

ORIX CORP  
Form 20-F  
June 27, 2013  
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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
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended March 31, 2013  
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
Date of event requiring this shell company report:  
Commission file number: 001-14856

**ORIX KABUSHIKI KAISHA**

*(Exact name of Registrant as specified in its charter)*

**ORIX CORPORATION**

*(Translation of Registrant's name into English)*

**Japan**

*(Jurisdiction of incorporation or organization)*

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

**Tokyo 105-6135, Japan**

*(Address of principal executive offices)*

**Yoshiko Fujii**

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

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

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

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

None

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

None

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

As of March 31, 2013, 124,871,476 Shares were outstanding, including Shares that were represented by 2,871,308 ADSs.\*\*

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

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  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.

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).

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):

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.

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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     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.

\*\* Effective April 1, 2013, the Company implemented a 10-for-1 stock split of shares of its common stock. As a result of the stock split, the ratio of ADRs to underlying shares changed from 0.5 underlying shares per 1 ADR to 5 underlying shares per 1 ADR.

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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, 2013 is referred to throughout this annual report as **fiscal 2013**, and other fiscal years are referred to in a corresponding manner. References to years not specified as being fiscal years are to calendar years.

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

**FORWARD-LOOKING STATEMENTS**

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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

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

**Table of Contents****PART I****Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information****SELECTED FINANCIAL DATA**

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

	2009	2010	Year ended March 31,		2013
			2011	2012	
			(Millions of yen)		
<b>Income statement data<sup>(1),(2)</sup>:</b>					
Total revenues	¥ 1,015,766	¥ 889,178	¥ 941,006	¥ 970,821	¥ 1,065,638
Total expenses	962,697	858,702	869,379	846,354	915,040
Operating income	53,069	30,476	71,627	124,467	150,598
Equity in net income (loss) of affiliates	(40,458)	8,364	16,806	1,972	14,037
Gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	(1,686)	17,420	1,199	3,317	7,883
Income before income taxes and discontinued operations	10,925	56,260	89,632	129,756	172,518
Income from continuing operations	14,831	35,329	64,959	84,281	118,862
Net income (loss) attributable to the noncontrolling interests	1,175	704	2,373	(332)	3,164
Net income attributable to the redeemable noncontrolling interests	698	2,476	2,959	2,724	3,985
Net income attributable to ORIX Corporation shareholders	20,674	36,512	66,021	83,509	111,909



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	2009		2010		As of March 31, 2011		2012		2013	
	(Millions of yen, except number of Shares)									
<b>Balance sheet data<sup>(2)</sup>:</b>										
Investment in direct financing leases <sup>(3)</sup>	¥	914,444	¥	756,481	¥	830,853	¥	900,886	¥	989,380
Installment loans <sup>(3)</sup>		3,304,101		2,464,251		2,983,164		2,769,898		2,691,171
Subtotal		4,218,545		3,220,732		3,814,017		3,670,784		3,680,551
Investment in operating leases		1,226,624		1,213,223		1,270,295		1,309,998		1,395,533
Investment in securities		926,140		1,104,158		1,175,381		1,147,390		1,093,668
Other operating assets		189,560		186,396		219,057		206,109		233,258
Allowance for doubtful receivables on direct financing leases and probable loan losses		(158,544)		(157,523)		(154,150)		(136,588)		(104,264)
Others		1,951,527		2,155,031		2,237,310		2,135,137		2,140,964
Total assets	¥	8,353,852	¥	7,722,017	¥	8,561,910	¥	8,332,830	¥	8,439,710
Short-term debt	¥	798,167	¥	573,565	¥	478,633	¥	457,973	¥	420,726
Long-term debt		4,453,845		3,836,270		4,531,268		4,267,480		4,061,534
Common stock		102,216		143,939		143,995		144,026		194,039
Additional paid-in capital		136,313		178,661		179,137		179,223		229,600
ORIX Corporation shareholders equity		1,157,269		1,287,179		1,306,582		1,380,736		1,643,596
Number of issued Shares <sup>(8)</sup>		922,170,670		1,102,299,480		1,102,458,460		1,102,544,220		1,248,714,760
Number of outstanding Shares <sup>(8)</sup>		894,002,200		1,074,842,470		1,074,985,020		1,075,217,210		1,221,433,050

	2009		2010		As of and for the Year Ended March 31, 2011		2012		2013					
	(Yen and dollars, except ratios and number of employees)													
<b>Key ratios (%)<sup>(4)</sup>:</b>														
Return on ORIX Corporation shareholders equity ( ROE )						1.7		3.0		5.1		6.2		7.4
Return on assets ( ROA )						0.24		0.45		0.81		0.99		1.33
ORIX Corporation shareholders equity ratio						13.9		16.7		15.3		16.6		19.5
Allowance/investment in direct financing leases and installment loans						3.8		4.9		4.0		3.7		2.8
<b>Per share data<sup>(8)</sup> and employees:</b>														
ORIX Corporation shareholders equity per Share <sup>(5)</sup>						¥ 1,294.48		¥ 1,197.55		¥ 1,215.44		¥ 1,284.15		¥ 1,345.63
Basic earnings per Share for income attributable to ORIX Corporation shareholders from continuing operations <sup>(6)</sup>						15.07		30.73		55.42		75.49		103.06
Basic earnings per Share for net income attributable to ORIX Corporation shareholders						23.25		35.83		61.42		77.68		102.87
Diluted earnings per Share for net income attributable to ORIX Corporation shareholders						22.07		30.58		51.83		65.03		87.37
Dividends applicable to fiscal year per share						7		7.5		8		9		13
Dividends applicable to fiscal year per share <sup>(7)</sup>						\$ 0.07		\$ 0.08		\$ 0.10		\$ 0.12		\$ 0.13
Number of employees						18,920		17,725		17,578		17,488		19,043

- (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) Prior-year amounts have been adjusted for the retrospective adoption of Accounting Standards Update 2010-26 ( Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts ASC 944 ( Financial Services Insurance )) on April 1, 2012.
- (3) The sum of assets considered 90 days or more past due and loans individually evaluated for impairment amounted to ¥495,514 million, ¥386,146 million, ¥344,855 million, ¥319,819 million and ¥236,291 million



