ORIX CORP
Form 20-F
June 27, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended March 31, 2012**

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, 2012, 110,254,422 Shares were outstanding, including Shares that were represented by 2,748,724 ADSs.

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

x Yes ¨ No

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

¨ Yes x No

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

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

x Yes ¨ No

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

x Yes ¨ No

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

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

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

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

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

¨ Item 17 ¨ Item 18

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

¨ Yes x No

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

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

¨ Yes ¨ No

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

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CERTAIN DEFINED TERMS, CONVENTIONS AND

PRESENTATION OF FINANCIAL INFORMATION

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

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

The consolidated financial statements of ORIX have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). For certain entities where we hold majority voting interests but noncontrolling shareholders have substantive participating rights to decisions that occur as part of the ordinary course of the business, the equity method is applied pursuant to FASB Accounting Standards Codification (ASC) 810-10-25-2 to 14 (Consolidation The Effect of Noncontrolling Rights on Consolidation). In addition, the consolidated financial statements also include variable interest entities (VIEs) to 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, 2012 is referred to throughout this annual report as fiscal 2012, 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.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

SELECTED FINANCIAL DATA

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

	Year ended March 31,					
	2008	2009	2010	2011	2012	2012
	(Millions of yen and millions of dollars)					
Income statement data[1]:						
Total revenues	¥ 1,112,485	¥ 1,015,696	¥ 890,552	¥ 946,878	¥ 972,884	$ 11,837
Total expenses	927,574	962,509	860,378	871,582	847,689	10,314
Operating income	184,911	53,187	30,174	75,296	125,195	1,523
Equity in net income (loss) of affiliates	48,316	(40,458)	8,364	16,806	1,972	24
Gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	12,232	(1,686)	17,519	1,199	3,317	41
Income before income taxes, discontinued operations and extraordinary gain	245,459	11,043	56,057	93,301	130,484	1,588
Income from continuing operations	147,772	12,692	34,967	67,158	85,853	1,045
Net income (loss) attributable to the noncontrolling interests	1,952	1,175	704	2,373	(332)	(4)
Net income attributable to the redeemable noncontrolling interests	1,950	698	2,476	2,959	2,724	33
Net income attributable to ORIX Corporation	169,597	21,924	37,757	67,275	86,150	1,048

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	As of March 31, 2008	2009	2010	2011	2012	2012
	(Millions of yen and millions of dollars, except number of Shares)					
Balance sheet data:						
Investment in direct financing leases[2]	¥ 1,098,128	¥ 914,444	¥ 756,481	¥ 830,853	¥ 900,886	$ 10,961
Installment loans[2]	3,766,310	3,304,101	2,464,251	2,983,164	2,769,898	33,701
Subtotal	4,864,438	4,218,545	3,220,732	3,814,017	3,670,784	44,662
Investment in operating leases	1,019,956	1,226,624	1,213,223	1,270,295	1,309,998	15,939
Investment in securities	1,121,784	926,140	1,104,158	1,175,381	1,147,390	13,960
Other operating assets	197,295	189,560	186,396	235,430	224,092	2,726
Allowance for doubtful receivables on direct financing leases and probable loan losses	(102,007)	(158,544)	(157,523)	(154,150)	(136,588)	(1,662)
Others	1,893,504	1,967,411	2,172,814	2,240,609	2,139,198	26,028
Total assets	¥ 8,994,970	¥ 8,369,736	¥ 7,739,800	¥ 8,581,582	¥ 8,354,874	$ 101,653
Short-term debt	¥ 1,330,147	¥ 798,167	¥ 573,565	¥ 478,633	¥ 457,973	$ 5,572
Long-term debt	4,462,187	4,453,845	3,836,270	4,531,268	4,267,480	51,922
Common stock	102,107	102,216	143,939	143,995	144,026	1,752
Additional paid-in capital	135,159	136,313	178,661	179,137	179,223	2,181
ORIX Corporation shareholders equity	1,267,917	1,167,530	1,298,684	1,319,341	1,396,137	16,987
Number of issued Shares	92,193,067	92,217,067	110,229,948	110,245,846	110,254,422	
Number of outstanding Shares	90,496,863	89,400,220	107,484,247	107,498,502	107,521,721	

	As of and For the Year Ended March 31, 2008	2009	2010	2011	2012
	(Yen and dollars, except ratios and number of employees)				
Key ratios (%)[3]:					
Return on ORIX Corporation shareholders equity (ROE)	13.8	1.8	3.1	5.1	6.3
Return on assets (ROA)	1.97	0.25	0.47	0.82	1.02
ORIX Corporation shareholders equity ratio	14.1	13.9	16.8	15.4	16.7
Allowance/investment in direct financing leases and installment loans	2.1	3.8	4.9	4.0	3.7
Per share data and employees:					
ORIX Corporation shareholders equity per Share[4]	¥ 14,010.62	¥ 13,059.59	¥ 12,082.56	¥ 12,273.11	¥ 12,984.69
Basic earnings per Share for income attributable to ORIX Corporation from continuing operations[5]	1,579.22	127.25	308.87	574.83	781.84
Basic earnings per Share for net income attributable to ORIX Corporation	1,860.63	246.59	370.52	625.88	801.33
Diluted earnings per Share for net income attributable to ORIX Corporation	1,817.81	233.81	315.91	527.75	670.34
Dividends applicable to fiscal year per Share	260.00	70.00	75.00	80.00	90.00
Dividends applicable to fiscal year per Share[6]	$ 2.49	$ 0.73	$ 0.81	$ 0.99	$ 1.15
Number of employees	18,702	18,920	17,725	17,578	17,488

(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 ¥203,253 million, ¥495,514 million, ¥386,146 million, ¥344,855 million and ¥319,819 million as of March 31, 2008, 2009, 2010, 2011 and 2012, respectively. These sums included: (i) investment in direct financing leases considered 90 days or more past due of ¥22,637 million, ¥27,949 million, ¥25,682 million, ¥22,787 million and ¥17,441 million as of March 31, 2008, 2009, 2010, 2011 and 2012, respectively, (ii) installment loans (excluding loans individually evaluated for impairment) considered 90 days or more past due of ¥15,333 million,

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¥17,860 million, ¥12,321 million, ¥10,037 million and ¥8,604 million as of March 31, 2008, 2009, 2010, 2011, and 2012, respectively, and (iii) installment loans individually evaluated for impairment of ¥165,283 million, ¥449,705 million, ¥348,143 million, ¥312,031 million and ¥293,774 million as of March 31, 2008, 2009, 2010, 2011 and 2012, respectively. See Item 5. Operating and Financial Review and Prospects Results of Operations Year Ended March 31, 2012 Compared to Year Ended March 31, 2011 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.

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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 ¥82.19 = $1.00, which was the approximate exchange rate in Japan on March 31, 2012 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 15, 2012, the noon buying rate for Japanese yen was ¥78.65 = $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,				
	2008	2009	2010	2011	2012
			(Yen per dollar)		
Yen per dollar exchange rates:					
High	¥ 124.09	¥ 110.48	¥ 100.71	¥ 94.68	¥ 85.26
Low	96.88	87.80	86.12	78.74	75.72
Average of the last days of the months	113.61	100.85	92.49	85.00	78.86
At period-end	99.85	99.15	93.40	82.76	82.41

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
2011		
December	¥ 78.13	¥ 76.98
2012		
January	¥ 78.13	¥ 76.28
February	81.10	76.11
March	83.78	80.86
April	82.62	79.81
May	80.36	78.29

RISK FACTORS

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

1. Risks Related to our External Environment

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

The global economy continued to show moderate recovery. However, growth in emerging economies is slowing due to the protracted European debt issue and delayed economic recovery in advanced economies.

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Against this backdrop, 2012 is set to be a milestone year for politics with elections and potential changes in the top leadership and economic policies of major nations expected to be a focus of attention. Also, geopolitical risk continues to be seen in the Middle East and East Asia. The Japanese economy is showing a moderate recovery from the decline that followed the Great East Japan Earthquake, accompanied by signs of recovery in production activity. However, the historic appreciation of yen continues to pressure Japanese economic recovery.

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 and instability 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 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. Any such events could have an adverse effect on our business activities, financial condition and results of operations.

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

Our business depends upon the confidence of customers and market participants. Negative rumors about our activities, our industries or parties with whom we do business could harm our reputation and diminish confidence in our business. If we suffer reputational damage as a result of any rumors, we may lose customers or business opportunities, which could adversely affect our business activities, financial condition, 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. Among overseas businesses, operations in the United States, Asia and Oceania are especially large. One of our mid-term management strategies is Embracing growth in emerging markets including Asia. Shifts in commodity market prices and consumer demand, political instability or religious strife in these and other regions, could adversely affect our business activities, financial condition and results of operations.

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

Our business activities, financial condition and results of operations may be adversely affected by unpredictable events or any continuing effects caused by such events. Unpredictable events include man-made events, such as accidents, war, terrorism and insurgency, and natural events, such as earthquakes, storms, tsunamis, fires and outbreaks of new strains of influenza or other infectious diseases. If any such event occurs, 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, our business activities, financial condition and results of operations may be adversely affected as a result.

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

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.

2. Credit Risk

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

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

The operating results of many companies have deteriorated due to restricted credit availability caused primarily by the continued effects of 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. However, we may be required to make additional provision in the future.

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, due to adverse economic or market conditions, the value of underlying collateral and guarantees declines, our credit-related costs might increase. If we need to increase our allowance for doubtful receivables on direct financing leases and probable loan losses, or if our credit-related costs increase to cover these changes or events, our business activities, financial condition and results of operations could be adversely affected.

3. Market Risk

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

Our business activities are subject to risks relating to changes in market interest rates and currency exchange rates in Japan and overseas. Although we conduct asset-liability management (ALM), 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, 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.

Furthermore, with respect to floating-rate loan assets, if market interest rates increase, the repayment burdens of our customers may also increase, which could adversely affect the financial condition of such

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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. Changes in market interest rates could have an adverse effect on the credit quality of our assets and our asset structure.

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

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

We utilize derivative instruments to reduce investment portfolio price fluctuations, and to manage interest rate and currency risk. However, we may not be able to successfully manage these risks through the use of derivatives. There exist fears such that 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.

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

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

We hold investments in listed or non-listed shares, including our affiliates accounted for by the equity method, 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 business activities, financial condition and results of operations.

4. Business Risk

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

We engage in a wide range of diversified business and are expanding the range of our 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 or foresee, and, as a result, we may incur unexpected costs or losses, which may be substantial. 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.

As part of our business expansion, we may from time to time acquire companies, including companies in troubled condition which we consider to be turn-around businesses, or their assets. We cannot guarantee that the price we pay for acquisitions will be fair or 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.

We enter joint ventures and alliances with foreign and domestic counterparties, and the success of these operations is often dependent upon the financial and legal stability of our counterparties. If one of our joint ventures or alliance counterparties 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, we may be required to pay in additional capital, or reduce at a loss our investment in, or close the operations altogether.

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The contribution from our consolidated subsidiaries and equity method affiliates to our consolidated results of operations is an important component of our income. There can be no assurance that this contribution will be maintained. Also 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.

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

(2) If our services to customers are inadequate, our reputation may be harmed and we may be obligated to compensate our customers

We provide M&A financial advisory and consulting services to our customers. If such services are inadequate 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. Although we strive to provide high quality services, if we fail to meet customer expectations or our services are otherwise, our reputation may be harmed and our business activities, financial condition and results of operations 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.

(3) We are exposed to risks related to asset value volatility

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

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

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

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

(4) Our real estate-related operations expose us to various risks

Our real estate-related operations include development and lease of real estate, and real estate finance. Our real estate finance business is comprised of non-recourse 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.

A drastic fluctuation in land prices or the supply-demand balance in the real estate sale/purchase or rental market in Japan and overseas may cause a deterioration in real estate market conditions. This may adversely affect the financial condition of counterparties to whom we have made loans, the value of loan collateral, or the value of our real estate holdings. Any such events could have an adverse effect on our financial condition and results of operations. For example, in development and lease of real estate, vacancy rates have risen and rents have dropped. In real estate finance, this 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. Furthermore, losses on the collection of loans through sales of the real estate may exceed the amount that we initially estimated.

In our real estate development operations, we try to obtain indemnities against contractual breaches and land and property defects. However, construction work may be postponed or canceled by the contractor in breach of the terms, and the indemnity provided may be insufficient to cover our losses arising from such breach due to a deterioration of the contractor s financial condition. In such situations, we may be required to indemnify the losses. Furthermore, we may incur additional costs to complete or operate property. Any such events could have an adverse effect on our business activities, financial condition and results of operations.

(5) We are exposed to risks 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 one or more of our licenses may adversely affect our business activities, financial condition and results of operations.

(6) 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. If ORIX Life Insurance suffers valuation or other losses, including from declines in the value of securities or real estate that it purchases for asset management purposes, 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 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, our business activities, financial condition and results of operations may suffer.

In addition, ORIX Life Insurance is required to make contributions to the Life Insurance Policyholders Protection Corporation of Japan (the PPC) to provide financial support to insolvent life insurance companies. If one or more PPC participants were to go bankrupt, solvent PPC members, including ORIX Life Insurance could be required to make additional contributions to the PPC. In such an event, our business activities, financial condition and results of operations may be adversely affected.

(7) Risks related to our other businesses

We operate a wide range of diversified businesses in Japan and overseas, including financial services business. In recent years, we have expanded into areas such as environmental business, renewable energy and nursing care. Entry into these industries, and the results of operations following such entry, are accompanied by various uncertainties, and if any unanticipated risk does eventuate, this may adversely affect our business activities, financial condition and results of operations.

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5. Risk Relating to Fund Procurement

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

Our primary sources of funds from financing activities include: borrowings from banks and other institutional lenders, funding from capital markets (such as offerings of commercial paper, straight bonds and medium-term notes, 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. Some of our committed credit lines require us to comply with financial covenants and maintain specified credit ratings. In addition, some of the non-recourse loans under which we borrow funds to finance specific projects require early repayment if the relevant projects experience declines in performance.

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 funding costs; we may be more subject to volatility in the credit markets; and our securities may not be attractive 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 business activities, financial condition and results of operations will be significantly and adversely affected.

We obtain credit ratings from ratings agencies. 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 business activities, financial condition and results of operations may be significantly and adversely affected.

6. Legal Risk

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

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

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

Whether there exists any violation of laws, if we are investigated by government authorities or sued in connection with our businesses, our business activities, financial condition and results of operations may be adversely affected.

7. Operational Risk

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

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. These information systems may be outsourced.

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

Our information system equipment could suffer damage from a large-scale natural disaster or from terrorism. 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. As a result, our business activities, financial condition and results of operations may be adversely affected.

(2) We may not be able to hire or retain human resources

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

(3) If our internal controls over financial reporting are insufficient, adversely affecting our share price, reputation, business activities

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

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(4) Our risk management may not be effective

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

(5) Other operational risks

The conduct of our various businesses entails many types of operational risks. 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, vendors or other 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 our business activities, financial condition and results of operations may be adversely affected at any time due to this risk. Even if we do not incur direct pecuniary loss, our reputation may be adversely affected.

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

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

Our Articles of Incorporation, the regulations of our board of directors and the Companies Act govern our corporate affairs. Legal principles relating to 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.

(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.

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

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

(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 ten Shares. Each unit of the Shares has one vote. A holder who owns Shares other than in multiples of ten will own less than a whole unit (i.e., for the portion constituting fewer than ten 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 ten 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 (presently Mitsubishi UFJ Financial Group Inc.), Toyo Trust & Banking (presently Mitsubishi UFJ Trust and Bank Corporation), the Industrial Bank of Japan and Nippon Kangyo Bank (presently Mizuho Bank, Ltd., Mizuho Holdings, Inc.), and the Bank of Kobe (presently Sumitomo Mitsui Banking Corporation). 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. 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. Since February 1973, our Shares have been listed on the first sections of the Tokyo Stock Exchange and the Osaka Securities Exchange. ORIX was also listed on the first section of the Nagoya Stock Exchange from February 1973 to October 2004.

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

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

In the 1980s, ORIX established offices in Sri Lanka (1980), the United States (1981), Taiwan (1982), Australia (1986) and Pakistan (1986).

Orient Capital (presently ORIX Capital), ORIX s venture capital business, was established in 1983, and the Japanese company Budget Rent-a-Car (presently ORIX Auto Corporation) was established in 1985.

ORIX also initiated a management strategy of proactive mergers and acquisitions to expand operations, and in 1986 made its initial investment in Akane Securities K.K. (which became ORIX Securities Corporation in 1995 and is presently Monex, Inc. since 2010).

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.

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In 1990 ORIX established ORIX Commodities Corporation (merged with ORIX Investment Corporation). In 1991 ORIX established ORIX Aviation Systems Limited in Ireland. In 1991 ORIX established ORIX Omaha Life Insurance Corporation (presently ORIX Life Insurance Corporation) and entered the life insurance business. In 1998 ORIX purchased Yamaichi Trust & Bank, Ltd. (presently ORIX Bank Corporation). In 1998, ORIX listed on the New York Stock Exchange (Ticker Symbol: IX) and, through registration with the SEC, has worked to further strengthen its corporate governance regulations. ORIX Real Estate Corporation was established in 1999 to concentrate on condominium development that was first begun in 1993 as well as develop office buildings in pursuit of improved real estate expertise. In 1999 we established ORIX Asset Management and Loan Services Corporation.

Since 2000, we have actively expanded our automobile-related operations by acquiring companies and assets. 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 Corporation in January 2005.

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

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 January 2006, we entered the investment banking field in the United States with the acquisition of Houlihan Lokey Inc. 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. In December 2010, we acquired Mariner Investment Group LLC, a leading independent SEC-registered hedge fund.

In April 2012, ORIX, Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation (SMBC) agreed to transfer all shares of ORIX Credit Corporation held by SMBC to ORIX pursuant to necessary arrangements with the relevant authorities, resulting in making ORIX Credit a wholly-owned subsidiary of ORIX at the time of the transfer.

STRATEGY

Target Performance Indicators

In its pursuit of sustained growth, the ORIX Group 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. ORIX aims to achieve its medium-term goal of 10% ROE by striving to increase capital efficiency through quality asset expansion to capture business opportunities along with increased asset efficiency by strengthening profit-earning opportunities such as fee-based and other businesses.

Three-year trends in performance indicators are as follows.

		As of March 31, 2010	2011	2012
Net Income Attributable to ORIX Corporation	(Millions of yen)	¥ 37,757	¥ 67,275	¥ 86,150
ROE	(%)	3.1	5.1	6.3
ROA	(%)	0.47	0.82	1.02

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Medium- and Long-Term Corporate Management Strategies

The ORIX Group believes 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 and Operation, Retail and Overseas Business) that represent a wide range of businesses, and Group-wide risk is controlled through a diversified business portfolio. While domestic and international financial institutions were forced to record large losses due to the financial crisis, ORIX was able to secure profits through the complementary nature of its diversified portfolio.

Also, from a funding standpoint, ORIX continues to maintain a stable financial base characterized by roughly 50% of funding from financial institutions, solid relationships with over 200 domestic and international financial institutions, and a high percentage of long-term debt maintained through the issuance of bonds.

Going forward, ORIX will continue its 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. Additionally, ORIX aims for Growth and Innovation of Current Businesses by restructuring the current business platform and capturing new business opportunities in response to the changing environment.

Increase the pace of Finance + Services : After the occurrence of structural changes in the finance business environment caused by the financial crisis, providing additional high value-added services has been deemed essential for pursuing increased profitability in the finance business. The ORIX Group is already providing Finance + Services through its maintenance leasing service and loan servicing operations. Going forward, ORIX will capitalize on its accumulated Group client base, know-how and expertise to develop new business areas and provide more advanced services.

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

Growth and Innovation of Current Businesses : The domestic and overseas environment surrounding the ORIX Group is changing dramatically. In order to achieve further growth, ORIX must change the business models. ORIX will provide products and services valued by customers and society through Group-wide collaboration that transcends the division level, and restructuring its business platform to capture new business opportunities.

Corporate Challenges to be Addressed

The operating environment surrounding ORIX 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 market, new financial regulations and global warming. It is vital for ORIX Group to continue to maintain and develop a business structure that flexibly and swiftly adapts to such a rapidly changing operating environment. Specifically, ORIX will adapt to the changing operating environment by taking the following three steps.

1.

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

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

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

PROFILE OF BUSINESS BY SEGMENT

Our reportable segments are based on ASC 280-10 (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, 2010, 2011 and 2012.

	Years ended March 31,		
	2010	2011	2012
	(Millions of yen)		
Corporate Financial Services	¥ (19,481)	¥ 10,035	¥ 21,532
Maintenance Leasing	23,307	26,203	34,710
Real Estate	138	54	1,349
Investment and Operation	(2,350)	13,212	15,983
Retail	31,104	23,777	21,825
Overseas Business	37,142	45,639	49,768
Total segment profits	69,860	118,920	145,167
Difference between segment total and consolidated amounts	(13,803)	(25,619)	(14,683)
Total Consolidated Amounts	¥ 56,057	¥ 93,301	¥ 130,484

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 and Operation, Retail and Overseas Business. Management believes that organizing our business into large strategic units allows us to maximize our corporate value by identifying and 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 group companies
- Capture 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.

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Operating through a nationwide network of 76 offices, ORIX provides capital through loans and leasing for capital investment and other needs to its core customer base of domestic small and medium-sized 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 serves as a specialist department that engages in commercial facility development and rental as well as construction equipment business activities. By promoting cross-functional tie ups with domestic and overseas business units, this segment provides services backed by expertise to its clients nationwide.

Operating Environment

While the business environment for SMEs, the segment s core client base, continued to reflect the direct and indirect effects of the Great East Japan Earthquake including plant and equipment damage as well as low production levels due to rolling blackouts, there were indications of a modest recovery during the fiscal year under review. An increase in capital expenditure was particularly obvious in the Tohoku area. Buoyed by such factors as firm personal consumption and burgeoning reconstruction demand, initial signs of positive turnaround in economic conditions especially in disaster-stricken areas are beginning to emerge.

In contrast, the prolonged debt crisis in Europe, which continues to slow the pace of global economic growth, coupled with persistent appreciation in the value of the yen, is casting a shadow over the business environment. Notwithstanding little or no change in the number of corporate bankruptcies from year to year, there are concerns that as the positive effects of various policy initiatives including those under the SME Financing Facilitation Act come to an end, a considerable weight will again be placed on the results and recovery of the corporate sector.

Operating Strategy

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

As a sales platform for the Group, the Corporate Financial Services segment will continue to identify new business opportunities in response to client needs while accelerating the pace of its Finance + Services strategy. To this end, the segment will leverage the Group s high level of expertise built on the know-how accumulated through automobile and rental business diversification, the provision of credit and servicing functions, and the competitive life insurance operation. In order to address those mounting issues and needs that have arisen from customers efforts to expand overseas in recent years, the Corporate Financial Services segment is engaging in offshore marketing, cultivating new sales channels and harnessing its overseas network to collect information and provide pertinent advice. At the same time, the segment is putting forward products and services that match each stage of an increasingly protracted reconstruction process in Japan.

The Corporate Financial Services segment is committed to further expanding its client base by providing a broad spectrum of services to the Group s customers as a whole. Moving forward, the segment will take steps to unify the goals and strategies of each Group company and to combine sales, marketing and operating know-how to engage in comprehensive activities that encompass the building of robust customer relationships, uncovering issues and providing solutions as a one-stop services provider.

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Maintenance Leasing

Overview of Business Strategies

- Continue Group-wide sales activities
- Expand high value-added services and allocate resources to growth areas
- Improve profitability by streamlining operations and controlling costs

Overview of Operation

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

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

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

Operating Environment

Domestic corporate automobile operations are expected to confront continued sluggish demand from the persistent decrease in automobile investment as well as cost reductions in addition to the trend toward using smaller automobiles. Business opportunities, on the other hand, are increasing in line with changes in corporate attitudes toward vehicle management.

In particular, the need for vehicle maintenance and administrative cost reductions has increased among corporations, as has interest in areas such as compliance and safety management. Furthermore, heightened awareness of environmental issues is stimulating demand for leasing services for hybrid vehicles together with an increase in the number of car sharing participants.

The domestic precision measuring equipment rental market is not expected to expand substantially due to such factors as the accelerated outflow of companies overseas. At the same time, the competitive landscape remains relatively stable owing to comparatively high barriers to entry caused by the need for significant initial investment and difficulties in securing personnel with specialized know-how.

In the IT-related equipment field, the cloud computing market continues to grow on the back of concerns surrounding system operating costs and the need for increased flexibility. Moreover, there are signs of a shift in corporate-sector IT investment from hardware ownership to service use.

Operating Strategy

The Maintenance Leasing segment will continue to engage in Group-wide sales activities in an effort to cultivate new clients and to meet client needs.

In the automobile leasing business, the segment will combine its leasing, automobile rental and car sharing products and services while offering service proposals that cover modes of automobile use, which in turn lead to optimal and low-cost vehicle solutions. As of the end of the fiscal year, the total number of automobiles under management amounted to approximately 950,000.

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The segment s corporate automobile leasing operations provide solutions based on compliance, environmental response and safety management while at the same time encompassing complete business process outsourcing that draws on the segment s high level of expertise and reliable operational quality. For example, 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. By actively promoting this type of high value-added business, the Maintenance Leasing segment is expanding fee income while differentiating ORIX from other companies. Moreover, we aim to streamline operations and enhance cost control to maintain profitability and competitiveness.

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

In the rental business, we will 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 lineup of products in Japan to include the rental of medical and environmental analytic equipment as well as tablets and other terminals, and work to cultivate a new set of customers by capitalizing on our Group network, centering on the Corporate Financial Services segment. Overseas, we will step up robot-related activities and the rental of chip mounter and other manufacturing equipment focusing mainly on China. As of March 31, 2012, the rental business owned more than 950,000 units of rental equipment spanning more than 30,000 types.

Real Estate

Overview of Business Strategies

- Expand business based on the real estate value chain
- Expand the stable revenue base by improving the profitability of rental assets and strengthening the operating business
- Enhance the asset management business to expand fee-business and promote new joint-investment with outside investors

Overview of Operation

This segment is mainly comprised of the real estate investment and facilities operation businesses.

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

The development, ownership and operation of such diverse properties as Japanese inns, hotels, aquariums, training facilities, golf courses and nursing care facilities is an integral part of the facilities operation business.

Operating Environment

While there has been little or no movement in vacancy rates, rental rates continue to decrease in the office building market. In 2012, the completion of a significant number of properties is expected, placing existing and prospective tenants in an increasingly advantageous position. From a demand perspective, there are indications that a growing number of J-REITs and overseas investors are contemplating the acquisition of new properties.

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Looking at the leisure market and consumption patterns, which have a major impact on the Group s facilities operation business, the market has now contracted for two consecutive years. This is placing increased pressure on the need to ensure distinctive products and services that are finely tuned to address customers requirements.

Despite concerns of a slump in the residential condominium market following the Great East Japan Earthquake, the contract completion rate in both the Tokyo and Osaka metropolitan areas remains above the key benchmark level of 70%. Looking at property prices, trends indicate an ongoing modest decline.

Operating Strategy

The underlying strength of the real estate segment rests in its comprehensive value chain that includes development, leasing, asset and property management as well as finance backed by the ORIX Group s customer base. Moving forward, this segment will capitalize on and further expand its wide-ranging real estate related expertise to increase the value of its assets while promoting the provision of new value.

As one example, the segment will make full use of its value chain through such means as joint investment with outside investors to secure a high quality portfolio and to further bolster its asset management operations. Moreover, ORIX will endeavor to achieve balanced growth by controlling asset size and swiftly establishing a stable revenue base. To this end, particular emphasis will be placed on such areas as the facilities operation business that is not directly influenced by fluctuations in real estate market conditions.

In the real estate development and rental business, continued efforts will be made to reduce assets. At the same time, this segment will strive to improve occupancy rates and rental income by leveraging the characteristics of its small and diversified rental property portfolio and leasing capabilities. Although real estate transactions have not seen a full-scale recovery, the segment will pursue various exit strategies such as sales to overseas investors to promote asset turnover.

In the facilities operation business, the segment will establish a firm foothold within the market by developing a wide range of unique services in response to diversified needs and aging customers. With the opening of a large number of new facilities, the segment will continue to diversify its customer base and increase profitability by setting a clear customer target and concept for each operating facility including Japanese inns, golf courses and aquariums.

Investment and Operation

Overview of Business Strategies

Capture profit opportunities capitalizing on servicer expertise and strengthen the corporate rehabilitation business

Capture opportunities for new investment and reestablish the portfolio

Invest in the energy and environmental field, and promote business operation

Overview of Operation

This segment began with the establishment of a venture capital business in 1983. Its ensuing development has mirrored trends in the business environment and includes a loan servicing business that invests in nonperforming loans as well as commercial mortgage-backed securities (CMBS) management and collection, a principal investment business, a securities brokerage and a mergers and acquisitions and financial advisory business.

In the environment and energy-related business, which was incorporated into the Investment and Operation segment during the second quarter of the fiscal year ended March 31, 2012, the ORIX Group has promoted the use of energy-saving measures and renewable energy in addition to making waste disposal and recycling related proposals with respect to the collection, disposal and recycling of end-of-lease assets for more than ten years.

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Operating Environment

While efforts by Japan s major banks to dispose of large-scale assets remain limited due to the effects of Japan s Financing Facilitation Act, there are expectations that opportunities for investment in nonperforming loans will rise as foreign corporations withdraw from Japan, funds are divested and the selection and concentration of companies accelerates.

Activities in the M&A market are also anticipated to improve. In addition to a significant resurgence in cross-border transactions by Japan s corporate sector, positive operating conditions are attributable to restructuring initiatives by listed companies, the strategic de-listing of subsidiaries and business succession undertaken by SMEs. This is in turn projected to trigger increased demand for investment, finance and advisory services.

In the environment and energy-related business, investment is forecast to remain robust in Japan and overseas particularly in energy related fields.

Operating Strategy

In the Investment and Operation segment, the ORIX Group is engaged in the three core activities of loan servicing, investment and the provision of energy and environmental services both in Japan and overseas.

ORIX Asset Management and Loan Services Corporation (OAMLS), the first Japanese servicer to simultaneously receive all three servicing ratings (master, primary and special servicer), in addition to receiving the highest rating (STRONG) from Standard & Poors in the area of CMBS, has expertise in financial arrangement and servicing and a wide ranging information network through its servicing business. Capitalizing on these strengths, the segment will take advantage of opportunities to further expand its fee-based business by acting as an intermediary in the sales of collateralized properties and as a special servicer.

This segment will also provide management support in such areas as business succession and corporate rehabilitation (restructuring, transfer and funding arrangement) to its wide range of clients. Looking ahead, steps will be taken to put forward a broad spectrum of solutions that match the needs of financial institutions in areas including nonperforming loan investment, corporate rehabilitation fund management and joint corporate rehabilitation support operations based on a strategic capital alliance.

In its proprietary investment activities, the segment will adopt a prudent approach toward the selection of businesses taking into consideration its established track record and an assessment of risk and return. In addition to rebuilding its portfolio, the segment will look to enhance the corporate value of those companies in which it invests. Particular emphasis will be placed on expansion as well as investments that complement the segment s existing functions through such means as M&A.

As a part of its ongoing energy and environmental activities including provision of waste processing and recycling services, energy conservation services and the sale of solar power systems, as well as the development and operation of power generation businesses, the segment will put forward innovative new ideas and proposals based on its accumulated know-how. Moreover, considerable energies will be channeled toward investments in and operation of water-related and mega-solar businesses at home and abroad.

Retail

Overview of Business Strategies

- Life Insurance: Develop distinctive new products and enhance the agency network
- Banking: Create a balanced portfolio
- ORIX Credit: Expand business with current high-tier clients and pursue new guarantees

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Overview of Operation

This segment consists of the life insurance business, the banking business and the card loan business. ORIX Life Insurance was founded in 1991 and operates mainly through representative agencies and mail order sales. In the banking business, ORIX began handling housing loans in 1980 and thereafter ORIX Bank Corporation (ORIX Bank) expanded the business into corporate lending and other services. More recently, ORIX Bank entered the card loan business in March 2012.

Established in 1979, ORIX Credit Corporation was managed over a continuous three-year period as a joint venture with Sumitomo Mitsui Banking Corporation pursuant to an alliance established in July 2009. After the purchase of all of the joint-venture s shares, ORIX Credit will be operating as a wholly owned subsidiary.

Operating Environment

Trends in the domestic life insurance market continue to reflect a shift toward small-lot individual insurance, an increase in the number of insurance policies and a slight decrease in the sum insured. Demand is sluggish for traditional life insurance products. On the other hand, customer needs are expanding for medical insurance products classified as third sector products. Moreover, sales channels continue to diversify; for example sales at bank, pure Internet play insurance companies and retail stores. Turning to the investment environment, conditions continue to make securing yields challenging. This is largely attributable to the prolonged low level of long-term interest rates.

