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Direct financing leases:				
Direct financing lease revenues	¥ 63,275	¥ 50,004	¥ (13,271)	(21)
Japan	41,608	34,873	(6,735)	(16)
Overseas	21,667	15,131	(6,536)	(30)
New equipment acquisitions	364,734	232,629	(132,105)	(36)
Japan	235,641	157,012	(78,629)	(33)
Overseas	129,093	75,617	(53,476)	(41)
Investment in direct financing leases	914,444	756,481	(157,963)	(17)
Japan	702,254	578,263	(123,991)	(18)
Overseas	212,190	178,218	(33,972)	(16)

Table of Contents

Direct financing lease transactions have continued to decrease as a result of our selective process for choosing only those assets where the risk and return balance is appropriate and an overall business environment in which new equipment acquisitions have been on the decline in Japan. In the automobile leasing area, the volume of new equipment acquisitions has been shrinking in Japan due to our shift towards operating leases. Overseas, new equipment acquisitions have been decreasing as a result of our selective approach to choosing transactions in Asia.

As a result, revenues from direct financing leases in fiscal 2010 decreased 21% compared to fiscal 2009 to ¥50,004 million. In Japan, revenues from direct financing leases were down 16% to ¥34,873 million compared to ¥41,608 million in fiscal 2009. Overseas, revenues were down 30% to ¥15,131 million compared to ¥21,667 million in fiscal 2009.

The average return we earned on direct financing leases in Japan, calculated on the basis of monthly balances, was up slightly at 5.36% in fiscal 2010 compared to 5.25% in fiscal 2009. The average return on overseas direct financing leases, calculated on the basis of monthly balances, decreased to 8.00% in fiscal 2010 from 8.37% in fiscal 2009 due mainly to lower rates in Asia.

New equipment acquisitions related to direct financing leases decreased 36% to ¥232,629 million compared to fiscal 2009. New equipment acquisitions for operations in Japan decreased 33% in fiscal 2010, as a result of our continuing selective approach to new projects. New equipment acquisitions for overseas operations decreased 41% in fiscal 2010.

Investment in direct financing leases as of March 31, 2010 decreased 17% to ¥756,481 million compared to fiscal 2009. Investments in Japan decreased 18% due to stringent selection of transactions, while overseas investments decreased 16% due to a decrease in new equipment acquisitions in Asia.

As of March 31, 2010, no single lessee represented more than 2% of our total portfolio of direct financing leases. As of March 31, 2010, 76% of our direct financing leases were to lessees in Japan, while 24% were overseas lessees. Approximately 5% of our direct financing leases were to lessees in Malaysia and Indonesia. No other overseas country represented more than 5% of our total portfolio of direct financing leases.

	As of March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment in direct financing leases by category:				
Information-related and office equipment	¥ 100,314	¥ 74,113	¥ (26,201)	(26)
Industrial equipment	139,950	102,137	(37,813)	(27)
Commercial services equipment	80,571	54,481	(26,090)	(32)
Transportation equipment	363,314	311,381	(51,933)	(14)
Other equipment	230,295	214,369	(15,926)	(7)
Total	¥ 914,444	¥ 756,481	¥ (157,963)	(17)

Balances for investment in direct financing leases in the tables above do not include lease assets sold in securitizations. However, gains and losses from securitization are included in direct financing lease revenues. During fiscal 2009 and 2010, we sold ¥37,889 million and ¥27,974 million, respectively, of direct financing lease assets (all of which were in Japan) through securitizations that were treated as sales transactions. The securitization of these assets produced a loss of ¥365 million and a gain of ¥331 million for fiscal 2009 and 2010, respectively, which were included in direct financing lease revenues. The balance of direct financing lease assets treated as sales transactions amounted to

¥222,945 million as of March 31, 2009 and ¥146,337 million as of March 31, 2010. If assets sold in securitizations were included, the total balance of investment in direct financing leases would be ¥1,137,389 million as of March 31, 2009 and ¥902,818 million as of March 31, 2010. For more information on securitization, see Note 10 of Item 18. Financial Statements.