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- as of March 31, 2009, 2010, 2011, 2012 and 2013, respectively. These sums included: (i) investment in direct financing leases considered 90 days or more past due of ¥27,949 million, ¥25,682 million, ¥22,787 million, ¥17,441 million and ¥15,806 million as of March 31, 2009, 2010, 2011, 2012 and 2013, respectively, (ii) installment loans (excluding loans individually evaluated for impairment) considered 90 days or more past due of ¥17,860 million, ¥12,321 million, ¥10,037 million, ¥8,604 million and ¥7,745 million as of March 31, 2009, 2010, 2011, 2012 and 2013, respectively, and (iii) installment loans individually evaluated for impairment of ¥449,705 million, ¥348,143 million, ¥312,031 million, ¥293,774 million and ¥212,740 million as of March 31, 2009, 2010, 2011, 2012 and 2013, respectively. See Item 5. Operating and Financial Review and Prospects Results of Operations Year Ended March 31, 2013 Compared to Year Ended March 31, 2012 Details of Operating Results Revenues, New Business Volumes and Investments Asset quality.
- (4) Return on ORIX Corporation shareholders' equity is the ratio of net income attributable to ORIX Corporation shareholders for the period to average ORIX Corporation shareholders' equity based on fiscal year beginning and ending balances for the period. Return on assets is the ratio of net income attributable to ORIX Corporation shareholders for the period to average total assets based on fiscal year beginning and ending balances for the period. ORIX Corporation shareholders' equity ratio is the ratio as of the period end of ORIX Corporation shareholders' equity to total assets. Allowance/investment in direct financing leases and installment loans is the ratio as of the period end of the allowance for doubtful receivables on direct financing leases and probable loan losses to the sum of investment in direct financing leases and installment loans.
- (5) ORIX Corporation shareholders' equity per share is the amount derived by dividing ORIX Corporation shareholders' equity by the number of outstanding shares.
- (6) Basic earnings per Share for income attributable to ORIX Corporation shareholders from continuing operations is the amount derived by dividing income attributable to ORIX Corporation shareholders from continuing operations by the weighted-average number of shares outstanding based on month-end balances during the fiscal year. The term basic earnings per Share for income attributable to ORIX Corporation shareholders from continuing operations as used throughout this annual report has the meaning described above.
- (7) 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.
- (8) On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. Per share data and the number of shares have been retrospectively adjusted to reflect the stock split for all periods presented.

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The following table provides the noon buying rates for Japanese yen, expressed in Japanese yen per \$1.00 in New York City for cable transfers in foreign currencies. As of June 21, 2013, the noon buying rate for Japanese yen was ¥97.48 = \$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.

	2009	Year Ended March 31,			2013
		2010	2011	2012	
(Yen per dollar)					
<b>Yen per dollar exchange rates:</b>					
High	¥ 110.48	¥ 100.71	¥ 94.68	¥ 85.26	¥ 96.16
Low	87.80	86.12	78.74	75.72	77.41
Average of the last days of the months	100.85	92.49	85.00	78.86	83.26
At period-end	99.15	93.40	82.76	82.41	94.16

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
<b>2012</b>		
December	¥ 86.64	¥ 81.86
<b>2013</b>		
January	¥ 91.28	¥ 86.92
February	93.64	91.38
March	96.16	93.32
April	99.61	92.96
May	103.52	97.28

**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*

Although the global economy continues to carry downside risks such as decelerating growth in emerging countries and lingering uncertainties concerning European sovereign debt issues, we believe the risk of another serious global financial crisis is receding. Signs of an improving U.S. economy, including a decrease in unemployment rates and a recovery trend in consumer sentiment and spending point to moderate recovery in the U.S. economy. The economic slowdown in Europe is contributing to a weakening of the pace of growth in some

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parts of Asia including China and India. However, some countries in Southeast Asia, such as Indonesia, continue to maintain high growth compared to advanced economies. Japan has seen developments that might lead to a bottoming out of its economy with the rapid pace of the weakening yen and rising stock prices, which resulting largely from the Abe administration assuming control at the end of 2012. Particular attention is directed towards the ability of the new administration to execute its growth strategy.

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. If our competitors seek to compete aggressively on the basis of pricing and other terms without regard to profitability, we may lose market share. Similarly, some of our competitors are larger than we are, can access capital at a lower cost than we can and are better able to maintain profits at reduced prices. If we try to compete with such competitors, 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. 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. In addition, we plan to pursue further expansion in Europe. Shifts in commodity market prices and consumer demand, political instability or religious strife in these and other regions could adversely affect our business activities, financial condition and results of operations.

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

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

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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***

As of June 25, 2013, four of our shareholders have filed large shareholder reports pursuant to the Financial Instruments and Exchange Act ( FIEA ) indicating at the time of its filing beneficial ownership, as that term is used in the FIEA, by the relevant shareholder of more than five percent of the total number of our outstanding Shares. One or more of these shareholders may, for strategic, investment or other reasons, decide to reduce their shareholdings in ORIX. Dispositions of Shares, particularly dispositions of large numbers of Shares by major shareholders, may adversely affect market prices for 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 at times reduced their investments in Japanese stocks. Further or renewed reduction in Japanese stock investment by such investors may adversely affect market prices for our Shares.

## **2. Credit Risk**

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

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

In recent years, the operating results of many companies have deteriorated due to restricted credit availability primarily caused 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 have endeavored to improve our portfolio management, an exercise which has resulted in a decline in our doubtful receivables and probable loan losses. However, we may be required to make additional provisions 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. Business Risk**

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



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

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

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From time to time we also enter into 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 they suffer a decline in financial condition or are subject to operational instability because of a change in applicable laws or regulations, we may be required to pay in additional capital, reduce at a loss our investment, or close the operations altogether.

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 or at all. We may also need to provide financial support, including credit support or equity investments, to some investee companies if their financial condition deteriorates.

If any such events occur, 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 various services such as maintenance services for leasing assets and services related to our asset management business, electric power businesses, including solar power systems and roof top power generation, and facilities operation business. Although we strive to provide high quality services, if we fail to meet customer expectations or our services are otherwise inadequate, 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.

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

Our real estate-related operations include the development and leasing of real estate, and real estate finance. Our real estate finance business is comprised of providing 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 ) and are secured by real estate.

In our real estate development operations, we try to obtain indemnities to mitigate the risks presented by 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 absorb 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.

Deterioration in real estate market conditions 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.

### ***(5) We are exposed to risks regarding our licensed businesses***

Certain of our businesses, including our life insurance, banking, securities trading, real estate investment advisory and asset management businesses are subject to industry-specific laws and regulations requiring, among other things, that each company conduct independent operations and maintain financial soundness and appropriateness of business activities. A total or partial suspension of operations or the revocation of one or more of our licenses may adversely affect our business activities, financial condition and results of operations.

### ***(6) Risks related to our other businesses***

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

## **4. Market Risk**

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

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

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 customers and their ability to repay their obligations to us. Alternatively, a decline in interest rates could result in

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

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

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

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

We hold investments in shares of private and public company stock, including shares of our equity method affiliates, and bonds, in Japan, 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.

## **5. Liquidity Risk (Risk Relating to Fund Procurement)**

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

Our primary sources of funds from financing activities include: borrowings from banks and other institutional lenders, funding from capital markets (such as offerings of commercial paper, 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 short-term borrowings from various institutional lenders and the portion of our long-term debt maturing in the current fiscal year. Some of our committed credit lines require us to comply with financial covenants. 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.