In the banking industry, deposits continue to grow as savings attract stability-oriented individuals. Despite signs of a partial recovery in corporate-sector capital expenditure demand, the need for capital in overall terms remains flat. However, even in a stagnant real estate market, capital demand by 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, the number of finance providers has dropped dramatically. At the same time, there has been a continued move toward adopting a new business model. This is largely the result of the reduction in the upper limit placed on interest rates and the ceiling established on total debt. In contrast, there are indications that banks are expanding their individual unsecured lending activities.

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 medical insurance CURE series, its cancer insurance Believe and its Internet-based insurance application service Bridge, a term insurance policy available only online. Moving forward, and in similar fashion to the launch of an Internet-based insurance application service last year, the ORIX Group will work to expand sales channels. Through these means, the Group seeks to expand its operations, strengthen operating efficiency and fortify its business foundation.

In line with its business expansion, ORIX Bank is steadily increasing deposits through e-Direct Deposits, an Internet-based fixed deposit service for retail and corporate customers. As of March 31, 2012, the deposit balance (including negotiable deposits) exceeded ¥1 trillion. On the lending side, ORIX Bank will continue to develop a well-balanced loan portfolio, seek to differentiate itself from other banks by further increasing its transactions with SMEs and offer consulting services that leverage the ORIX Group s collective strength.

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In March 2012, ORIX Bank entered the card loan business in earnest. This initiative will be completed by the conversion of ORIX Credit Corporation into a wholly owned subsidiary in June 2012. Looking ahead, the Group will continue to engage in unified management to steadily expand its activities in the individual lending market with the aim of establishing a significant pillar of business.

Overseas Business

Overview of Business Strategies

United States: Continue to strengthen Finance + Services based on a high level of expertise

Expansion of the leasing business and new investment centered on Asia

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

Overview of Operation

In the United States, this segment places asset management at the heart of efforts to expand Finance + Services. Boasting a wealth of experience in a wide range of areas, the segment is also active in the corporate finance, securities investment, M&A advisory, loan structuring and servicing as well as fund management fields.

Since first expanding into Hong Kong in 1971, the ORIX Group has established a broad network that encompasses 290 bases spread throughout 26 countries and regions. Underpinned by a leasing, automobile leasing and corporate finance operating base that is aligned to the conditions of each country, this segment also engages in real estate-related, principal investment and non-performing loan investment activities. Complementing these activities, the segment also undertakes ship and aircraft leasing, management, investment, intermediary and sales transactions.

Operating Environment

Buoyed by government stimulus measures and a lull from the effects of the debt crisis in Europe, the United States economy is experiencing a modest recovery with signs that the market is more receptive to risk. The United States financial market, on the other hand, is expected to continue to de-leverage both in the corporate and household sectors for the foreseeable future due to the collapse of the high leverage financial business model.

ORIX has extensive business operations in Asia. Despite a slowdown in the pace of growth due mainly to the crisis in Europe, Asia is expected to enjoy considerable expansion on the back of stable growth mainly in the ASEAN region. 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 going forward. China is a particularly attractive country in terms of economic scale and has garnered global attention as a promising market despite structural problems including inflation and widening domestic economic disparity. In the aircraft market, conditions reflect intense competition particularly in the leasing field. At the same time, aircraft prices continue to hover at a high level. The shipping industry has provided little or no indication of a recovery with persistent imbalance in demand and supply. Against this backdrop, financial institutions both in Japan and overseas are adopting a wait-and-see attitude toward new investment. While recognizing the limited number of players that are currently active in the market, the potential conversely exists to capture lucrative opportunities.

Operating Strategy

In the United States, this segment has historically engaged in corporate finance. Building on these activities, the segment is taking steps to ensure the stability of its investment operations which encompass CMBS and municipal bonds. In addition to advisory and enterprise valuation, as well as loan structuring and servicing, the segment is drawing on its accumulated expertise in fund management to further bolster fee-based businesses.

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Working through Houlihan Lokey as well as RED Capital Group and Mariner Investment Group, ORIX is driving its fee-based businesses forward by focusing mainly on the provision of Finance + Services. Houlihan Lokey maintains a strong reputation in the United Sates with decades of experience in financial advisory services, financial opinion services and financial restructuring services. RED Capital Group arranges specialty loans for real estate companies and obtains fees through loan servicing. Mariner Investment Group is a major independent hedge fund manager. Both entities are quintessential examples of capturing fee revenue without using the balance sheet. Taking full advantage of its operations in the United States, the ORIX Group will increase profitability by further expanding its services going forward. Moreover, ORIX is evaluating the possibility of re-entering the Central and South American market through the overseas business segment to seek business opportunities by leveraging the experience gained through its local business partnership developed from 1970s until 2000s.

In Asia, Oceania, the Middle East and Europe, this segment continues to secure stable revenues based on its platform of leasing, lending and other financial services closely tied to local communities, and will provide high value-added services utilizing expertise accumulated in Japan and overseas.

In addition to further developing new businesses, this segment will assess opportunities to acquire assets through M&A as well as purchases from European financial institutions. Looking ahead, the ORIX Group will continue to uncover high profitability investment in such fields as finance, automobiles, ships and aircrafts.

Again moving forward, this segment will work to further promote its business and capitalize on its global network by supporting Japanese companies looking to move into overseas markets and foreign companies entering Japan, and through joint investment in Japanese real estate with overseas investors.

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.

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PROPERTY, PLANT AND EQUIPMENT

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

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

	As of March 31, 2012	
	Book Value (Millions of yen)	Land Space[1] (Thousands of m^2)
Office building (Shiba, Minato-ku, Tokyo)	¥ 37,070	2
Office building (Tachikawa, Tokyo)	22,014	5
Office building (Osaka, Osaka)	13,432	2
Office building (Roppongi, Minato-ku, Tokyo)	11,391	1
Training facility (Funabashi, Chiba)	10,726	3
Industrial waste disposal and recycling facility (Yorii, Saitama)	12,115	

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

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 ¥123,338 million as of March 31, 2012.

As of March 31, 2012, acquisition cost of equipment held for operating leases amounted to ¥1,692,862 million, which consists of ¥624,567 million of transportation equipment, ¥191,313 million of measuring and information-related equipment, ¥858,413 million of real estate and ¥18,569 million of others, before accumulated depreciation. Accumulated depreciation on the operating leases was ¥404,818 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.

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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.

Real Estate Business

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

Car Rental Business

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

JREIT Inc., which is listed on the Tokyo Stock Exchange. In addition, ORIX Real Estate Investment Advisory Corporation (ORIA) and ORIX Investment Corporation 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 ORIA 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 Bank Corporation (formally ORIX Trust and Banking, OBK) 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 OBK.

Debt Management and Collection Business

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

Waste Management

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

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

Town to act as a municipal solid waste disposal contractor.

Also, Funabashi Eco Services has permission under the Waste Management and Public Cleansing Act: (i) to engage in the installation of an industrial waste disposal facility in Chiba Prefecture, (ii) from each governor of Tokyo and six other prefectures 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.

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

ORIX USA s corporate finance, real estate finance and development, equipment finance, public finance and special servicing businesses are subject to numerous state and federal laws and regulations. Commercial and real estate loans may be governed by the USA PATRIOT Act, the Equal Credit Opportunity Act and Regulation B thereunder, the Flood Disaster Protection Act, the National Flood Insurance Reform Act of 1994 and state usury laws. Real estate transactions are also governed by state real property and foreclosure laws. ORIX USA s 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 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 and FINRA. In addition, RED Capital Group and its subsidiaries must comply with rules and regulations administered by the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), the Department of Housing and Urban Development and the Federal Housing Administration.

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

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 our business operations. For example, the Dodd-Frank Act establishes the Financial Stability Oversight Counsel (FSOC) a federal agency charged with, among other things, designating systemically important nonbank financial institutions for heightened supervisory requirements and prudential standards, supervision and regulation. In April 2012, the FSOC adopted its final rule and issued interpretive guidelines on criteria for designating systemically important nonbank financial institutions. If the FSOC designates ORIX as a systemically important nonbank financial institution, we could become subject to enhanced requirements regarding capital, leverage, liquidity, conflicts and risk management.

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Outside of the United States, ORIX USA s majority owned subsidiary, Houlihan Lokey (Europe) Limited (HL Europe), is authorized and regulated by the Financial Services Authority in the UK, *inter alia*, to arrange 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 FSA and as such is subject to minimum regulatory capital requirements. Mariner Europe Ltd. is categorized as a limited license firm by the FSA for capital purposes. It is an investment management firm. Other such majority-owned subsidiaries include Houlihan Lokey (China) Limited, which is licensed to conduct regulated activities by the Securities and Futures Commission in Hong Kong, Mariner Japan, Inc., which is registered as an investment advisor branch office by the Financial Services Authority of Japan, and Mariner Investment Group, LLC, which has a Korean representative office registered with the Korean Ministry of Strategy and Finance.

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.

Item 5. Operating and Financial Review and Prospects

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OVERVIEW

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

Market Environment

The global economy continued to show moderate recovery. However, growth in emerging economies is starting to slow due to the protracted European debt issue and delayed economic recovery in advanced economies. Against this backdrop, 2012 is set to be a milestone year for politics with elections and changes in the top leadership of major nations and with economic policy of each country expected to be a focus of attention. Also, geopolitical risk continues to be seen in the Middle East and East Asia.

In the United States, despite factors such as rising oil prices placing limits on spending, business sentiment is improving and consumer spending continues to remain strong as employment steadily continues to improve.

Financial concerns continue in peripheral nations of the European Union, affecting the financial and capital markets. Despite avoiding a further escalation of the sovereign debt crisis through monetary supply policy initiated by the European Central Bank in February, the underlying issues have yet to be resolved.

Emerging economies in Asia continue to experience stable growth, yet the specter of inflation continues to lurk beneath the surface. The rate of growth in emerging Asian economies is slowing, amid efforts by each country to support its economy through monetary easing, due to the softness of the European and United States economies.

The Japanese economy is showing a moderate recovery from the decline that followed the Great East Japan Earthquake, and production activity is starting to recover. The historic appreciation of yen is showing signs of easing due to such measures as the Bank of Japan s monetary policy meeting in February, but it continues to weigh on economic recovery.

Results Overview

Net income attributable to ORIX Corporation increased 28% to ¥86,150 million compared to fiscal 2011 primarily due to a significant increase in the Corporate Financial Services segment s profits and a continued high profit level in the Maintenance Leasing and Overseas Business segments.

The main factors underlying our performance in fiscal 2012 are outlined below.

Compared to fiscal 2011, segment profit increased for all segments excluding the Retail segment.

The Corporate Financial Services segment s profits increased due to robust direct financing lease revenues and decreased provision for doubtful receivables and probable loan losses.

The Maintenance Leasing segment s profits increased due to solid revenues from operating leases including the sales of used automobiles.

The Real Estate segment s profits increased due to an increase in real estate sales resulting from an increase in the number of condominiums delivered, increased operating business revenue and an increase in operating lease revenues from enhanced leasing, despite a decrease in gains on sales of real estate under operating leases.

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The Investment and Operation segment s profits increased due to gains on investment securities from the sale of Aozora Bank shares, robust collection and fee revenues in the servicing business and an increase in profits from equity-method affiliates.

The Retail segment experienced a decline in profits due to the recognition of a write-down on the investment in the equity-method affiliate Monex Group, Inc., despite a strong performance in life insurance operations and the banking business.

The Overseas Business segment s profits increased due to contributions from direct financing leases in Asia, automobile and aircraft operating leases, in addition to continued strong gains on sales of investment securities in the United States.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, a number of significant judgments, assumptions and estimates may be required. If observable market prices are not available, we use internally-developed valuation techniques, such as discounted cash flow methodologies, to measure fair value. These valuation techniques involve determination of assumptions that market participants would use in pricing the asset or liability. This determination involves significant judgment, and the use of different assumptions and/or valuation techniques could have a material impact on our financial condition or results of operations. Significant assumptions used in measuring fair values have a pervasive effect on various estimates, such as estimates of the allowance for real estate collateral-dependent loans, measurement of impairment of investments in securities, measurement of impairment of goodwill and intangible assets not subject to amortization, measurement of impairment of long-lived assets and recurring measurements of loans held for sale, investments in securities and derivative instruments.

ASC 820-10 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.

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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 loans held for sale, trading securities, available-for-sale securities, certain investment funds and derivatives at fair value on a recurring basis. A subsidiary measures certain loans held for sale originated on and after October 1, 2011 at fair value on a recurring basis as it elected the fair value option under ASC 825-10 (Financial Instruments-Fair Value Option).

The following table presents recorded amounts of major financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2012:

	March 31, 2012			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Millions of yen)			
Financial Assets:				
Loans held for sale	¥ 19,397	¥	¥ 19,397	¥
Trading securities	12,817	384	12,433	
Available-for-sale securities	886,487	173,056	469,776	243,655
Other securities	5,178		5,178	
Derivative assets	17,212	649	11,270	5,293
Total	¥ 941,091	¥ 174,089	¥ 518,054	¥ 248,948
Financial Liabilities:				
Derivative liabilities	¥ 16,659	¥ 412	¥ 16,247	¥
Total	¥ 16,659	¥ 412	¥ 16,247	¥

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.

As of March 31, 2012, financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) and the percentages of total assets were as follows:

	March 31, 2012	
	Significant Unobservable Inputs (Level 3)	Percentage of Total Assets (%)
	(Millions of yen, except percentage data)	
Level 3 Assets:		
Available-for-sale securities	¥ 243,655	3
Corporate debt securities	2,912	0

Specified bonds issued by SPEs in Japan	139,152	2
CMBS and RMBS in the U.S., and other asset-backed securities	93,181	1
Other debt securities	8,410	0
Derivative assets	5,293	0
Options held/written, caps held and other	5,293	0
Total Level 3 financial assets	¥ 248,948	3
Total assets	¥ 8,354,874	100

As of March 31, 2012, the amount of financial assets classified as Level 3 was ¥248,948 million, among financial assets and liabilities (net) that we measured at fair value on a recurring basis. Level 3 assets represent 3% 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 ¥139,152 million as of March 31, 2012, which is 57% of Level 3 available-for-sale securities. We classified the specified bonds as Level 3 because we measure their fair value using unobservable inputs. Since the specified bonds do not trade in an open market, no relevant observable market data is available. Accordingly, to measure their fair value we use a discounted cash flow model that incorporates significant unobservable inputs as further discussed below.

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

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

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

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

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

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

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

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

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

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

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

IMPAIRMENT OF INVESTMENT IN SECURITIES

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

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

For debt securities, we apply ASC 320-10-35 (Investments Debt and Equity Securities Subsequent Measurement). For a debt security, we assess whether impairment is other than temporary using all available information about the collectibility if the fair value of a debt security is less than its amortized cost basis. Under such circumstances, as required by ASC 320-10-35 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

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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.

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 debt security before recovery of its amortized cost basis less any current-period credit loss, we separate the difference between the amortized cost and the fair value of the debt securities into the credit loss component and the non-credit loss component. The credit loss component is recognized in earnings, and the non-credit loss component is recognized in other comprehensive income (loss), net of applicable income taxes.

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

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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.

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 the fair value using appraisals prepared by independent third-party appraisers or our own staff of qualified appraisers based on recent transactions involving sales of

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similar assets or other valuation techniques, as appropriate. If actual market and operating conditions under which assets are operated are less favorable than those projected by management, resulting in lower expected future cash flows or shorter expected future periods to generate such cash flows, additional impairment charges may be required. In addition, changes in estimates resulting in lower fair values due to unanticipated changes in business or operating assumptions could adversely affect the valuations of long-lived assets.

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

UNGUARANTEED RESIDUAL VALUE FOR DIRECT FINANCING LEASES AND OPERATING LEASES

We estimate unguaranteed residual values of leased equipment except real estate, which is explained in Impairment of Long-lived Assets described above, when we calculate unearned lease income to be recognized as income over the lease term for direct financing leases and when we calculate depreciation amounts for operating leases 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 (for information regarding deferred policy acquisition costs, see Notes 1 (ag) of Item 18. Financial Statements). Periodically, deferred policy acquisition costs are reviewed to determine whether relevant insurance and investment income are expected to recover the unamortized balance of the deferred acquisition costs. When such costs are expected to be unrecoverable, they are charged to income in that period. If the historical data, such as lapse rates, investment returns, mortality experience, morbidity, expense margins and surrender charges, which we use to calculate these assumptions, do not properly reflect future profitability, additional amortization may be required.

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

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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 2012 would decrease or increase, respectively, by approximately ¥859 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.

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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 2012 would decrease by approximately ¥959 million. If we were to assume a 1% decrease in the discount rate, and keep other assumptions constant, pension expense for fiscal 2012 would increase by approximately ¥1,076 million.

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

INCOME TAXES

In preparing the consolidated financial statements, we make estimates relating to income taxes of the Company and its subsidiaries in each of the jurisdictions in which we operate. The process involves estimating our actual current income tax position together with assessing temporary differences resulting from different treatment of items for income tax reporting and financial reporting purposes. Such differences result in deferred tax assets and liabilities, which are included within the consolidated balance sheets. We must then assess the likelihood 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 2012.

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FAIR VALUE OF INVESTMENT AND RENTAL PROPERTY

We own real estate such as rental office buildings, rental logistics centers, rental commercial facilities other than office buildings, rental condominiums and land which is utilized for development as operating leases. A large portion of our real estate holdings is located around major cities in Japan such as Tokyo. The following table sets forth the carrying amount of investment and rental property as of the beginning and end of fiscal 2012, as well as the fair value as of the end of fiscal 2012.

Year ended March 31, 2012			
Carrying amount(1)			
Balance at April 1, 2011	Change amount	Balance at March 31, 2012	Fair value at March 31, 2012(2)
(Millions of yen)			
¥ 939,826	¥(27,331)	¥912,495	¥914,933

(1) Carrying amounts are stated as cost less accumulated depreciation.
(2) Fair value is obtained either from appraisal reports by external qualified appraisers, reports by internal appraisal department in accordance with Real estate appraisal standards, or by other reasonable internal calculation utilizing similar methods.

Revenue and expense for investment and rental property for fiscal 2012 consisted of the following:

Year ended March 31, 2012				
Revenue(1)	Expense(1)	Operating income	Income from discontinued operations(2)	Net
(Millions of yen)				
¥ 69,813	¥ 53,981	¥ 15,832	¥ 843	¥ 16,675

(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.

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.

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Furthermore, we also expanded our business by the addition of securities-related operations, aimed at generating capital gains. Thereafter, we established and acquired a number of subsidiaries and affiliates in Japan and overseas to expand our operations, such as a bank, a life insurance company and a real estate-related company. The Investment and Operation Headquarters makes selective equity investments in companies and has been working to meet the needs of companies through 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, 2012 Compared to Year Ended March 31, 2011 and Year Ended March 31, 2011 Compared to Year Ended March 31, 2010.

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.

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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, 2012 COMPARED TO YEAR ENDED MARCH 31, 2011

Performance Summary

Financial Results

	Year ended March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except ratios, per share data and percentages)			
Total revenues	¥ 946,878	¥ 972,884	¥ 26,006	3
Total expenses	871,582	847,689	(23,893)	(3)
Income before income taxes and discontinued operations	93,301	130,484	37,183	40
Net income attributable to ORIX Corporation	67,275	86,150	18,875	28
Earnings per share (Basic)	625.88	801.33	175.45	28
(Diluted)	527.75	670.34	142.59	27
ROE[1]	5.1	6.3	1.2	
ROA[2]	0.82	1.02	0.2	

(1) ROE is the ratio of Net Income Attributable to ORIX Corporation for the period to average ORIX Corporation Shareholders Equity.

(2) ROA is the ratio of Net Income Attributable to ORIX Corporation for the period to average Total Assets.

Total revenues for fiscal 2012 increased 3% to ¥972,884 million compared to ¥946,878 million during the previous fiscal year. Interest on loans and investment securities decreased compared to the previous fiscal year in line with a decrease in the balance of installment loans and gains on sales of real estate under operating leases decreased compared to the previous fiscal year due to the absence of the sale of a large-scale logistics facility that was recorded during the previous fiscal year. However, operating lease revenues increased compared to the previous fiscal year primarily due to an increase in aircraft operating lease revenues in the Overseas Business segment as well as from increased revenue from re-leased automobiles, and life insurance premiums and related investment income increased compared to the previous fiscal year due to strong sales of medical and cancer insurance to retail customers.

Total expenses decreased 3% to ¥847,689 million compared to ¥871,582 million during the previous fiscal year. Both interest expense and provision for doubtful receivables and probable loan losses decreased compared to the previous fiscal year due to a decrease in the balance of liabilities and a decrease in the amount of nonperforming loans, respectively. In addition, write-downs of securities decreased mainly due to a decrease in write-downs recorded for non-marketable securities compared to the previous fiscal year.

Equity in net income of affiliates decreased 88% to ¥1,972 million compared to ¥16,806 million during the previous fiscal year. A write-down was recorded for the investment in our equity-method affiliate Monex Group, Inc.

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As a result of the foregoing, income before income taxes and discontinued operations for fiscal 2012 increased 40% to ¥130,484 million compared to ¥93,301 million during the previous fiscal year, and net income attributable to ORIX Corporation increased 28% to ¥86,150 million compared to ¥67,275 million during the previous fiscal year.

Balance Sheet data

	As of March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen except ratios, per share and percentages)			
Total assets	¥ 8,581,582	¥ 8,354,874	¥ (226,708)	(3)
(Segment assets)	6,142,818	6,002,139	(140,679)	(2)
Total liabilities	7,206,652	6,881,369	(325,283)	(5)
(Long- and short-term debt)	5,009,901	4,725,453	(284,448)	(6)
(Deposits)	1,065,175	1,103,514	38,339	4
ORIX Corporation Shareholders equity	1,319,341	1,396,137	76,796	6
ORIX Corporation Shareholders equity per share	12,273.11	12,984.69	711.58	6
ORIX Corporation Shareholders equity ratio	15.4%	16.7%	1.3%	
Adjusted ORIX Corporation Shareholders equity ratio(1)	17.7%	18.9%	1.2%	
D/E ratio (Debt-to-equity ratio) (Long- and short-term debt (excluding deposits) / ORIX Corporation Shareholders equity)	3.8x	3.4x	(0.4)x	
Adjusted D/E ratio(1)	3.0x	2.7x	(0.3)x	

(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 decreased 3% to ¥8,354,874 million from ¥8,581,582 million on March 31, 2011. Investment in direct financing leases increased due to the acquisition of Kyuko-Lease Inc. However, installment loans decreased due to selective new loan origination continuing from the previous fiscal year. Also, investment in securities decreased due to a decrease in trading securities overseas and specified bonds in Japan, and investment in affiliates decreased due to the recognition of a write-down. Segment assets decreased 2% compared to March 31, 2011, to ¥6,002,139 million.

The balance of interest-bearing liabilities is controlled at an appropriate level in light of assets, cash flow and liquidity on-hand in addition to the domestic and overseas financial environment. As a result, long- and short-term debt decreased compared to March 31, 2011.

ORIX Corporation Shareholders equity increased 6% compared to March 31, 2011 to ¥1,396,137 million primarily due to an increase in retained earnings.

Details of Operating Results

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

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Revenues, New Business Volumes and Investments

Direct financing leases

	As of and for the year ended March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Direct financing leases:				
Direct financing lease revenues	¥ 51,211	¥ 50,934	¥ (277)	(1)
Japan	36,677	34,647	(2,030)	(6)
Overseas	14,534	16,287	1,753	12
New equipment acquisitions	351,116	405,660	54,544	16
Japan	232,264	254,358	22,094	10
Overseas	118,852	151,302	32,450	27
Investment in direct financing leases	830,853	900,886	70,033	8
Japan	642,827	669,131	26,304	4
Overseas	188,026	231,755	43,729	23

The balance of direct financing leases increased primarily due to the acquisition of Kyuko-Lease Inc, and an increased large volume of small-sized leasing transactions in Japan. Overseas, the balance of direct financing leases increased primarily due to the consolidation of an automobile-related service company in India and the amount of new equipment acquisitions overseas with a focus on the Asia area in fiscal 2012 increased compared to fiscal 2011.

Revenues from direct financing leases in fiscal 2012 decreased 1% compared to fiscal 2011 to ¥50,934 million. In Japan, revenues from direct financing leases decreased 6% compared to fiscal 2011 to ¥34,647 million due to a decrease in the average balance of financing leases. Overseas, revenues from direct financing lease increased 12% compared to fiscal 2011 to ¥16,287 million due to an increase in the average balance of direct financing lease as a result of an increase in new equipment acquisitions mainly in Asia.

The average return we earned on direct financing leases in Japan, calculated on the basis of quarterly balances, was up slightly at 5.48% in fiscal 2012 compared to 5.46% in fiscal 2011. The average return on overseas direct financing leases, calculated on the basis of quarterly balances, decreased to 8.09% in fiscal 2012 from 8.21% in fiscal 2011.

New equipment acquisitions related to direct financing leases increased 16% to ¥405,660 million compared to fiscal 2011. New equipment acquisitions for operations in Japan increased 10% in fiscal 2012 and new equipment acquisition for overseas operations increased 27% in fiscal 2012 as compared to fiscal 2011.

Investment in direct financing leases as of March 31, 2012 increased 8% to ¥900,886 million compared to March 31, 2011 due to the acquisitions as described above and an increase in new equipment.

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As of March 31, 2012, no single lessee represented more than 2% of our total portfolio of direct financing leases. As of March 31, 2012, 74% of our direct financing leases were to lessees in Japan, while 26% were to overseas lessees. Approximately 5% of our direct financing leases were to lessees in each of Malaysia and Indonesia. No other overseas country represented more than 5% of our total portfolio of direct financing leases.

	As of March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases by category:				
Information-related and office equipment	¥ 79,006	¥ 85,060	¥ 6,054	8
Industrial equipment	117,915	133,667	15,752	13
Commercial services equipment	57,286	62,339	5,053	9
Transportation equipment	302,080	318,364	16,284	5
Other equipment	274,566	301,456	26,890	10
Total	¥ 830,853	¥ 900,886	¥ 70,033	8

Operating leases

	As of and for the year ended March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Operating leases:				
Operating lease revenues	¥ 280,913	¥ 297,422	¥ 16,509	6
Japan	223,991	235,795	11,804	5
Overseas	56,922	61,627	4,705	8
Costs of operating leases	186,740	189,333	2,593	1
New equipment acquisitions	297,954	246,822	(51,132)	(17)
Japan	210,803	197,124	(13,679)	(6)
Overseas	87,151	49,698	(37,453)	(43)
Investment in operating leases	1,270,295	1,309,998	39,703	3
Japan	1,096,689	1,140,247	43,558	4
Overseas	173,606	169,751	(3,855)	(2)

Revenues from operating leases increased 6% to ¥297,422 million compared to fiscal 2011. In Japan, operating lease revenues increased mainly due to an increase in revenue from re-leased automobiles in automobile operations as well as an increase in revenues from real estate leasing. Overseas, operating lease revenues increased mainly due to an increase in income from aircraft leasing. In fiscal 2011 and 2012, gains from the disposition of operating lease assets other than real estate, which were included in operating lease revenues, were ¥9,968 million and ¥14,721 million, respectively.

Costs of operating leases increased 1% to ¥189,333 million compared to fiscal 2011 due to an increase in depreciation expenses resulting from a year on year increase in the average monthly balance of investment in operating leases.

New equipment acquisitions related to operating leases decreased 17% to ¥246,822 million compared to fiscal 2011. New equipment acquisitions by operations in Japan decreased as a result of a decrease in the purchase of real estate, despite an increase in measuring and information-related equipment, and new equipment acquisitions by operations overseas decreased due to a decrease in the purchase of aircraft.

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Investment in operating leases increased 3% to ¥1,309,998 million compared to fiscal 2011 due to the completion of large properties, despite the decrease in new equipment acquisitions described above and a decrease in assets from the sale of used automobiles overseas.

	As of March 31, 2011	As of March 31, 2012	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment in operating leases by category:				
Transportation equipment	¥ 408,883	¥ 412,471	¥ 3,588	1
Measuring and information-related equipment	54,310	69,655	15,345	28
Real estate	787,584	802,063	14,479	2
Other	3,893	3,855	(38)	(1)
Accrued rental receivables	15,625	21,954	6,329	41
Total	¥ 1,270,295	¥ 1,309,998	¥ 39,703	3

Investment in transportation equipment operating leases rose 1% year on year, mainly due to an increase in investment in automobile operations in Japan and the consolidation of an automobile-related service company in India. Investment in measuring and information-related equipment operating leases rose 28% year on year because of an increase in new equipment acquisitions in Japan. Investment in real estate under operating leases rose 2% year on year, mainly due to the completion of large properties.

Installment loans

	As of and for the year ended March 31, 2011	As of and for the year ended March 31, 2012	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
Interest on installment loans[1]	¥ 152,242	¥ 132,719	¥ (19,523)	(13)
Japan	80,759	74,718	(6,041)	(7)
Overseas	71,483	58,001	(13,482)	(19)
New loans added	721,189	743,113	21,924	3
Japan	601,981	588,815	(13,166)	(2)
Overseas	119,208	154,298	35,090	29
Installment loans	2,983,164	2,769,898	(213,266)	(7)
Japan	2,105,791	2,000,716	(105,075)	(5)
Overseas	877,373	769,182	(108,191)	(12)

(1) The balances 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.

In Japan, the balance of installment loans decreased as a result of recovery of loans to real estate companies and non-recourse loans, and selection of new transactions. Overseas, the balance of installment loans decreased mainly as a result of recovery of loans of VIEs in the United States. As a result, the average balance of installment loans decreased and revenues decreased compared to fiscal 2011.

Interest on installment loans decreased 13% compared to fiscal 2011 to ¥132,719 million in fiscal 2012. In Japan, interest on installment loans decreased 7% compared to fiscal 2011 as mentioned above. And overseas, interest on installment loans decreased 19% in fiscal 2012 due to the appreciation of the yen in addition to the above-mentioned.

The average interest rate earned on loans in Japan, calculated on the basis of quarterly balances, increased to 3.66% in fiscal 2012 from 3.59% in fiscal 2011. The average interest rate earned on overseas loans calculated on the basis of quarterly balances, increased to 7.40% in fiscal 2012 from 7.30% in fiscal 2011.

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New loans added increased 3% to ¥743,113 million compared to fiscal 2011. In Japan, new loans added decreased 2% to ¥588,815 million in fiscal 2012 as compared to fiscal 2011, and overseas, new loans added increased 29% to ¥154,298 million, primarily due to increased lending activity related to the moderate recovery of the U.S. economy.

The balance of installment loans as of March 31, 2012 decreased 7% to ¥2,769,898 million compared to March 31, 2011. The balance of installment loans for borrowers in Japan decreased 5%, and the balance of installment loans for overseas customers decreased 12% as mentioned above. As of March 31, 2012, 72% of our installment loans were to borrowers in Japan, while 25% 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, 2011 and 2012, further categorized by the type of borrower (i.e., consumer or corporate) in the case of borrowers in Japan. As of March 31, 2012, ¥46,303 million, or 2%, of our portfolio of installment loans to consumer and corporate borrowers in Japan related to our life insurance operations. We reflect income from these loans as life insurance premiums and related investment income in our consolidated statements of income.

	As of March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
Consumer borrowers in Japan				
Housing loans	¥ 823,974	¥ 864,764	¥ 40,790	5
Other	14,317	13,826	(491)	(3)
Subtotal	838,291	878,590	40,299	5
Corporate borrowers in Japan				
Real estate companies	345,078	297,562	(47,516)	(14)
Non-recourse loans	303,640	226,887	(76,753)	(25)
Commercial, industrial and other companies	513,853	503,454	(10,399)	(2)
Subtotal	1,162,571	1,027,903	(134,668)	(12)
Overseas				
Non-recourse loans	648,933	549,326	(99,607)	(15)
Other	222,034	216,520	(5,514)	(2)
Subtotal	870,967	765,846	(105,121)	(12)
Purchased loans[(1)]	111,335	97,559	(13,776)	(12)
Total	¥ 2,983,164	¥ 2,769,898	¥ (213,266)	(7)

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

As of March 31, 2012, ¥341,302 million, or 12%, of all installment loans were outstanding to real estate companies in Japan and overseas. Of this amount, ¥74,008 million, or 3% of all installment loans, were loans individually evaluated for impairment. We calculated an allowance of

¥26,108 million on these impaired loans. As of March 31, 2012, we had installment loans outstanding in the amount of ¥137,244 million, or 5% of all installment loans, to companies in the entertainment industry. Of this amount, ¥21,760 million, or 1% of all installment loans, was loans individually evaluated for impairment. We calculated an allowance of ¥3,181 million on these impaired loans.

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The balance of loans to consumer borrowers in Japan as of March 31, 2012 increased by 5% to ¥878,590 million compared to the balance as of March 31, 2011. The balance of loans to corporate borrowers in Japan as of March 31, 2012 decreased by 12%, to ¥1,027,903 million, compared to the balance as of March 31, 2011, primarily due to a decrease in the balance of loans to real estate companies and non-recourse loans. The balance of loans to overseas as of March 31, 2012 decreased by 12%, to ¥765,846 million, compared to the balance as of March 31, 2011, primarily due to a decrease in the balance of loans of VIEs in the United States.