Table of Contents

Asset quality of our owned direct financing leases

	As of March 31,	
	2009	2010
	(In 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	¥ 27,949	¥ 25,682
90+ days past-due direct financing leases as a percentage of the balance of investment in direct financing leases	3.06%	3.39%
Provision as a percentage of average balance of investment in direct financing leases[1]	0.93%	0.58%
Allowance for direct financing leases	¥ 27,540	¥ 23,969
Allowance for direct financing leases as a percentage of the balance of investment in direct financing leases	3.01%	3.17%

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

The balance of 90+ days past-due direct financing leases decreased by ¥2,267 million to ¥25,682 million compared to fiscal 2009. As a result, the ratio of 90+ days past-due direct financing leases increased by 0.33% from fiscal 2009 to 3.39%.

We believe that the ratio of allowance for doubtful receivables as a percentage of the balance of investment in direct financing leases is a reasonable indication that our allowance for doubtful receivables was adequate as of March 31, 2010 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.

The ratio of charge-offs as a percentage of the average balance of investment in direct financing leases was 0.70% and 1.06% for fiscal 2009 and 2010, respectively.

Operating leases

	As of and for the year ended March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Operating leases:				
Operating lease revenues	¥ 283,006	¥ 274,266	¥ (8,740)	(3)
Japan	215,310	218,375	3,065	1
Overseas	67,696	55,891	(11,805)	(17)
New equipment acquisitions	426,715	189,915	(236,800)	(55)
Japan	366,336	161,391	(204,945)	(56)

Overseas	60,379	28,524	(31,855)	(53)
Investment in operating leases	1,226,624	1,213,223	(13,401)	(1)
Japan	1,086,967	1,083,284	(3,683)	(0)
Overseas	139,657	129,939	(9,718)	(7)

Table of Contents

Revenues from operating leases decreased 3% to ¥274,266 million compared to ¥283,006 million in fiscal 2009. In Japan, despite a sluggish secondary automobile market and weakened demand for operating leases due to the economic downturn in the automobile leasing and the precision measuring and other equipment rental businesses, operating lease revenues slightly increased 1% to ¥218,375 million compared to ¥215,310 million in fiscal 2009, in connection to an increase in real estate collateral acquired from non-recourse loans in order to maximize collections. Overseas, operating lease revenues were down 17% to ¥55,891 million compared to ¥67,696 million for fiscal 2009 due to a decline in the balance of investment of aircraft leases, as well as the foreign exchange effects of an appreciated yen. In fiscal 2009 and 2010, gains from the disposition of operating lease assets other than real estate were ¥11,426 million and ¥7,552 million, respectively, and are included in operating lease revenues.

New equipment acquisitions related to operating leases decreased 55% to ¥189,915 million compared to fiscal 2009. New equipment acquisitions by operations in Japan were down year on year by 56% to ¥161,391 million, as the result of a decrease in the purchase of real estate properties. New equipment acquisitions by overseas operations also decreased 53% year on year to ¥28,524 million, due to a decrease in the purchase of transportation equipments.

Investment in operating leases decreased 1% to ¥1,213,223 million compared to fiscal 2009. In Japan, these investments were flat compared to fiscal 2009. Overseas, these investments decreased 7% year on year, due to a decline in transportation equipments such as aircrafts and automobile leases.

	As of March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment in operating leases by category:				
Transportation equipment	¥ 388,028	¥ 358,227	¥ (29,801)	(8)
Measuring and information-related equipment	62,303	51,170	(11,133)	(18)
Real estate	754,345	782,272	27,927	4
Other	5,490	4,305	(1,185)	(22)
Accrued rental receivables	16,458	17,249	791	5
Total	¥ 1,226,624	¥ 1,213,223	¥ (13,401)	(1)

Investment in transportation equipment operating leases fell 8% year on year due to decreases in investments in aircraft and automobile leases both in Japan and overseas. Investment in measuring and information-related equipment operating leases fell 18% year on year, mainly because of a decrease in assets in Japan in connection with weakened demand for operating leases. Investment in real estate under operating leases slightly rose 4% year on year, in line with an increase in real estate collateral acquired from non-recourse loans in Japan in order to maximize collections by capitalizing on our real estate value chain as described above.