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

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

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### **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 accounting standards may significantly affect how we record and report our financial condition and results of operations, even if our underlying business fundamentals remain the same. As a result of such enactment or changes, our business activities, financial condition and results of operations could be adversely affected.

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

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

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

We endeavor to implement thorough internal controls for compliance and legal risk management to prevent violations of applicable 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 employees, if we fail to revise them properly or at all. Such events could adversely affect our business activities, financial condition, results of operations and reputation.

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

### **7. Operational Risk**



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

We 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. Some of these information systems may be outsourced.

System shutdowns, malfunctions or failures, the mishandling of data or fraudulent acts by employees, vendors or other third parties, or infection by a computer virus, could have adverse effects on our operations, for example by causing delay in the receipt and payment of funds, the leak or destruction of confidential or personal information, the generation of errors in information used for business decision-making and risk management and

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the suspension of other services provided to our customers. In such event, our liquidity or the liquidity of customers who rely on us for financing or payment could be adversely affected.

Our information system equipment could suffer damage from a large-scale natural disaster or from terrorism, such as hacking or other unauthorized access. If networks or information systems fail, we could experience interruption of business activity, delay in 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 qualified personnel in order to successfully compete in markets in Japan and overseas. 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, it could adversely affect our share price, reputation and 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 any such case, our business activities, financial condition and results of operations may be adversely affected.

### ***(4) Our risk management may not be effective***

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

### ***(5) Other operational risks***

The conduct of our various businesses entails many types of operational risks. Examples include inappropriate sales practices; inadequate handling of clients' complaints; information security failures, 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 and conflicts with employees concerning labor and workplace management.

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

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

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

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

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

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

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

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

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

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

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

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

underlying Shares. The unit share system, however, does not affect the transferability of ADSs, which may be transferred in lots of any number of whole ADSs.

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

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

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

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

## **Item 4. Information on the Company**

### **GENERAL**

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

### **CORPORATE HISTORY**

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

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

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

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Instrument Rentals Corporation (presently ORIX Rentec Corporation), Japan's first electric measuring equipment rental company, in 1976. With the establishment of the credit company Family Consumer Credit Corporation (presently ORIX Credit Corporation, concentrating on card loans) in 1979, ORIX began to move into the retail market by offering financing services to individuals.

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

In the 1980s, ORIX established offices in Sri Lanka (1980), the United States (1981), Taiwan (1982), Australia (1986) and Pakistan (1986). The Japanese company Budget Rent-a-Car (presently ORIX Auto Corporation) was also established in 1985.

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

In 1991 ORIX established ORIX Aviation Systems Limited in Ireland. In 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. We combined seven automobile-related companies into ORIX Auto Corporation in 2005.

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

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

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



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In February 2013, ORIX, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., ( Rabobank ) and Robeco Groep N.V., ( Robeco ) agreed that ORIX would acquire approximately 90% of the total issued shares of Robeco from Rabobank. In connection therewith, ORIX and Rabobank also agreed to form a strategic alliance.

### STRATEGY

#### Target Performance Indicators

In its pursuit of sustained growth, the ORIX Group uses the following performance indicators: Net income attributable to ORIX Corporation shareholders to indicate profitability, ROE to indicate capital efficiency and

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ROA to indicate asset efficiency. ORIX aims to achieve its medium-term goal of 10% ROE by striving to increase asset efficiency through quality asset expansion to capture business opportunities along with increased capital 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,		
		2011	2012	2013
Net income attributable to ORIX Corporation shareholders <sup>(1)</sup>	(Millions of yen)	¥ 66,021	¥ 83,509	¥ 111,909
ROE <sup>(2)</sup>	(%)	5.1	6.2	7.4
ROA <sup>(3)</sup>	(%)	0.81	0.99	1.33

(1) Prior-year amounts have been adjusted for the retrospective adoption of Accounting Standards Update 2010-26 ( Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts ASC 944 ( Financial Services Insurance )) on April 1, 2012.

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

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

**Medium- and Long-Term Corporate Management Strategies**

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 maintain profitability through the complementary nature of its diversified portfolio.

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

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.

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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 is embracing 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 its

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business models. ORIX will provide products and services valued by customers and society through Group-wide collaboration that transcends the division level, and by restructuring its business platform to capture new business opportunities.

**Evolution of Corporate Culture Underpinning the Management Strategies**

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

1. *Further advancement of risk management.* Implement thorough and transparent monitoring and control of risks, capturing characteristics of each business and the changing operating environment, while promoting mid-term management strategies. ORIX will also continue to maintain financial stability.
2. *Pursue transactions that are both socially responsible and economically viable.* Pursue transactions that are socially responsible from a compliance and environmental standpoint while providing products and services that are valued by clients and improve ORIX Group profitability.
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, 2011, 2012 and 2013.

	2011	Years ended March 31, 2012	2013
		(Millions of yen)	
Corporate Financial Services	¥ 10,035	¥ 21,532	¥ 24,754
Maintenance Leasing	26,203	34,710	36,091
Real Estate	54	1,349	5,582
Investment and Operation	13,212	15,983	34,937
Retail	21,811	19,352	43,209
Overseas Business	45,639	49,768	52,756
Total segment profits	116,954	142,694	197,329
Difference between segment total and consolidated amounts	(27,322)	(12,938)	(24,811)
Total Consolidated Amounts	¥ 89,632	¥ 129,756	¥ 172,518

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 cultivating strategic advantages vis-à-vis anticipated competitors in each area and by helping the ORIX Group achieve competitive advantage.

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

### **Corporate Financial Services**

#### *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's sales activities.

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

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

#### *Operating Environment*

There are indications that decline in the Japanese economy has bottomed out. High hopes concerning the Abe administration, which took office at the end of 2012, have to some extent already been vindicated by a substantial weakening of the yen and a broad-based rise in the stock market. Real estate prices have also shown signs of an upturn. The announcement of aggressive monetary easing by the new governor of the Bank of Japan encouraged the depreciation of the yen and the increase in stock prices. Expectations are mounting that the Abe administration will expand public investment to address disaster-prevention needs following the Great East Japan Earthquake and to maintain and renew Japan's aging infrastructure. The government's forthcoming economic growth strategy is the focus of eager anticipation.

On the other hand, due to the suspension of the operation of the country's nuclear power stations, there are concerns about the adverse impact on business of electricity supply constraints and the increase in the cost of electricity. The number of domestic corporate bankruptcies decreased for the fourth consecutive year in the fiscal year from April 2012 to March 2013 thanks to the positive effects of various financial support initiatives, including those under the SME Financing Facilitation Act, and a reduction in bankruptcies in the construction industry, which is benefitting from demand associated with reconstruction following the Great East Japan Earthquake. However, there are concerns that the expiration of the SME Financing Facilitation Act at the end of March 2013 and the termination of the support initiatives may lead to a rebound in the number of corporate bankruptcies in Japan.