Asset quality

Direct financing leases

	As of March 31, 2011	As of March 31, 2012
	(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	¥ 22,787	¥ 17,441
90+ days past-due direct financing leases as a percentage of the balance of investment in direct financing leases	2.74%	1.94%
Provision as a percentage of average balance of investment in direct financing leases(1)	0.51%	0.31%
Allowance for direct financing leases	¥ 21,201	¥ 16,852
Allowance for direct financing leases as a percentage of the balance of investment in direct financing leases	2.55%	1.87%

(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 ¥5,346 million to ¥17,441 million compared to fiscal 2011. As a result, the ratio of 90+ days past-due direct financing leases decreased by 0.80% from fiscal 2011 to 1.94%.

We believe that the ratio of allowance for doubtful receivables as a percentage of the balance of investment in direct financing leases provides a reasonable indication that our allowance for doubtful receivables was appropriate as of March 31, 2012 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 0.88% and 0.81% for fiscal 2011 and 2012, respectively.

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Loans not individually evaluated for impairment

	As of March 31, 2011	As of March 31, 2012
	(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	¥ 10,037	¥ 8,604
90+ days past-due loans not individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.38%	0.35%
Provision (reversal) as a percentage of average balance of installment loans(1)	0.12%	(0.20)%
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment	¥ 35,626	¥ 28,329
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	1.33%	1.14%

(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 which are not individually significant and accordingly are evaluated for impairment as a homogeneous group decreased by 14% to ¥8,604 million in fiscal 2012.

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, 2011	As of March 31, 2012
	(Millions of yen)	
90+ days past-due loans not individually evaluated for impairment:		
Consumer borrowers in Japan		
Housing loan	¥ 9,960	¥ 8,557
Overseas		
Other	77	47
Total	¥ 10,037	¥ 8,604

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 loans not individually evaluated for impairment was 0.14% and 0.09% for fiscal 2011 and 2012, respectively.

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Loans individually evaluated for impairment

	As of March 31, 2011	As of March 31, 2012
	(Millions of yen)	
Loans individually evaluated for impairment:		
Impaired loans	¥ 312,031	¥ 293,774
Effect of the application of the new accounting standards(1)	52,335	58,029
Impaired loans requiring a allowance	243,749	218,938
Effect of the application of the new accounting standards(1)	50,155	34,494
Allowance for loans individually evaluated for impairment(2)	97,323	91,407
Effect of the application of the new accounting standards(1)	19,343	15,267

(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 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 ¥23,288 million in fiscal 2011 and ¥21,596 million in fiscal 2012, and charge-off of impaired loans was ¥50,059 million in fiscal 2011 and ¥27,286 million in fiscal 2012. New provision for probable loan losses decreased by ¥1,692 million compared to fiscal 2011. Charge-off of impaired loans decreased by ¥22,773 million compared to fiscal 2011.

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.

	As of March 31, 2011	As of March 31, 2012
	(Millions of yen)	
Impaired loans:		
Consumer borrowers in Japan	¥ 8,306	¥ 8,979
Corporate borrowers in Japan		
Real estate companies	91,934	72,038
Non-recourse loans	21,418	44,148
Commercial, industrial and other companies	87,394	77,277
Subtotal	200,746	193,463
Overseas		
Non-recourse loans	51,611	38,809
Other	14,683	17,616
Subtotal	66,294	56,425
Purchased loans	36,685	34,907
Total	¥ 312,031	¥ 293,774

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Provision for doubtful receivables and probable loan losses

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

	As of March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Provision for doubtful receivables on direct financing leases and probable loan losses:				
Beginning 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)
Effect of the application of the new accounting standards(1)	32,181			
Direct financing leases	158			
Loans not individually evaluated for impairment	3,799			
Loans individually evaluated for impairment	28,224			
Beginning balance after the application of the new accounting standards	189,704	154,150	(35,554)	(19)
Direct financing leases	24,127	21,201	(2,926)	(12)
Loans not individually evaluated for impairment	37,098	35,626	(1,472)	(4)
Loans individually evaluated for impairment	128,479	97,323	(31,156)	(24)
Provision charged to income	31,103	19,215	(11,888)	(38)
Direct financing leases	4,322	2,568	(1,754)	(41)
Loans not individually evaluated for impairment	3,493	(4,949)	(8,442)	
Loans individually evaluated for impairment	23,288	21,596	(1,692)	(7)
Charge-offs (net)	(61,654)	(36,259)	25,395	(41)
Direct financing leases	(7,505)	(6,783)	722	(10)
Loans not individually evaluated for impairment	(4,090)	(2,190)	1,900	(46)
Loans individually evaluated for impairment	(50,059)	(27,286)	22,773	(45)
Other(2)	(5,003)	(518)	4,485	(90)
Direct financing leases	257	(134)	(391)	
Loans not individually evaluated for impairment	(875)	(158)	717	(82)
Loans individually evaluated for impairment	(4,385)	(226)	4,159	(95)
Ending balance	154,150	136,588	(17,562)	(11)
Direct financing leases	21,201	16,852	(4,349)	(21)
Loans not individually evaluated for impairment	35,626	28,329	(7,297)	(20)
Loans individually evaluated for impairment	97,323	91,407	(5,916)	(6)

(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.

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Investment Securities

	As of and for the year ended March 31, 2011	As of and for the year ended March 31, 2012	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment securities[(1)]:				
Interest on investment securities	¥ 17,690	¥ 15,169	¥ (2,521)	(14)
Japan	11,067	9,576	(1,491)	(13)
Overseas	6,623	5,593	(1,030)	(16)
New securities added	791,054	699,709	(91,345)	(12)
Japan	757,816	626,183	(131,633)	(17)
Overseas	33,238	73,526	40,288	121
Investment in securities	1,175,381	1,147,390	(27,991)	(2)
Japan	992,871	974,536	(18,335)	(2)
Overseas	182,510	172,854	(9,656)	(5)

(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 13% to ¥9,576 million in fiscal 2012 compared to 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 16% to ¥5,593 million in fiscal 2012 compared to fiscal 2011 primarily due to decreased balances of CMBS and RMBS in the U.S. and the foreign exchange effects of an appreciated yen. The average interest rate earned on investment securities in Japan, calculated on a monthly basis, was 1.88% in fiscal 2012 compared to 2.20% in fiscal 2011. The average interest rate earned on overseas investment securities, calculated on a monthly basis, declined to 6.32% in fiscal 2012 compared to 6.54% in fiscal 2011.

New securities added decreased 12% to ¥699,709 million in fiscal 2012, compared to fiscal 2011. New securities added in Japan decreased 17% in fiscal 2012 compared to fiscal 2011 primarily due to a decrease of investment in government and municipal bonds. On the other hand, new securities added overseas increased 121% in fiscal 2012 compared to fiscal 2011, primarily due to an increased new execution of investments in a life insurance company in South Korea and municipal bonds in the U.S.

The balance of our investment in securities as of March 31, 2012 decreased 2% to ¥1,147,390 million compared to fiscal 2011. The balance of our investment in securities in Japan decreased 2% due to rebalancing of our investment portfolios and decreasing balances of specified bonds issued by SPEs in Japan. The balance of our investment in securities overseas also decreased 5% in fiscal 2012 mainly due to selling municipal bonds in the U.S.

	As of March 31, 2011	As of March 31, 2012	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment in securities by security type:				
Trading securities	¥ 71,991	¥ 12,817	¥ (59,174)	(82)
Available-for-sale securities	883,410	886,487	3,077	0
Held-to-maturity securities	43,695	43,830	135	0
Other securities	176,285	204,256	27,971	16

Total	¥ 1,175,381	¥ 1,147,390	¥ (27,991)	(2)

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Investments in trading securities decreased to ¥12,817 million in fiscal 2012 primarily due to selling municipal bonds in the U.S. Investments in available-for-sale securities remained flat in fiscal 2012 primarily due to decreased balances of debt securities such as specified bonds issued by SPEs in Japan and increased balances of government and municipal bonds. As of March 31, 2012, CMBS and RMBS in available-for-sale securities in the U.S. were ¥31,024 million as compared to ¥37,772 million as of March 31, 2011. Our life insurance business invests in Japanese government bonds as held-to-maturity securities. Other securities increased 16% in fiscal 2012 mainly due to an increased new execution of investments in a life insurance company in South Korea.

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

	Year ended March 31, 2011	Year ended March 31, 2012	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Brokerage commissions and net gains on investment securities:				
Brokerage commissions	¥ 119	¥ 24	¥ (95)	(80)
Net gains on investment securities[1]	16,656	22,468	5,812	35
Dividends income	4,344	4,419	75	2
Total	¥ 21,119	¥ 26,911	¥ 5,792	27

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

Brokerage commissions and net gains on investment securities increased 27% to ¥26,911 million in fiscal 2012, compared to fiscal 2011. Our brokerage commissions decreased 80% primarily due to a decrease in revenues from the securities operations. Net gains on investment securities increased 35% to ¥22,468 million in fiscal 2012, compared to fiscal 2011, primarily due to an increase of net gains on domestic available-for-sale securities resulting from recovery of the financial and capital markets in Japan. Dividend income increased 2% to ¥4,419 million in fiscal 2012 compared to fiscal 2011.

As of March 31, 2012, gross unrealized gains on available-for-sale securities, including those held in connection with our life insurance operations, were ¥35,446 million, compared to ¥31,230 million as of March 31, 2011. As of March 31, 2012, gross unrealized losses on available-for-sale securities, including those held in connection with our life insurance operations, were ¥10,912 million, compared to ¥11,605 million as of March 31, 2011.

Life insurance

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

Year ended March 31, 2011	Year ended March 31, 2012	Change Amount	Change Percent (%)

	(Millions of yen, except percentage data)			
Life insurance premiums and related investment income and life insurance costs:				
Life insurance premiums	¥ 107,860	¥ 116,836	¥ 8,976	8
Life insurance-related investment income	10,455	11,471	1,016	10
Total	¥ 118,315	¥ 128,307	¥ 9,992	8
Life insurance costs	¥ 91,426	¥ 95,353	¥ 3,927	4

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	Year ended March 31, 2011	Year ended March 31, 2012	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Breakdown of life insurance-related investment income:				
Net income on investment securities	¥ 6,347	¥ 5,786	¥ (561)	(9)
Interest on loans, income on real estate under operating leases, and others	4,108	5,685	1,577	38
Total	¥ 10,455	¥ 11,471	¥ 1,016	10

Life insurance premiums and related investment income increased 8% to ¥ 128,307 million in fiscal 2012 compared to fiscal 2011.

Life insurance premiums increased 8% to ¥116,836 million in fiscal 2012 compared to fiscal 2011 due to an increase in contracts for new products.

Net income on investment securities decreased primarily due to losses on sales of investment securities, while income on real estate under operating leases increased due to gains on sales of real estate. As a result, life insurance-related investment income increased 10% to ¥11,471 million in fiscal 2012 compared to fiscal 2011.

Life insurance costs increased 4% to ¥95,353 million in fiscal 2012 compared to fiscal 2011.

The margin ratio, which is calculated by dividing the difference between life insurance premiums and life insurance costs by life insurance premiums, expanded to 18% in fiscal 2012 compared to 15% in fiscal 2011.

	As of March 31, 2011	As of March 31, 2012	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investments by ORIX Life Insurance:				
Available-for-sale debt securities	¥ 259,049	¥ 326,107	¥ 67,058	26
Available-for-sale equity securities	4,021	10,395	6,374	159
Held-to-maturity securities	43,695	43,658	(37)	(0)
Other securities	1,219	6	(1,213)	(100)
Total investment in securities	307,984	380,166	72,182	23
Installment loans, real estate under operating leases and other investments	138,295	110,499	(27,796)	(20)
Total	¥ 446,279	¥ 490,665	¥ 44,386	10

Investment in securities increased 23% to ¥380,166 million in fiscal 2012 as a result of increased available-for-sale debt securities and available-for-sale equity securities.

Installment loans, real estate under operating leases and other investments decreased 20% to ¥110,499 million in fiscal 2012 as a result of increased collection of principal of installment loans.

Real estate sales

	Year ended March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Real estate sales:				
Real estate sales	¥ 54,741	¥ 61,029	¥ 6,288	11
Costs of real estate sales	58,930	59,534	604	1
Margins	¥ (4,189)	¥ 1,495	¥ 5,684	

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Real estate sales were up 11% year on year to ¥61,029 million and the number of condominiums sold to buyers in Japan increased from 1,087 units in fiscal 2011 to 1,395 units in fiscal 2012.

Costs of real estate sales increased 1% to ¥59,534 million compared to fiscal 2011 with fewer write-downs recorded on some projects under development in fiscal 2012. We recorded ¥9,844 million and ¥4,039 million of write-downs for fiscal 2011 and 2012, respectively. Costs of real estate sales include the upfront costs associated with advertising and creating model rooms.

Margins recorded a gain of ¥1,495 million in fiscal 2012 improving from a loss of ¥4,189 million in fiscal 2011 due to the increase in the number of condominiums delivered and the decrease write-downs described above.

Gains on sales of real estate under operating leases

	Year ended March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Gains on sales of real estate under operating leases:				
Gains on sales of real estate under operating leases	¥ 5,103	¥ 2,215	¥ (2,888)	(57)

Gains on sales of real estate under operating leases decreased 57% year on year to ¥2,215 million in fiscal 2012, 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.

Other operations

	As of and for the year ended March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Other operations:				
Other operating revenues	¥ 245,544	¥ 258,178	¥ 12,634	5
Japan	185,361	196,322	10,961	6
Overseas	60,183	61,856	1,673	3
Other operating expenses	142,241	150,071	7,830	6
New assets added	40,763	37,876	(2,887)	(7)
Japan	40,763	36,548	(4,215)	(10)
Overseas		1,328	1,328	
Other operating assets	235,430	224,092	(11,338)	(5)
Japan	220,742	207,276	(13,466)	(6)

Overseas	14,688	16,816	2,128	14

Other operating revenues were up 5% year on year to ¥258,178 million. In Japan, revenues were up 6% to ¥196,322 million compared to ¥185,361 million in fiscal 2011, mainly due to an increase in earnings of hotels and nursing facilities and an increase of commissions on life insurance agencies. Overseas, revenues were up 3% to ¥61,856 million compared to ¥60,183 million in fiscal 2011, due to revenues from car-related business, despite the decrease in revenues from advisory services in the United States.

Other operating expenses were up 6% year on year to ¥150,071 million resulting from the recognition of expenses from hotels and nursing facilities, corresponded to the increase in other operating revenues.

New assets added for other operating transactions were down 7% to ¥37,876 million in fiscal 2012 due to a decrease 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.

Other operating assets decreased 5% to ¥224,092 million in fiscal 2012.

Expenses

Interest expense

Interest expense decreased 10% to ¥110,868 million compared to fiscal 2011. Our total outstanding short-term debt, long-term debt and deposits decreased 4% to ¥5,828,967 million compared to fiscal 2011.

The average interest rate on our short-term debt, long-term debt and deposits in domestic currency, calculated on the basis of average monthly balances, decreased to 1.2% in fiscal 2012, compared to 1.3% in fiscal 2011. The average interest rate on our short-term debt, long-term debt and deposits in foreign currency, calculated on the basis of average monthly balances, increased to 4.5% in fiscal 2012, compared to 4.4% in fiscal 2011 due to a higher proportion of debts in high-interest currencies in overseas subsidiaries located in Asia. For more information regarding interest rate risk, see Item 3. Key Information Risk Factors. For more information regarding our debt, see Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Short-term and long-term debt and deposits.

Selling, general and administrative expenses

	Year ended March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Selling, general and administrative expenses:				
Personnel expenses	¥ 128,666	¥ 125,369	¥ (3,297)	(3)
Selling expenses	17,116	16,344	(772)	(5)
Administrative expenses	50,405	46,932	(3,473)	(7)
Depreciation of office facilities	2,857	3,228	371	13
Total	¥ 199,044	¥ 191,873	¥ (7,171)	(4)

Employee salaries and other personnel expenses account for 65% of selling, general and administrative expenses in fiscal 2012, 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 2012 decreased 4% year on year.

Write-downs of long-lived assets

As a result of the impairment reviews we performed during fiscal 2012 for long-lived assets in Japan and overseas, such as golf courses, office buildings, commercial facilities, condominiums, and land undeveloped or under construction in accordance with ASC 360-10 (Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets), we recorded write-downs totaling ¥20,246 million in fiscal 2012, these write-downs remained flat year on year. These write-downs are reflected as write-downs of long-lived assets and income from discontinued operations, net. ¥15,167 million is reflected as write-downs of long-lived assets in our consolidated statement of income. These write-downs consist of impairment losses of ¥1,660 million on 20 office buildings,

¥385 million on seven commercial facilities other than office buildings, ¥1,377 million on 30 condominiums and ¥9,203 million on eight lands undeveloped or under construction, ¥7,621 million on 27 other assets, because the assets were classified as held for sale or 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 2012 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 2012, write-downs of securities decreased 24% from ¥21,747 million in fiscal 2011 to ¥16,470 million in fiscal 2012. For information regarding the impairment of investment in securities, see Item 5. Operating and Financial Review and Prospects Critical Accounting Policies and Estimates and Note 9 of Item 18. Financial Statements.

Foreign currency transaction loss (gain), net

We recognized a foreign currency transaction net gain in the amount of ¥195 million in fiscal 2012. In contrast, we recognized a foreign currency transaction net loss in the amount of ¥186 million in fiscal 2011. For information on the impact of foreign currency fluctuations, see Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Equity in net income of affiliates

Equity in net income of affiliates decreased in fiscal 2012 to ¥1,972 million compared to ¥16,806 million in fiscal 2011. In fiscal 2011, the recorded gain was due to contributions from equity-method affiliates in the Asian region. In fiscal 2012, a write-down was recorded for the investment in the equity-method affiliate Monex Group, Inc. Net loss from joint ventures in Japan was ¥1,295 million, down from net income of ¥483 million. The number of residential condominiums delivered through certain joint ventures in Japan increased to 785 units in fiscal 2012 from 529 units in fiscal 2011. However, a write-down was recorded for some projects under development in fiscal 2012.

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

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

Gains on sales of subsidiaries and affiliates and liquidation losses, net increased to ¥3,317 million in fiscal 2012 as compared to ¥1,199 million in fiscal 2011. The difference is chiefly due to the gain on the sales of a certain equity-method affiliate that owns real estate such as rental condominiums in fiscal 2012.

Provision for income taxes

Provision for income taxes in fiscal 2012 was ¥44,631 million, compared to ¥26,143 million in fiscal 2011. The increase of ¥18,488 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 51% compared to fiscal 2011 to ¥2,689 million in fiscal 2012 primarily due to lower gains on sales of real estate under operating leases in Japan.

For discussion of discontinued operations, see Note 26 of Item 18. Financial Statements.

Net income attributable to the noncontrolling interests

Net income attributable to the noncontrolling interests was recorded as a result of the noncontrolling interests in earnings of certain of our subsidiaries. In fiscal 2012, net loss attributable to the noncontrolling interests was ¥332 million mainly due to a loss on sales of subsidiaries.

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 2012, net income attributable to the redeemable noncontrolling interests decreased 8% year on year to ¥2,724 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 and Operation, Retail and Overseas Business.

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

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For a description of the business activities of our segments, see Item 4. Information on the Company Profile of Business by Segment. See Note 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	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues[1]:				
Corporate Financial Services	¥ 79,305	¥ 72,449	¥ (6,856)	(9)
Maintenance Leasing	225,830	231,951	6,121	3
Real Estate	217,590	222,631	5,041	2
Investment and Operation	89,595	73,293	(16,302)	(18)
Retail	148,768	160,071	11,303	8
Overseas Business	176,875	187,240	10,365	6
Segment Total	937,963	947,635	9,672	1
Difference between Segment Total and Consolidated Amounts	8,915	25,249	16,334	183
Consolidated Amounts	¥ 946,878	¥ 972,884	¥ 26,006	3

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

	Year ended March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Profits[1]:				
Corporate Financial Services	¥ 10,035	¥ 21,532	¥ 11,497	115
Maintenance Leasing	26,203	34,710	8,507	32
Real Estate	54	1,349	1,295	
Investment and Operation	13,212	15,983	2,771	21
Retail	23,777	21,825	(1,952)	(8)
Overseas Business	45,639	49,768	4,129	9
Segment Total	118,920	145,167	26,247	22
Difference between Segment Total and Consolidated Amounts	(25,619)	(14,683)	10,936	
Consolidated Amounts	¥ 93,301	¥ 130,484	¥ 37,183	40

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

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	As of March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Assets:				
Corporate Financial Services	¥ 968,327	¥ 898,776	¥ (69,551)	(7)
Maintenance Leasing	502,738	537,782	35,044	7
Real Estate	1,539,814	1,369,220	(170,594)	(11)
Investment and Operation	506,011	471,145	(34,866)	(7)
Retail	1,653,704	1,738,454	84,750	5
Overseas Business	972,224	986,762	14,538	1
Segment Total	6,142,818	6,002,139	(140,679)	(2)
Difference between Segment Total and Consolidated Amounts	2,438,764	2,352,735	(86,029)	(4)
Consolidated Amounts	¥ 8,581,582	¥ 8,354,874	¥ (226,708)	(3)

Corporate Financial Services Segment

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

Segment revenue decreased 9% to ¥72,449 million for fiscal 2012 compared to ¥79,305 million during fiscal 2011. This is due to a decrease in installment loan revenues in line with a decrease in the average balance of installment loans as a result of selective new loan origination continuing from the previous fiscal year despite robust direct financing lease revenues and the acquisition of Kyuko-Lease Inc.

Similarly, segment expenses decreased compared to the previous fiscal year, resulting from decreases in provision for doubtful receivables and probable loan losses and interest expense.

As a result of the foregoing, segment profit for fiscal 2012 increased 115% to ¥21,532 million compared to ¥10,035 million in fiscal 2011.

Segment assets decreased 7% compared to March 31, 2011 to ¥898,776 million as of March 31, 2012 due to declines in installment loans despite an increase in investment in direct financing leases.

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.

Capital expenditures by domestic corporations are gradually recovering from a post-the Great East Japan Earthquake decline. Although the business environment is not optimistic, Maintenance Leasing segment revenue has remained stable due to ORIX s ability to provide customers with high value-added services that meet corporate customers cost reduction needs.

Segment revenue continued to remain robust, increasing 3% to ¥231,951 million in fiscal 2012 compared to ¥225,830 million during fiscal 2011 due to solid revenues from operating leases including the sales of used automobiles. On the other hand, segment expenses have remained flat year on year due to a reduction in selling, general and administrative expenses offsetting an increase in costs of operating leases.

As a result of the foregoing, segment profit increased 32% to ¥34,710 million during fiscal 2012 compared to ¥26,203 million during fiscal 2011.

Segment assets increased 7% compared to March 31, 2011 to ¥537,782 million as of March 31, 2012 due to increased investment in operating leases and direct financing leases.

Real Estate Segment

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

The office building market is still in an adjustment phase. However, investors such as J-REITs and overseas investors are starting to consider the acquisition of new properties. Under 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.

A post-Great East Japan Earthquake drop in sales was feared in the residential condominium market, but contract completion rates continue to remain above the key 70% benchmark in the Tokyo and Osaka metropolitan areas. Under these conditions, the number of condominiums delivered increased to 2,180 units from 1,616 units during the previous fiscal year.

The real estate operating business, which consists of various businesses such as Japanese inns, golf courses and training facilities, had stable revenues despite a small portion of facilities having experienced decreased revenues due to the Great East Japan Earthquake.

Segment revenue increased 2% to ¥222,631 million during fiscal 2012 compared to ¥217,590 million during the previous fiscal year due to an increase in real estate sales from an increase in the delivery of condominium units, increased operating business revenue and increased operating lease revenue from enhanced leasing activities, despite a decrease in gains on sales of real estate under operating leases.

Segment expenses increased during fiscal 2012 compared to the previous fiscal year due to increased costs of real estate sales and increased operating business expenses offsetting decreases in interest expense and write-downs of real estate-related securities.

As a result of the foregoing, segment profit during fiscal 2012 was ¥1,349 million compared to ¥54 million during the previous fiscal year.

Segment assets decreased 11% compared to March 31, 2011 to ¥1,369,220 million as of March 31, 2012 due to reductions of investment in securities (including specified bonds), installment loans and real estate under operating leases.

Investment and Operation Segment

This segment consists of loan servicing (asset recovery), principal investment, venture capital and the environment and energy-related businesses.

The domestic IPO market is gradually recovering, and there continue to be steady corporate realignment activities such as mergers, acquisitions and de-listings.

Segment revenue decreased 18% to ¥73,293 million during fiscal 2012 compared to ¥89,595 million during the previous fiscal year due to decreased revenue in line with the sales of consolidated subsidiaries during the previous fiscal year offsetting gains on investment securities from the sale of Aozora Bank shares and robust collection and fee revenues in the servicing business.

Similarly, segment expenses decreased during fiscal 2012 compared to the previous fiscal year due to the effects of the sales of consolidated subsidiaries during the previous fiscal year in addition to decreases in write-downs of securities.

Segment profit increased 21% to ¥15,983 million during fiscal 2012 compared to ¥13,212 million during the previous fiscal year due to an increase in profits from equity-method affiliates, despite a decrease in gains on sales of subsidiaries.

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Segment assets decreased 7% compared to March 31, 2011 to ¥471,145 million resulting from a decrease in installment loans.

Retail Segment

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

Life insurance premiums grew steadily in the life insurance business due to an increase in the number of policies in force.

Both individual home loans and corporate lending steadily increased in the banking business, and both revenue and profit increased.

As a result of the foregoing, segment revenue increased 8% to ¥160,071 million during fiscal 2012 compared to ¥148,768 million during the previous fiscal year. However, the recognition of a write-down on the investment in the equity-method affiliate Monex Group, Inc. in addition to an increase in segment expenses, including insurance-related expenses and selling, general and administrative expenses resulted in segment profit decreasing 8% to ¥21,825 million during fiscal 2012 compared to ¥23,777 million during the previous fiscal year.

Segment assets increased 5% compared to March 31, 2011 to ¥1,738,454 million as of March 31, 2012 due to increases in installment loans and investment in securities which more than offset a decrease in investment in affiliates.

Overseas Business Segment

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

In the United States, business sentiment is improving and consumer spending continues to remain strong as employment continues to improve. Meanwhile, stable growth continues in the Asian region, although there is the possibility of a short-term adjustment phase in response to concerns regarding inflation and the effects of economic weakness in Europe.

Segment revenue increased 6% to ¥187,240 million during fiscal 2012 compared to ¥176,875 million during the previous fiscal year due to direct financing leases in Asia, automobile and aircraft operating leases, in addition to continued strong gains on sales of investment securities in the United States.

Segment expenses remained flat year-on-year due to a decrease in selling, general and administrative expenses offsetting an increase in interest expense.

As a result of the foregoing, segment profit increased 9% to ¥49,768 million during fiscal 2012 compared to ¥45,639 million during the previous fiscal year.

Segment assets remained flat compared to March 31, 2011 at ¥986,762 million as of March 31, 2012 due to sales of municipal bonds in the United States offsetting increases from investments in a water company in China and a life insurance company in South Korea, in addition to the consolidation of an automobile-related service company in India.

ORIX has almost no exposure to assets or investments in Europe that are cause for credit risk concern and there is no direct impact on either segment profit or segment assets stemming from the European financial problems.

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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 (%)
	(Millions of yen, except ratios, per share data and percentages)			
Total revenues	¥ 890,552	¥ 946,878	¥ 56,326	6
Total expenses	860,378	871,582	11,204	1
Income before income taxes and discontinued operations	56,057	93,301	37,244	66
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	3.1	5.1	2.0	
ROA	0.47	0.82	0.35	

Total revenues in fiscal 2011 increased 6% to ¥946,878 million compared to ¥890,552 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 ¥871,582 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 57% to ¥31,103 million in fiscal 2011 compared to ¥71,525 million fiscal 2010 due to a large decrease in occurrences of nonperforming 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 66% to ¥93,301 million compared to ¥56,057 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.

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Balance Sheet data

	As of March 31, 2010	As of March 31, 2011	Change Amount	Change Percent (%)
	(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 (Debt-to-equity ratio) (Long- and short-term debt (excluding deposits) / ORIX Corporation Shareholders equity)	3.4x	3.8x	0.4x	
Adjusted D/E ratio[1]	3.2x	3.0x	(0.2)x	

(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.

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Revenues, New Business Volumes and Investments

Direct financing leases

	As of and for the year ended March 31,		Change	
	2010	2011	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Direct financing leases:				
Direct financing lease revenues	¥ 49,893	¥ 51,211	¥ 1,318	3
Japan	34,762	36,677	1,915	6
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 an increased 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 ¥51,211 million. In Japan, revenues from direct financing leases increased 6% compared to fiscal 2010 to ¥36,677 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 direct 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 at 5.45% in fiscal 2011 compared to 5.25% 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.

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 each of Malaysia and Indonesia. No other overseas country represented more than 5% of our total portfolio of direct financing leases.

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	As of March 31, 2010	2011	Change Amount	Percent (%)
	(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, 2010	2011	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Operating leases:				
Operating lease revenues	¥ 272,390	¥ 280,913	¥ 8,523	3
Japan	216,499	223,991	7,492	3
Overseas	55,891	56,922	1,031	2
Costs of operating leases	189,574	186,740	(2,834)	(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 ¥280,913 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 ¥186,740 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.

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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.

	As of March 31,		Change	
	2010	2011	Amount	Percent (%)
	(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,		Change	
	2010	2011	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
Interest on installment loans[(1)]	¥ 114,729	¥ 152,242	¥ 37,513	33
Japan	96,119	80,759	(15,360)	(16)
Overseas	18,610	71,483	52,873	284
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 balances 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 ¥152,242 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 284% in fiscal 2011, primarily due to consolidation of VIEs in the United States.

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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 (%)
	(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).

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.

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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
	(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.

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Loans not individually evaluated for impairment

	As of March 31, 2010	As of March 31, 2011
	(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 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
	(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		
Other	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 loans not individually evaluated for impairment was 0.26% and 0.14% for fiscal 2010 and 2011, respectively.

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Loans individually evaluated for impairment

	As of March 31, 2010	As of March 31, 2011
	(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 allowance	268,145	243,749
Effect of the application of the new accounting standards[1]		50,155
Allowance for loans individually evaluated for impairment[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 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	As of March 31, 2011
	(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

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Provision for doubtful receivables and probable loan losses

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

	As of March 31, 2010	As of March 31, 2011	Change Amount	Change Percent (%)
	(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	71,525	31,103	(40,422)	(57)
Direct financing leases	4,807	4,322	(485)	(10)
Loans not individually evaluated for impairment	9,103	3,493	(5,610)	(62)
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]	(14,749)	(5,003)	9,746	(66)
Direct financing leases	366	257	(109)	(30)
Loans not individually evaluated for impairment	(11,224)	(875)	10,349	(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 57% in fiscal 2011 as compared to fiscal 2010. The breakdown is: direct financing leases, a 10% decrease; loans not individually evaluated for impairment, a 62% decrease; and loans individually evaluated for impairment, a 60% decrease due to a large decrease in the occurrences of nonperforming loans.

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Investment Securities

	As of and for the year ended March 31,		Change	
	2010	2011	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment securities[1]:				
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 compared to 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 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 compared to fiscal 2010 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, compared to fiscal 2010. On the other hand, new securities added overseas decreased 52% in fiscal 2011 compared to fiscal 2010, 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 (%)
	(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

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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 the 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 (%)
	(Millions of yen, except percentage data)			
Brokerage commissions and net gains on investment securities:				
Brokerage commissions	¥ 3,418	¥ 119	¥ (3,299)	(97)
Net gains on investment securities[1]	14,862	16,656	1,794	12
Dividends income	5,072	4,344	(728)	(14)
Total	¥ 23,352	¥ 21,119	¥ (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 on investment securities decreased 10% to ¥21,119 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 was recorded as equity in net income (loss) of affiliates. Net gains 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 fund investment in Japan and overseas resulting from recovery of the financial and capital markets in Japan. Dividend income decreased 14% to ¥4,344 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.

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Life insurance

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

	Year ended March 31, 2010	Year ended March 31, 2011	Change Amount	Change Percent (%)
	(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	11,305	10,455	(850)	(8)
Total	¥ 115,438	¥ 118,315	¥ 2,877	2
Life insurance costs	¥ 92,292	¥ 91,426	¥ (866)	(1)

	Year ended March 31, 2010	Year ended March 31, 2011	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Breakdown of life insurance-related investment income:				
Net income on investment securities	¥ 5,791	¥ 6,347	¥ 556	10
Interest on loans, income on real estate under operating leases, and others	5,514	4,108	(1,406)	(25)
Total	¥ 11,305	¥ 10,455	¥ (850)	(8)

Life insurance premiums and related investment income increased 2% to ¥118,315 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 income on investment securities increased due to reconstructing our portfolio, life insurance-related investment income decreased 8% to ¥10,455 million in fiscal 2011 compared to fiscal 2010 primarily due to a decline in the amount of interest earned on loans and others.

Life insurance costs decreased 1% to ¥91,426 million in fiscal 2011 compared to fiscal 2010.