Table of Contents

Installment loans and investment securities

Installment loans

	As of and for the year ended March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Installment loans:				
Interest on installment loans[1]	¥ 172,403	¥ 114,730	¥ (57,673)	(33)
Japan	144,613	96,120	(48,493)	(34)
Overseas	27,790	18,610	(9,180)	(33)
New loans added	1,055,014	598,046	(456,968)	(43)
Japan	975,315	552,312	(423,003)	(43)
Overseas	79,699	45,734	(33,965)	(43)
Installment loans	3,304,101	2,464,251	(839,850)	(25)
Japan	2,967,475	2,207,943	(759,532)	(26)
Overseas	336,626	256,308	(80,318)	(24)

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

In Japan, although we have been focusing on loans to corporate clients in the Corporate Financial Services and Investment Banking segments, we have maintained a cautious approach for new transactions which we adopted in the second half of fiscal 2008 due to economic uncertainty. In addition, during fiscal 2010 we reduced the loans to real estate companies and changed the status of ORIX Credit (that comprised a large portion of revenues) from a consolidated subsidiary to an equity-method affiliate. As a result, revenues decreased compared to fiscal 2009 in line with the decline in the amount of installment loans outstanding. Overseas, we have also reduced new transactions due to a more cautious approach to new transactions similar to the approach we adopted in Japan. Foreign exchange effects of an appreciated yen also contributed to the decrease in revenues compared to fiscal 2009.

Interest on installment loans decreased 33% compared with fiscal 2009 to ¥114,730 million in fiscal 2010. In Japan, interest on installment loans decreased 34% compared to fiscal 2009 as presented above, and overseas, decreased 33% in fiscal 2010, primarily due to lower market interest rates in the United States, in addition to the above.

The average interest rate earned on loans in Japan, calculated on the basis of monthly balances, decreased to 3.84% in fiscal 2010 compared to 4.36% in fiscal 2009, primarily due to the change in the status of ORIX Credit from a consolidated subsidiary to an equity-method affiliate. The average interest rate earned on overseas loans, calculated on the basis of monthly balances, decreased to 6.53% in fiscal 2010 from 7.72% in fiscal 2009, primarily due to a decline in prevailing market interest rates in the United States.

New loans added decreased 43% to ¥598,046 million in fiscal 2010 as compared to fiscal 2009, primarily due to our cautious approach for new transactions in Japan and overseas, and the change in the status of ORIX Credit from a consolidated subsidiary to an equity-method affiliate, in addition to the foreign exchange effects of an appreciated yen.

The balance of installment loans as of March 31, 2010 decreased 25% to ¥2,464,251 million compared to the March 31, 2009. The balance of installment loans for borrowers in Japan fell by 26%, and the balance of installment loans for overseas customers decreased 24%, due to a more cautious approach to new transactions in the United States, as well as the foreign exchange effects of an appreciated yen. As of March 31, 2010, 90% of our installment loans were to borrowers in Japan, while 8% were to borrowers in the United States.

Table of Contents

The table below sets forth the balances as of March 31, 2009 and 2010 of our installment loans to borrowers in Japan and overseas, further categorized by the type of borrower (i.e., consumer or corporate) in the case of borrowers in Japan. As of March 31, 2010, ¥99,011 million, or 5%, 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	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Installment loans:				
Consumer borrowers in Japan				
Housing loans	¥ 702,788	¥ 731,184	¥ 28,396	4
Card loans	337,403		(337,403)	
Other	45,081	13,663	(31,418)	(70)
Subtotal	1,085,272	744,847	(340,425)	(31)
Corporate borrowers in Japan				
Real estate companies	651,597	447,181	(204,416)	(31)
Commercial, industrial and other companies	1,097,086	904,729	(192,357)	(18)
Subtotal	1,748,683	1,351,910	(396,773)	(23)
Total (Japan)	2,833,955	2,096,757	(737,198)	(26)
Overseas corporate, industrial and other borrowers	321,162	244,521	(76,641)	(24)
Purchased loans[1]	148,984	122,973	(26,011)	(17)
Total	¥ 3,304,101	¥ 2,464,251	¥ (839,850)	(25)

(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) and consist mainly of housing loans, loans to real estate companies and commercial, industrial and other companies in Japan.

As of March 31, 2010, ¥463,895 million, or 19%, of all installment loans were outstanding to real estate companies in Japan and overseas. Of this amount, ¥155,114 million, or 6% of all installment loans, was loans individually evaluated for impairment. We calculated an allowance of ¥53,433 million on these impaired loans. As of March 31, 2010, we had installment loans outstanding in the amount of ¥167,359 million, or 7% of all installment loans, to companies in the entertainment industry. Of this amount, ¥29,586 million, or 1% of all installment loans, was loans individually evaluated for impairment. We calculated an allowance of ¥3,869 million on these impaired loans.