#### *Overview of Business Strategies*

Expand the customer base through strengthened cooperation with Group companies

Accumulate small-sized quality assets

Capture environment- and energy-related demand

***Operating Strategy***

Through day to day transactions, sales personnel in the Corporate Financial Services segment are deepening their understanding of the segment's customers, including their specific needs and management issues. With the Corporate Financial Services segment constituting ORIX's sales platform, sales personnel develop and deliver

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the optimum solutions to customers by leveraging the high level expertise of the Group's business segments to expand the Group's business opportunities. The Corporate Financial Services seeks to enhance the profitability of the Group as a whole by expanding the customer base through stronger cooperation with Group companies and by accumulating small-sized quality assets. Moreover, the Corporate Financial Services will increase revenues from fee business by providing products and services aligned with customer needs to accelerate the pace of its Finance + Services strategy.

The Corporate Financial Services segment promotes consolidated management by target sharing with other business segments and Group companies, both domestic and foreign, and will especially aim to do so with ORIX Auto Corporation and ORIX Rentec Corporation. By promoting consolidated management, we will strengthen customer relations so that the customers of our Group companies including the customers of ORIX Auto Corporation will also become customers for other products and services offered by the Group.

The launch of solar panels sales has enabled the Corporate Financial Services segment to cultivate relationships with new customers with whom it had no previous transactions. The Corporate Financial Services segment is endeavoring to expand transactions not only with customers who actually purchased solar panels but with all potential customers to whom it marketed solar panels by continuing to offer solutions to management issues, which lead to sales of the Group's products and services. In addition to sales of solar panels, moving forward the Corporate Financial Services segment will develop new businesses and services in order to expand the Group's customer base and build a more stable revenue base.

## **Maintenance Leasing**

### *Overview of Operation*

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

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

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

### *Operating Environment*



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Consumer sentiment in Japan is showing signs of brightening, and the yen continues to depreciate thanks to the economic stimulus policies of the Abe administration, which took office at the end of 2012. Demand for automobile leasing and truck rentals is expected to rise due to increased capital expenditure resulting from the growth of domestic production and the government's plan for a large-scale public investment program. The weakening of the yen has helped increase tourism in Japan, resulting in greater demand for automobile rentals.

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

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The precision measuring equipment rental market in Japan is not expected to expand substantially in light of Japanese companies' continuing transfer of manufacturing capacity to overseas locations. At the same time, the competitive landscape remains relatively stable owing to the high barrier to entry due to substantial up-front investment and the difficulty of securing specialist personnel with the requisite expertise.

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

## ***Overview of Business Strategies***

ORIX Auto: Increase the number of new leasing contracts and expand high value-added services in the automobile business

ORIX Rentec: Capture demand in growth areas in the rental business

Streamline operations and continuously strengthen cost control

## ***Operating Strategy***

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

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

The integration of our automobile rental operations, which had been operating under three brands, was completed in April 2013. We will seek to strengthen our brand, expand our network of outlets and provide high quality service. In our car sharing business, which is one of the industry leaders in terms of the number of members and still growing, we will endeavor to improve customer convenience by optimizing the deployment of stations and vehicles.

In the equipment rental business, while working to maintain high market share, we intend to expand and strengthen our revenue base by increasing the number of new customers by focusing on growth areas, increasing rental of high margin products and introducing new rental items. We will also expand our customer base and range of products in the fields of environment and energy, environmental analysis and

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communication infrastructure and promote medical equipment rentals that require a high level of expertise and high value-added rentals by providing applications and cloud services designed to meet the needs of customers renting tablets. We will seek tie-ups with manufacturers and system companies in order to expand our products and services.

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

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### **Real Estate**

#### *Overview of Operation*

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

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

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

#### *Operating Environment*

Encouraged by the Bank of Japan's monetary easing policy, investors are returning to the real estate market, and there are signs of a recovery in real estate prices. In addition, leisure- and tourism-related demand is expected to grow due to increased consumption spurred by the monetary easing.

In the market for office buildings, vacancy rates are on a downward trend as the supply of new office buildings has slowed, and there are indications that the decline in rents has bottomed out and that J-REITs and overseas investors are increasing their purchases of real property.

In the condominium market, the contract completion rate in both the Tokyo and Osaka metropolitan areas remains above the key benchmark level of 70% and condominium sales have been robust. Anticipating an economic recovery and a spike in demand before an increase in the consumption tax, the supply of condominiums is expected to increase.

Price competition in the facilities operating business in Japan is likely to intensify in Japan due to the diversification of sales channels. Customers from overseas will constitute a promising market segment over the medium to long term. Despite the negative impact of the nuclear power issue and territorial disputes, the number of foreign tourists visiting Japan is rapidly increasing, a trend fueled by the weaker yen.

#### *Overview of Business Strategies*

Expand fee business by capitalizing on real estate value chain and expertise

Expand the revenue base by increasing income from rental assets in the leasing business and promoting the operations business

In the asset management business, expand fee business and promote joint investment with outside investors

*Operating Strategy*

In the real estate development and rental business, we are aiming to establish a revenue structure that can adapt to and leverage fluctuations of asset price and rent in the real estate market by promoting fee revenues and capturing income gain on disposal of assets. To expand fee business, we will leverage the strength of the Real Estate segment's comprehensive value chain, including leasing, asset management, finance and the ORIX Group's customer base. For example, not only will joint investment with foreign investors allow us to acquire a high-quality portfolio while minimizing the investment burden, the Real Estate segment's value chain will be deployed to maximum advantage to earn fees at every opportunity from property acquisition to asset management during the investment phase and from sales when exiting the investment.

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In the facilities operation business, we will review the portfolio and secure new facilities to improve profitability. At the same time, we will pursue improved service to ensure that ORIX delivers customer satisfaction that translates into repeat customers. In order to create and provide added value unique to ORIX facilities, we will promote the development of expert human resources.

## **Investment and Operation**

### *Overview of Operation*

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

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

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

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

### *Operating Environment*

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

In the non-performing loan market, with the expiration of the SME Finance Facilitation Act at the end of March 2013, there is a possibility that domestic financial institutions will move toward liquidating their non-performing loans. In addition, with the withdrawal of foreign multi-national businesses from Japan, the disposal of previously formed funds and an increase in concentration and choice of company business, there is good reason to be positive regarding investment opportunities.

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

### *Overview of Business Strategies*

Invest in the environment and energy fields and promote related business operations

Pursue profit opportunities capitalizing on loan servicing expertise and strengthen the corporate rehabilitation business

Expand principal investment both domestically and overseas

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### ***Operating Strategy***

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

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

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

In the loan servicing business, in addition to non-performing loan investment and loan servicing, we will continue to pursue profit opportunities, leveraging our loan servicing expertise in areas such as business succession, management support such as business rehabilitation, operation of corporate rehabilitation funds with financial institutions and also joint operations with business rehabilitation support companies through capital alliances.