The margin ratio, which is calculated by dividing the difference between life insurance premiums and life insurance costs by life insurance premiums, expanded to 15% in fiscal 2011 compared to 11% in fiscal 2010.

	As of March 31,		Change	
	2010	2011	Amount	Percent (%)
	(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, real estate under operating leases and other investments	174,297	138,295	(36,002)	(21)
Total	¥ 465,335	¥ 446,279	¥ (19,056)	(4)

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

Installment loans, real estate under operating leases and other investments decreased 21% to ¥138,295 million in fiscal 2011 as a result of increased collection of principal of installment loans.

Real estate sales

	Year ended March 31,		Change	
	2010	2011	Amount	Percent (%)
	(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, respectively. 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,		Change	
	2010	2011	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Gains on sales of real estate under operating leases:				
Gains on sales of real estate under operating leases	¥ 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 that 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.

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Other operations

	As of and for the year ended March 31, 2010	2011	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Other operations:				
Other operating revenues	¥ 246,804	¥ 245,544	¥ (1,260)	(1)
Japan	179,011	185,361	6,350	4
Overseas	67,793	60,183	(7,610)	(11)
Other operating expenses	135,755	142,241	6,486	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 were down 1% year-on-year to ¥245,544 million. In Japan, revenues were up 4% to ¥185,361 million compared to ¥179,011 million in fiscal 2010, mainly due to the earnings of hotels and golf courses that we consolidated in fiscal 2011 and an increase in earnings from the electric power trading business. Overseas, revenues were down 11% to ¥60,183 million compared to ¥67,793 million in 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 ¥142,241 million, resulting from the recognition of expenses from hotels and golf courses that we consolidated in fiscal 2011. The change in other operating expenses correlates with the increase in other operating revenues in Japan.

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.

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

Expenses

Interest expense

Because of the application of new accounting standards starting in fiscal 2011 relating to the consolidation of VIEs, interest expense increased 51% to ¥122,765 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 because of 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 debt, see Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Short-term and long-term debt and deposits.

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Selling, general and administrative expenses

	Year ended March 31,		Change	
	2010	2011	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Selling, general and administrative expenses:				
Personnel expenses	¥ 129,150	¥ 128,666	¥ (484)	(0)
Selling expenses	18,202	17,116	(1,086)	(6)
Administrative expenses	61,007	50,405	(10,602)	(17)
Depreciation of office facilities	3,120	2,857	(263)	(8)
Total	¥ 211,479	¥ 199,044	¥ (12,435)	(6)

Employee salaries and other personnel expenses accounted for 65% of selling, general and administrative expenses in fiscal 2011, and the remaining portion consisted 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. ¥17,400 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, because the assets were classified as held-for-sale or 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 ¥23,632 million in fiscal 2010 to ¥21,747 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.

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 ¥26,143 million, compared to ¥21,090 million in fiscal 2010. The increase of ¥5,053 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 9% compared to fiscal 2010 to ¥5,449 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 and Operation, Retail and Overseas Business.

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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 (%)
	(Millions of yen, except percentage data)			
Segment Revenues[1]:				
Corporate Financial Services	¥ 84,167	¥ 79,305	¥ (4,862)	(6)
Maintenance Leasing	226,179	225,830	(349)	(0)
Real Estate	215,001	217,590	2,589	1
Investment and Operation	87,318	89,595	2,277	3
Retail	155,491	148,768	(6,723)	(4)
Overseas Business	185,906	176,875	(9,031)	(5)
Segment Total	954,062	937,963	(16,099)	(2)
Difference between Segment Total and Consolidated Amounts	(63,510)	8,915	72,425	
Consolidated Amounts	¥ 890,552	¥ 946,878	¥ 56,326	6

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

	Year ended March 31,		Change	
	2010	2011	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Profits[1]:				
Corporate Financial Services	¥ (19,481)	¥ 10,035	¥ 29,516	
Maintenance Leasing	23,307	26,203	2,896	12
Real Estate	138	54	(84)	(61)
Investment and Operation	(2,350)	13,212	15,562	
Retail	31,104	23,777	(7,327)	(24)
Overseas Business	37,142	45,639	8,497	23
Segment Total	69,860	118,920	49,060	70
Difference between Segment Total and Consolidated Amounts	(13,803)	(25,619)	(11,816)	
Consolidated Amounts	¥ 56,057	¥ 93,301	¥ 37,244	66

(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.

	As of March 31,		Change	
	2010	2011	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Assets:				
Corporate Financial Services	¥ 1,140,251	¥ 968,327	¥ (171,924)	(15)
Maintenance Leasing	515,716	502,738	(12,978)	(3)
Real Estate	1,677,402	1,539,814	(137,588)	(8)
Investment and Operation	511,333	506,011	(5,322)	(1)
Retail	1,578,758	1,653,704	74,946	5
Overseas Business	860,815	972,224	111,409	13
Segment 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
Consolidated Amounts	¥ 7,739,800	¥ 8,581,582	¥ 841,782	11

Corporate Financial Services Segment

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

Segment revenues decreased 6% to ¥79,305 million compared to ¥84,167 million during fiscal 2010. This is due to 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. These decreases were partially offset by 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.

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 ¥10,035 million compared to a loss of ¥19,481 million in fiscal 2010.

Segment assets decreased 15% to ¥968,327 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 composed of automobile leasing, rentals and car sharing, and the rental operations are composed 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 that 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.

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

The real estate finance business, previously included in the Investment and Operation 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 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, as increases in real estate sales resulting from the increase in the number of condominiums delivered and operating lease revenues from enhanced leasing were 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.

Investment and Operation Segment

This segment consists of loan servicing (asset recovery), principal investment, venture capital and the environment and energy-related businesses.

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 increased 3% to ¥89,595 million compared to ¥87,318 million during fiscal 2010, due to large collections in the loan servicing business, robust fee revenues from the CMBS servicing business and increased revenues from the environmental business despite decreased revenues resulting from the sale of consolidated subsidiaries.

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 ¥13,212 million compared to a loss of ¥2,350 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 ¥506,011 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 increased steadily.

Segment revenues and expenses from the card loan business were 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 were 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.

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.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We require capital resources for working capital and investment and lending in our businesses. In setting funding strategies we prioritize funding stability and maintenance of adequate liquidity to minimize the effects of volatility in financial markets. In preparing our management plan, we adapt asset structure and size in light of expected cash flows, asset liquidity and our own liquidity situation. In actual implementation, we adjust our funding plans at times, in accordance with changes in external environments and funding necessities based on our business activities, and maintain flexible funding activities.

We place priority on securing (i) diverse funding resources, (ii) longer liability maturities and staggered interest and principal repayment dates, and (iii) an adequate level of liquidity. To this end we have implemented the following measures in fiscal 2012 and have reinforced our funding stability under a better funding environment such as improved corporate bond markets. In this manner, we will continue to use timely measures in order to secure financial stability.

Our efforts in fiscal 2012 included obtaining:

Diverse funding resources;

Maintaining a balance among direct financing, borrowings from financial institutions and deposits;

Continuing to foster relationships with a diverse range of over 200 financial institutions;

Multiple issuances of straight bonds in the U.S. capital markets and issuing bonds in the Asian capital markets outside Japan;

Promoting diversified funding activities in overseas subsidiaries, such as offering straight bonds in overseas market;

Engaging in multiple issuances of asset backed securities;

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Longer maturities and dispersed repayment dates:

Completing multiple domestic and overseas issuances of long-term bonds;

Securing longer terms of borrowings and committed credit lines through financial institutions;

Continuing to reduce short-term liabilities, such as commercial paper (CP); and

Maintaining dispersed repayment dates;

Adequate level of liquidity:

Maintaining adequate cash and cash equivalents for market changes;

Procuring ¥463,969 million in committed credit facilities as of March 31, 2012; and

Maintaining a multi-currency commitment line for overseas subsidiaries.

In addition to the strategies described above, we also emphasize risk management including assets and liabilities management and risk management relating to fund procurement. For more information regarding our risk management, see Risk Management under this Item 5.

Financing Activities and Liquidity Management

Our funding mainly consists of borrowings from financial institutions, funding from capital markets and deposits. We prioritize domestic funding activities, and monitor domestic and foreign financial market conditions to fulfill with our both domestic and overseas funding needs and implement timely funding strategies, including expanding overseas funding activities to accommodate overseas operations. As a part of our efforts to promote longer liability maturities and further diversification of our funding resources, we issued various types of long-term debt securities during fiscal 2012. We issued domestic straight bonds for institutional investors as well as domestic straight bonds for individual investors. In order to support our overseas operation, we also issued U.S. dollar-denominated senior straight bonds under our SEC-registered shelf for global investors, Korean won-denominated notes in Korean capital markets, and PRC renminbi-denominated medium-term notes (MTNs) in the capital markets in Hong Kong. In addition, in April 2012 we issued Thai baht-denominated bonds in the capital markets in Thailand. Corporate bond markets both inside and outside Japan showed improved liquidity in fiscal 2012, spreads have tightened and the cost of funding has remained stable at modest levels. We also continue to pursue a balance among borrowings from financial institutions, funding from capital markets, and deposits, and to issue bonds and MTNs with close attention to trends in capital markets.

Our ratio of long-term debt to total debt (excluding deposits) was 90% as of March 31, 2012, the same ratio as of March 31, 2011. On an adjusted basis, our ratio of long-term debt to total debt (excluding deposits) was 88% as of March 31, 2012, the same ratio as of March 2011. This ratio is a non-GAAP financial measure presented on an adjusted basis, which excludes payables under securitized leases, loan receivables and investment in securities. For a discussion of this and other non-GAAP financial measures, including a quantitative reconciliation to the most directly comparable GAAP measure, see Non-GAAP Financial Measures under this Item 5.

Our main domestic and foreign subsidiaries produce annual financial plans in consultation with our management, and we monitor the management of funds as necessary. We employ a cash management system for supplying to, and absorbing capital efficiently from, our domestic subsidiaries, concentrating the management of domestic cash flow for the Group at ORIX. Our overseas subsidiaries conduct local funding activities and also receive loans from ORIX, in response to market and business conditions where each subsidiary is located. Procured funds provide the resources for acquiring assets or repaying liabilities including debt for the relevant subsidiary.

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Ratings

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

Sources of Liquidity

Borrowings from Financial Institutions

ORIX Group s borrowings are procured from a variety of sources, including major banks, regional banks, foreign banks, life insurance companies, casualty insurance companies and financial institutions associated with agricultural cooperatives. As of March 31, 2012, the number of financial institutions from which we procured borrowings exceeded 200. We have promoted regular face-to-face communications and established positive working relationships with financial institutions in Japan and overseas. The majority of our loan balances consists of borrowings from Japanese financial institutions. As of March 31, 2011 and March 31, 2012, short-term debt from financial institutions was ¥297,835 million and ¥275,580 million, respectively, while long-term debt was ¥2,063,099 million and ¥2,001,727 million, respectively.

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

Committed Credit Facilities

We regularly enter into committed credit facilities agreements, including syndicated agreements, with financial institutions to secure liquidity. The maturity dates of these committed credit facilities are staggered to prevent an overlap of contract renewal periods. The total amount of our committed credit facilities as of March 31, 2011 and March 31, 2012 was ¥464,432 million and ¥463,969 million, respectively. Of these figures, the unused amount as of March 31, 2011 and March 31, 2012 was ¥410,447 million and ¥427,435 million, respectively. A part of the facilities are arranged to be drawn down in foreign currencies by ORIX and certain of our subsidiaries.

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

Some of these committed credit facility agreements include financial covenants, such as the maintenance of a minimum ORIX Corporation shareholders equity ratio and specified credit ratings. In addition, the majority of our committed credit facilities require the relevant obligor to represent and warrant that there has been no material negative change in its financial condition, among other factors since the date of agreement. As of March 31, 2012, we are in compliance with all of our financial covenants and have been able to make the necessary representations and warranties concerning our financial condition.

Debt from the Capital Markets

Our debt from capital markets is mainly composed of bonds including convertible bonds, MTNs, CP, and securitization of leases, loans receivables and investment in securities.

Bonds and MTNs

We regularly issue straight bonds and MTNs domestically and internationally to diversify our funding sources and maintain longer liability maturities. In fiscal 2012, we issued ¥231,000 million of straight bonds in

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Japan, and offered $900 million of straight bonds and KRW 27,000 million of notes outside Japan. In addition to the various efforts in fiscal 2012, in April 2012 a subsidiary in Thailand issued THB 500 million aggregate principal amount of Thai baht-denominated bonds in the capital markets in Thailand. Domestic straight bond issuances are divided mainly into bonds for institutional investors and bonds for individual investors. As of March 31, 2011 and March 31, 2012, the balance of straight bonds issued by ORIX for domestic institutional investors was ¥524,300 million and ¥392,800 million, respectively, while the balance of straight bonds issued by ORIX for individual investors was ¥490,000 million and ¥564,487 million, respectively. The balance of bonds issued by domestic subsidiaries as of March 31, 2011 and March 31, 2012 was ¥4,415 million and ¥26,012 million, respectively. In order to accommodate our overseas operation, we have offered U.S. dollar-denominated straight bonds in the U.S. capital markets using our universal shelf registration statement (Form F-3) filed with U.S. SEC. In addition, a subsidiary in Korea issued won-denominated notes in the Korean capital markets in fiscal 2012. The balance of straight bonds and short-term notes issued outside Japan, which includes SEC-registered U.S. dollar-denominated straight bonds, was ¥158,867 million and ¥163,195 million as of March 31, 2011 and March 31, 2012, respectively.

ORIX and three overseas subsidiaries currently are participants in a Multi-Issuer Euro MTN program (the EMTN program) with a maximum issuance limit of $4,000 million. During fiscal 2012 we issued RMB 500 million aggregate principal amount of PRC renminbi-denominated notes in the capital markets in Hong Kong under the EMTN program. In addition to the EMTN program, ORIX Group establishes other MTN programs and issues MTNs to meet funding necessities. The total balance of MTNs issued as of March 31, 2011 and March 31, 2012 was ¥88,190 million and ¥60,911 million, respectively, of which a total of ¥41,698 million and ¥17,838 million, respectively, were issued by foreign subsidiaries.

In addition, the Company has issued convertible bonds. The balance of convertible bonds as of March 31, 2011 and March 31, 2012 was ¥184,207 million and ¥185,598 million, respectively. Certain holders of Liquid Yield Option Notes, which have the original maturity date on June 14, 2022, exercised put options on notes due May 15, 2012 of which redeemed $335 million on June 14, 2012.

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

CP

We have promoted CP as one of direct finance resources, and have successfully obtained a diverse range of investors such as investment trusts, life insurance companies, casualty insurance companies and other financial institutions, as well as private corporations. The date of issuance and the terms are spread out over time so as to avoid significant overlap. The balance of outstanding CP as of March 31, 2011 and March 31, 2012 was ¥180,798 million and ¥180,438 million, respectively. Although the CP market has been favorable for issuance, we have opted to maintain our CP balance at a relatively reduced level to prioritize longer terms of funding.

Securitization

We securitize leases, loan receivables and investment in securities, primarily in Japan. We also invest in CMBS in countries including the United States while acting as a servicer or asset manager for the underlying assets. We recognized liabilities consolidated with such investments as our liabilities when they fulfill with certain accounting standards. The total amount of payable under securitized lease, loan receivables and investment in securities as of March 31, 2011 and March 31, 2012 was ¥1,018,190 million and ¥874,705 million, respectively.

Deposits

ORIX Bank Corporation, which changed its name from ORIX Trust and Banking Corporation on October 1, 2011, ORIX Savings Bank and ORIX Asia Limited each accept deposits. The majority of deposits are attributable to ORIX Bank Corporation, which sustains a balance of corporate and retail deposits, and increases the deposit outstanding stably. The deposit balances of ORIX Bank Corporation as of March 31, 2011 and March 31, 2012 were ¥1,018,918 million and ¥1,060,739 million, respectively.

Short-term and long-term debt and deposits

Short-term Debt

	As of March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Short-term debt[(1)]:				
Borrowings from financial institutions	¥ 297,835	¥ 275,580	¥ (22,255)	(7)
Notes		1,955	1,955	
Commercial paper	180,798	180,438	(360)	(0)
Total short-term debt	¥ 478,633	¥ 457,973	¥ (20,660)	(4)

(1) The above table includes the following liabilities of consolidated VIEs as of March 31, 2011 and 2012, for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries (excluding VIEs).

	As of March 31,	
	2011	2012
	(Millions of yen)	
Short-term debt[(1)]:		
Borrowings from financial institutions	¥ 1,847	¥ 1,233

Short-term debt as of March 31, 2012 was ¥457,973 million, representing 10% of the total amount of the total debt (excluding deposits) as of March 31, 2012, with the same ratio as of March 31, 2011. As of March 31, 2012, 60% of short-term debt was borrowings from financial institutions.

Long-term debt

	As of March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Long-term debt[(2)]:				
Borrowings from financial institutions	¥ 2,063,099	¥ 2,001,727	¥ (61,372)	(3)
Bonds	1,361,789	1,330,137	(31,652)	(2)
Medium-term notes	88,190	60,911	(27,279)	(31)
Payable under securitized lease, loan receivables and investment in securities	1,018,190	874,705	(143,485)	(14)

Total long-term debt	¥ 4,531,268	¥ 4,267,480	¥ (263,788)	(6)

(2) The above table includes the following liabilities of consolidated VIEs as of March 31, 2011 and 2012 for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries (excluding VIEs).

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	As of March 31, 2011	As of March 31, 2012
	(Millions of yen)	
Long-term debt[(2)]:		
Borrowings from financial institutions	¥ 138,552	¥ 139,892
Bonds	3,300	25,330
Payable under securitized lease, loan receivables and investment in securities	1,018,190	874,705

Long-term debt as of March 31, 2012 was ¥4,267,480 million, representing 90% of the total amount of the total debt (excluding deposits) as of March 31, 2012, with the same ratio as of March 31, 2011. Borrowings from financial institutions comprised 47% of the long-term debt as of March 31, 2012.

Approximately 61% of interest paid on long-term debt in fiscal 2012 was fixed rate interest, with the remainder being floating rate interest based mainly on TIBOR or LIBOR.

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

We have entered into interest rate swaps and other derivative contracts to manage risk associated with fluctuations in interest rates. For information with respect to derivative financial instruments and hedging, see Note 28 of Item 18. Financial Statements.

Deposits

	As of March 31, 2011	As of March 31, 2012	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Deposits[(3)]	¥ 1,065,175	¥ 1,103,514	¥ 38,339	4

(3) VIEs did not have any deposits as of March 31, 2011 and 2012.

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

CASH FLOWS

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

- payment and repayment of interest on and principal of short-term and long-term debt; and

- purchases of lease equipment, installment loans made to customers, investment in securities and cash outlays for real estate development projects.

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

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

Year Ended March 31, 2012 Compared to Year Ended March 31, 2011

In fiscal 2012, cash and cash equivalents increased by ¥54,765 million to ¥786,892 million compared to March 31, 2011.

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Cash flows from operating activities provided ¥332,994 million in fiscal 2012, up from ¥212,380 million in fiscal 2011, resulting primarily from an increase in net income and a decrease in trading securities compared to fiscal 2011, in addition to the non-cash revenue and expense items such as depreciation and amortization, provision for doubtful receivables and probable loan losses, equity in net income of affiliates (excluding interest on loans), write-downs of long-lived assets and write-downs of securities.

Cash flows from investing activities provided ¥41,757 million in fiscal 2012, having provided ¥251,598 million during fiscal 2011. This change was due to a decrease in principal collected on installment loans.

Cash flows from financing activities used ¥318,477 million in fiscal 2012, having used ¥363,590 million during fiscal 2011. This change was due to a decrease in repayment of debt with maturities longer than three months.

Year Ended March 31, 2011 Compared to Year Ended March 31, 2010

In fiscal 2011, cash and cash equivalents increased by ¥93,040 million to ¥732,127 million compared to March 31, 2010.

Cash flows from operating activities provided ¥212,380 million in fiscal 2011, up from ¥209,311 million in fiscal 2010, resulting from an increase in net income and a decrease in other receivables compared to fiscal 2010, in addition to the non-cash revenue and expense items such as depreciation and amortization, provision for doubtful receivables and probable loan losses and equity in net income of affiliates (excluding interest on loans).

Cash flows from investing activities provided ¥251,598 million in fiscal 2011 having provided ¥432,788 million during fiscal 2010. This change was due to increases in purchases of leasing equipment and available-for-sale securities, and a decrease in sales of subsidiaries, net of cash disposed during fiscal 2011.

Cash flows from financing activities used ¥363,590 million in fiscal 2011, having used ¥466,924 million during fiscal 2010. This change was due to an increase in funding through liabilities during fiscal 2011.

COMMITMENTS FOR CAPITAL EXPENDITURES

As of March 31, 2012, we had commitments for the purchase of equipment to be leased in the amount of ¥12,337 million. For information on commitments, guarantees and contingent liabilities, see Note 31 of Item 18. Financial Statements.

OFF BALANCE SHEET ARRANGEMENTS

USE OF SPECIAL PURPOSE ENTITIES

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

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

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

Investment Products

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

Other Financial Transactions

We occasionally enter into loans, equity or other investments in SPEs in connection with finance transactions related to aircrafts, ships and real estate, as well as transactions involving investment funds, in addition to real estate purchases and development projects. All transactions involving use of SPE structures are evaluated to determine if we hold a variable interest that would result in our being defined as the primary beneficiary of the SPE pursuant to ASC 810-10 (Consolidation Variable Interest Entities). When we are considered to own the primary beneficial interest in the SPEs, the SPEs are fully consolidated into our consolidated financial statements. In all other circumstances our loan, equity or other investments are recorded on our consolidated balance sheets as appropriate.

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

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Not applicable.

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TREND INFORMATION

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

COMMITMENTS

The table below sets forth the maturities of guarantees and other commitments as of March 31, 2012.

		Amount of commitment expiration per period			
	Total	Within 1 year	1-3 years	3-5 years	After 5 years
			(Millions of yen)		
Commitments:					
Guarantees	¥ 271,375	¥ 76,834	¥ 40,338	¥ 40,968	¥ 113,235
Committed credit lines and other	176,459	72,950	79,977	5,589	17,943
Total commercial commitments	¥ 447,834	¥ 149,784	¥ 120,315	¥ 46,557	¥ 131,178

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

In return for the delegated authority, the subsidiary guarantees the performance of certain housing loans transferred to Fannie Mae and has the payment or performance risks or the guarantees to absorb some of the losses when losses arise from the transferred loans. The amount attributable to the guarantee included in the table above is ¥162,554 million as of March 31, 2012.

The subsidiary makes certain representations and warranties in connection with the sale of loans through Fannie Mae, including among others, that: the mortgage meets Fannie Mae requirements; there is a valid lien on the property; the relevant transaction documents are valid and enforceable; and title insurance is maintained on the property. If it is determined that a representation and warranty was breached, the subsidiary may be required to repurchase the related loans or indemnify Fannie Mae for any related losses incurred. The subsidiary has no such repurchase claims through March 31, 2012.

For a discussion of commitments, guarantee and contingent liabilities, see Note 31 of Item 18. Financial Statements.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The table below sets forth the maturities of contractual cash obligations as of March 31, 2012.

	Payments due by period				
	Total	**Within 1 year**	**1-3 years**	**3-5 years**	**After 5 years**
			(Millions of yen)		
Contractual cash obligations:					
Deposits	¥ 1,103,514	¥ 726,941	¥ 250,225	¥ 126,348	¥
Long-term debt	4,267,480	1,149,478	1,692,302	1,096,535	329,165
Operating leases	29,338	3,653	5,687	4,227	15,771
Unconditional purchase obligations of lease equipments	12,337	12,337			
Unconditional noncancelable contracts for computer systems	386	157	194	35	
Interest rate swaps:					
Notional amount (floating to fixed)	149,856	1,558	115,324	26,077	6,897
Notional amount (fixed to floating)	85,996	2,000		80,996	3,000
Total contractual cash obligations	¥ 5,648,907	¥ 1,896,124	¥ 2,063,732	¥ 1,334,218	¥ 354,833

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Other items excluded from the above table are short-term debt, security deposits, trade notes and accounts payable and policy liabilities. The amounts of such items were ¥457,973 million, ¥142,092 million, ¥279,649 million and ¥404,586 million, respectively, as of March 31, 2012. For information on pension plans and derivatives, see Notes 17 and 28 of Item 18. Financial Statements. We expect to fund commitments and contractual obligations from one, some or all of our diversified funding sources depending on the amount to be funded, the time to maturity and other characteristics of the commitments and contractual obligations.

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

RECENT DEVELOPMENTS

NEW ACCOUNTING PRONOUNCEMENTS

In January 2010, Accounting Standards Update 2010-06 (Improving Disclosures about Fair Value Measurements ASC 820 (Fair Value Measurements and Disclosures)) was issued. This Update improves existing disclosures and adds new disclosures. The Company and its subsidiaries adopted certain disclosure requirements in the roll forward of activity in Level 3 fair value measurements on April 1, 2011. The Company and its subsidiaries already adopted the other disclosure requirements in the period ended March 31, 2010. The adoption did not have a material effect on the Company and its subsidiaries results of operation or financial position.

In July 2010, Accounting Standards Update 2010-20 (Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses ASC 310 (Receivables)) was issued. This Update enhances disclosures about the credit quality of financing receivables and the allowance for credit losses, by requiring an entity to provide disaggregated information by portfolio segment or class of financing receivables, credit quality indicators, past due information, and information about modifications of its financing receivables, and other information. This Update requires the disclosures as of the end of a reporting period, and the disclosures about activity that occurs during a reporting period. The Company and its subsidiaries adopted the period-end disclosure requirements for the period ended December 31, 2010, and the activity disclosure requirements for the period beginning on April 1, 2011, respectively. This Update only relates to certain disclosure requirements and its adoption had no effect on the Company and its subsidiaries results of operations or financial position. In April 2011, Accounting Standards Update 2011-02 (A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring ASC 310 (Receivables)) was issued. This Update clarifies the guidance on a creditor s evaluation of whether a restructuring constitutes a troubled debt restructuring. Additionally, this Update requires entities to disclose certain information about troubled debt restructuring, which was deferred by the adoption of Accounting Standards Update 2011-01 (Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No.2010-20 ASC 310 (Receivables)). The Company and its subsidiaries adopted this Update on July 1, 2011 and applied the amendments in this Update retrospectively to restructurings that occurred on or after April 1, 2011. The adoption did not have a material effect on the Company and its subsidiaries results of operations or financial position.

In October 2010, Accounting Standards Update 2010-26 (Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts ASC 944 (Financial Services Insurance)) was issued. This Update modifies the current definition of the types of costs relating to the acquisition of new and renewal insurance contracts that can be deferred as deferred policy acquisition costs, and specifies that only certain costs related directly to the successful acquisition of new or renewal insurance contracts should be deferred. In accordance with the amendment in this Update, the advertising cost which does not meet certain capitalization criteria, and the cost relating to unsuccessful contract acquisition should be charged to expense as incurred. The Update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011 and should be applied prospectively. Retrospective application to all prior periods presented upon the date of adoption is permitted. Upon initial adoption of this Update on April 1, 2012, the Company intends to retrospectively apply the Update to prior periods financial statements and estimates that the effect of the

retrospective adoption on the financial position at the initial adoption date would be a decrease of approximately ¥22 billion in other assets and a decrease of approximately ¥15.4 billion in retained earnings, net of tax, in the consolidated balance sheets.

In December 2010, Accounting Standards Update 2010-28 (When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts ASC 350 (Goodwill and Other)) was issued. This Update modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For these reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. Any resulting goodwill impairment should be recorded as a cumulative effect adjustment to beginning retained earnings in the period of adoption. Any goodwill impairments occurring after the initial adoption of the Update should be included in earnings. The Company and its subsidiaries adopted this Update on April 1, 2011. The adoption did not have a material effect on the Company and its subsidiaries results of operations or financial position.

In December 2010, Accounting Standards Update 2010-29 (Disclosure of Supplementary Pro Forma Information for Business Combinations ASC 805 (Business Combinations)) was issued. This Update specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The Company and its subsidiaries adopted this Update on April 1, 2011. This Update only relates to certain disclosure requirements and its adoption had no effect on the Company and its subsidiaries results of operations or financial position.

In May 2011, Accounting Standards Update 2011-04 (Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ASC 820 (Fair Value Measurement)) was issued. This Update is intended to result in a consistent definition of fair value and common requirements for measuring fair value and for disclosures about fair value between U.S. GAAP and IFRSs. Consequently, this Update changes some fair value measurement principles and enhances the disclosure requirements. The Company and its subsidiaries adopted this Update on January 1, 2012. The adoption did not have a significant effect on the Company and its subsidiaries results of operations or financial position.

In June 2011, Accounting Standards Update 2011-05 (Presentation of Comprehensive Income ASC 220 (Comprehensive Income)) was issued. Under this Update, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The Update does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The Update does not change the option for an entity to present components of other comprehensive income either net of related tax effects or before related tax effects. The Update does not affect how earnings per share is calculated or presented. In December 2011, Accounting Standards Update 2011-12 (Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05) was issued. This Update defers the effective date for certain amendments in Accounting Standards Update 2011-05 which require an entity to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income. These Updates are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and should be applied retrospectively. Early adoption is permitted. These Updates only relate to certain disclosure requirements and their adoption will have no effect on the Company and its subsidiaries results of operations or financial position.

In September 2011, Accounting Standards Update 2011-08 (Testing Goodwill for Impairment ASC 350 (Intangibles Goodwill and Other)) was issued. This Update permits an entity to assess qualitative factors to

determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount including goodwill before performing the two-step goodwill impairment test. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is not required. The Company and its subsidiaries adopted this Update in the period ended March 31, 2012. The adoption of this Update did not have a significant effect on the Company and its subsidiaries results of operations or financial position.

In December 2011, Accounting Standards Update 2011-10 (Derecognition of in Substance Real Estate a Scope Clarification ASC 360 (Property, Plant, and Equipment)) was issued. This Update is intended to resolve the diversity in practice and clarifies that when a parent (reporting entity) ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary s non-recourse debt, the reporting entity should apply the guidance in ASC 360-20 (Property, Plant, and Equipment Real Estate Sales) to determine whether it should derecognize the in-substance real estate. The Update is effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. Early application is permitted. Generally, the effect of adopting this Update on the Company and its subsidiaries results of operations or financial position will depend on future transactions.

In December 2011, Accounting Standards Update 2011-11 (Disclosures about Offsetting Assets and Liabilities ASC 210 (Balance Sheet)) was issued. This Update requires all entities that have financial instruments and derivative instruments that are either offset in the balance sheet or subject to an enforceable master netting arrangement or similar agreement to disclose information about offsetting and related arrangements. The Update is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The Update only relates to certain disclosure requirements and its adoption will have no effect on the Company and its subsidiaries results of operations or financial position.

NON-GAAP FINANCIAL MEASURES

The sections Results of Operation and Liquidity and Capital Resources contain certain financial measures presented on a basis not in accordance with U.S. GAAP (commonly referred to as non-GAAP financial measures), including long-term debt, ORIX Corporation Shareholders equity and total assets, as well as other measures or ratios calculated based on those measures, presented on an adjusted basis. The adjustment excludes payables under securitized leases, loan receivables and investment in securities and reverses the cumulative effect on retained earnings of applying the new accounting standards for the consolidation of VIEs, effective April 1, 2010.

Our management believes these non-GAAP financial measures provide investors with additional meaningful comparisons between our financial condition as of March 31, 2012, as compared to prior periods. Effective April 1, 2010, we adopted ASU 2009-16 and ASU 2009-17, which changed the circumstances under which we are required to consolidate certain VIEs. Our adoption of these new accounting standards caused a significant increase in our consolidated assets and liabilities and a decrease in our retained earnings without affecting the net cash flow and economic effects of our investments in such consolidated VIEs. Accordingly, our management believes that providing certain financial measures that exclude assets and liabilities attributable to consolidated VIEs as a supplement to financial information calculated in accordance with U.S. GAAP enhances the overall picture of our current financial position and enables investors to evaluate our historical financial and business trends without the large balance sheet fluctuation caused by our adoption of these new accounting standards.

We provide these non-GAAP financial measures as supplemental information to our consolidated financial statements prepared in accordance with U.S. GAAP, and they should not be considered in isolation or as substitutes for the most directly comparable U.S. GAAP measures.

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The tables set forth below provide reconciliations of these non-GAAP financial measures to the most directly comparable financial measures presented in accordance with U.S. GAAP as reflected in our consolidated financial statements for the periods provided.