The balance of loans to consumer borrowers in Japan as of March 31, 2010 decreased by 31% to ¥744,847 million compared to the balance as of March 31, 2009, due to a decrease in card loans to customers as a result of the change in the status of ORIX Credit from a consolidated subsidiary to an equity-method affiliate, despite an increase in housing loans. The balance of loans to corporate borrowers in Japan as of March 31, 2010 decreased by 23%, to ¥1,351,910 million, compared to the balance as of March 31, 2009, primarily due to decreased loans to real estate companies.

Balances of installment loans in the tables above do not include assets sold in securitizations. However, the amount of interest on installment loans includes gains from the securitization of installment loans. We sold ¥5,258 million of installment loans through securitizations, which were treated as sales transactions, in fiscal 2009. We did not sell installment loans through securitizations, which were treated as sales transactions, in fiscal 2010. Gains from the securitization of loans of ¥132 million were included in interest on installment loans in

Table of Contents

fiscal 2009. The balance of installment loans treated as sales transactions amounted to ¥130,565 million and ¥111,317 million as of March 31, 2009 and 2010, respectively. If loans sold in securitizations were included, the total balance of installment loans would be ¥3,434,666 million and ¥2,575,568 million as of March 31, 2009 and 2010, respectively. For more information on securitization, see Note 10 in Item 18. Financial Statements.

Asset quality of our owned installment loans

We classify past-due installment loans into two categories: installment loans individually evaluated for impairment and 90+ days past-due loans not individually evaluated for impairment.

	As of March 31, 2009	As of March 31, 2010
	(In millions of yen)	
Loans individually evaluated for impairment:		
Impaired loans	¥ 449,705	¥ 348,143
Impaired loans requiring a valuation allowance	262,145	268,145
Valuation allowance[1]	89,236	100,255

(1) The valuation 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 ¥55,140 million in fiscal 2009 and ¥57,615 million in fiscal 2010, and charge-off of impaired loans was ¥3,726 million in fiscal 2009 and ¥42,705 million in fiscal 2010. New provision for probable loan losses increased by ¥2,475 million compared to fiscal 2009. Charge-off of impaired loans increased by ¥38,979 million compared to fiscal 2009 due to our collection of impaired loan receivables through sales of real estate collateral and our determination that prospects for further recovery from the obligor are minimal.

The table below sets forth the outstanding balances of impaired loans by region and type of borrower. Consumer loans in Japan primarily consist of restructured smaller-balance homogeneous loans individually evaluated for impairment. Impaired loans decreased in fiscal 2010 mainly due to a decrease in impaired corporate loans for real estate companies in Japan.

	As of March 31, 2009	As of March 31, 2010
	(In millions of yen)	
Impaired loans:		
Consumer borrowers in Japan	¥ 23,388	¥ 8,996
Corporate borrowers in Japan		
Real estate companies	215,309	152,455
Commercial, industrial and other companies	181,488	141,406
Subtotal	396,797	293,861
Overseas corporate, industrial and other borrowers	12,870	21,265
Purchased loans	16,650	24,021

Total	¥ 449,705	¥ 348,143

The table below sets forth information as to past-due loans which are not individually significant and accordingly are evaluated for impairment as a homogeneous group.

	As of March 31, 2009	As of March 31, 2010
	(In 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	¥ 17,860	¥ 12,321
90+ days past-due loans not individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.63%	0.58%
Provision as a percentage of average balance of installment loans[1]	0.38%	0.37%
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment	¥ 41,768	¥ 33,299
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	1.46%	1.57%

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

The balance of 90+ days past-due loans not individually evaluated for impairment decreased by 31% in fiscal 2010, principally due to a decrease in 90+ days past-due loans in card loans as a result of the change in the status of ORIX Credit from a consolidated subsidiary to an equity-method affiliate.

	As of March 31, 2009	As of March 31, 2010
	(In millions of yen)	
90+ days past-due loans not individually evaluated for impairment:		
Consumer borrowers in Japan		
Housing loan	¥ 10,641	¥ 12,025
Card loans and other	7,211	279
Overseas corporate, industrial and other borrowers	8	17
Total	¥ 17,860	¥ 12,321

We make provision against losses for these homogenous loans by way of general reserves for installment loans included in the allowance for doubtful receivables. 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.