In the principal investment business, we will leverage our track record to carefully select and actively invest in foreign and domestic business operations. After investing, we will provide hands-on support backed by specialists and use the sales platform of the Group to develop a base of customers and business partners to improve the corporate value of investees. We will seek opportunistic investments with an emphasis on domestic investment in medical related fields, IT services and the food industry. Overseas, we are focused on Asia and the Middle East, targeting the financial service business as an industry.

### **Retail**

#### ***Overview of Operation***

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

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



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

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

*Operating Environment*

In the domestic life insurance market, current trends include a shift toward small-lot individual insurance, an increase in the number of insurance policies and a decrease in total insurance in force. The demand for traditional

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life insurance remains sluggish, and the demand for so called third sector insurance such as medical insurance, which until now had shown steady growth, is showing signs of a slowdown. Meanwhile, the sales channels for insurance products continue to diversify to include bank, Internet and direct shop sales. In the investment environment, due to fiscal concerns, although we expect a rise in Japan's long term interest rates, we believe that it will continue to be challenging to secure favorable yields on fixed income investments.

In the banking industry, there has been little progress in the shift from saving to investment, and deposits continue to increase. Despite signs of a partial recovery in the corporate sector in terms of capital expenditures, the need for capital in overall terms remains flat. However, capital demand by individual investors investing in rental condominiums continues to be robust.

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

### ***Overview of Business Strategies***

Life Insurance: Expand through strengthening sales channels and maximizing sales of first sector products in addition to third sector products

Banking: Establish a profitable and balanced portfolio

Card Loan: Increase loan balances via the consolidated management of ORIX Bank and ORIX Credit

### ***Operating Strategy***

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

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

Focusing on corporate deposits and Internet-based fixed deposit accounts e-Direct Deposits aimed at individual customers, at the end of March 2013, the deposit balance (including negotiable deposits) of ORIX Bank reached more than ¥1 trillion. Through its financing operation of housing loans and corporate lending, ORIX Bank will continue to differentiate itself from other banks by continuing to establish a profitable and balanced portfolio and expanding its transactions with SMEs by offering consulting services that leverage the collective strength of the Group.

In order to exploit latent demands in the much-reduced market, the card loan business is planning expansion in three ways. Firstly, by expanding the ORIX Credit VIP Loan Card brand. Secondly, by expanding our bank operations using ORIX Credit's know-how and personnel to target customers who like using the bank brand. Thirdly, by expanding our card loan guarantee to other financial institutions using ORIX Credit's assessment know-how.

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### **Overseas Business**

#### *Overview of Operation*

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

Since first expanding into Hong Kong in 1971, the ORIX Group has established an overseas network spanning 343 bases in 27 countries and regions. Underpinned by a leasing, automobile leasing and corporate finance operating base that is aligned with the conditions of each country, the Overseas Business segment engages in real estate-related investments, principal investment and non-performing loan investment activities which are complemented by ship and aircraft leasing, management, investment, intermediary and sales activities.

#### *Operating Environment*

The US economy is showing continued moderate recovery backed by a rise in housing and stock prices and movement toward renewed consumer spending buoyed by an increase in employment levels and wages.

Although Asia is still feeling the effects of the global economic slowdown as a result of financial crisis in Europe, it has maintained relatively steady growth thanks to demand within the ASEAN economies.

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

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

#### *Overview of Business Strategies*

Continue to strengthen Finance + Services in the United States leveraging our expertise

Strengthen existing business, develop new business, and embrace growth in Asia through new investments

Expand fee business and increase new investment in aircraft business

*Operating Strategy*

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

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

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

**Table of Contents****DIVISIONS, MAJOR SUBSIDIARIES AND AFFILIATES**

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

**CAPITAL PRINCIPAL EXPENDITURES AND DIVESTITURES**

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

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

**PROPERTY, PLANT AND EQUIPMENT**

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

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

	As of March 31, 2013	
	Book Value (Millions of yen)	Land Space <sup>(1)</sup> (Thousands of m <sup>2</sup> )
Office building (Shiba, Minato-ku, Tokyo)	¥ 31,150	2
Office building (Tachikawa, Tokyo)	21,610	5
Office building (Osaka, Osaka)	13,144	2
Office building (Roppongi, Minato-ku, Tokyo)	11,318	1
Training facility (Funabashi, Chiba)	10,698	3
Industrial waste disposal and recycling facility (Yorii, Saitama)	11,351	

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

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Although we presently have no 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 ¥108,757 million as of March 31, 2013.

As of March 31, 2013, the acquisition cost of equipment we held for operating leases amounted to ¥1,803,396 million, consisting of ¥752,020 million of transportation equipment, ¥216,026 million of measuring and information-related equipment, ¥817,330 million of real estate and ¥18,020 million of others, before accumulated depreciation. Accumulated depreciation on equipment held for operating leases was ¥431,329 million as of the same date.

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**SEASONALITY**

Our business is not materially affected by seasonality.

**RAW MATERIALS**

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

**PATENTS, LICENSES AND CONTRACTS**

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

**BUSINESS REGULATION**

ORIX and its group companies in Japan are incorporated under, and our corporate activities are governed by, the Companies Act. However, ORIX and its group companies are involved in diverse businesses in overseas jurisdictions, including in Asia, North America and Middle East, and are therefore subject to various regulations and supervision in each jurisdiction in which they operate, including, but not limited to, regulations relating to business and investment approvals, antitrust, 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 specified documents such as their annual business reports. Accordingly, pursuant to the Moneylending Business Act, ORIX and certain of our group companies register with the Prime Minister and various prefectural governors and provide the necessary reporting and notification to the FSA. The FSA has the power to issue business improvement orders to suspend all or part of a business's activities, or to revoke the registration of a moneylender that has violated the law.

***Real Estate Business***

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

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### ***Car Rental Business***

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

### ***Insurance Business***

ORIX Life Insurance 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 OAC, are registered as life insurance agents with the Prime Minister.

### ***Financial Instruments Exchange Business***

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

#### ***(1) First Class Financial Instruments Exchange Business***

ORIX Whole Sale Securities Corporation ( ORIX Whole Sale ) is registered with the Prime Minister under the Financial Instruments and Exchange Act. The first class financial instruments exchange business includes the trading of highly liquid financial products, such as the sale and solicitation of listed securities. The Financial Instruments and Exchange Act regulates the conduct and business activities of securities companies in connection with securities transactions. In addition, under the Financial Instruments and Exchange Act, any entity possessing voting rights in a securities company (first class financial instruments trader) or its parent company at or above a specified threshold is considered a major shareholder and must report its shareholding to the Prime Minister. ORIX has filed such a report as a major shareholder of ORIX Whole Sale, as well as Monex Group, Inc., which became an equity-method affiliate of ORIX as a result of a share exchange completed with ORIX in January 2010.