		As of March 31, 2011	As of March 31, 2012
		(Millions of yen, except ratios and percentage data)	
Total assets	(a)	¥ 8,581,582	¥ 8,354,874
Deduct: Payables under securitized leases, loan receivables and investment in securities[(1)]		1,018,190	874,705
Adjusted total assets	(b)	7,563,392	7,480,169
Short-term debt	(c)	478,633	457,973
Long-term debt	(d)	4,531,268	4,267,480
Deduct: payables under securitized leases, loan receivables and investment in securities[(1)]		1,018,190	874,705
Adjusted long-term debt	(e)	3,513,078	3,392,775
Long- and short-term debt (excluding deposits)	(f)=(c)+(d)	5,009,901	4,725,453
Adjusted long- and short-term debt (excluding deposits)	(g)=(c)+(e)	3,991,711	3,850,748
ORIX Corporation Shareholders equity	(h)	1,319,341	1,396,137
Deduct: The cumulative effect on 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		(21,947)	(19,248)
Adjusted ORIX Corporation Shareholders equity	(i)	1,341,288	1,415,385
ORIX Corporation Shareholders Equity Ratio	(h)/(a)	15.4%	16.7%
Adjusted ORIX Corporation Shareholders Equity Ratio	(i)/(b)	17.7%	18.9%
D/E ratio	(f)/(h)	3.8x	3.4x
Adjusted D/E ratio	(g)/(i)	3.0x	2.7x
Long-term debt ratio	(d)/(f)	90%	90%
Adjusted long-term debt ratio	(e)/(g)	88%	88%

(1) These deductions represent amounts recorded as liabilities and included in long-term debt on the consolidated balance sheet.

RISK MANAGEMENT

Risk Control

The ORIX Group allocates management resources by taking into account group-wide risk preference based on management strategies as well as the strategy of individual business units. Our board of directors and executives regularly review the performance of each business unit, evaluate the progress and profitability of each unit s plan being carried out based on their respective strategy, and take responsive measures they deem appropriate or necessary in light thereof. This process enables us to control the balance sheet and to allocate more management resources to business units viewed as having greater growth potential.

The ORIX Group, in addition to the unit monitoring, also monitors risk on an individual transaction and total portfolio basis.

For individual transactions, the operating environment, strategy, risk and profitability are evaluated prior to the transaction, and changes to the operating environment and cash flow are monitored after execution. For new transactions requiring monitoring, transactions exceeding a certain monetary amount or transactions for which there has been a major change in circumstance or strategy, the responsible department head, may, in his discretion, report the transaction to the appropriate executive committee.

In analyzing a total portfolio, the following characteristics are monitored: client tier, region, transaction type, risk type, debt status and concentration of major debtors. Some of these are scrutinized and analyzed by each operating department according to its industry characteristics and some are analyzed from a group perspective by the Risk Management Headquarters. Monitoring results are regularly reported to the executive committee, and measures are taken to rapidly understand and minimize all types of risk.

Main Risk Management

We view credit risk, market risk, business risk, risk related to fund procurement, legal risk and other operational risk as the main risks facing us. Each risk is managed according to its individual characteristics.

Credit Risk Management

We define credit risk as uncertainty in future investment recovery caused by the fluctuation of cash flow from debtors and investees.

Credit risk management mainly consists of (i) credit evaluation for each transaction, (ii) portfolio management and (iii) implementation of corrective actions for the management of problem assets.

Credit evaluation for each transaction is performed by periodically monitoring such elements as performance, collateral and progress of collection. As risk management of individual debtors is especially important, we also emphasize credit evaluation prior to entering into each transaction and continuous risk monitoring of individual credit after the transaction has been made, with a focus on sufficiency of collateral and guarantees, liquidation of debt and the distribution of debtors and their business fields.

In connection with each credit transaction, we perform a comprehensive customer credit evaluation based on the relevant customer s business performance, financial position and projected cash flow. The evaluation also covers the collateral or guarantees, terms and conditions and potential profitability of the transaction. The profitability is based on the spread calculated from investment yield, default rates, preservation situation, funding cost, capital cost and administrative cost, which helps us to evaluate risk quantitatively.

Regular evaluation of individual debtors, and of our comprehensive portfolio, as well as measures to set credit line limits, allow us to control exposures to markets with potentially high risks.

Under the current business environment, taking prompt corrective action for the management of problem assets is the most important task. We seek to identify problem assets quickly, and we respond promptly based on various conditions of each transaction. Problem assets include credit extended to debtors who have petitioned for bankruptcy or civil rehabilitation, or other insolvency proceedings, whose bank transactions are suspended, whose bills are dishonored, whose debts are not collected for three months or more, and whose businesses have deteriorated or who are involved in fraud.

In making collections, we believe an early response is extremely important. When information is received regarding the emergence of problem assets, the relevant sales and marketing departments, in cooperation with the Risk Management Headquarters, take steps to secure collateral or other guarantees and to begin the collection process. The Risk Management Headquarters plays an important role in the collection process by drawing on its accumulated experience and by working closely with our sales and marketing departments. The accumulated experience is reflected in our evaluation criteria of each credit transaction and portfolio analysis.

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Market Risk Management

We define market risk as the risk of negative impact on our balance sheet caused by variation in market conditions, such as interest rates, exchange rates or stock prices.

We monitor risks in our portfolio by quantifying the risks based on market fluctuations and defining acceptable risk levels. We establish asset liability management (ALM) rules and, after making quantitative and qualitative assessments of interest rate fluctuation risks of our assets and liabilities, we endeavor to keep the overall amount of interest rate risk within a fixed range. Risks are quantified based on statistical methods including basis point value, slope point value, value at risk (VaR), qualitative scenario analyses, stress tests and sensitivity analyses. We analyze the risks, and report the results to the CFO and executive officers to take the necessary actions.

We manage exchange rate risk by using foreign currency loans, foreign exchange contracts, currency swaps and other instruments to hedge the exchange rate fluctuation risks that arise in connection with our business transactions in foreign currencies and overseas investments. For unhedged foreign-currency-denominated assets and investments to overseas subsidiaries, we employ the same risk monitoring and management procedures as are used in managing interest rate risks, including utilizing VaR and other metrics.

We may use derivatives as hedges if we decide to hedge interest rate risk and exchange rate risk. We use derivatives to mitigate or offset changes in cash flow or the fair value of assets and liabilities. The use of derivatives exposes us to credit risk on such derivative transactions. We monitor the notional principal amounts, current prices, transaction types and other variables for each counterparty on a regular basis. Also, we set derivative transaction management rules and guidelines for each of our group companies based on Group-wide policies, and we have a system of internal controls for derivative transactions.

Our investment departments in banking, life insurance business and in the United States regularly monitor interest rate policies, economic conditions and securities and financial market trends related to the assets under management and manage their portfolios analyzing on a daily basis individual security price movements and profits and losses. Market volatility is managed according to guidelines including fixed loss amounts and decreases in position. Our risk management departments review and compare daily reports from investment departments against internal guidelines and macro- and microeconomic conditions to ensure the guidelines.

Business Risk Management

Various risks are inherent to our daily business, such as the risks associated with our judgment in our investments, our selection of new products for development and our competitors marketing strategies or pricing. We define business risk as risks related to entry into the market, uncertainty of future business performance caused by changes in business and competitive environment and market fluctuation risks in such as the used car and real estate markets.

We monitor the scenario analyses and stress tests for each of our business risks. The evaluation and verification of the cost of withdrawal from a business is also subject to monitoring.

A principal risk relating to operating leases is the risk of fluctuation in the residual value of the leased properties. In order to control fluctuations in residual value, we monitor our inventories of leased items, market environments and the overall business environment.

The automobile industry has a well-established market for used cars, so we are able to resell most of our vehicles. We monitor current trends in the used car market by continuously monitoring the ratio of residual value to purchase cost, selling price trends and other indicators, thereby adjusting estimated residual value in new transactions.

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We primarily limit our ship and aircraft operating leases to general-purpose ships and aircraft that are comparatively easy to re-lease, as these operating lease items have high residual value risks. We monitor the market values of these ships and aircraft and sell assets as necessary or desirable to reduce our exposure to downward trends in the market or take advantage of upward trends.

Risk Management Relating to Fund Procurement

We view liquidity risks as significant risks associated with fund procurement.

Liquidity risk is the risk that we will be unable to obtain the necessary funds to meet our commitments and obligations, or that we will be forced to procure funds at unusually high interest rates, due to market turmoil, deterioration in our financial condition or other reasons. The important objective of our liquidity risk management is to create a liquidity structure that matches asset size and structure to our management s goals. To achieve this, we emphasize maintaining a highly flexible balance sheet. At the same time, we seek to diversify funding sources to reduce refinancing risks, which may be caused by large market fluctuations. Specifically, we monitor liquidity by projecting future cash flow from the maturity of assets and liabilities, conducting liquidity risk analysis including future trends and assuming such environmental stresses as financial market turmoil and a reduction of ORIX s credit ratings. Measures we use to manage liquidity risk include diversifying funding sources, establishing committed credit lines with financial institutions and adjusting the balance of short-term and long-term debt, taking into account prevailing market conditions.

Legal Risk Management

Transactional legal risk is a major type of legal risk that we face in our business. Transactional legal risk includes the risk that the contracts into which we enter contain unintended conditions, are not legally effective or the contemplated transactions cannot be carried out as stipulated in the contract, or that the transactions in which we participate involve activities that violate, or are not in strict compliance with, applicable laws. When we consider a new transaction, new product development or other new business activities, our risk management system requires an examination of these types of legal risks.

In an attempt to prevent and mitigate such legal risks, in Japan we require, in principle, that the Legal and Compliance Department and the Risk Management Headquarters be involved in transactions from initial consideration through the documentation process in which transaction-related contracts are prepared for internal review and final approval. Contracts may not be approved internally unless they follow our prescribed rules and guidelines. The Legal and Compliance Department and the Risk Management Headquarters are also involved in the process for the approval of such contracts in accordance with our internal rules. Depending on the size and importance of a given transaction, we may also utilize the expertise of outside lawyers. To ensure that proper legal procedures are followed in connection with legal disputes and litigation, we require that the Legal and Compliance Department and the Risk Management Headquarters be involved in such disputes and litigation, including lawsuits that have been, or are expected to be, brought against us and lawsuits that we bring, or expect to bring, against third parties. The status of any lawsuits is reported to the Group Executive Officer Committee regularly.

In addition to establishing internal policies necessary to observe applicable laws, we also monitor potential changes in relevant laws, as new information becomes available. As necessary or appropriate, we may also initiate preparatory measures to address the requirements of new laws that are expected to take effect in the future and implement steps to ensure that we are, and continue to be, in compliance with new laws as they take effect.

Overseas, each Group company works to avoid, prevent and mitigate risks through an in-house lawyer and, when necessary, with the involvement of outside lawyers and others.

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In addition, the Legal and Compliance Department and the Risk Management Headquarters conduct monitoring activities to prevent the violation of intellectual property rights, and to quickly take necessary measures if and when violations are discovered.

Other Operational Risk Management

As our business has expanded in recent years, operational risk management has become a significant component of our overall risk management. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. As part of operational risk management, we are also continually seeking to strengthen our internal control and compliance functions.

The Risk Management Headquarters conducts quantitative and qualitative evaluation and regular monitoring of risk. ORIX Computer Systems works to reduce operational risk by the maintenance and operational administration of internal systems. The Group Internal Audit Department monitors the effectiveness and efficiency and compliance with applicable rules and regulations by our various operations; the status of improvements to and compliance with our internal rules; and the status of each department s self-examinations based on an annual internal audit plan that focuses on material risks. As a result of monitoring, we evaluate the current status of internal controls and make improvements as necessary.

Additionally, in order to raise awareness of compliance issues among employees, the Legal and Compliance Department has produced a compliance manual and distributed it to all employees in Japan. The department also plans and executes a compliance improvement plan for each Group company in accordance with their respective business profiles, which plans are based on annual Group-wide compliance policies. We consider the results to improve the effectiveness of our compliance systems.

Regarding natural disaster risk, we have established Natural Disaster Risk Management Policies. We respond to the situation in order to protect management resources and minimize losses, while giving priority to safety of our executives and employees. We have developed a system in which the Human Resources and Corporate Administration Headquarters supervises the coordination of recovery activities after the occurrence of a natural disaster in Japan, while the Global Business Administrative Headquarters handles the overseas function. By distributing a natural disaster manual to all executives and employees in Japan and carrying out disaster drills in accordance with these policies, we maintain a framework to respond appropriately to a natural disaster.

Individual Business Risk Management

We have a large portfolio, including financial service operations, and we perform complete and transparent monitoring and control according to the characteristics of each operation. The risk situation for each business unit is analyzed both quantitatively and qualitatively on both the individual transaction and portfolio levels, and the necessary measures to minimize changes in profitability are implemented. Contents of individual business unit level analyses are shared throughout the Group, and risk related to decreased profitability is controlled by capitalizing on a diverse business portfolio through measures including managing risk through intra-business unit cooperation.

Corporate Financial Services Segment

Credit risk is the main risk of the Corporate Financial Services segment.

We reduce risk by diversifying borrowers and industries and by emphasizing credit screening at the beginning of each transaction. After a transaction has been made, the sales departments regularly monitor the performance, collateral and progress of collection of customers whose balance exceeds a certain level. The Risk Management Headquarters regularly checks customers with large credit balances.

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We analyze the current condition and outlook for specific industries and sectors, and also analyze the potential impact on the debtor while making decisions about future transactions in that specific industry or sector.

We take appropriate actions by thoroughly analyzing the condition of each problem asset. Specifically, in transactions collateralized by real estate, we take various measures such as capitalizing on the networks of our real estate-related departments to sell properties or introduce tenants.

Maintenance Leasing Segment

The main risk of the Maintenance Leasing segment is business risk.

For instance, this segment has market fluctuation risks for property under operating leases. We continuously monitor market environments and fluctuation in the resale value of leased property, and adjust residual value estimates of leased items in new transactions accordingly.

Cost fluctuation (prime cost) is the main risk of providing various services such as outsourcing. We analyze initial preconditions and performance, monitor future forecasts, and control costs at an appropriate level.

Additionally, there is the risk that the quality level of our services may fall below the required level due to changes in the operating environment or changes and diversification of client needs. We monitor our service quality level quantitatively and qualitatively, and continuously strive to improve our level of service according to the operating environment.

We also conduct credit monitoring on individual transactions to address credit risks.

Real Estate Segment

In the Real Estate segment the main risk of business involving real estate development, possession, and operation is business risk, and the main risks of the real estate finance business are market and credit risks.

We focus on cash flow when making investment or project decisions. We reduce risk related to real estate price fluctuations by comparing cash flow performance to the initial plan and by improving the occupancy rate. We invest mainly in small properties, and diversify risk by investing in large properties through joint ventures with partners. Furthermore, emphasis is placed on monitoring investment strategies and schedules. The strategy is reevaluated in the case of a major divergence from the initial forecast.

The following factors are considered for condominiums: development and sales schedule, unit sales progress, and rate of return. The following factors are considered in the case of development and leasing properties: development and retention schedule and NOI yield. We capitalize on the Group s network in order to improve occupancy rates and promote sales. We monitor occupancy rates and rates of return and focus on creating manuals and educating employees in order to minimize business and operational risk in our operating asset business.

ORIX recognizes market risk and credit risk as the major risks to the real estate finance business under a normal operating environment. Because of this, in our non-recourse loan business we monitor the loan-to-value ratio, the debt-service coverage ratio and other terms and conditions such as equity provided by other companies, interest reserve and guarantees, in addition to controlling risk through swift response to changes in the market.

However, in a stress-case such as a significant drop in market liquidity, we diligently monitor the cash flow from the properties to improve the terms and conditions of our loans. In addition, capitalizing on our real estate expertise, we can flexibly respond to the changing business environment by taking on business risk as a profitable operation through the acquisition and holding of the collateral.

Investment and Operation Segment

Credit risk, market risk and business risk are the main risks of the principal investment business conducted by the Investment and Operation segment.

When making our initial investment decision, we do a credit evaluation, analyzing the Company s credit risk and assessing its cash flow. Also, we perform a multi-faceted evaluation, engaging administrative departments such as the accounting and legal departments to consider the characteristics of the operation and investment scheme. Specifically, we analyze the operating environment, corporate strategy and method for increasing corporate value, and verify the adequacy of profitability, estimated investment timeline and exit strategy scenarios.

After an investment has been made, our perspective of risk management varies according to the stage of development. Credit risk is important for companies for which we are raising corporate value due to the focus on cash flow. We also pay attention to market risk as time for collection nears, due to measuring the corporate value by referencing the corporate values of similar industries.

Each transaction is monitored for deviations in cash flow, increased corporate value, exit strategy, corporate strategy and business environment from the original scenario. The frequency of monitoring has been increased during these times of rapid changes in the business environment, and we are simultaneously verifying the adequacy of investment scenarios and swiftly taking the necessary actions. We are working to enhance the management of investments that have a significant impact on the profitability of ORIX Group through such measures as the dispatch of management personnel.

The servicer business performs appropriate risk management for the collection and management of our own assets as well as for servicing operations provided to third-parties, by leveraging our know-how we have acquired over years in investing in CMBS and distressed real-estate-backed loans. Specifically, we seek to reduce credit and operational risks by conducting periodical internal auditing and monitoring, and by implementing a business operation based on work procedures in accordance with the guidance of regulatory authorities. Moreover, we have formulated measures to mitigate legal risks by quickly responding to potential legal issues. We also aim to strengthen our legal and regulation compliance and, to this end, have appointed an outside lawyer as a director who also oversees our Legal and Compliance department as a head of risk management headquarters.

We manage operational risks in the environment and energy related businesses by implementing appropriate equipment and technology in addition to alliances with expert operators for renewable energy, energy conservation, and resource and waste processing operations.

Furthermore, we try to sustain a high level of risk management by arranging an organizational structure that allows for flexible responses to changes in the business environment.

Retail Segment

The main risk in the life insurance business is business risk associated with accepting insurance contracts.

Before finalizing insurance contracts, ORIX Life Insurance takes thorough measures to prevent the acceptance of fraudulent contracts by rigorously examining health condition declarations and medical examination reports as well as by taking steps to check the status of other insurance contracts. These measures promote the fair and equitable treatment of policyholders and, because they are important determinants of future insurance-related profitability, ORIX Life Insurance promotes their effective execution by ensuring the hiring of sufficient staff and encouraging staff to acquire specialized know-how. ORIX Life Insurance also educates and instructs representative branch staff and agents to enhance compliance regarding the prevention of personal information leaks and regarding the solicitation of insurance.

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Credit risk is the main risk of the banking business.

The housing loan business (for the purchase of properties for investment purposes, and apartments) manages individual screenings, each of which consists of a comprehensive evaluation including the cash flows that can be derived from the property, collateral value and the client s potential to repay.

Decision making for corporate loans is based on a detailed investigation of the client s performance, business plan, purpose of the loan, source of repayment as well as industry trends. In addition to individual screenings when loans are arranged, we also reduce risks by diversifying the industry and products of our portfolio.

The card loan business utilizes a proprietary scoring system that utilizes a credit model. We set the levels of interest rates and credit limits in line with each customer s credit risk, after evaluating customer creditworthiness based on an analysis of customer attributes or past pay quality, as well as other diverse factors that may affect the borrower s ability to repay, such as past credit quality and other debt. Also, we undertake subsequent credit evaluations at regular intervals to monitor changes in the customers financial condition.

Overseas Business Segment

Credit risk is the main risk of the leasing and loan businesses operated by local subsidiaries mainly in Asia.

When making a transaction we emphasize credit evaluation and require adequate guarantees and collateral, in addition to diversifying small transactions. We monitor the portfolio by industry, location and type of collateral. We regularly monitor the performance of major credit exposure. In addition, we take appropriate actions for problem assets by thoroughly analyzing condition of each asset.

The Risk Management Headquarters monitors the country risk of the overseas portfolio. In addition, it shares information regarding the portfolios of local subsidiaries, performance of major clients, condition of problem assets, and clients of particular concern. Risk management in the principal investment business, which is mainly in Asia, is conducted in a similar manner as the Investment and Operation segment.

The main risk for the automobile, ship and aircraft related business is the high volatility in the residual value of operating lease assets. To address this risk, in addition to restricting leases to automobiles, ships and aircrafts with general versatility, we constantly monitor the valuation of our portfolio and consider the possibility of selling each assets based on prevailing market conditions.

The main risks for the investment and finance business in the U.S. are credit risk, market risk and operational risk.

At the time of origination, we assign an internal credit rating for each investment and loan taking into consideration the credit status of the borrower or company in which we are investing and the collateral for the transaction. For investments and loans with a rating requiring attention, we produce an objective evaluation regarding the possibility of collection of such investments and loans, and decide management policies such as provision and impairments.

Regarding market risk, we monitor on a daily basis the market value and mark-to-market valuation of our investments and loans. In addition, we proactively manage risk by referring to the credit risk information for each investment and loan that we acquired during the credit risk management process and by conducting early exits to secure profits or minimize losses.

Regarding operational risk, finance providers and managers are separated. Each acts independently according to the financing process manual. Also, the internal audit department regularly inspects the performance

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of our investing and lending operations. In the advisory business, we comply with operating standards set forth by authorities and managed through an internal quality control committee, maintaining quality and operational methods that meet such standards to provide high quality advisory and evaluation services. In relation to the business involving arrangement of financing for real estate companies by Fannie Mae and Federal Housing Administration (FHA) and related loan servicing, as a delegated company of public financial institutions, it is essential that we conduct our operation on the basis of designated operating procedures set forth by these institutions, and that we monitor and manage service quality through internal auditing. In regards to the asset management business, as an SEC-registered company, it is necessary for us to abide by established compliance standards, and monitor and manage our operations through an internal compliance system based on such standards.

GOVERNMENTAL AND POLITICAL POLICIES AND FACTORS

In our opinion, no current governmental economic, fiscal, monetary or political policies or factors have materially affected, or threaten to materially affect, directly or indirectly, our operations or the investments in our Shares by our U.S. shareholders.

Item 6. Directors, Senior Management and Employees

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

CORPORATE GOVERNANCE SYSTEM

ORIX believes that a robust corporate governance system is a vital element of effective enhanced management and therefore has established sound and transparent corporate governance to carry out appropriate business activities in line with our core policies and ensure objective management.

ORIX s corporate governance system is characterized by:

- separation of operation and oversight through a Company with Committees board model;
- Nominating, Audit and Compensation Committees each composed solely of outside directors
- all outside directors satisfy strict conditions for independence; and
- outside directors highly qualified in their respective fields.

Reason to adopt ORIX s Corporate Governance System and history of the system

We believe that swift execution of operations is vital in order to effectively respond to changes in the business environment. Furthermore, we believe that ORIX s governance system promotes improved management transparency by creating a system in which outside directors with expertise in their respective fields monitor, and advise on legal compliance and appropriate execution of operations.

ORIX adopted the Company with Committees board model in June 2003 followed by the new Company with Committees board model in line with the enactment of the Companies Act of Japan in May 2006, as outlined below, with the aim of further enhancing management and operational oversight and to accelerate management decision-making and operations.

Furthermore, oversight by directors is separated from the execution of operations with the three committees (Nominating, Audit and Compensation Committees) that form the heart of the board of directors. Each committee is composed solely of outside directors to help avoid conflicts of interest with our shareholders.

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In addition, all outside directors must meet the specific conditions necessary for director independence as set forth by the Nominating Committee (described below under Nominating Committee).

Below is a summary of the history of ORIX s corporate governance system;

June 1997	Established Advisory Board
June 1998	Introduced Corporate Executive Officer System
June 1999	Introduced Outside Directors
June 2003	Adopted the Company with Committees board model
May 2006	Adopted the new Company with Committees board model in line with the enactment of the Companies Act of Japan
June 2007	The three committees (Nominating, Audit and Compensation Committees) are composed solely of Outside Directors

The Company with Committees board model, as stipulated under the Companies Act of Japan, requires the establishment of three board of director committees: the Nominating, Audit and Compensation Committees. Each committee is required to consist of three or more directors, a majority of whom must be outside directors. Directors may serve on more than one committee. The term of office of committee members is not stipulated under the Companies Act of Japan. However, as a committee member must be a director of the Company, the term expires at the close of the first annual general meeting of shareholders after his or her election. Under the Companies Act of Japan, an outside director is defined as a director who does not have a role in executing the Company s business, meaning those who have not assumed, in the past the position of a representative director or a director with the role of executing the business, executive officer (*shikkou-yaku*), manager or any other employee of the Company or its subsidiaries, and who does not currently assume such position of such company or subsidiaries.

Board of Directors

ORIX s board of directors has the ultimate decision-making responsibility for our important affairs. It also monitors the performance of the directors and executive officers and receives performance reports from the executive officers and others. The Articles of Incorporation of ORIX provide for no fewer than three directors. Directors are elected at general meetings of shareholders. The term of office for any director, as stipulated under the Companies Act of Japan, for companies that adopt a Company with Committees board model, expires at the close of the first annual general meeting of shareholders after his or her election.

The board of directors carries out decisions related to items that, either as a matter of law or pursuant our Articles of Incorporation, cannot be delegated to executive officers, and important items as determined by the regulations of the board of directors. The board of directors is responsible for approving and monitoring ORIX s policies on a regular basis, which include corporate planning such as capital management, fund procurement and personnel strategies. Aside from such items, the board of directors delegates decision-making regarding operational execution to representative executive officers. The board of directors also receives reports from executive officers and committees regarding the status of business operations and finances.

With the exception of the aforementioned items, the board of directors may delegate substantial management authority to representative executive officers. Representative executive officers make decisions on management issues as delegated by the board of directors and execute the business of the Company. For example, the board may delegate to representative executive officers the authority to approve issuances of shares of capital stock and bonds. In addition, the Companies Act of Japan permits an individual to simultaneously be a director and a representative executive officer of the Company.

From April 1, 2011 through March 31, 2012, the board of directors met eight times. The attendance rate of directors for these meetings was 99%.

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The board of directors as of June 27, 2012, includes 13 members, six of whom are outside directors.

Structure and Activities of the Three Committees

As of June 27, 2012, all three committees (Nominating, Audit and Compensation Committee) consisted of outside directors. The members of each committee along with the number of committee meetings and attendance rates are shown below.

	Nominating Committee	Audit Committee	Compensation Committee
Members as of June 27, 2012	Takeshi Sasaki (Chairman) Hirotaka Takeuchi Robert Feldman Takeshi Niinami Nobuaki Usui	Eiko Tsujiyama (Chairman) Takeshi Sasaki Nobuaki Usui	Robert Feldman (Chairman) Hirotaka Takeuchi Takeshi Sasaki Eiko Tsujiyama Takeshi Niinami
Number of meetings held during fiscal 2012 (Attendance rate)	Five (5) meetings (100%)	Eight (8) meetings (96%)	Six (6) meetings (97%)

Nominating Committee

The Nominating Committee is authorized to propose the slate of director appointment or dismissal to be submitted to the annual general meeting of shareholders. Directors shall be elected and dismissed by a resolution of the annual general meeting of shareholders. In addition, the Nominating Committee deliberates on the appointment or dismissal of our executive officers, although this is not required under the Companies Act of Japan.

The Nominating Committee determines whether the conditions for director independence have been met in accordance with nomination criteria for outside directors, which are:

No individuals, or any of their family members*, may receive a compensation of more than ¥10 million annually excluding compensation as an employee for family members, and excluding the individual s compensation as outside directors, from ORIX or its subsidiaries.

*Family members include a spouse, those related within the second degree by consanguinity or affinity, or other kin living with the outside director. (hereinafter the same)

No individuals, or any of their family members, may be a major shareholder of ORIX (more than 10% of issued shares) or represent the interests of a major shareholder.

No individuals may have served as an executive officer (including operating officers, hereinafter the same) or an employee of ORIX or its subsidiaries within the past five years. No family members may have served as an executive officer of ORIX or its subsidiaries within the past five years.

No individuals may be a principal trading partner* or executive officer or an employee of a principal trading partner of ORIX or its subsidiaries. If such circumstances existed in the past, five years must have passed since that person s retirement from office or employment.

*A principal trading partner refers to an entity with a business connection with the ORIX Group with a transaction amount equivalent to more than the greater of 2% of consolidated total revenues, or $1,000,000 in any fiscal year of the previous three years.

There must be no concurrent directorship relationship* between the company for which the individual is serving as an executive officer and ORIX.

*Concurrent directorship relationship is defined as being a relationship in which the company for which the individual is serving as an executive officer has a director that is also an executive officer of ORIX or its subsidiaries.

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No individuals may be directors, or executive officers of organizations receiving donations or assistance of large amounts (annual average of ¥10 million or higher over the past three years) from ORIX or its subsidiaries.

There must be no material conflict of interest or any possible conflict of interest that might influence the individual s judgment in performing their duties as an outside director.

Audit Committee

The Audit Committee monitors the operational execution of the directors and executives and creates audit reports. In addition, the Audit Committee proposes the appointment or dismissal, or the passage of resolutions refusing the reappointment of the Company s independent certified public accountants to the annual general meeting of shareholders. The Audit Committee Secretariat (four people) was established to provide advice to the Audit Committee regarding the execution of its duties. Eiko Tsujiyama, chairperson of the Audit Committee, is qualified as a certified public accountant and has extensive knowledge in finance and accounting as a professional accountant.

The Audit Committee decides the responsible person in corporate audit department or each business who will report to the Audit Committee, and it evaluates the administration of executive officers and internal controls of the Company by considering the following five points:

The Audit Committee reviews the report related to the results of the audit and items indicated for improvement that has been prepared by the executive officer responsible for the corporate audit. The Audit Committee is able to instruct the Audit Committee Secretariat and internal audit department to conduct an inspection as needed.

The Audit Committee engages in discussions which are the basis of our business strategy, after it receives explanations from the heads of each business department and presidents of group companies that focus, in particular, on risk control.

The Audit Committee monitors the business environment through reports, obtained from the executive officer responsible for the accounting department, which cover the revenue composition of each department and any problem areas related to the business from an accounting perspective.

The Audit Committee reviews and discusses based on reports regarding the direction of the Company and the execution of important business matters that it receives from the representative executive officer.

The Audit Committee reviews and discusses based on the reports that it receives from the independent certified public accountants regarding whether there are any material items relating to the audit.

Under the Company with Committees board model, the directors who compose the Audit Committee are not permitted to be executive officers, executive directors, managers, any other employees or accounting counselors (*kaikei san-yo*) of the Company or its subsidiaries. Under the Company with Committees board model, the Audit Committee generally has powers and duties to monitor the performance of the directors and executive officers in the performance of their responsibilities, as well as the right to propose the appointment or dismissal, or to pass resolutions for refusing reappointment of the Company s independent certified public accountants at the annual general meeting of shareholders. Any proposal for appointment or dismissal of a certified public accountant needs to be submitted to a general meeting of shareholders for approval. In furtherance of its responsibilities, the Audit Committee has the power to request a report of business operations from any director, executive officer, manager or other employee at any time, and to inspect for itself the details of the Company s business operations and financial condition.

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Compensation Committee

The Compensation Committee has the authority to set the policy for determining compensation for directors and executive officers in accordance with the Companies Act of Japan and to set the specific compensation for each individual director and executive officer. Director and executive officer compensation information is disclosed in accordance with the Companies Act and the Financial Instruments and Exchange Act.

The Compensation Committee sets the following Policy of Determining Compensation of Directors and Executive Officers.

Policy of Determining Compensation of Directors and Executive Officers

Our business objective is to increase shareholder value over the medium and long term. We believe in each director and executive officer responsibly performing his or her duties and in the importance of cooperation among different business units in order to achieve continued growth of the ORIX Group. The Compensation Committee believes that in order to accomplish such business objectives, directors and executive officers should place emphasis not only on performance during the current fiscal year, but also on medium- and long-term results. Accordingly, under the basic policy that compensation should provide effective incentives, we take such factors into account when making decisions regarding the compensation system and compensation levels for our directors and executive officers. Taking into consideration this basic policy, we have established separate policies for the compensation of directors and that of executive officers in accordance with their respective roles.

Compensation Policy for Directors

The compensation policy for directors who are not also executive officers aims for a level and composition of compensation that is effective in maintaining supervisory and oversight functions of executive officers performance in business operations, which is the main duty of directors. Specifically, while aiming to maintain competitive compensation standards, our compensation structure consists of a fixed compensation component based on duties performed, and a shares component of compensation*.

Fixed compensation is, in principal, a certain amount that is added to the compensation of the chairperson and member of each committee. Share-based compensation reflecting medium- to long-term performance is granted based on the number of points earned by the individual while in office, and the amount of the payment is decided according to the share price at the time of an individual director s retirement. In addition, the Company strives to maintain a competitive level of compensation with director compensation according to the role fulfilled, and receives third-party research reports on compensation for this purpose.

Compensation Policy for Executive Officers

The compensation policy for executive officers, including those who are also directors, aims for a level of compensation that is effective in maintaining business operation functions, while incorporating in its composition a component that is linked to current period business performance. Specifically, while aiming to maintain competitive compensation standards, our compensation structure consists of a fixed compensation component based on positions and duties performed, a performance-linked component, and a shares component of compensation*.

* The shares component of compensation is a program in which points are annually allocated to directors and executive officers based upon prescribed standards and the compensation provided is the amount equal to the accumulated number of points multiplied by the stock price at the time of retirement. Under this program, directors and executive officers have an obligation to purchase shares from the Company at the stock price that prevails at the time of their retirement using the after-tax compensation provided.