We believe that the level of the allowance as of March 31, 2010 was adequate because we expect to recover a portion of the outstanding balance for 90+ days past-due loans not individually evaluated for impairment primarily because many of our 90+ days past-due loans are housing loans, which are ordinarily made to a diverse group of individuals who we believe generally have a higher credit rating than the population at-large.

The ratio of charge-offs as a percentage of the average balance of installment loans was 0.27% and 0.26% for fiscal 2009 and 2010, respectively.

Table of Contents

Investment securities

We maintain a sizeable portfolio of various investment securities. Our life insurance operations account for approximately 26% of our total investment in securities as of March 31, 2010, and those mainly consist of investments in yen-denominated, fixed-rate corporate debt securities and Japanese government bonds held as held-to-maturity securities.

	As of March 31, 2009		
	Life insurance	Other	Total
	(In millions of yen)		
Investment securities:			
Trading securities	¥	¥ 7,410	¥ 7,410
Available-for-sale debt securities	207,703	476,039	683,742
Available-for-sale equity securities	5,505	40,026	45,531
Other securities[1]	15,974	173,483	189,457
Total	¥ 229,182	¥ 696,958	¥ 926,140

	As of March 31, 2010		
	Life insurance	Other	Total
	(In millions of yen)		
Investment securities:			
Trading securities	¥	¥ 49,596	¥ 49,596
Available-for-sale debt securities	245,133	515,521	760,654
Available-for-sale equity securities	495	84,085	84,580
Held-to-maturity securities	43,732		43,732
Other securities[1]	1,678	163,918	165,596
Total	¥ 291,038	¥ 813,120	¥ 1,104,158

(1) Other securities consist mainly of non-marketable equity securities, preferred capital shares and investment funds.

We present income from investments in separate lines of our consolidated statements of income, depending upon whether the security is held in connection with our life insurance operations.

Interest earned on interest-earning securities held in connection with operations other than life insurance is reflected in our consolidated statements of income as interest on loans and investment securities. Non-interest income and losses (other than foreign currency transaction gains or losses) recognized on securities held in connection with operations other than life insurance are reflected in our consolidated statements of income as brokerage commissions and net gains (losses) on investment securities. All income and losses recognized on securities held in connection with life insurance operations are reflected in our consolidated statements of income as life insurance premiums and related investment income.

Table of Contents

	As of and for the year ended March 31, 2009	2010	Change Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment securities:				
Interest on investment securities	¥ 23,758	¥ 20,436	¥ (3,322)	(14)
Japan	15,554	13,311	(2,243)	(14)
Overseas	8,204	7,125	(1,079)	(13)
New securities added	374,614	519,769	145,155	39
Japan	298,490	450,304	151,814	51
Overseas	76,124	69,465	(6,659)	(9)
Investment in securities	926,140	1,104,158	178,018	19
Japan	812,716	940,938	128,222	16
Overseas	113,424	163,220	49,796	44

Interest on investment securities other than those held in connection with our life insurance operations in Japan decreased 14% to ¥13,311 million in fiscal 2010 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 collections. Overseas interest on investment securities also decreased 13% to ¥7,125 million in fiscal 2010 primarily due to the foreign exchange effects of an appreciated yen. The average interest rate earned on investment securities in Japan, calculated on a monthly basis, was 2.59% in fiscal 2010 compared to 2.83% in fiscal 2009. The average interest rate earned on overseas investment securities, calculated on a monthly basis, declined to 7.05% in fiscal 2010 compared to 8.73% in fiscal 2009.

New securities added increased 39% to ¥519,769 million in fiscal 2010 primarily due to recovery trend in financial and capital markets and rearrangement of our investment portfolios. New securities added in Japan increased 51% in fiscal 2010. On the other hand, new securities added overseas decreased 9% primarily due to the necessity of a cautious monitoring of investment even though the financial and capital markets tend to be improved in the United States.

The balance of our investment in securities as of March 31, 2010 increased 19% to ¥1,104,158 million compared to fiscal 2009. The balance of our investment in securities in Japan increased 16% primarily due to an investment in Japanese governmental bonds by our life insurance business for the purpose of held-to-maturity and an investment in debt securities by trust banking, increasing fair value of investment in securities in accordance with recovery of domestic financial and capital markets. The balance of our investment in securities overseas also increased 44% mainly due to increasing fair value of investment in securities in accordance with recovery of financial and capital markets in the United States.