*(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.

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### *(3) Investment Management Business*

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

### *(4) Investment Advisory and Agency Business*

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

### *(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 ( 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 ORIX Eco Services Corporation provide waste management services regulated by the Waste Management and Public Cleansing Act.

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

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

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### ***Regulation on Share Acquisitions***

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

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

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

### **OUTSIDE JAPAN**

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

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

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

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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.

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

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

**LEGAL PROCEEDINGS**

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

**Item 4A. Unresolved Staff Comments**

None.



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**OVERVIEW**

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

**Market Environment**

Although the global economy continues to carry downside risks such as decelerating growth in emerging countries and lingering uncertainties concerning European sovereign debt issues, we believe the risk of another serious global financial crisis is receding, and there are signs of improvement in the U.S. economy.

The United States economy is in a state of moderate recovery backed by an increase in employment and a positive recovery trend in consumer spending due to the rise in wages. The Dow Jones Industrial Average achieved record highs for consecutive days during the end of March in conjunction with the improvement in the residential housing market and various economic indicators.

The economic slowdown in Europe is weakening the pace of growth in some parts of Asia including China and India constraining them from leading growth in the global economy. However, some countries in Southeast Asia such as Indonesia continue to maintain high growth

compared to advanced economies.

Japan has seen developments that might lead to a bottoming out of its economy with the rapid pace of the weakening yen and rising stock prices, which came about largely due to policy initiatives of the Abe administration, which took office at the end of 2012. The subsequent announcement of aggressive monetary easing by the Bank of Japan ( BOJ ) led by new BOJ leadership caused further depreciation of the yen and stock market recovery, resulting in the Nikkei Stock Average returning to its pre-financial crisis level and long-term interest rates reaching a record low. Particular attention is directed toward the ability of the Abe administration to execute its growth strategy.

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### **Results Overview**

Net Income Attributable to ORIX Corporation Shareholders increased 34% to ¥111,909 million compared to fiscal 2012 primarily due to a significant increase in profits from the Investment and Operation and Retail segment, robust performance by the Corporate Financial Services segment and a continued high profit level in the Maintenance Leasing and Overseas Business segments.

The main factors underlying our performance in fiscal 2013 are outlined below.

Compared to fiscal 2012, segment profit increased for all segments.

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.

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

The Investment and Operation segment's profits increased due to gains on sales of Aozora Bank shares, an increase in revenues from large collections in the loan servicing business and an increase in profits from equity-method affiliates.

The Retail segment's profits increased due to an increase in installment loan revenues resulting from the consolidation of ORIX Credit Corporation, steady growth in life insurance premiums and the absence of a write-down recognized for investment in equity-method affiliate Monex Group, Inc. during the previous fiscal year.

The Overseas Business segment's profits increased due to contributions from direct financing leases in Asia, automobile and aircraft operating leases and an increase in fee revenues 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 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

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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.

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, other securities and derivatives at fair value on a recurring basis. A subsidiary measures certain loans held for sale originated on and after October 1, 2011 and certain fund investments in other securities originated on and after April 1, 2012 at fair value on a recurring basis as it elected the fair value option under ASC 825-10 ( 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, 2013:

	March 31, 2013			
	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)				
<b>Financial Assets:</b>				
Loans held for sale	¥ 16,026	¥ 0	¥ 16,026	¥ 0
Trading securities	33,041	2,184	30,857	0
Available-for-sale securities	757,299	166,398	453,923	136,978
Other securities	5,800	0	0	5,800
Derivative assets	14,598	147	12,352	2,099
<b>Total</b>	<b>¥ 826,764</b>	<b>¥ 168,729</b>	<b>¥ 513,158</b>	<b>¥ 144,877</b>
<b>Financial Liabilities:</b>				
Derivative liabilities	¥ 18,037	¥ 0	¥ 18,037	¥ 0

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Total	¥ 18,037	¥	0	¥ 18,037	¥	0
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Compared to financial assets classified as Level 1 and Level 2, measurements of financial assets classified as Level 3 are particularly sensitive because of their significance to the financial statements and the possibility that future events affecting the fair value measurements may differ significantly from management's current measurements.

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As of March 31, 2013, 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, 2013	
	Significant Unobservable Inputs (Level 3) (Millions of yen, except percentage data)	Percentage of Total Assets (%)
<b>Level 3 Assets:</b>		
Available-for-sale securities	¥ 136,978	2
Corporate debt securities	6,524	0
Specified bonds issued by SPEs in Japan	63,244	1
CMBS and RMBS in the U.S., and other asset-backed securities	58,899	1
Other debt securities	8,311	0
Other securities	5,800	0
Investment funds	5,800	0
Derivative assets	2,099	0
Options held/written and other	2,099	0
<b>Total Level 3 financial assets</b>	<b>¥ 144,877</b>	<b>2</b>
<b>Total assets</b>	<b>¥ 8,439,710</b>	<b>100</b>

As of March 31, 2013, the amount of financial assets classified as Level 3 was ¥144,877 million, among financial assets and liabilities (net) that we measured at fair value on a recurring basis. Level 3 assets represent 2% 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 ¥63,244 million as of March 31, 2013, which is 46% of Level 3 available-for-sale securities. CMBS and RMBS in the U.S., and other asset-backed securities as Level 3 available-for-sale securities were ¥58,899 million as of March 31, 2013, which is 43% of Level 3 available-for-sale securities. We classified the specified bonds as Level 3 because we measure their fair value using unobservable inputs. Since the specified bonds do not trade in an open market, no relevant observable market data is available. Accordingly, to measure their fair value we use a discounted cash flow model that incorporates significant unobservable inputs as further discussed below.

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

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With respect to the CMBS and RMBS in the United States, we 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



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

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

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

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

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

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

business characteristics and financial condition of obligors;

current economic conditions and trends;

prior charge-off experience;

current delinquencies and delinquency trends; and

value of underlying collateral and guarantees.

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

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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.

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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 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.

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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 may make a qualitative assessment to determine whether it is more likely than not that a reporting unit's fair value is less than its carrying amount. If we conclude that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we 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.

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

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

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

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

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### **IMPAIRMENT OF LONG-LIVED ASSETS**

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

significant decline in the market value of an asset;

significant deterioration in the usage range and method, or physical condition, of an asset;

significant deterioration of legal factors or the business environment, including an adverse action or assessment by a regulator;

acquisition and construction costs substantially exceeding estimates;

continued operating loss or actual or potential loss of cash flows; or

potential loss on sale, having a plan of sale.

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

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

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

### **UNGUARANTEED RESIDUAL VALUE FOR DIRECT FINANCING LEASES AND OPERATING LEASES**

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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.