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AUDITORS INDEPENDENCE

The ORIX Group must appoint independent certified public accountants, who have the statutory duty of examining the nonconsolidated financial statements prepared in accordance with accounting principles generally accepted in Japan (Japanese GAAP). The independent certified public accountants must present an auditor s report to the Audit Committee and the executive officers specified by the board of directors. The independent certified public accountants are also responsible for auditing financial statements that are submitted to the Kanto Local Finance Bureau of the Ministry of Finance (Kanto Local Finance Bureau). The board of directors is required to submit the audited consolidated and nonconsolidated financial information to the annual general meeting of shareholders, and this information is also required to be submitted to the Tokyo Stock Exchange, the Osaka Securities Exchange and the Kanto Local Finance Bureau.

Presently, our independent certified public accountants are KPMG AZSA LLC. The independence of KPMG AZSA LLC has been considered and evaluated by our Audit Committee.

In addition to the nonconsolidated financial statements that are prepared under Japanese GAAP, we also prepare consolidated financial statements in accordance with U.S. GAAP. U.S. GAAP consolidated financial information is used by management for evaluating our performance and forms the basis for presentation of financial information to our shareholders. The consolidated financial statements prepared in accordance with U.S. GAAP that are included in this annual report filed with the SEC have been audited by KPMG AZSA LLC, which is registered with the PCAOB in the United States.

In the opinion of management, the provision of non-audit services did not in any way influence the independence of the audits conducted by KPMG AZSA LLC because management took full responsibility for decisions relating to the activities affected by these services and KPMG AZSA LLC and its affiliates did not assume any of management s authority and duties.

DIRECTORS

The directors of ORIX as of June 27, 2012 are as follows:

Name (Date of birth)	Current positions and principal outside positions		Business experience	Shareholdings as of June 27, 2012
Yoshihiko Miyauchi (Sep. 13, 1935)	Director,	Aug. 1960	Joined Nichimen & Co., Ltd. (currently Sojitz Corp.)	39,380
	Representative Executive Officer,	Apr. 1964	Joined ORIX	
		Dec. 1967	General Manager of the Office of the President	
		Mar. 1970	Director	
	Chairman and Chief Executive Officer	Nov. 1973	Corporate Senior Vice President	
		May 1976	Corporate Executive Vice President	
		Nov. 1977	Representative Director	
		Dec. 1979	Deputy President	
		Dec. 1980	President and Chief Executive Officer	
		Apr. 2000	Chairman and Chief Executive Officer	
		Mar. 2003		

	Outside Director of SHOWA SHELL SEKIYU K.K.
Jun. 2003	Representative Executive Director
Apr. 2006	Outside Director of ACCESS Co., Ltd.

Name (Date of birth)	Current positions and principal outside positions		Business experience	Shareholdings as of June 27, 2012
Makoto Inoue	Director,	Apr. 1975	Joined ORIX	2,568
		Jan. 2003	Deputy Head of Investment Banking Headquarters	
(Oct. 2, 1952)	Representative Executive Officer,	Feb. 2005	Executive Officer	
		Jan. 2006	Corporate Senior Vice President	
		Jun. 2008	Head of International Administrative Headquarters	
	President and Chief Operating Officer	Jan. 2009	Head of the Global Business and Administrative Headquarters	
		Jun. 2009	Corporate Executive Vice President	
		Jun. 2010	Director	
		Oct. 2010	Deputy President Responsible for the Investment Banking Headquarters	
		Jan. 2011	Representative Executive Officer, President and Chief Operating Officer	
Haruyuki Urata	Director,	Apr. 1977	Joined ORIX	1,588
		Feb. 2004	Deputy Head of the Risk Management Headquarters	
(Nov. 8, 1954)	Representative Executive Officer,	Feb. 2005	Executive Officer	
		Aug. 2006	Corporate Senior Vice President	
	Deputy President and Chief Financial Officer	Jun. 2007	Director	
		Jan. 2008	Deputy President Responsible for the Office of the President, Overseas Activities	
	Corporate Planning Department,	Jan. 2009	Chief Financial Officer	
	Corporate Communications Department	Jun. 2009	Head of the Corporate Planning and Financial Control Headquarters	
		Nov. 2009	Responsible for Corporate Communications Department	
		Jun. 2010	Responsible for Corporate Planning Department Outside Director of Monex Group, Inc.	
		Jan. 2011	Representative Executive Officer	

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Name (Date of birth)	Current positions and principal outside positions		Business experience	Shareholdings as of June 27, 2012
Hiroaki Nishina	Director,	Apr. 1968	Joined ORIX	4,142
(Sep. 18, 1944)	Vice Chairman	Jan. 1990	General Manager of Sales Department I of Tokyo Sales Headquarters	
	Group Corporate Sales	Jun. 1993	Director	
	Group Kansai Representative	Jun. 1998	Executive Officer	
	Chairman, ORIX Real Estate Corporation	Jun. 2000	Corporate Senior Vice President	
	President, ORIX Baseball Club Corporation	Apr. 2002	Corporate Executive Vice President	
		Feb. 2005	Deputy President	
		Jan. 2009	Responsible for Group Corporate Sales Responsible for Domestic Sales Administrative Headquarters Chairman, ORIX Real Estate Corporation	
		Mar. 2009	Group Kansai Representative Outside Director of DAIKYO INCORPORATED	
		Oct. 2009	President, ORIX Baseball Club Corporation	
		Jan. 2010	Responsible for the Investment Banking Headquarters	
		Jun. 2011	Vice Chairman	
Kazuo Kojima	Director,	Apr. 1980	Joined ORIX	2,957
(Jul. 5, 1956)	Corporate Executive Vice President	Apr. 2003	Deputy Head of Real Estate Finance Headquarters	
	Domestic Sales Administrative Headquarters	Feb. 2005	Executive Officer	
		Jan. 2007	Corporate Senior Vice President	
		Jan. 2008	Corporate Executive Vice President Head of the Investment Banking Headquarters	
		Jun. 2008	Director	
		Jan. 2010	Responsible for Domestic Sales Administrative Headquarters	
		Sep. 2011	Outside Director, Ubiteq, Inc	

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Name (Date of birth)	Current positions and principal outside positions		Business experience	Shareholdings as of June 27, 2012
Yoshiyuki Yamaya (Oct. 20, 1956)	Director, Corporate Executive Vice President Real Estate Headquarters President, ORIX Real Estate Corporation	Apr. 1980	Joined ORIX	2,280
		Apr. 2001	General Manager of the Office of the President	
		Feb. 2005	Group Executive	
		Aug. 2006	Executive Officer	
		Jan. 2008	Group Senior Vice President	
		Jan. 2009	Corporate Senior Vice President Responsible for Real Estate Headquarters President, ORIX Real Estate Corporation	
		Jun. 2009	Director Corporate Executive Vice President	
Tamio Umaki (Jan. 16, 1948)	Director, Corporate Executive Vice President Chief Information Officer Human Resources and Corporate Administration Headquarters	Apr. 1972	Joined ORIX	6,488
		Mar. 1999	Head of Tohoku Area	
		Jun. 1999	Executive Officer	
		Jan. 2002	Group Executive	
		Jan. 2007	Group Senior Vice President	
		Oct. 2008	Corporate Senior Vice President Chief Information Officer Responsible for IT Planning Office	
		Jan. 2009	Responsible for Human Resources and Corporate Administration Headquarters	
		Mar. 2009	Responsible for Administration Center Responsible for Asset Administration Department	
		Jun. 2010	Corporate Executive Vice President	
		Jun. 2011	Director	

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Name (Date of birth)	Current positions and principal outside positions		Business experience	Shareholdings as of June 27, 2012
Hirotaka Takeuchi	Outside Director	Apr. 1969	Joined McCann-Erickson Hakuhodo Co., Ltd. (currently McCann-Erickson Japan, Inc.)	0
(Oct. 16, 1946)	Professor, Harvard Business School	Sep. 1976	Lecturer at Harvard Business School	
		Dec. 1977	Assistant Professor	
		Apr. 1983	Assistant Professor at Hitotsubashi University s School of Commerce	
		Apr. 1987	Professor	
		Apr. 1998	Dean of the Graduate School of International Corporate Strategy, Hitotsubashi University	
		Jun. 2000	Corporate Auditor of ORIX	
		Jun. 2003	Resigned Corporate Auditor of ORIX	
		Jun. 2004	Outside Director of ORIX	
		Jul. 2010	Professor at Harvard Business School	
Takeshi Sasaki	Outside Director	Apr. 1968	Assistant Professor at the University of Tokyo, School of Law	0
(Jul. 15, 1942)	Professor, Gakushuin University, Faculty of Law, Department of Political Studies	Nov. 1978	Professor	
		Apr. 1991	Professor at the University of Tokyo	
			Graduate Schools for Law and Politics	
	Outside Director, East Japan Railway Company	Apr. 1998	Dean of the University of Tokyo	
			Graduate Schools for Law and Politics and School of Law	
		Apr. 2001	President of the University of Tokyo	
		Jun. 2003	Chairman of The Japan Association (currently, incorporated) of National Universities	
		Apr. 2005	Professor at Gakushuin University, Faculty of Law, Department of Politics	
		Jul. 2005	Advisor of ORIX	
		Jun. 2006	Outside Director of ORIX	
			Outside Director of East Japan Railway Co.	

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Name (Date of birth)	Current positions and principal outside positions		Business experience	Shareholdings as of June 27, 2012
Eiko Tsujiyama (Dec. 11, 1947)	Outside Director Professor, Waseda University s School of Commerce Dean and Professor, the Graduate School of Commerce, Waseda University Corporate Auditor, Mitsubishi Corporation Corporate Auditor, Lawson, Inc. Corporate Auditor, NTT DoCoMo, Inc. Corporate Auditor, Shiseido Company, Limited	Apr. 1974	Certified Public Accountant	0
		Aug. 1980	Assistant Professor at Ibaraki University s School of Humanities	
		Apr. 1985	Assistant Professor at Musashi University s School of Economics	
		Apr. 1991	Professor at Musashi University s School of Economics	
		Apr. 1996	Dean of Musashi University s School of Economics	
		Apr. 2003	Professor at Waseda University s Faculty of Commerce and the Graduate School of Commerce	
		Jun. 2008	Corporate Auditor of Mitsubishi Corporation	
		Jun. 2010	Outside Director of ORIX	
		Sep. 2010	Dean of the Graduate School of Commerce, Waseda University	
		May 2011	Corporate Auditor of Lawson, Inc.	
		Jun. 2011	Corporate Auditor of NTT DoCoMo, Inc.	
		Jun. 2012	Corporate Auditor of Shiseido Company, Limited	
Robert Feldman (Jun. 12, 1953)	Outside Director Managing Director and Head of Japan Economic Research, Morgan Stanley MUFG Securities Co., Ltd.	Oct. 1983	Economist, International Monetary Fund	0
		May 1989	The Chief Economist, Salomon Brothers Inc. (currently Citigroup Global Markets Japan Inc.)	
		Feb. 1998	Joined Morgan Stanley Securities, Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.) as Managing Director and Chief Economist Japan	
		Apr. 2003	Managing Director, Co-Director of Japan Research and Chief Economist, Morgan Stanley Japan Securities Co., Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.)	
		Dec. 2007	Managing Director and Head of Japan Economic Research, Morgan Stanley Japan Securities Co., Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.)	
		Jun. 2010	Outside Director of ORIX	

Name (Date of birth)	Current positions and principal outside positions		Business experience	Shareholdings as of June 27, 2012
Takeshi Niinami (Jan. 30, 1959)	Outside Director President and CEO, Lawson, Inc. Outside Director, ACCESS, Co., Ltd.	Jun. 1995	President of Sodex Corporation (currently LEOC Co., Ltd.)	0
		Apr. 2001	Unit Manager of Lawson Business and Mitsubishi s Dining Logistical Planning team, Consumer Industry division, Mitsubishi Corporation President and Executive Officer, Lawson, Inc.	
		May 2002	President and CEO, Lawson, Inc.	
		Mar. 2005	Outside Director of ACCESS Co., Ltd.	
		Apr. 2006	Outside Director of ORIX	
		Jun. 2010		
Nobuaki Usui (Jan. 1, 1941)	Outside Director Corporate Auditor, KONAMI CORPORATION	May 1995	Director-General of the Tax Bureau, Ministry of Finance	0
		Jan. 1998	Commissioner, National Tax Agency	
		Jul. 1999	Administrative Vice Minister, Ministry of Finance	
		Jan. 2003	Governor and CEO, National Life Finance Corporation	
		Dec. 2008	Chairman, The Japan Research Institute, Limited	
		Jun. 2011	Corporate Auditor of KONAMI CORPORATION	
		Jun. 2012	Outside Director of ORIX	

Notes:(1) All ORIX directors are engaged full-time except Hirotaka Takeuchi, Takeshi Sasaki, Eiko Tsujiyama, Robert Feldman, Takeshi Niinami and Nobuaki Usui.

EXECUTIVE OFFICERS

The representative executive officer makes our important business execution decisions after deliberations by the Investment and Credit Committee (ICC) in accordance with the various regulations of the Company. The business execution duties of executive officers are decided by the board of directors and the representative executive officer and these duties are carried out based upon the various regulations of the Company. Group executives are appointed by the board of directors from among directors and executive officers of Group companies.

Important decision-making related to business execution, monitoring, discussions, and information sharing is carried out by the following bodies:

Investment and Credit Committee

ICC, which includes members of the top management and the executive officer in charge of investment and credit meets on average three times a month primarily to deliberate and decide on credit transactions and investments that exceed certain specified investment or credit amounts, important matters related to management of the Company and matters that have been entrusted to executive officers by the board of directors. Matters considered crucial to our operations are decided by the ICC and reported to the board of directors as appropriate.

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Group Executive Officer Committee

Group Executive Officer Committee, in which executive officers and group executives of the Company participate, is held on a monthly basis to share important information related to the business execution of the ORIX Group.

Monthly Strategy Meetings

Monthly Strategy Meetings include meetings between top management and the individuals in charge of individual departments and business units to discuss matters such as the state of achievement of strategic targets and changes in the business environment. Matters of key importance to be deliberated on at Monthly Strategy Meetings are decided by the ICC and reported to the board of directors as necessary.

Information Technology Management Committee

Information Technology Management Committee includes members of the top management and the executive officer in charge of information technology (IT) systems, and meets once a month to deliberate and approve important matters concerning fundamental policies for IT operations and IT systems. The committee determines the needs of and priorities for IT investment based on the ORIX Group s fundamental IT strategies. This method enables ORIX to ensure that IT decisions are consistent with its business strategies. Furthermore, this enables ORIX to pursue its goal of making IT investments that contribute to business growth and help reduce risk.

Disclosure Committee

Disclosure Committee, which plays a key role in our disclosure control, is chaired by the CFO and consists of the executive officers in charge of various departments, including: Treasury Headquarters, Accounting Headquarters, Risk Management Headquarters, Legal and Compliance Department, Human Resources and Corporate Administration Headquarters, Corporate Planning Department and Corporate Communications Department. Upon receiving material information from an executive officer of the ORIX Group, or the person in charge of an ORIX Group company department, the committee discusses whether or not any timely disclosure is necessary, and takes steps to provide appropriate disclosure of such information.

ORIX believes that disclosure control occupies an important position within the overall scheme of corporate governance. We have set up an information disclosure system with the Disclosure Committee playing a central role in facilitating the appropriate and timely disclosure of information to investors.

The executive officers of the ORIX Group as of June 27, 2012, excluding those who are also directors as listed above are as follows:

Name	Title	Areas of duties

			Shareholdings as of June 27, 2012
Shintaro Agata	Corporate Executive Vice President	Treasury Headquarters	4,090
Eiji Mitani	Corporate Senior Vice President	Domestic Sales Administrative Headquarters: Head of Kinki Sales Group Kansai Deputy Representative	1,310
Katsutoshi Kadowaki	Corporate Senior Vice President	Domestic Sales Administrative Headquarters: Head of District Sales	2,357

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Name	Title	Areas of duties	Shareholdings as of June 27, 2012
Takao Kato	Corporate Senior Vice President	Accounting Headquarters President, ORIX Management Information Center Corporation	840
Yuichi Nishigori	Executive Officer	Investment and Operation Headquarters	970
Kazutaka Shimoura	Executive Officer	Risk Management Headquarters	424
Komei Ikebukuro	Executive Officer	Legal and Compliance Department Group Internal Audit Department	947
Hideo Ichida	Executive Officer	Global Business Administrative Headquarters	930
Hideto Nishitani	Executive Officer	Vice President, ORIX USA Corporation	1,879
Yasuyuki Ijiri	Executive Officer	Domestic Sales Administrative Headquarters: Head of Tokyo Sales President, NS Lease Co., Ltd.	1,806
Shigeki Seki	Executive Officer	Human Resources and Corporate Administration Headquarters IT Planning Office	841
Satoru Katahira	Executive Officer	Domestic Sales Administrative Headquarters: Head of OQL Business Headquarters, Regional Business Department, Administration Center and Call Center	1,141
Tetsuo Matsumoto	Group Senior Vice President	Vice Chairman, ORIX Real Estate Corporation	3,460
Katsunobu Kamei	Group Senior Vice President	President, ORIX Auto Corporation	1,322
Yoshitaka Fujisawa	Group Executive	President, ORIX Computer Systems Corporation	1,958
Masatoshi Kenmochi	Group Executive	President, ORIX Credit Corporation	1,070
Toshiyuki Ohto	Group Executive	President, ORIX Life Insurance Corporation	0

EMPLOYEES

As of March 31, 2012, we had 17,488 full-time employees, compared to 17,578 as of March 31, 2011 and 17,725 as of March 31, 2010. We employ 2,143 staff in the Corporate Financial Services segment, 3,000 staff in the Maintenance Leasing segment, 4,079 staff in the Real Estate segment, 922 staff in the Investment and Operation segment, 1,258 staff in the Retail segment, 4,860 staff in the Overseas Business segment and 1,226

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staff as part of our headquarters function as of March 31, 2012. With the exception of the Overseas Business segment all other staff are located in Japan. As of March 31, 2012, we had 6,240 temporary employees. Some of our employees are represented by a union. We consider our labor relations to be excellent.

The mandatory retirement age for our employees is 60 and varies for our subsidiaries and affiliates. In April 2010, ORIX announced an early voluntary retirement program which is available to ORIX employees who are at least 45 years old. Employees who take advantage of this program receive their accrued retirement package plus an incentive premium.

ORIX and some of its subsidiaries have established contributory and noncontributory funded pension plans covering substantially all of their employees. The contributory funded pension plans include defined benefit pension plans and defined contribution pension plans. Under the plans, employees are entitled to lump sum payments at the time of termination of their employment or, if enrollment period requirements have been met, to pension payments. Defined benefit pension plans consist of a cash balance plan and a plan in which the amount of the payments are determined on the basis of length of service and remuneration at the time of termination. Our funding policy in respect of these plans is to contribute annually the amounts actuarially determined to be required. Assets of the plans are invested primarily in interest-bearing securities and marketable equity securities. In July 2004, ORIX introduced a defined contribution pension program. In November 2004, we received permission from the Japanese Ministry of Health, Labor and Welfare to transfer the substitutional portion of benefit obligation from our employer pension fund to the government and these assets were transferred back to the government in March 2005. Total costs (termination or pension plans for both employees and directors and corporate auditors) charged to income for all benefit plans (including defined benefit plans) were ¥5,243 million, ¥4,537 million and ¥4,614 million in fiscal 2010, 2011 and 2012, respectively.

SHARE OWNERSHIP

As of June 27, 2012, the directors, executive officers and group executives of the Company directly held an aggregate of 84,748 Shares, representing 0.07% of the total Shares issued as of such date.

COMPENSATION

To ensure greater management transparency, we established the executive nomination and compensation committee in June 1999. Its functions included recommending executive remuneration. With the adoption of a Company with Committees board model in June 2003, the committee was replaced with separate Nominating and Compensation Committees. For discussion of these committees, see Item 6. Directors, Senior Management and Employees Nominating Committee and Compensation Committee.

In June 2003, with our adoption of the Company with Committees board model, ORIX terminated its program for retirement payments to directors and corporate auditors. In connection with the termination of this system, shareholders approved payments of an aggregate maximum amount of ¥3,250 million to directors and ¥50 million to corporate auditors for accumulated payments. The amount, timing and method of payment was approved for each director and corporate auditor by the then newly established Compensation Committee. The payments to individual directors and corporate auditors were based on the length of service and remuneration at the time of termination.

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Compensation for directors, executive officers and group executives in fiscal 2012 was as follows (in millions of yen);

	Fixed compensation (Number of people)	Compensation linked to the performance (Number of people)	Share component of compensation (Number of people)	Total
Outside Director	66		7	
	(6)		(1)	74
Executive Officer and Group Executive	888	179	40	1,108
	(29)	(29)	(2)	
Total	955	179	48	1,182
	(35)	(29)	(3)	

In June 2005, we introduced a share component of compensation. The total number of points granted to directors, executive officers and group executives for fiscal 2012 is equivalent to 37,600 points. Under this system, ¥131 million, which is equivalent to 17,929 points accumulated up to the time of retirement, was paid to executive officers and group executive who retired during fiscal 2012. As a result, the balance to directors, executive officers and group executives as of March 31, 2012 was 142,679 points.

Compensation for Yoshihiko Miyauchi, Representative Executive Officer, Chairman and Chief Executive Officer of ORIX, for fiscal 2012 was ¥165 million in fixed compensation and ¥28 million in compensation linked to the performance of the Company.

In addition, in June 2005 we established guidelines for ownership of our shares for directors, executive officers and group executives.

There are no service contracts between any of our directors, executive officers or group executives and the Company or any of its subsidiaries providing for benefits upon termination of employment.

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The following table shows the names of directors, executive officers and group executives who received stock options, and the number of Shares for which they were granted options, under the stock option plans for each year from 2002 to 2008. No stock options were granted for 2009, 2010, 2011 and 2012. Each unit of the Shares has one vote. We have not issued any preferred shares. Titles for each individual as of June 27, 2012 unless otherwise described, are as follows:

Name	Title	2002 2008 stock option plans
Yoshihiko Miyauchi	Director, Chairman and Chief Executive Officer	87,200
Makoto Inoue	Director, President and Chief Operating Officer	10,100
Haruyuki Urata	Director, Deputy President and Chief Financial Officer	9,400
Hiroaki Nishina	Director, Vice Chairman	31,500
Kazuo Kojima	Director, Corporate Executive Vice President	10,000
Yoshiyuki Yamaya	Director, Corporate Executive Vice President	9,800
Tamio Umaki	Director, Corporate Executive Vice President	19,400
Hirotaka Takeuchi	Outside Director	5,200
Takeshi Sasaki	Outside Director	1,200
Eiko Tsujiyama	Outside Director	0
Robert Feldman	Outside Director	0
Takeshi Niinami	Outside Director	0
Nobuaki Usui	Outside Director	0
Shintaro Agata	Corporate Executive Vice President	20,100
Eiji Mitani	Corporate Senior Vice President	16,400
Katsutoshi Kadowaki	Corporate Senior Vice President	6,900
Takao Kato	Corporate Senior Vice President	3,340
Yuichi Nishigori	Executive Officer	2,840
Kazutaka Shimoura	Executive Officer	4,180
Komei Ikebukuro	Executive Officer	2,040
Hideo Ichida	Executive Officer	3,780
Hideto Nishitani	Executive Officer	2,720
Yasuyuki Ijiri	Executive Officer	3,380
Shigeki Seki	Executive Officer	2,520
Satoru Katahira	Executive Officer	3,200
Tetsuo Matsumoto	Group Senior Vice President	19,400
Katsunobu Kamei	Group Senior Vice President	5,500
Yoshitaka Fujisawa	Group Executive	4,300
Masatoshi Kenmochi	Group Executive	5,200
Toshiyuki Ohto	Group Executive	0

STOCK OPTION PLAN

We have adopted various incentive plans including a stock option plan. The purpose of our stock option plan is to enhance the awareness of the option holders of the link between management, corporate performance and stock price, and, in this way, improve our business results. These plans are administered by the Human Resources Group of ORIX. For further discussion of the stock-based compensation, see Note 19 in Item 18. Financial Statements.

Our shareholders approved stock option plans at the annual general meetings of shareholders in the years from 1997 to 2000 inclusive, under which Shares were purchased from the open market and were held by ORIX for transfer to directors and executive officers and some employees of ORIX upon the exercise of their options. Shareholders also approved a stock subscription rights plan in 2001 and stock acquisition rights plans from 2002 to 2005. From 2006 to 2008, the Compensation Committee approved stock acquisition rights plans for our

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directors and executive officers, and shareholders approved similar plans for certain ORIX employees, as well as directors, executives and certain employees of our subsidiaries and affiliates. From 2009 to 2012, no stock option plans were adopted for our directors, executive officers, employees, or those of our subsidiaries and affiliates.

Options granted under stock option plans generally expire one year after the termination of the option holder s service with the ORIX Group.

An outline of the stock option plans authorized since 2002 is as follows.

	Shares granted	Exercise price per Share	Option expiration date
2002 Stock Acquisition Rights Plan	453,300	¥ 7,206	June 26, 2012
2003 Stock Acquisition Rights Plan	516,000	¥ 6,991	June 25, 2013
2004 Stock Acquisition Rights Plan	528,900	¥ 11,720	June 23, 2014
2005 Stock Acquisition Rights Plan	477,400	¥ 18,903	June 21, 2015
2006 Stock Acquisition Rights Plan	194,200	¥ 29,611	June 20, 2016
2007 Stock Acquisition Rights Plan	144,980	¥ 31,009	June 22, 2017
2008 Stock Acquisition Rights Plan	147,900	¥ 16,888	June 24, 2018

Item 7. Major Shareholders and Related Party Transactions

MAJOR SHAREHOLDERS

The following table shows our major shareholders registered on our Register of Shareholders as of March 31, 2012. Each unit of the Shares (1 unit = 10 Shares) has one vote, and none of our major shareholders have different voting rights. We do not issue preferred shares.

Name	Number of Shares held (Thousands)	Percentage of Issued shares (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	12,346	11.19
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,105	10.97
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,798	4.35
SSBT OD05 OMNIBUS ACCOUNT TREATY CLIENTS	4,140	3.75
The Chase Manhattan Bank 385036	3,985	3.61
State Street Bank and Trust Company	3,020	2.73
Mellon Bank, N. A. as Agent for its Client Mellon Omnibus US Pension	2,068	1.87
State Street Bank and Trust Company 505225	1,980	1.79
The Nomura Trust and Banking Co, Ltd. (Trust Account)	1,585	1.43
Northern Trust Company AVFC Re Fidelity Funds	1,561	1.41

ORIX is not directly or indirectly owned or controlled by any corporations, by any foreign government or by any natural or legal persons severally or jointly. As of March 31, 2012, the percentage of issued Shares held by overseas corporations and individuals was 49.21%. On March 31, 2012, approximately 2,748,724 ADSs were outstanding (equivalent to 1,374,362 or approximately 1.24% of ORIX s issued Shares as of that date). As of March 31, 2012, all our ADSs were held by 3 record holders in the United States.

In June 2012, we received a copy of a filing made by JP Morgan Group to the Kanto Local Finance Bureau on June 15, 2012 indicating that the JP Morgan Asset Management and several companies of JP Morgan Group held 8,459,945 Shares (including 982,242 residual securities), representing 7.61% of ORIX s outstanding Shares as part of JP Morgan Group s assets under management.

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In May 2012, we received a copy of a filing made by Mizuho Financial Group to the Kanto Local Finance Bureau on May 22, 2012 indicating the Mizuho Financial Group, primarily through Mizuho Trust & Banking Co., Ltd. held 5,060,656 Shares (including 1,616,028 residual securities), representing 4.52% of ORIX s outstanding Shares, as part of Mizuho Financial Group s assets under management.

In April 2012, we received a copy of a filing made by Sumitomo Mitsui Trust Holdings to the Kanto Local Finance Bureau on April 19, 2012 indicating the Sumitomo Mitsui Trust Holdings, primarily through The Sumitomo Trust and Banking Co., Ltd. held 9,063,549 Shares (including 87,539 residual securities), representing 8.21% of ORIX s outstanding Shares, as part of Sumitomo Mitsui Financial Trust Holdings assets under management.

In April 2012, we received a copy of a filing made by Nomura Group to the Kanto Local Finance Bureau on April 6, 2012 indicating the Nomura Group, primarily through Nomura Asset Management Co., Ltd., held 8,837,890 Shares (including 4,038,445 residual securities), representing 7.73% of ORIX s outstanding Shares, as part of Nomura Group s assets under management.

In March 2012, we received a copy of a filing made by Mitsubishi UFJ Financial Group to the Kanto Local Finance Bureau on March 19, 2012 indicating the Mitsubishi UFJ Financial Group, primarily through Mitsubishi UFJ Trust and Banking Corporation, held 5,805,256 Shares (including 518,743 residual securities), representing 5.24% of ORIX s outstanding Shares, as part of the Mitsubishi UFJ Financial Group s assets under management.

In January 2012, we received a copy of a filing made by Fidelity Group to the Kanto Local Finance Bureau on January 17, 2012, indicating the Fidelity Group, primarily through FMR LLC, held 13,282,132 Shares, representing 12.05% of ORIX s outstanding Shares, as part of Fidelity Group s assets under management.

In July 2011, we received a copy of a filing made by Alliance Bernstein Group, to the Kanto Local Finance Bureau on July 5, 2011 indicating Alliance Bernstein Group, primarily through Alliance Bernstein L.P., held 5,397,775 Shares, representing 4.90% of ORIX s outstanding Shares, as part of Alliance Bernstein Group s assets under management.

RELATED PARTY TRANSACTIONS

To our knowledge, no person beneficially owns 5% or more of any class of the Shares which might give that person significant influence over us. In addition, we are not directly or indirectly owned or controlled by, or under common control with, any enterprise.

We may enter into transactions with the Nomura Group, the JP Morgan Group, the Sumitomo Mitsui Trust Holdings, the Mizuho Financial Group, the Mitsubishi UFJ Financial Group, the Alliance Bernstein Group, the Fidelity Group or other shareholders or potential large investors in the ordinary course of our business. We may also enter into transactions in the ordinary course of our business with certain key management personnel or with certain companies over which we, or our key management personnel, may have a significant influence. Our business relationships with these companies and individuals cover many of the financial services we provide our clients generally. We believe that we conduct our business with these companies and individuals in the normal course and on terms equivalent to those that would exist if they did not have equity holdings in us, if they were not our key management personnel, or if we or our key management personnel did not have significant influence over them, as the case may be. None of these transactions is or was material to us or, to our knowledge, to the other party.

Other than as outlined below, since the beginning of our last full fiscal year, there have been no transactions or outstanding loans, including guarantees of any kind, and there are none currently proposed, that are material to us, or to our knowledge, to the other party, between us and any (i) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, us; (ii) associates;

(iii) individuals owning, directly or indirectly, an interest in the voting power of us that gives them significant influence over us, and close members of any such individual s family; (iv) key management personnel, including directors and senior management of companies and close members of such individuals families; or (v) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (iii) or (iv) or over which such a person is able to exercise significant influence.

There are no outstanding loans (including guarantees of any kind) made by us or any of our subsidiaries to or for the benefit of any of the persons listed in clauses (i) through (v) in the foregoing paragraph except as follows. Certain of our affiliates may fall within the meaning of a related party under clauses (i) or (ii) of the foregoing paragraph. The amount of outstanding loans (including guarantees of any kind) made by us to or for the benefit of all our affiliates, including those which may fall within the meaning of a related party, totaled ¥38,189 million as of March 31, 2012 and did not exceed ¥60,000 million at any time during fiscal 2012.

Of the total amount of related party loans, ¥23,520 million consisted of term loans to ORIX Credit Corporation, with interest rates ranging from 1.0 to 2.5%. On June 29, 2012, we expect to purchase all shares of ORIX Credit held by Sumitomo Mitsui Banking Corporation to make ORIX Credit our wholly-owned subsidiary. The largest outstanding amount of loans to ORIX Credit Corporation during fiscal 2012 was ¥41,980 million. The remaining amount represents loans to companies that may fall within the meaning of a related party under clauses (i) or (ii) of the foregoing paragraph, which are described below. These loans were made in the ordinary course of business. The interest rate of these loans and the largest amounts outstanding during the fiscal year ended and the amounts outstanding as of March 31, 2012 were as follows:

Related Party	**The largest amount outstanding during the fiscal year ended March 31, 2012**	**Amount outstanding as of March 31, 2012**	**Interest rate**
	(Millions of yen)		**(%)**
Flexible Energy Service Co., Ltd.	¥ 59	¥ 51	6.0
Plaza Sunroute Co.	1,534	1,534	3.5
Global D&E Co., Ltd.	1,100	0	10.0
ORIX JREIT Inc.	9,000	5,500	1.7 2.1
Sanyo Homes Corporation	1,560	1,060	1.8 2.5
Pacific League Marketing Corporation	17	11	3.5
Yamaguchi Leasing Corporation	200	200	0.7 0.9
SHIGAGIN LEASE CAPITAL CO., LTD.	300	70	0.8
Torigin Leasing Corporation	295	295	1.0 1.2
TOMONY Lease, Inc.	300	263	1.0
DAIKYO INCORPORATED	1,545	1,545	1.2 1.7
Embio Holdings Inc.	20	1	1.7
Narutaki Senior Community Corporation	63	58	No interest
BAROQUE JAPAN Ltd.	417	250	1.3 2.1
Dragon Wealth Development Limited	711	661	2.1 2.2
Aisling Airlease Ltd.	684	479	8.0
Kyushu Leasing Services Co., Ltd	2,972	2,563	1.8 3.2
LEIS Corporation	30	30	8.0
Ecobanks Ltd.	62	0	4.3
Venrich Co., Ltd.	10	10	No interest
MU Planning Corporation	1	1	No interest
Yamatojuken	35	9	3.0
World Service Corporation	100	78	2.0

One of our subsidiaries, ORIX Living Corporation is party to a customer referral agreement with I Seeds Corporation (I Seeds). A son of Yoshihiko Miyauchi, Chairman and Chief Executive Officer, is a

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representative director of I Seeds. Although the agreement and related transactions were made in the ordinary course of business and are not material to us, they may be material to I Seeds. ORIX Living Corporation had three transactions with I Seeds. The total fees ORIX Living Corporation paid under the agreement for the fiscal year ended March 31, 2012 were less than ¥1 million.