	As of March 31, 2009	2010	Change Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment in securities by security type:				
Trading securities	¥ 7,410	¥ 49,596	¥ 42,186	569
Available-for-sale securities	729,273	845,234	115,961	16
Held-to-maturity securities		43,732	43,732	
Other securities	189,457	165,596	(23,861)	(13)
Total	¥ 926,140	¥ 1,104,158	¥ 178,018	19

Investments in trading securities increased to ¥49,596 million in fiscal 2010 primarily due to increasing balances of municipal bonds and increasing fair value of investment in securities in accordance with recovery of financial and capital markets in the United States. Investments in available-for-sale securities increased 16% in fiscal 2010 primarily due to decreased balances of debt securities containing comparatively high risk such as

81

specified bonds issued by SPEs in Japan and increased balances of government and municipal bonds, which have relatively lower risk. As of March 31, 2010, CMBS and RMBS in available-for-sale securities in the United States were ¥63,960 million as compared to ¥72,054 million as of March 31, 2009. Our life insurance business started to invest in Japanese government bonds as held-to-maturity securities in fiscal 2010. Other securities decreased 13% in fiscal 2010 mainly due to an increase of new execution of fund investment in accordance with recovery of financial and capital markets overseas, an increase of redemption of preferred capital shares carried at cost in Japan and a decline in the value of non-marketable equity securities, preferred capital shares, and private equity funds.

The above table does not include assets sold in securitizations. There were no sales of investment securities through securitizations in fiscal 2009 and fiscal 2010. The balance of investment securities treated as sales transactions amounted to ¥45,145 million and ¥31,123 million in fiscal 2009 and 2010, respectively. For more information on securitization, see Note 10 in Item 18. Financial Statements.

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

Brokerage commissions and net gains (losses) on investment securities

All non-interest income and losses (other than foreign currency transaction gains or losses) that we recognize on securities held in connection with operations other than life insurance are reflected in our consolidated statements of income as brokerage commissions and net gains (losses) on investment securities.

	Year ended March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Brokerage commissions and net gains (losses) on investment securities:				
Brokerage commissions	¥ 5,025	¥ 3,418	¥ (1,607)	(32)
Net gains (losses) on investment securities	(22,301)	14,863	37,164	
Dividends income	4,732	5,072	340	7
Total	¥ (12,544)	¥ 23,353	¥ 35,897	

We recorded brokerage commissions and net gains (losses) on investment securities of gains of ¥23,353 million in fiscal 2010, compared to losses of ¥12,544 million in fiscal 2009. Our brokerage commissions decreased 32% primarily due to the deconsolidation of ORIX Securities in January 2010. Subsequently, income from the deconsolidated business is recorded as equity in net income (loss) of affiliates. Net gains (losses) on investment securities were gains of ¥14,863 million in fiscal 2010, compared to losses of ¥22,301 million in fiscal 2009, primarily due to revaluation gains from trading debt securities in the United States in accordance with a recovery of the domestic and international financial markets. Dividends income also increased 7% to ¥5,072 million in fiscal 2010 compared to fiscal 2009, primarily due to an increase in distributions from SPEs that invest in real estate.

As of March 31, 2010, gross unrealized gains on available-for-sale securities, including those held in connection with our life insurance operations, were ¥29,399 million, compared to ¥18,767 million as of March 31, 2009. As of March 31, 2010, gross unrealized losses on available-for-sale securities, including those held in connection with our life insurance operations, were ¥17,354 million, compared to ¥27,490 million as of March 31, 2009. Unrealized gains increased primarily due to recovery in the domestic securities market in Japan and overseas and a result of stringent selection of transactions.

82

Table of Contents

Life insurance premiums and related investment income

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

	Year ended March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Life insurance premiums and related investment income:				
Life insurance premiums	¥ 115,214	¥ 104,133	¥ (11,081)	(10)
Life insurance-related investment income	2,537	11,465	8,928	352
Total	¥ 117,751	¥ 115,598	¥ (2,153)	(2)

Life insurance premiums and related investment income decreased 2% to ¥115,598 million in fiscal 2010 compared to fiscal 2009. Life insurance premiums decreased 10%, and life insurance-related investment income increased 352% in fiscal 2010.

The margin ratio, which subtracted life insurance costs from life insurance premiums increased to 11% in fiscal 2010 compared with 8% in fiscal 2009.

	As of March 31,	Change