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### **INSURANCE POLICY LIABILITIES AND DEFERRED POLICY ACQUISITION COSTS**

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

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

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

### **ASSESSING HEDGE EFFECTIVENESS AND MEASURING INEFFECTIVENESS**

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

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

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

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

**PENSION PLANS**

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

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

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

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

We use March 31 as a measurement date for our pension assets and projected benefit obligation balances under all of our material plans. If we were to assume a 1% increase or decrease in the expected long-term rate of return, holding the discount rate and other actuarial assumptions constant, pension expense for fiscal 2013 would decrease or increase, respectively, by approximately ¥970 million.

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

If we were to assume a 1% increase in the discount rate, and keep the expected long-term rate of return and other actuarial assumptions constant, pension expense for fiscal 2013 would decrease by approximately ¥941 million. If we were to assume a 1% decrease in the discount rate, and keep other assumptions constant, pension expense for fiscal 2013 would increase by approximately ¥1,040 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.

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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

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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 2013.

**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 2013, as well as the fair value as of the end of fiscal 2013.

Balance at April 1, 2012	Year ended March 31, 2013		Fair value at March 31, 2013 <sup>(2)</sup>
	Carrying amount <sup>(1)</sup> Change amount	Balance at March 31, 2013	
¥912,495	¥(65,265)	¥847,230	¥857,747

(Millions of yen)

<sup>(1)</sup> Carrying amounts are stated as cost less accumulated depreciation.

<sup>(2)</sup> 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 2013 consisted of the following:

Revenue <sup>(1)</sup>	Expense <sup>(1)</sup>	Year ended March 31, 2013		Net
		Operating income (Millions of yen)	Income from discontinued operations <sup>(2)</sup>	
¥70,652	¥ 54,460	¥ 16,192	¥ 6,447	¥ 22,639

- (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.

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**RESULTS OF OPERATIONS**

**GUIDE TO OUR CONSOLIDATED STATEMENT OF INCOME**

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

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

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

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

The diversified nature of our operations is reflected in our presentation of operating results through the categorization of our revenues and expenses to align with operating activities. We categorize our revenues into direct financing leases, operating leases, interest on loans and investment securities, brokerage commissions and net gains (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.

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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.



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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, 2013 Compared to Year Ended March 31, 2012 and Year Ended March 31, 2012 Compared to Year Ended March 31, 2011.

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. 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, 2013 COMPARED TO YEAR ENDED MARCH 31, 2012****Performance Summary****Financial Results**

	Year ended March 31,		Change	
	2012 <sup>(3)</sup>	2013	Amount	Percent (%)
(Millions of yen, except ratios, per share data				
and percentages)				
Total revenues	¥ 970,821	¥ 1,065,638	¥ 94,817	10
Total expenses	846,354	915,040	68,686	8
Income before Income Taxes and Discontinued Operations	129,756	172,518	42,762	33
Net Income Attributable to ORIX Corporation Shareholders	83,509	111,909	28,400	34
Earnings per share <sup>(4)</sup>				
(Basic)	77.68	102.87	25.19	32
(Diluted)	65.03	87.37	22.34	34
ROE <sup>(1)</sup>	6.2	7.4	1.2	
ROA <sup>(2)</sup>	0.99	1.33	0.34	

- (1) ROE is the ratio of Net Income Attributable to ORIX Corporation Shareholders for the period to average ORIX Corporation Shareholders Equity based on fiscal year beginning and ending balances.
- (2) ROA is the ratio of Net Income Attributable to ORIX Corporation Shareholders for the period to average Total Assets based on fiscal year beginning and ending balances.
- (3) Certain amounts have been adjusted for the retrospective adoption of Accounting Standards Update 2010-26 ( Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts ASC 944 ( Financial Services Insurance )) on April 1, 2012.

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- (4) On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. The per share data has been retrospectively adjusted to reflect the stock split for all periods presented.

Total revenues for fiscal 2013 increased 10% to ¥1,065,638 million compared to ¥970,821 million during the previous fiscal year. Compared to the previous fiscal year, operating lease revenues increased due to increases in auto leasing and aircraft leasing overseas, life insurance premiums and related investment income increased due to an increase in the number of policies in force, and other operating revenues increased mainly due to an expansion in the real estate operating business and environment and energy businesses, and an increase in fee revenues. Meanwhile, revenues from real estate sales decreased compared to the previous fiscal year due to a decline in condominium units sold.

Total expenses for fiscal 2013 increased 8% to ¥915,040 million compared to ¥846,354 million during the previous fiscal year. Costs of operating leases increased in line with an increase in investment in operating leases, other operating expenses increased mainly due to the expansion of the real estate operating business and environment and energy businesses, and selling, general and administrative expenses increased due to the consolidation of ORIX Credit Corporation and the effect of other corporate acquisitions. Meanwhile, compared to the previous fiscal year, interest expense decreased due to decreases in the balance of liabilities and funding cost, and provision for doubtful receivables and probable loan losses decreased due to a decrease in the balance of non-performing loans.

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

As a result of the foregoing, income before income taxes and discontinued operations for the fiscal year increased 33% to ¥172,518 million compared to ¥129,756 million during the previous fiscal year, and net income attributable to ORIX Corporation shareholders increased 34% to ¥111,909 million compared to ¥83,509 million during the previous fiscal year.

**Balance Sheet data**

	As of March 31,		Change	
	2012 <sup>(1)</sup>	2013	Amount	Percent (%)
(Millions of yen except ratios, per share and percentages)				
Total Assets	¥ 8,332,830	¥ 8,439,710	¥ 106,880	1
(Segment assets)	6,002,139	6,202,664	200,525	3
Total Liabilities	6,874,726	6,710,516	(164,210)	(2)
(Long- and short-term debt)	4,725,453	4,482,260	(243,193)	(5)
(Deposits)	1,103,514	1,078,587	(24,927)	(2)
ORIX Corporation Shareholders' Equity	1,380,736	1,643,596	262,860	19
ORIX Corporation Shareholders' Equity per share <sup>(2)</sup>	1,284.15	1,345.63	61.48	5
ORIX Corporation Shareholders' Equity ratio <sup>(3)</sup>	16.6%	19.5%	2.9%	
Adjusted ORIX Corporation Shareholders' equity ratio <sup>(4)</sup>	18.8%	21.4%	2.6%	
D/E ratio (Debt-to-equity ratio) (Long- and short-term debt (excluding deposits) / ORIX Corporation Shareholders' equity)	3.4x	2.7x	(0.7)x	
Adjusted D/E ratio <sup>(4)</sup>	2.8x	2.3x	(0.5)x	

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- (1) Certain amounts have been adjusted for the retrospective adoption of Accounting Standards Update 2010-26 ( Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts ASC 944 ( Financial Services Insurance )) effective April 1, 2012.