One of our subsidiaries, ORIX Real Estate Corporation, is party to an environment-related business advisory and business trust agreement with Yoshikane Yokoyama, a brother of a former outside director, Yoshinori Yokoyama who had retired from the position on June 25, 2012. The total fees ORIX Real Estate Corporation paid under the agreement for the fiscal year ended March 31, 2012 were less than ¥10 million. Although the agreement and related transactions were made in the ordinary course of business and are not material to us, it may be material to Mr. Yokoyama.

We are party to various real estate transactions with ORIX JREIT Inc. We hold ORIX JREIT shares and it is an affiliated company. Our transactions with ORIX JREIT Inc. primarily relate to the purchase of our rental properties by ORIX JREIT Inc. These transactions were done at fair prices based on third-party appraisals, and were valued less than ¥37,000 million in the aggregate for the fiscal year ended March 31, 2012. We also entered into certain ordinary course of business transactions with ORIX JREIT Inc. These transactions are not material to us, although they may be material to ORIX JREIT Inc.

Item 8. Financial Information

All relevant financial statements are attached hereto. See Item 18. Financial Statements.

LEGAL PROCEEDINGS

See Item 4. Information on the Company Legal Proceedings.

DIVIDEND POLICY AND DIVIDENDS

See Item 10. Additional Information Dividend Policy and Dividends.

SIGNIFICANT CHANGES

None.

Item 9. The Offer and Listing

TOKYO STOCK EXCHANGE

The primary market for the Shares is the Tokyo Stock Exchange. The Shares have been traded on the First Section of the Tokyo Stock Exchange since 1973 and are also listed on the First Section of the Osaka Securities Exchange. The Shares were delisted from the Nagoya Stock Exchange on October 23, 2004.

The Tokyo Stock Exchange is the principal Japanese stock exchange. The most widely followed price index of stocks on the Tokyo Stock Exchange is the Nikkei Stock Average, an index of 225 selected stocks traded on the First Section of the Tokyo Stock Exchange.

The following table shows the reported high and low closing sales prices of the Shares on the Tokyo Stock Exchange, excluding off-floor transactions. High and low sales price quotations from the Tokyo Stock Exchange have been translated in each case into dollars per ADS at the noon buying rate for yen expressed in yen per $1.00 in New York City for cable transfer in foreign currencies on the relevant date or the noon buying rate for yen on the next business day if the relevant date is not a New York business day.

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TOKYO STOCK EXCHANGE PRICE PER SHARE

	Price per Share (¥)		Translated into dollars per ADS	
	High	Low	High	Low
Fiscal Year ended March 31, 2008	35,200	11,930	146	123
Fiscal Year ended March 31, 2009	21,240	1,707	101	9
Fiscal Year ended March 31, 2010	8,480	3,200	45	16
Fiscal Year ended March 31, 2011				
First fiscal quarter	8,670	6,370	47	35
Second fiscal quarter	6,970	6,100	41	35
Third fiscal quarter	8,080	6,200	49	37
Fourth fiscal quarter	9,450	7,410	57	46
Fiscal Year ended March 31, 2012				
First fiscal quarter	8,090	7,290	50	45
Second fiscal quarter	8,450	5,550	54	36
Third fiscal quarter	7,200	5,690	48	37
Fourth fiscal quarter	8,460	6,430	51	42
Recent Six Months				
December 2011	6,750	6,300	43	40
January 2012	7,220	6,430	46	42
February 2012	7,890	7,240	49	47
March 2012	8,460	7,700	51	48
April 2012	8,120	7,290	49	45
May 2012	7,460	6,750	47	42

NEW YORK STOCK EXCHANGE

The ADSs are listed on the New York Stock Exchange under the symbol IX.

Two ADSs represent one share. On March 31, 2012, approximately 2,748,724 ADSs were outstanding. This is equivalent to 1,374,362 or approximately 1.24% of the total number of Shares outstanding on that date. On that date, all our ADSs were held by three record holders in the United States.

The following table provides the high and low closing sales prices and the average daily trading volume of the ADSs on the New York Stock Exchange based on information provided by Bloomberg L.P.

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NYSE PRICE PER ADS

	Price per ADS ($)		Average daily trading volume
	High	Low	(shares)
Fiscal Year ended March 31, 2008	144.79	61.00	36,090
Fiscal Year ended March 31, 2009	98.79	9.72	68,653
Fiscal Year ended March 31, 2010	44.29	17.35	46,577
Fiscal Year ended March 31, 2011			
First fiscal quarter	46.03	34.98	24,551
Second fiscal quarter	40.72	34.53	16,479
Third fiscal quarter	49.09	36.70	17,745
Fourth fiscal quarter	56.78	45.38	22,698
Fiscal Year ended March 31, 2012			
First fiscal quarter	50.11	43.31	19,711
Second fiscal quarter	54.23	36.94	41,316
Third fiscal quarter	47.87	37.62	23,213
Fourth fiscal quarter	50.49	41.41	19,895
Recent Six Months			
December 2011	43.44	39.89	19,519
January 2012	47.71	41.41	11,933
February 2012	49.67	47.43	27,193
March 2012	50.49	46.75	20,498
April 2012	49.44	45.12	19,503
May 2012	47.00	42.53	7,457

Item 10. Additional Information

MEMORANDUM AND ARTICLES OF INCORPORATION

Purposes

Our corporate purposes, as provided in Article 2 of our Articles of Incorporation, are to engage in the following businesses: (i) lease, purchase and sale (including purchase and sale on an installment basis), maintenance and management of movable property of all types; (ii) moneylending business, purchase and sale of claims of all types, payment on behalf of third parties, guarantee and assumption of obligations, agent for collection of money and other financial business; (iii) holding, investment in, management, purchase and sale of financial instruments such as securities and other investment business; (iv) advice, brokerage and agency relating to the merger, capital participation, business alliance and business succession and reorganization, etc.; (v) financial instruments and exchange business, financial instruments broker business, banking, trust and insurance business, advisory service business relating to investment in commodities, trust agreement agency business and credit management and collection business; (vi) non-life insurance agency business, insurance agency business under the Automobile Accident Compensation Security Law, and service related to soliciting life insurance; (vii) lease, purchase and sale, ground preparation, development, maintenance and management of real property and warehousing; (viii) contracting for construction, civil engineering, building utility and interior and exterior furnishing, and design and supervision thereof; (ix) management of various facilities for sports, lodging, restaurant, medical treatment, welfare and training and education, and conducting sports, etc.; (x) waste-disposal business; (xi) trading of emission rights for greenhouse gases and other various subjects; (xii) supply of various energy resources and the products in relation thereto; (xiii) planning, developing, contracting for, lease and sale of, intangible property rights; (xiv) information processing and providing services, telecommunications business; (xv) business of dispatching workers to enterprise and employment agency business; (xvi) purchase and sale of antiques; (xvii) transport business; (xviii) brokerage, agency, investigation and consulting for business

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relating to any of the preceding items, and pension consulting service; (xix) as a result of holding shares in a subsidiary company engaged in those activities, engaging in business relating to any of the preceding items and managing such company s business activities; and (xx) any and all businesses incidental or related to any of the preceding items.

Directors and Board of Directors, and Committees

There shall be no less than three directors of the Company (Article 16). The term of office of a director is for one (1) year and expires upon conclusion of the annual General Meeting of Shareholders relating to the last fiscal year ending within one year after election of director (Article 18). Resolutions of the Board of Directors are adopted by a majority vote of the directors present at a meeting attended by a majority of the directors who may participate in making resolutions (Article 21).

There is no provision in our Articles of Incorporation as to a director s power to vote on a proposal or arrangement in which the director is materially interested, but, under the Companies Act or Regulations of the board of directors, the director must refrain from voting on such matters at meetings of the board of directors. Under the Companies Act, the board of directors may, by resolution, delegate to the executive officers its authority to make decisions with regard to the certain important matters, including the incurrent by ORIX of a significant amount of loan, prescribed by law.

We are required to maintain a Nominating Committee, an Audit Committee and a Compensation Committee (Article 10). The Compensation Committee sets the specific compensation for each individual director and executive officer based on the policy for determining compensation for directors and executive officers (see Item 6). No member of the Compensation Committee may vote on a resolution with respect to his or her own compensation as a director.

Neither the Companies Act nor our Articles of Incorporation includes special provisions as to the retirement age of directors, or a requirement to hold any shares of capital stock of ORIX to qualify him or her as a director of ORIX.

Stock

Our authorized share capital is 259,000,000 shares. Currently our Articles of Incorporation provide only for the issuance of shares of common stock. As of March 31, 2012 we had 110,254,422 shares issued without par value, all of which were fully paid and nonassessable.

Unless shareholders approval is required as described in Voting Rights, the shares will be issued under a resolution approved by the board of directors and a decision made by the executive officer under delegation by the board of directors.

For a change in the number of shares issued for the past three fiscal years, see Note 21 of Item 18. Financial Statements for fiscal 2012.

Under the Law Concerning Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan and regulations thereunder, or the Book-Entry Law, in Japan, every share which is listed on any of the stock exchanges in Japan shall be transferred and settled only by the central clearing system provided by Japan Securities Depository Center, Inc. (JASDEC) and all Japanese companies listed on any Japanese stock exchange no longer issue share certificates. Shareholders of listed shares must have accounts at account management institutions to hold their shares unless such shareholder has an account at JASDEC, and any transfer of shares is effected through book entry, and title to the shares passes to the transferee at the time when the transferred number of the shares is recorded in the transferee s account at an account managing institution under the Book-Entry Law. The holder of an account at an account managing institution is presumed to be the legal owner of the shares recorded in such account. Under the Companies Act and the Book-Entry Law, in order to assert shareholders rights against us, the transferee must have his or her name and address registered on our Register of Shareholders, except in limited circumstances. Foreign shareholders may file specimen signatures in lieu of seals. Nonresident shareholders are required to appoint a standing proxy in Japan or designate a mailing address in Japan. The registration of transfer and the application for reduced withholding tax on dividends can usually be handled by a standing proxy. See Taxation Japanese Taxation. Japanese securities companies and commercial banks customarily will act as standing proxies and provide related services for standard fees.

Our transfer agent is Mitsubishi UFJ Trust and Banking Corporation, located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 137-8081, Japan.

In general, there are no limitations on the right to own shares of our common stock, including the rights of nonresidents or foreign shareholders to hold or exercise voting rights on the securities imposed under Japanese law or by our Articles of Incorporation.

Settlement of transactions for shares listed on any of the stock exchanges in Japan will normally be effected on the fourth trading day from and including the transaction. Settlement in Japan shall be made through JASDEC as described above.

Distributions of Surplus

Annual dividends may be distributed by us in cash to shareholders or pledgees of record as of March 31 of each year in proportion to the number of shares held by each shareholder or registered pledgee, as the case may be.

We may make distributions of surplus to the shareholders any number of times per fiscal year, subject to certain limitations as described below. Under our Articles of Incorporation, distributions of cash dividends need to be declared by a resolution of the board of directors. Distributions of surplus may be made in cash or in kind in proportion to the number of shares held by respective shareholders. A resolution of the board of directors authorizing a distribution of surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of surplus is to be made in kind, we may, pursuant to a resolution of a general meeting of shareholders or the board of directors, as the case may be, grant a right to the shareholders to require us to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of surplus must be approved by a special resolution of a general meeting of shareholders.

Under our Articles of Incorporation, if the dividends from surplus as of the last day of the fiscal year are distributed within three months for common shares, we treat the shareholders or share pledgees registered or recorded on the Register of Shareholders as of the last day of the fiscal year as the person having rights to receive such dividends. Dividends or other distributable assets shall not incur interest thereon. If the relevant distributed assets are not received within a full three years from the date on which the distribution of relevant distributed assets became effective, we may be released from its obligation to distribute such assets.

Under the Companies Act, when we make distributions of surplus, if the sum of our capital reserve (*shihonjunbikin*) and earned surplus reserve (*riekijunbikin*) is less than one-quarter of our stated capital, we must, until such sum reaches one-quarter of the stated capital, set aside in our capital reserve and/or earned surplus reserve an amount equal to one-tenth of the amount of surplus so distributed as required by ordinances of the Ministry of Justice.

The amount of surplus at any given time must be calculated in accordance with the following formula:

$A + B + C + D \quad (E + F + G)$

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In the above formula:

A	=	the total amount of other capital surplus and other earnings surplus, each such amount being that appearing on our nonconsolidated balance sheet as of the end of the last fiscal year;
B	=	(if we have disposed of our treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by us less the book value thereof;
C	=	(if we have reduced our stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to capital reserve or earned surplus reserve (if any);
D	=	(if we have reduced our capital reserve or earned surplus reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);
E	=	(if we have cancelled our treasury stock after the end of the last fiscal year) the book value of such treasury stock;
F	=	(if we have distributed surplus to our shareholders after the end of the last fiscal year) the amount of the assets distributed to shareholders by way of such distribution of surplus;
G	=	certain other amounts set forth in an ordinance of the Ministry of Justice, including (if we have reduced surplus and increased stated capital, capital reserve or earned surplus reserve after the end of the last fiscal year) the amount of such reduction and (if we have distributed surplus to our shareholders after the end of the last fiscal year) the amount set aside in capital reserve or earned surplus reserve (if any) as required by ordinances of the Ministry of Justice.

Under the Companies Act, the aggregate book value of surplus distributed by us may not exceed a prescribed distributable amount, as calculated on the effective date of such distribution. Our distributable amount at any given time shall be the amount of surplus less the aggregate of: (a) the book value of our treasury stock; (b) the amount of consideration for any of our treasury stock disposed of by us after the end of the last fiscal year; and (c) certain other amounts set forth in an ordinance of the Ministry of Justice, including (if the total of the one-half of goodwill and the deferred assets exceeds the total of stated capital, capital reserve and earned surplus reserve, each such amount being that appearing on our nonconsolidated balance sheet as of the end of the last fiscal year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice. If we have opted to become a company that applies the restriction on distributable amounts on a consolidated basis (*renketsu haito kisei tekiyo kaisha*), we will further deduct from the amount of surplus a certain amount which is calculated based on our nonconsolidated and consolidated balance sheets as of the end of the last fiscal year as provided in ordinances of the Ministry of Justice.

If we have prepared interim financial statements as described below after the end of the last fiscal year, and if such interim financial statements have been approved by our board of directors or (if so required) by a general meeting of our shareholders, then the distributable amount must be adjusted to take into account the amount of profit or loss as set forth in ordinances of the Ministry of Justice, and the amount of consideration for any of our treasury stock disposed of by us, during the period in respect of which such interim financial statements have been prepared. Under the Companies Act, we are permitted to prepare nonconsolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Interim financial statements prepared by us must be reviewed by our independent auditors, as required by an ordinance of the Ministry of Justice.

In Japan, the ex-dividend date and the record date for dividends precede the date of determination of the amount of the dividend to be paid. The price of the shares generally goes ex-dividend on the second business day prior to the record date.

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Capital and Reserves

When we issue new shares, the amount of the cash or assets paid or contributed by subscribers for the new shares (with some exceptions) is required to be accounted for as stated capital, although we may account for an amount not exceeding one-half of the cash or assets as capital reserve by resolutions of the board of directors.

We may at any time transfer the whole or any part of our additional paid-in capital and legal reserve to stated capital by a resolution of a general meeting of shareholders. The whole or any part of surplus which may be distributed as annual dividends may also be transferred to stated capital by a resolution of a general meeting of shareholders. We may, by a resolution of a general meeting of shareholders (in the case of the reduction of stated capital, a special resolution of a general meeting of shareholders, see Voting Rights) reduce stated capital, additional paid-in capital and/or legal reserve.

Stock Splits

We may at any time split the shares into a greater number of shares by resolution of the board of directors. When the board of directors resolves on the split of shares, it may also amend the Articles of Incorporation to increase the number of authorized shares to be issued in proportion to the relevant stock split. We must give public notice of the stock split, specifying the record date therefore, not less than two weeks prior to such record date.

Unit Share System

Our Articles of Incorporation provides that ten shares constitute one unit of shares. The number of shares constituting a unit may be altered by amending our Articles of Incorporation. The number of shares constituting a unit is not permitted to exceed 1,000 shares.

A shareholder may not exercise shareholders rights in relation to any shares that it holds that are less than one unit other than the rights set forth below under the Companies Act and the Articles of Incorporation.

(i) The right to receive the distribution of money, etc., when the Company distributes the money, etc. in exchange for acquiring one class of shares subject to terms under which the Company shall acquire all of such class shares;

(ii) The right to receive the distribution of money, etc., in exchange for acquisition of shares subject to terms under which the Company shall acquire such shares;

(iii) The right to receive allocation of shares when the Company allocates its shares without having a shareholder make new payment;

(iv) The right to demand that the Company purchase shares that are less than one Unit held by the shareholder;

(v) The right to receive distribution of remaining assets;

(vi) The right to demand review of the Articles of Incorporation and the Register of Shareholders and delivery of their copies or a document describing registered matters, etc.;

(vii) The right to demand registration or recordation of matters to be registered or recorded on the Register of Shareholders when the shareholder acquired the shares;

(viii) The right to receive the distribution of money, etc. pursuant to reverse stock split, stock split, allocation of stock acquisition right for free (which means that the Company allocates its stock acquisition right without having a shareholder make new payment), distribution of dividends from retained earnings or change of corporate organization;

(ix) The right to receive the distribution of money, etc. to be distributed pursuant to merger, share exchange or share-transfer effected by the Company;

(x) The right to subscribe to Offering Shares and Offering Stock Acquisition Rights on a pro rata basis based upon the number of shares held by the shareholder; and

(xi) The right to demand that the Company sell to the shareholder the number of additional shares necessary to make the number of shares of less than one Unit held by the shareholder, equal to one Unit.

Under the book-entry transfer system operated by JASDEC, shares constituting less than one unit are generally transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

A holder of shares constituting less than one unit may require us to purchase such shares at their market value in accordance with the provisions of our Share Handling Regulations. In addition, our Articles of Incorporation provide that a holder of shares constituting less than one unit may request us to sell to such holder such amount of shares which will, when added together with the shares constituting less than one unit held by such holder, constitute one unit of shares, in accordance with the provisions of the Share Handling Regulations.

General Meetings of Shareholders

The ordinary general meeting of our shareholders is usually held in Tokyo in June of each year. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a shareholders meeting stating the place, time and purpose thereof must be dispatched to each shareholder (or, in the case of a nonresident shareholder, to its resident proxy or mailing address in Japan) having voting rights at least two weeks prior to the date of such meeting. The record date for an ordinary general meeting of shareholders is March 31 of each year. General meetings of shareholders can be called by a director pursuant to a resolution of the board of directors.

Any shareholder or group of shareholders with at least 3.0% of the total number of voting rights for a period of six months or longer may require the convocation of a general meeting of shareholders for a particular purpose by showing such a purpose and reason for convocation to one of our directors. Unless such shareholders meeting is convened promptly or a convocation notice of a meeting which is to be held not later than eight weeks from the day of such demand is dispatched, the requiring shareholder may, upon obtaining a court approval, convene such shareholders meeting.

Any shareholder or group of shareholders holding at least 300 voting rights or 1.0% of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a written request to one of our directors at least eight weeks prior to the date of such meeting.

Under the Companies Act, any of minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened if the articles of incorporation of a joint stock corporation so provide.

Voting Rights

A holder of shares constituting one or more units is entitled to one vote for each unit. However, we do not have voting rights with respect to our own shares and if we directly or indirectly own 25% or more of voting rights of a corporate or other entity which is a shareholder, such corporate shareholder cannot exercise its voting rights. Except as otherwise provided by law or in our Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the number of voting rights represented at the meeting. The quorum for election of directors is one-third of the total number of voting rights. Our shareholders are not entitled to cumulative voting in the election of directors. Our shareholders may exercise their voting rights through proxies, provided that the proxies are also shareholders having voting rights.

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Under the Companies Act and our Articles of Incorporation, any amendment to our Articles of Incorporation (except for certain amendments, see Stock Splits) and certain other instances require approval by a special resolution of shareholders, where the quorum is one-third of the total number of voting rights and the approval by at least two-thirds of the number of voting rights represented at the meeting is required. Other instances requiring such a special resolution include (i) the reduction of its stated capital, (ii) the removal of a director, (iii) the dissolution, liquidation, merger or consolidation, merger and corporate split or (iv) the formation of a parent company by way of share exchange or share transfer, (v) the transfer of the whole or a substantial part of its business, (vi) the acquisition of the whole business of another company, (vii) the issue to persons other than the shareholders of new shares at a specially favorable price or the issue or transfer to persons other than the shareholders of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) under specially favorable conditions, (vii) consolidation of shares and (ix) acquisition of its own shares from a specific party other than its subsidiaries.

Subscription Right

Holders of the shares have no pre-emptive rights. The board of directors may, however, determine that shareholders be given subscription rights to new shares, in which case such rights must be given on uniform terms to all shareholders as of a record date of which not less than two weeks prior public notice must be given. The issue price of such new shares must be paid in full.

Stock Acquisition Rights

We may issue stock acquisition rights (*shinkabu yoyakuken*) and bonds with stock acquisition rights (*shinkabu yoyakuken-tsuki shasai*). Except where the issue would be on specially favorable conditions, the issue of stock acquisition rights or bonds with stock acquisition rights may be authorized by a resolution of the board of directors. Upon exercise of the stock acquisition rights, the holder of such rights may acquire shares by way of payment of the applicable exercise price or, if so determined by a resolution of the board of directors, by way of substitute payments in lieu of redemption of the bonds. If our Articles of Incorporation prohibit us from delivering shares, it will pay a cash payment equal to the market value of the shares.

Liquidation Rights

In the event of our liquidation, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among shareholders in proportion to the respective number of shares which they hold.

Reports to Shareholders

We currently furnish to our shareholders notices of shareholders meetings, annual business reports, including financial statements, and notices of resolutions adopted at the shareholders meetings, all of which are in Japanese. Public notice shall be electronic public notice, provided, however, that if the Company is unable to give an electronic public notice due to an accident or any other unavoidable reason, public notices of the Company shall be given in the Nihon Keizai Shinbun.

Record Date of Register of Shareholders

As stated above, March 31 is the record date for the payment of annual dividends and the determination of shareholders entitled to vote at the ordinary general meeting of shareholders. In addition, we may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks prior public notice. Under the Book-Entry Law, JASDEC is required to give us a notice of the names and addresses of the shareholders, the number of shares held by them and other relevant information as of each such record date, and the register of our shareholders shall be updated accordingly.

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Repurchase of Own Shares

We may acquire our shares, including shares of our common stock: (i) by way of purchase on any Japanese stock exchange or by way of tender offer (pursuant to a resolution of the board of directors); (ii) from a specific shareholder other than any of our subsidiaries (pursuant to a special resolution of a general meeting of shareholders); or (iii) from any of our subsidiaries (pursuant to a resolution of the board of directors).

In the case of (ii) above, any other shareholder of such class may make a request to a director, at least five days prior to the relevant shareholders meeting, to include such shareholder as a seller in the proposed purchase. However, no such right will be available if the relevant class of shares is listed on any Japanese stock exchange and the purchase price or any other consideration to be received by the relevant specific shareholder does not exceed the then market price of the shares calculated in a manner set forth in ordinances of the Ministry of Justice.

Any such acquisition of our shares must satisfy certain requirements that the total amount of the purchase price may not exceed the distributable amount, as described in Distributions of Surplus. We may hold our shares acquired in compliance with the provisions of the Companies Act, and may generally cancel such shares by a resolution of the board of directors, although the disposal of such shares is subject to the same proceedings for the issuance of new shares, in general.

Stock Options

Under the Companies Act, a stock option plan is available by issuing stock acquisition rights.

Generally, a stock option plan may be adopted by a resolution of the board directors. However, if the conditions of such stock acquisition rights are specially favorable, a special resolution at a general meeting of shareholders is required. The special resolution must set forth the class and number of shares to be issued or transferred on exercise of the options, the exercise price, the exercise period and other terms of the options.

MATERIAL CONTRACTS

None.

FOREIGN EXCHANGE AND OTHER REGULATIONS

Foreign Exchange

The Foreign Exchange and Foreign Trade Law of Japan, as amended, and the cabinet orders and ministerial ordinances thereunder (the Foreign Exchange Regulations) govern the acquisition and holding of shares of capital stock of ORIX by exchange nonresidents and by foreign investors (as defined below). The Foreign Exchange Regulations currently in effect do not, however, regulate transactions between exchange nonresidents who purchase or sell shares outside Japan for non-Japanese currencies.

Exchange nonresidents are defined as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Generally, the branch and other offices of nonresident corporations located within Japan are regarded as residents of Japan and branch and other offices of Japanese corporations located outside Japan are regarded as exchange nonresidents. Foreign investors are defined to be (i) individuals who are exchange nonresidents, (ii) corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan, and (iii) corporations (1) of which 50% or more of their voting rights are held, directly or indirectly, by (i) and/or (ii) or (2) a majority of the officers (or officers having the power of representation) of which are nonresident individuals.

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In general, the acquisition of a Japanese company s stock shares (such as the shares of capital stock of ORIX) by an exchange nonresident from a resident of Japan is not subject to any prior filing requirements. In certain limited circumstances, however, prior approval by the Minister of Finance for an acquisition of this type may be required. While prior approval, as described above, is not required, in the case where a resident of Japan transfers shares of a Japanese company (such as the shares of capital stock of ORIX) for consideration exceeding ¥100 million to an exchange nonresident, the resident of Japan who transfers the shares is required to report the transfer to the Minister of Finance within 20 days from the date of the transfer, unless the transfer was made through a bank, securities company or financial future trader licensed under the Japanese laws.

If a foreign investor acquires shares of a Japanese company listed on a Japanese stock exchange (such as the shares of capital stock of ORIX) or that are traded on an over-the-counter market in Japan and as a result of the acquisition the foreign investor in combination with any existing holdings directly or indirectly holds 10% or more of the issued shares of the relevant company, the foreign investor is, in general, required to report such acquisition to the Minister of Finance and any other competent Ministers by the 15th day of the calendar month following the date of such acquisition. In certain exceptional cases, prior notification is required with respect to such an acquisition.

The acquisition of shares by exchange nonresidents by way of stock split is not subject to the foregoing notification requirements.

Under the Foreign Exchange Regulations, dividends paid on, and the proceeds of sales in Japan of, Shares held by nonresidents of Japan may in general be converted into any foreign currency and repatriated abroad.

Large Shareholdings Report

The Financial Instruments and Exchange Act requires any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of capital stock of a company listed on any Japanese financial instruments exchange (such as the shares of capital stock of ORIX) or whose shares are traded on the over-the-counter markets in Japan, to file with the Prime Minister within five business days a report concerning such shareholdings. An alteration report must also be made in respect of any subsequent change of 1% or more in any such holding or any change in material matters set out in reports previously filed, with certain exceptions. For this purpose, shares issuable to such person upon his exchange of exchangeable securities or exercise of Stock Acquisition Rights are taken into account in determining both the size of his holding and the issuer s total issued share capital.

Filing of Share Acquisition Plan

The Act on Prohibition of Private Monopoly and Maintenance of Fair Trade requires any company (including a foreign company) which crosses certain domestic sales thresholds and newly acquires a holder of more than 20% or 50% of the total issued voting shares of capital stock (such as the shares of capital stock of ORIX) or the shares of a company (including a foreign company) which meets certain conditions, to file a share acquisition plan concerning such shares with the Fair Trade Commission at least 30 days prior to the closing or the acquisition.

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DIVIDEND POLICY AND DIVIDENDS

ORIX has paid dividends on the Shares on an annual basis in each year since 1967. With the adoption of a Company with Committees board model in June 2003, the board of directors has been responsible for setting the annual dividend per common share since the fiscal year ended March 31, 2004. The board of directors approves annual dividends at the board of directors meeting customarily held in May of each year. Following such approval, dividends are paid to holders of record as of the preceding March 31.

The following table shows the amount of dividends applicable to fiscal year per Share for each of the fiscal years indicated, which amounts are translated into dollars per ADS at the noon buying rate for Japanese yen in New York City for cable transfers in foreign currencies on the relevant dividend payment date as published by the Federal Reserve Bank.

Year ended	Dividends applicable to fiscal year per Share	Translated into dollar per ADS
March 31, 2008	¥ 260.00	$ 1.24
March 31, 2009	70.00	0.36
March 31, 2010	75.00	0.40
March 31, 2011	80.00	0.49
March 31, 2012	90.00	0.57

We believe that securing profits from its businesses, primarily as retained earnings, and utilizing them for strengthening its base of operations and making investments for growth, assists in sustaining profit growth while maintaining financial stability, and leading to increased shareholder value.

Regarding dividends, ORIX responds to shareholder expectations by increasing shareholder value through mid- to long-term profit growth and steady distribution of profit.

Regarding share buybacks, ORIX will take into account the adequate level of retained earnings and act flexibly and accordingly by considering the factors such as changes in the economic environment, trend in stock prices, and financial situation.

Given the policy outlined above and the current operating environment, the annual dividend will be 90 yen per share, up from 80 yen in the previous year. Dividend distribution is scheduled once a year as a year-end dividend.

Pursuant to the amendment to the Act on Special Measures Concerning Taxation, dividends paid to U.S. Holders of Shares or ADSs are generally subject to a Japanese withholding tax at the rate of 7% for the period from January 1, 2009 to December 31, 2012.

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TAXATION

JAPANESE TAXATION

The following is a summary of the principal Japanese tax consequences for owners of the Shares or ADSs who are nonresident individuals of Japan or non-Japanese corporations without a permanent establishment in Japan (nonresident Holders). The statements regarding Japanese tax laws set forth below are based on the laws in force and as interpreted by the Japanese taxation authorities as of the date hereof and are subject to changes in the applicable Japanese laws or conventions for the avoidance of double taxation occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor and potential investors are advised to consult with their own tax advisors to satisfy themselves as to:

- the overall tax consequences of the acquisition, ownership and disposition of Shares or ADSs, including specifically the tax consequences under Japanese law;
- the laws of the jurisdiction of which they are resident; and
- any tax treaty between Japan and their country of residence.

Shares

Generally, a nonresident Holder is subject to Japanese withholding tax on dividends on Shares or ADSs paid by us. Stock splits are not subject to Japanese income or corporation tax.

Pursuant to the Act on Special Measures Concerning Taxation, the Japanese withholding tax rate applicable to dividends on Shares or ADSs paid to nonresident Holders by us is (i) 7% for dividends due and payable on or before December 31, 2012, (ii) 7.147% for dividends due and payable on or after January 1, 2013 through December 31, 2013, and (iii) 15.315% for dividends due and payable on or after January 1, 2014, in each case, except for dividends paid to any individual nonresident Holder who holds 3% or more of the total number of shares issued by us, where the 20% (on or after January 1, 2013, 20.42%) withholding tax rate will apply. Japan has entered into income tax treaties, conventions and agreements where this withholding tax rate is, in some cases, reduced to a lower percentage for portfolio investors. Nonresident Holders who are entitled under an applicable treaty, convention, or agreement to this reduced Japanese withholding tax rate are required to submit an Application Form for the Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us to the relevant Japanese tax authority before the payment of dividends. A standing proxy for a nonresident Holder may provide such application service. Nonresident Holders who do not submit an application in advance will be entitled to claim the refund from the relevant Japanese tax authority of those withholding taxes withheld in excess of the rate of an applicable tax treaty.

The Convention between the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the Tax Convention) provides for a maximum rate of Japanese withholding tax which may be imposed on dividends paid to an eligible United States resident not having a permanent establishment in Japan. Under the Tax Convention, the maximum withholding rate is generally limited to 10% of the relevant dividends.

Gains derived from the sale outside Japan of Shares or ADSs by a nonresident Holder, are, in general, not subject to Japanese income or corporation taxes.

Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who has acquired Shares or ADSs as a legatee, heir or done.

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UNITED STATES TAXATION

The following discussion describes the material U.S. federal income tax consequences of ownership and disposition of Shares or ADSs held as capital assets by U.S. Holders (described below).

This discussion does not describe all of the tax consequences that may be relevant to a U.S. holder in light of the holder s particular circumstances or to holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers and traders in securities who use a mark-to-market method of tax accounting;
- persons holding Shares or ADSs as part of a hedging transaction, straddle, conversion transaction or other integrated transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- persons subject to the alternative minimum tax;
- tax-exempt entities, including individual retirement accounts and Roth IRAs ;
- persons that own or are deemed to own 10% or more of the voting stock of the Company;
- persons holding the shares or ADSs in connection with a trade or business carried on outside the United States; or
- persons who acquired Shares or ADSs pursuant to the exercise of any employee stock option or otherwise as compensation.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding Shares or ADSs and partners in such partnerships should consult their tax advisors as to the particular U.S. federal income tax consequences of holding and disposing of Shares or ADSs.

This summary is based on the Internal Revenue Code of 1986, as amended, (the Code) administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations, and the Tax Convention, changes to any of which subsequent to the date of this annual report may affect the tax consequences described herein. It is also based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms.

As used herein, the term U.S. Holder means a beneficial owner of Shares or ADSs that is for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or of any political subdivision thereof; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

We believe that we will be a passive foreign investment company (a PFIC) for U.S. federal income tax purposes in the year to which this annual report relates and for the foreseeable future by reason of the composition of our assets and the nature of our income.

Persons considering the purchase of Shares or ADSs should consult their tax advisors with regard to the PFIC rules described below as well as the application of other U.S. federal income tax laws relevant to their particular situations and any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

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In general, a U.S. Holder of ADSs will be treated as the owner of the underlying shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if the U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concerns that parties to whom American depositary shares are released prior to delivery of shares to the depositary (pre-release), or intermediaries in the chain of ownership between U.S. Holders and the issuer of the security underlying the American depositary shares, may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. Holders of American depositary shares. Accordingly, the creditability of Japanese taxes, described below, could be affected by actions taken by such parties or intermediaries.

Taxation of Distributions

Subject to the PFIC rules described below, distributions paid on Shares or ADSs, other than certain pro rata distributions of common shares, will generally be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we expect to be a PFIC, dividends paid by us will not be eligible for the reduced 15% dividend tax rate otherwise available to certain noncorporate U.S. Holders. The amount of a dividend will include any amounts withheld by us or our paying agent in respect of Japanese taxes, as discussed above under Taxation Japanese Taxation Shares. The amount of the dividend will be treated as foreign source dividend income to U.S. Holders and will not be eligible for the dividends received deduction generally allowed to U.S. corporations under the Code.

Dividends paid in yen will be included in the income of a U.S. Holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of the U.S. Holder s (or, in the case of ADSs, the depositary s) receipt of the dividend, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize a foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have a foreign currency gain or loss if such holder does not convert the amount of such dividend into U.S. dollars on the date of its receipt. Any foreign currency gain or loss resulting from the conversion of the yen will generally be treated as U.S. source ordinary income or loss.

Subject to the PFIC rules described below and to applicable limitations that may vary depending upon the U.S. Holder s circumstances, and subject to the discussion above regarding concerns expressed by the U.S. Treasury, Japanese taxes withheld from dividends on Shares or ADSs at a rate not exceeding the applicable rate provided for by the Tax Convention will be creditable against the U.S. Holder s U.S. federal income tax liability. The maximum rate of withholding tax on dividends paid to a U.S. Holder pursuant to the Tax Convention is 10%. As discussed under Japanese Taxation Shares above, under current Japanese law, the statutory rate will be lower than the maximum Tax Convention rate through December 31, 2013. After this date, the statutory rate will be higher than the maximum Tax Convention rate. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits in their particular circumstances. Instead of claiming a credit, U.S. Holders may, upon election, deduct such otherwise creditable Japanese taxes in computing taxable income, subject to generally applicable limitations under U.S. law.

Passive Foreign Investment Company Rules

If, as expected, we are a PFIC for any year during a U.S. Holder s holding period of the Shares or ADSs, and the U.S. Holder has not made a mark-to-market election for the Shares or ADSs, as described below, the holder will be subject to special rules generally intended to eliminate any benefits from the deferral of U.S. federal income tax that a holder could derive from investing in a foreign corporation that does not distribute all of its earnings on a current basis. Upon a disposition of Shares or ADSs (including under certain circumstances, a pledge, and under proposed Treasury regulations, a disposition pursuant to certain otherwise tax-free reorganizations) gain recognized by a U.S. Holder would be allocated ratably over its holding period for the Shares or ADSs. The amounts allocated to the taxable year of the sale or other exchange and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations for such year, as appropriate, and an interest charge would be imposed on the tax liability allocated to such taxable year. Similar rules would apply to any distribution in respect of Shares or ADSs to the extent it exceeds 125 percent of the average of the annual distributions on Shares or ADSs received during the preceding three years or the U.S. Holder s holding period, whichever is shorter. Any loss realized on a disposition of Shares or ADSs will be capital loss, and will be long-term capital loss if the U.S. Holder held the Shares or ADSs for more than one year. The amount of the loss will equal the difference between the U.S. Holder s tax basis in the Shares or ADSs disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. Such loss will generally be U.S.-source loss for foreign tax credit purposes.

If we are a PFIC for any year during which a U.S. Holder holds Shares or ADSs, we generally will continue to be treated as a PFIC with respect to the U.S. Holder for all succeeding years during which the U.S. Holder holds Shares or ADSs, even if we cease to meet the threshold requirements for PFIC status.

Under certain attribution rules, if we are a PFIC, U.S. Holders will be deemed to own their proportionate shares of our subsidiaries that are PFICs and will be subject to U.S. federal income tax according to the rules described above on (i) certain distributions by subsidiary PFICs and (ii) a disposition of shares of a subsidiary PFIC, even though they have not received the proceeds of those distributions or dispositions directly.

If the Shares or ADSs are regularly traded on a qualified exchange, a U.S. Holder of Shares or ADSs would be eligible to make a mark-to-market election that would result in tax treatment different from the general tax treatment for PFICs described above. The Shares or ADSs will be treated as regularly traded in any calendar year in which more than a *de minimis* quantity of the Shares or ADSs are traded on a qualified exchange on at least 15 days during each calendar quarter. A qualified exchange includes the NYSE on which our ADSs are traded and a foreign exchange that is regulated by a governmental authority in which the exchange is located and with respect to which certain other requirements are met. The Internal Revenue Service (IRS) has not yet identified specific foreign exchanges that are qualified for this purpose. Under current law, the mark-to market election may be available to holders of ADSs because the ADSs will be listed on the NYSE, although there can be no assurance that the ADSs will be regularly traded for purposes of the mark-to-market election. However, even if a U.S. Holder makes a mark-to-market election with respect to our Shares or ADSs, a U.S. Holder will not be able to make a mark-to-market election with respect to any of our subsidiaries that are PFICs.

If a U.S. Holder is eligible and makes the mark-to-market election, the U.S. Holder will include each year, as ordinary income, the excess, if any, of the fair market value of the Shares or ADSs at the end of the taxable year over their adjusted basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of the Shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). If a U.S. Holder validly makes the election, the holder s basis in the Shares or ADSs will be adjusted to reflect any such income or loss amounts. Any gain recognized on the sale or other disposition of Shares or ADSs in a year when the Company is a PFIC will be treated as ordinary income.

We do not intend to comply with the requirements necessary for a U.S. Holder to make a qualified electing fund election, which is sometimes available to shareholders of a PFIC.

Special rules apply to determine the foreign tax credit with respect to withholding taxes imposed on distributions on shares in a PFIC.

If a U.S. Holder owns Shares or ADSs during any year in which we are a PFIC, the U.S. Holder may be required to file an annual report with the IRS, containing such information as the U.S. Treasury may require, with the holder s federal income tax return for that year.

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We urge U.S. Holders to consult their tax advisors concerning our status as a PFIC and the tax considerations relevant to an investment in a PFIC, including the availability and consequences of making the mark-to-market election discussed above.

Backup Withholding and Information Reporting

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against such holder s U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

Certain U.S. Holders who are individuals may be required to report information relating to their ownership of an interest in certain foreign financial assets, including stock of a non-U.S. person, generally on Form 8938, subject to exceptions (including an exception for financial assets held through a U.S. financial institution). Certain U.S. Holders that are entities may be subject to similar rules in the future. U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to the Shares or ADSs.

DOCUMENTS ON DISPLAY

We are subject to the reporting requirements of the Act. In accordance with these requirements, we file annual reports on Form 20-F and furnish periodic reports on Form 6-K with the Commission.

These materials, including this annual report and the exhibits thereto, may be inspected and copied at the Commission s Public Reference Room at Room 1580, 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Commission s Public Reference Room by calling the Commission in the United States at 1-800-SEC-0330. The Commission also maintains a website at http://www.sec.gov that contains reports and proxy information regarding issuers that file electronically with the Commission via EDGAR.

We are currently exempt from the rules under the Act that prescribe the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Act. We are not required under the Act to publish financial statements as frequently or as promptly as are U.S. companies subject to the Act. We will, however, continue to furnish our shareholders with annual reports containing audited financial statements and will issue press releases containing unaudited interim financial information as well as such other reports as may from time to time be authorized by our board of directors or as may be otherwise required.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

MARKET RISKS

Our primary market risk exposures are interest rate risk, exchange rate risk and risk of market prices in stocks. We enter into derivative transactions to hedge interest rate risk and exchange rate risk. Our risk management for market risk exposure and derivative transactions are described under Item 5. Operating and Financial Review and Prospects Risk Management.

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The following quantitative information about the market risk of our financial instruments does not include information about financial instruments to which the requirements under ASC 825-10 (Financial Instruments) do not apply, such as investment in direct financing leases, investment in operating leases, and insurance contracts. As a result, the following information does not present all the risks of our financial instruments. We omitted the disclosure of financial instruments for trading purposes because the amount is immaterial.

Interest Rate Risk

Many of our assets and liabilities are composed of floating and fixed rate assets and liabilities. Movements in market interest rates affect gains and losses from fair values of these assets and liabilities. We attempt to control gains and losses by match-funding our floating rate assets against our floating rate liabilities, and our fixed-rate assets against our fixed rate liabilities.

For example, floating rate loan and bond assets bear the risk of reduced interest income due to a decline in market interest rates. Conversely, floating rate debt liabilities bear the risk of increased interest expense due to a rise in market interest rates. As a result of the inverse relationship, risks for floating rate assets and floating rate liabilities can be used to offset each other and we seek to keep sums for floating rate assets and floating rate liabilities closely matched to achieve risk reduction. However, the matching is not perfect. For example, some floating rate assets and liabilities may use a different base rate, and an adverse movement in such rates may result in an insufficient hedge.

Likewise receivable income from fixed rate direct financing leases (lease income) and loan (interest income) assets will not change when market interest rates rise, which may adversely affect their fair value. Conversely, fixed rate liabilities bear the risk of a rise in fair value when market interest rates decline. However, the fair value fluctuation risk for fixed rate assets and liabilities can be used to offset each other and we seek to closely match sums for fixed rate assets and liabilities to achieve risk reduction.

We perform asset liability management through various methods including balance comparisons for fixed rate and floating rate assets and liabilities, interest rate sensitivity tests, and VaR calculations. It is our basic policy to control interest rate risk within a fixed range by matching the interest rate sensitivities of assets and liabilities while utilizing interest rate derivatives.

The table of interest rate sensitivity for financial instruments summarizes installment loans, investments in securities (floating and fixed rate) and long- and short-term debt. These instruments are further classified under fixed or floating rates. For such items, the principal collection and repayment schedules and the weighted average interest rates for collected and repaid portions are disclosed. Concerning interest rate swaps, under derivative instruments, the estimated notional principal amount for each contractual period and the weighted average of swap rates are disclosed. The average interest rates of financial instruments as of March 31, 2012 were: 4.2% for installment loans, 1.7% for investment in securities (floating and fixed rate), 2.1% for long- and short-term debt and 0.7% for deposits. As of March 31, 2012, the average payment rate of interest rate swaps was 1.1% and the average receipt rate was 1.6%. The average interest rates of financial instruments as of March 31, 2011 were: 4.4% for installment loans, 1.9% for investments in securities (floating and fixed rate), 2.0% for long- and short-term debt and 0.8% for deposits. As of March 31, 2011, the average payment rate of interest rate swaps was 1.4% and the average receipt rate was 1.6%. As of March 31, 2012, there was no material change in the balance or in the average interest rate of financial instruments from March 31, 2011. The table below shows our interest rate risk exposure and the results of our interest rate sensitivity analysis.

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INTEREST RATE SENSITIVITY

NONTRADING FINANCIAL INSTRUMENTS

	Expected Maturity Date Year ended and ending March 31,							March 31, 2012 Estimated Fair Value
	2013	2014	2015	2016	2017	Thereafter	Total	
				(Millions of yen)				
Assets:								
Installment loans (fixed rate)	¥ 473,513	¥ 223,102	¥ 106,326	¥ 106,341	¥ 36,795	¥ 152,044	¥ 1,098,121	¥ 1,077,825
Average interest rate	5.0%	5.7%	5.6%	6.2%	5.6%	3.9%	5.2%	
Installment loans (floating rate)	¥ 370,649	¥ 212,127	¥ 176,364	¥ 108,578	¥ 87,404	¥ 619,096	¥ 1,574,218	¥ 1,513,637
Average interest rate	3.6%	4.0%	3.7%	4.6%	3.9%	2.9%	3.5%	
Investment in securities (fixed rate)	¥ 189,480	¥ 35,664	¥ 62,760	¥ 72,121	¥ 34,226	¥ 281,941	¥ 676,192	¥ 680,893
Average interest rate	0.8%	1.8%	1.6%	1.1%	2.0%	2.3%	1.6%	
Investment in securities (floating rate)	¥ 102,921	¥ 34,198	¥ 9,407	¥ 9,865	¥ 2,075	¥ 9,352	¥ 167,818	¥ 167,142
Average interest rate	2.3%	1.9%	1.6%	1.4%	2.0%	3.3%	2.2%	
Liabilities:								
Short-term debt	¥ 457,973	¥	¥	¥	¥	¥	¥ 457,973	¥ 457,973
Average interest rate	1.4%						1.4%	
Deposits	¥ 726,941	¥ 120,289	¥ 129,936	¥ 66,772	¥ 59,576	¥	¥ 1,103,514	¥ 1,107,440
Average interest rate	0.6%	0.8%	1.0%	0.9%	0.5%		0.7%	
Long-term debt (fixed rate)	¥ 579,668	¥ 758,504	¥ 342,809	¥ 414,184	¥ 314,263	¥ 177,555	¥ 2,586,983	¥ 2,581,495
Average interest rate	2.0%	2.6%	2.4%	3.3%	1.8%	3.2%	2.7%	
Long-term debt (floating rate)	¥ 569,810	¥ 400,383	¥ 190,606	¥ 185,326	¥ 182,762	¥ 151,610	¥ 1,680,497	¥ 1,681,117
Average interest rate	1.4%	1.3%	1.4%	1.2%	0.8%	1.0%	1.3%	

NONTRADING DERIVATIVE FINANCIAL INSTRUMENTS

	Expected Maturity Date Year ended and ending March 31,							March 31, 2012 Estimated Fair Value
	2013	2014	2015	2016	2017	Thereafter	Total	
				(Millions of yen)				
Interest rate swaps:								
Notional amount (floating to fixed)	¥ 1,558	¥ 63,814	¥ 51,510	¥ 25,136	¥ 941	¥ 6,897	¥ 149,856	¥ (1,256)
Average pay rate	4.9%	1.2%	1.5%	1.1%	2.0%	1.5%	1.4%	
Average receive rate	3.5%	0.9%	1.2%	0.8%	0.6%	0.9%	1.0%	
Notional amount (fixed to floating)	¥ 2,000	¥	¥	¥ 80,996	¥	¥ 3,000	¥ 85,996	¥ 4,603
Average pay rate	0.6%			0.7%		0.7%	0.7%	
Average receive rate	1.9%			2.7%		2.1%	2.6%	

The above table excludes purchased loans for which there is interest rate exposure. We acquire deteriorated credit loans at a discount and we call them purchased loans for which full collection of all contractually required payments from the debtors is unlikely under ASC 310-30 (Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality). It is difficult to estimate the timing and extent of collection for these loans. Total book value of our purchased loans as of March 31, 2012 amounted to ¥97,559 million.

We are also exposed to interest rate risks on life insurance policies issued by ORIX Life Insurance because policy payments we receive do not fluctuate based on changes in market interest rates. As such, changes in market interest rates may affect the fair value of these policies as well as our obligations under insurance products, (based on actuarial determinations).

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Exchange Rate Risk

We hold foreign currency-denominated assets and liabilities and deal in foreign currencies. It is our policy to match balances of foreign currency-denominated assets and liabilities as a means of hedging exchange rate risk. There are, however, cases where a certain part of our foreign currency-denominated investments are not hedged for such risk.

Furthermore, surplus capital accumulated in foreign currencies in our overseas subsidiaries is translated to Japanese yen upon consolidation. ORIX Corporation shareholder s equity is accordingly subject to exchange rate risk arising from such translations.

We identified all positions subject to a change in the value of the currency and calculated potential losses in future earnings resulting from several hypothetical scenarios experiencing 10% changes in related currencies. The largest such losses were estimated in scenarios where the yen appreciated 10% against the U.S. dollar from the rate in effect on March 31, 2011, and where the euro appreciated 10% against the U.S. dollar from the rate in effect on March 31, 2012. Based on these scenarios, exchange losses in future earnings were estimated to be ¥1,212 million and ¥1,603 million at March 31, 2011 and 2012, respectively.

Risk of Market Prices in Stocks

We have marketable stocks, which are subject to price risk arising from changes in their market prices. Our shareholder s equity and net income bear risks due to changes in the market prices of these securities. To manage these risks of market price fluctuations, we assume a scenario of a 10% uniform downward movement in stock prices compared with stock prices as of March 31, 2011 and 2012, respectively, and under such circumstances estimate a ¥7,137 million and ¥8,510 million decrease in the fair value of our equity securities as of March 31, 2011 and 2012.

Item 12. Description of Securities Other than Equity Securities

FEES AND PAYMENTS RELATING TO OUR AMERICAN DEPOSITARY SHARES

SCHEDULE OF FEES AND CHARGES

Citibank N.A., or the Depositary, serves as the depositary for our ADSs. As an ADS holder, you will be required to pay the following service fees to the Depositary:

Service	Fee
Issuance of ADSs upon deposit of Shares	Up to 5¢ per ADS issued
Cancellation of ADSs and delivery of deposited securities	Up to 5¢ per ADS canceled
Exercise of rights to purchase additional ADSs	Up to 5¢ per ADS issued

Distribution of cash proceeds upon sale of rights and other entitlements	Up to 2¢ per ADS held

As an ADS holder you will also be responsible to pay various fees and expenses incurred by the Depositary and various taxes and governmental charges such as:

- Taxes, including applicable interest and penalties, and other governmental charges;

- Fees for the transfer and registration of Shares charged by the registrar and transfer agent for the Shares in Japan (i.e., upon deposit and withdrawal of Shares);

- Expenses incurred for converting foreign currency into U.S. dollars;

- Expenses for cable, telex and fax transmissions and for delivery of securities;

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Fees and expenses of the Depositary incurred in connection with compliance with exchange control regulations and regulatory requirements applicable to the Shares or ADSs; and

Fees and expenses of the Depositary in delivering deposited securities.

We have agreed to pay some other charges and expenses of the depositary bank. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary bank. You will receive prior notice of these changes.

PAYMENTS TO ORIX FROM THE DEPOSITARY

The Depositary has agreed to reimburse us for certain expenses we incur in connection with our ADR program. These reimbursable expenses include investor relations expenses, NYSE listing fee, and proxy voting and related expenses. In fiscal 2012, this amount was $42,716.25.

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PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

As of March 31, 2012, the ORIX Group, under the supervision and with the participation of the Company s management, including the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer, performed an evaluation of the effectiveness of the ORIX Group s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended). The Company s management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which by their nature can provide only reasonable assurance regarding the achievement of management s control objectives. Based on this evaluation, the Company s Chief Executive Officer, Chief Operating Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level for gathering, analyzing and disclosing the information the Company is required to disclose in the reports it files under the Act, within the time periods specified in the SEC s rules and forms. There has been no change in the ORIX Group s internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management s report on internal control over financial reporting

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). The internal control over financial reporting process of the ORIX Group was designed by, or under the supervision of, the Company s Chief Executive Officer, Chief Operating Officer and Chief Financial Officer and effected by the Company s board of directors, management and other personnel, to provide reasonable assurance to the Company s management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the ORIX Group;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the ORIX Group are being made only in accordance with authorizations of management and directors of the Company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of ORIX Group s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company s management assessed the effectiveness of our internal control over financial reporting as of March 31, 2012 by using the criteria set forth in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company s management concluded that our internal control over financial reporting was effective as of March 31, 2012.

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The effectiveness of our internal control over financial reporting has been audited by KPMG AZSA LLC, an independent registered public accounting firm, who also audited our financial statements as of and for the year ended March 31, 2012, as stated in their attestation report which is included in Item 18 (page F-3).

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Eiko Tsujiyama is an audit committee financial expert, within the meaning of the current rules of the U.S. Securities and Exchange Commission. Eiko Tsujiyama is independent as required by Section 303A.06 of the New York Stock Exchange Listed Company Manual.

Item 16B. Code of Ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Pursuant to our Code of Ethics, as amended in fiscal 2005, officers of ORIX covered by ORIX s Code of Ethics are required to promptly bring to the attention of the Company s Executive Officer of the Legal and Compliance Department any information concerning any violations of the Code of Ethics.

Item 16C. Principal Accountant Fees and Services

FEES PAID TO PRINCIPAL ACCOUNTANT

AUDIT FEES

In fiscal 2011 and 2012, our auditors (including Japanese and overseas affiliates of KPMG AZSA LLC) billed us ¥1,441 million and ¥1,419 million, respectively, for direct audit fees.

AUDIT-RELATED FEES

In fiscal 2011 and 2012, our auditors billed us ¥33 million and ¥49 million, respectively, for audit-related services, including services related to due diligence.

TAX FEES

In fiscal 2011 and 2012, our auditors billed us ¥44 million and ¥68 million, respectively, for tax-related services, including tax compliance and tax advice.

ALL OTHER FEES

In fiscal 2011 and 2012, our auditors billed us ¥5 million and ¥16 million, respectively, for other products and services which primarily consisted of advisory services.

AUDIT COMMITTEE S PRE-APPROVAL POLICIES AND PROCEDURES

In terms of audit services, every year the independent registered public accounting firm draws up its annual audit plan and annual budget, which is evaluated by ORIX s Accounting Department. Subsequently, pre-approval is obtained from the Audit Committee.

Non-audit services are generally not obtained from the independent registered public accounting firm or its affiliates. In situations where ORIX must engage the non-audit services of the independent registered public accounting firm, preapproval is obtained from the Audit Committee on a case-by-case basis only after the reason has been specified.

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Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Year ended March 31, 2012	(a) Total number of Shares Purchased[1]	(b) Average Price Paid per Share	(c) Total number of Shares Purchased as Part of Publicly Announced Plans or Programs[2]	(d) Maximum Number (or Approximate Yen Value) of Shares that May Yet be Purchased Under the Plans or Programs[2]
April 2011	8	¥ 7,493	0	¥ 0
May 2011	2	7,870	0	0
June 2011	28	7,489	0	0
July 2011	16	8,044	0	0
August 2011	0		0	0
September 2011	2	6,625	0	0
October 2011	0		0	0
November 2011	8	6,600	0	0
December 2011	0		0	0
January 2012	4	7,200	0	0
February 2012	1	7,240	0	0
March 2012	6	7,830	0	0
Total	75	¥ 7,509	0	¥ 0

(1) One unit of the Shares comprises 10 Shares. Each unit of Shares has one vote. A holder who owns Shares in other than a multiple of 10 will own less than a whole unit (i.e., for the portion constituting fewer than 10 Shares). Under the unit share system, holders of Shares constituting less than a unit have the right to require ORIX to purchase their Shares and the right to require ORIX to sell them additional Shares to create a whole unit of 10 Shares.

(2) There is no plan or program to purchase Shares announced in fiscal 2012 and up until the filing of this annual report.

Item 16F. Change in Registrant s Certifying Accountant.

Not applicable.

Item 16G. Corporate Governance

Our ADRs have been listed on the New York Stock Exchange, or NYSE, since 1998. As an NYSE-listed company, we are required to comply with certain corporate governance standards under Section 303A of the NYSE Listed Company Manual. However, as a foreign private issuer, we are permitted to follow home country practice in lieu of certain provisions of Section 303A.

Our corporate governance practices differ in certain significant respects from those that U.S. companies must adopt in order to maintain a NYSE listing and, in accordance with Section 303A.11 of the NYSE s Listed Company Manual, we provide a brief, general summary of such differences.

The composition of our board of directors and its committees differs significantly in terms of independence from the composition requirements for boards and committees that U.S. companies must satisfy in order to maintain a NYSE listing. We are not required to meet the NYSE s independence requirements for individuals on our board of directors or our Nominating, Audit, and Compensation Committees. Under Japanese law, a majority of the membership on our committees must be outside directors a Japanese law concept that shares similarities with the U.S. concept of independent director. However, we are not required to include on our board of directors a majority of outside directors, nor are we required to compose our committees exclusively from outside directors. Six of our 13 directors are considered outside directors.

Under the Companies Act, an outside director is a director (i) who does not execute the Company s business, (ii) who has not before executed the business of the Company or its subsidiaries in the capacity of director, executive officer (*shikkou-yaku*), manager, or employee, and (iii) who does not execute the business of any subsidiary of the Company in the capacity of director or executive officer of such subsidiary or in the capacity of manager or any other employee of the Company or any of its subsidiaries.

In addition to differences in composition requirements for our board of directors and its committees, we are not required to:

- make publicly available one or more documents that summarize all aspects of our corporate governance guidelines or prepare a written code that states the objectives, responsibilities, and performance evaluation criteria of our Nominating, Audit and Compensation Committees in a manner that satisfies the NYSE s requirements;

- adopt a code of business conduct and ethics for our directors, officers, and employees that addresses fully the topics necessary to satisfy the NYSE s requirements;

- hold regularly scheduled executive sessions for our outside directors; or obtain shareholder approval for all equity compensation plans for employees, directors or executive officers of ORIX or for material revisions to any such plans.

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PART III

Item 17. Financial Statements

ORIX has elected to provide financial statements and related information pursuant to Item 18.

Item 18. Financial Statements

See pages F-1 through F-131.

The following consolidated financial statements of ORIX listed below and the report thereon by its independent registered public accounting firm are filed as part of this Form 20-F:

(a) Consolidated Balance Sheets as of March 31, 2011 and 2012 (page F-4);

(b) Consolidated Statements of Income for the years ended March 31, 2010, 2011 and 2012 (page F-6);

(c) Consolidated Statements of Comprehensive Income for the years ended March 31, 2010, 2011 and 2012 (page F-8);

(d) Consolidated Statements of Changes in Equity for the years ended March 31, 2010, 2011 and 2012 (page F-9);

(e) Consolidated Statements of Cash Flows for the years ended March 31, 2010, 2011 and 2012 (page F-12);

(f) Notes to Consolidated Financial Statements (page F-13 to F-130);

(g) Schedule II. Valuation and Qualifying Accounts and Reserves (page F-131).

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Item 19. Exhibits

We have filed the following documents as exhibits to this document.

Exhibit Number	Description
Exhibit 1.1	Articles of Incorporation of ORIX Corporation, as amended on June 22, 2011 (Incorporated by reference from the annual report on Form 20-F filed on June 24, 2011, commission file number 001-14856).
Exhibit 1.2	Regulations of the Board of Directors of ORIX Corporation, as amended on June 24, 2008 (Incorporated by reference from the annual report on Form 20-F filed on July 2, 2008, commission file number 001-14856).
Exhibit 1.3	Share Handling Regulations of ORIX Corporation, as amended on November 22, 2011.
Exhibit 7.1	A statement explaining in reasonable detail how ratios in the annual report were calculated.
Exhibit 8.1	List of subsidiaries.
Exhibit 11.1	Code of ethics, as amended on April 26, 2005 (Incorporated by reference from the annual report on Form 20-F filed on July 15, 2005, commission file number 001-14856).
Exhibit 12.1	Certifications required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d 14(a)).
Exhibit 13.1	Certifications required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d 14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
Exhibit 15.1	Consent of independent registered public accounting firm.
Exhibit 101	Instance Document.
Exhibit 101	Schema Document.
Exhibit 101	Calculation Linkbase Document.
Exhibit 101	Definition Linkbase Document.
Exhibit 101	Labels Linkbase Document.
Exhibit 101	Presentation Linkbase Document.

We have not included as exhibits certain instruments with respect to our long-term debt. The total amount of long-term debt securities of us or our subsidiaries authorized under any instrument does not exceed 10% of our total assets. We hereby agree to furnish to the SEC, upon its request, a copy of any instrument defining the rights of holders of long-term debt of us or of our subsidiaries for which consolidated or unconsolidated financial states are required to be filed.

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SIGNATURES

The company hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

ORIX KABUSHIKI KAISHA

By:	/s/ HARUYUKI URATA
Name:	Haruyuki Urata
Title:	Attorney-in-Fact
	Chief Financial Officer

Date: June 27, 2012

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of ORIX Corporation:

We have audited the accompanying consolidated balance sheets of ORIX Corporation (a Japanese corporation) and its subsidiaries as of March 31, 2011 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2012, expressed in Japanese yen. In connection with our audits of the consolidated financial statements, we also have audited financial statement Schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ORIX Corporation and its subsidiaries as of March 31, 2011 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 (ag) to the consolidated financial statements, ORIX Corporation changed its method of accounting for transfers of financial assets and consolidation of variable interest entities in the year ended March 31, 2011.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ORIX Corporation s internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 27, 2012 expressed an unqualified opinion on the effectiveness of ORIX Corporation s internal control over financial reporting.

The accompanying consolidated financial statements as of and for the year ended March 31, 2012 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation, and, in our opinion, the consolidated financial statements, expressed in Japanese yen, have been translated into United States dollars on the basis set forth in Note 1 (ab) to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan

June 27, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of ORIX Corporation:

We have audited ORIX Corporation s (a Japanese corporation) internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting, included in Item 15 Controls and Procedures of the accompanying Form 20-F. Our responsibility is to express an opinion on ORIX Corporation s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, ORIX Corporation maintained, in all material respects, effective internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ORIX Corporation and its subsidiaries as of March 31, 2011 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2012, expressed in Japanese yen, and our report dated June 27, 2012 expressed an unqualified opinion on those consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan

June 27, 2012

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CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2011 AND 2012

ORIX Corporation and Subsidiaries

	Millions of yen		Millions of U.S. dollars
	2011	**2012**	**2012**
ASSETS			
Cash and Cash Equivalents	¥ 732,127	¥ 786,892	$ 9,574
Restricted Cash	118,065	123,295	1,500
Time Deposits	5,148	24,070	293
Investment in Direct Financing Leases	830,853	900,886	10,961
Installment Loans	2,983,164	2,769,898	33,701
(The amount of ¥19,397 million ($236 million) of installment loans as of March 31, 2012 is measured at fair value by electing the fair value option under FASB Accounting Standards Codification 825-10.)			
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses	(154,150)	(136,588)	(1,662)
Investment in Operating Leases	1,270,295	1,309,998	15,939
Investment in Securities	1,175,381	1,147,390	13,960
Other Operating Assets	235,430	224,092	2,726
Investment in Affiliates	373,376	331,717	4,036
Other Receivables	182,013	188,108	2,289
Inventories	108,410	79,654	969
Prepaid Expenses	44,551	39,547	481
Office Facilities	102,403	123,338	1,501
Other Assets	574,516	442,577	5,385
Total Assets	¥ 8,581,582	¥ 8,354,874	$ 101,653

(Note)

Accounting Standards Update 2009-17 (ASC 810-10 (Consolidation)) has been adopted since April 1, 2010. Pursuant to ASU 2009-17, the assets of consolidated variable interest entities (VIEs) that can be used only to settle obligations of those VIEs are below:

	Millions of yen		Millions of U.S. dollars
	2011	**2012**	**2012**
Cash and Cash Equivalents	¥ 14,267	¥ 11,836	$ 144
Investment in Direct Financing Leases (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	242,309	232,575	2,830
Installment Loans (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	830,689	709,863	8,637
Investment in Operating Leases	195,221	269,267	3,276
Investment in Securities	51,883	50,059	609
Investment in Affiliates	17,441	13,899	169
Others	121,811	91,240	1,110

¥ 1,473,621	¥ 1,378,739	$ 16,775

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CONSOLIDATED BALANCE SHEETS (Continued)

AS OF MARCH 31, 2011 AND 2012

ORIX Corporation and Subsidiaries

	Millions of yen		Millions of U.S. dollars
	2011	2012	2012
LIABILITIES AND EQUITY			
Liabilities:			
Short-Term Debt	¥ 478,633	¥ 457,973	$ 5,572
Deposits	1,065,175	1,103,514	13,426
Trade Notes, Accounts Payable and Other Liabilities	304,354	290,465	3,534
Accrued Expenses	118,359	110,057	1,339
Policy Liabilities	398,265	404,586	4,923
Income Taxes:			
Current	21,983&nbs		