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- (2) On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. The per share data has been retrospectively adjusted to reflect the stock split for all periods presented.
- (3) ORIX Corporation Shareholders' equity ratio is the ratio as of the period end of ORIX Corporation Shareholders' equity to total assets.
- (4) Adjusted ORIX Corporation Shareholders' equity ratio and Adjusted D/E ratio are non-GAAP financial measures presented on an adjusted basis which excludes the effect of consolidating certain VIEs on our assets or liabilities and reverses the cumulative effect on our retained earnings of such consolidation, which resulted from applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010. For a discussion of these and other non-GAAP financial measures, including a quantitative reconciliation to the most directly comparable GAAP financial measures, please see Non-GAAP Financial Measures under this Item 5.

Total assets as of March 31, 2013 increased 1% to ¥8,439,710 million from ¥8,332,830 million as of March 31, 2012. Investment in direct financing leases increased due to robust new transactions in the Asian region, and investment in operating leases increased primarily due to strong auto leasing and aircraft leasing overseas. On the other hand, installment loans decreased due to collection of loans, while investment in securities also decreased primarily due to sales or redemption of available-for-sale securities. Segment assets increased 3% compared to March 31, 2012 to ¥6,202,664 million.

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

ORIX Corporation Shareholders' equity increased 19% compared to March 31, 2012 to ¥1,643,596 million due to increases in common stock and additional paid-in capital due to conversions of outstanding convertible bonds and an increase in retained earnings.

**Details of Operating Results**

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

**Revenues, New Business Volumes and Investments****Direct financing leases**

	As of and for the year ended		Amount	Change Percent (%)
	2012	March 31, 2013		
	(Millions of yen, except percentage data)			
<b>Direct financing leases:</b>				
Direct financing lease revenues	¥ 50,934	¥ 54,356	¥ 3,422	7
Japan	34,647	35,179	532	2
Overseas	16,287	19,177	2,890	18
New equipment acquisitions	405,660	455,433	49,773	12

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Japan	254,358	298,461	44,103	17
Overseas	151,302	156,972	5,670	4
Investment in direct financing leases	900,886	989,380	88,494	10
Japan	669,131	692,584	23,453	4
Overseas	231,755	296,796	65,041	28

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

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

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

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

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

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

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

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	As of and for the year ended March 31,		Change	
	2012	2013	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Operating leases:</b>				
Operating lease revenues	¥ 287,202	¥ 300,665	¥ 13,463	5
Japan	229,617	236,380	6,763	3
Overseas	57,585	64,285	6,700	12
Costs of operating leases	184,156	197,484	13,328	7
New equipment acquisitions	246,822	295,765	48,943	20
Japan	197,124	191,450	(5,674)	(3)
Overseas	49,698	104,315	54,617	110
Investment in operating leases	1,309,998	1,395,533	85,535	7
Japan	1,140,247	1,148,595	8,348	1
Overseas	169,751	246,938	77,187	45

Revenues from operating leases for fiscal 2013 increased 5% to ¥300,665 million compared to fiscal 2012. In Japan, operating lease revenues increased mainly due to an increase in revenue from automobile operations and an increase in revenues from rental operations such as measuring and information-related equipment. Overseas, operating lease revenues increased mainly due to an increase in aircraft leasing. In fiscal 2012 and 2013, gains from the disposition of operating lease assets other than real estate, which were included in operating lease revenues, were ¥14,721 million and ¥14,032 million, respectively.

Costs of operating leases increased 7% to ¥197,484 million compared to fiscal 2012 due to an increase in depreciation expenses resulting from a year on year increase in the average monthly balance of investment in operating leases.

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

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

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





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Investment in transportation equipment operating leases rose 28% year on year, mainly due to an increase in investment in automobile operations in Japan and an increase in investment in aircraft overseas. Investment in measuring and information-related equipment operating leases rose 29% year on year because of an increase in new equipment acquisitions in Japan. Investment in real estate under operating leases fell 6% year on year, mainly due to sales of real estate.

**Installment loans**

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

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

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

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

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

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

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

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

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

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

As of March 31, 2013, ¥276,681 million, or 10%, of all installment loans were outstanding to real estate companies in Japan and overseas. Of this amount, ¥47,126 million, or 2% of all installment loans, were loans individually evaluated for impairment. We calculated an allowance of ¥15,862 million on these impaired loans. As of March 31, 2013, we had installment loans outstanding in the amount of ¥121,259 million, or 5% of all installment loans, to companies in the entertainment industry. Of this amount, ¥12,037 million, or 0.4% of all installment loans, were loans individually evaluated for impairment. We calculated an allowance of ¥2,118 million on these impaired loans.

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



**Table of Contents***Asset quality**Direct financing leases*

	As of March 31, 2012                      2013 (Millions of yen, except percentage data)	
<b>90+ days past-due direct financing leases and allowances for direct financing leases:</b>		
90+ days past-due direct financing leases	¥ 17,441	¥ 15,806
90+ days past-due direct financing leases as a percentage of the balance of investment in direct financing leases	1.94%	1.60%
Provision as a percentage of average balance of investment in direct financing leases <sup>(1)</sup>	0.31%	0.26%
Allowance for direct financing leases	¥ 16,852	¥ 15,830
Allowance for direct financing leases as a percentage of the balance of investment in direct financing leases	1.87%	1.60%

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

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

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

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

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

The ratio of charge-offs as a percentage of the average balance of investment in direct financing leases was 0.81% and 0.43% for fiscal 2012 and 2013, respectively.

*Loans not individually evaluated for impairment*

As of March 31,  
2012                      2013  
(Millions of yen, except  
percentage data)

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<b>90+ days past-due loans and allowance for installment loans:</b>		
90+ days past-due loans not individually evaluated for impairment	¥ 8,604	¥ 7,745
90+ days past-due loans not individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.35%	0.31%
Provision (reversal) as a percentage of average balance of installment loans not individually evaluated for impairment <sup>(1)</sup>	(0.20)%	(0.12)%
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment	¥ 28,329	¥ 23,283
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	1.14%	0.94%

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

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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 10% to ¥7,745 million in fiscal 2013.

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

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

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 0.09% and 0.13% for fiscal 2012 and 2013, respectively.

*Loans individually evaluated for impairment*

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



Effect of the application of the accounting standards for the consolidation of  
VIEs<sup>(1)</sup>

- (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 accounting standards for consolidation of VIEs under ASU 2009-16 and ASU 2009-17.
- (2) The allowance is individually evaluated based on the present value of expected future cash flows, the loan's observable market price or the fair value of the collateral securing the loans if the loans are collateral dependent.

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

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, 2012                      2013 (Millions of yen)	
<b>Impaired loans:</b>		
Consumer borrowers in Japan		
Housing loans	¥ 8,979	¥ 8,494
Card loans		1,858
Other		504
Subtotal	8,979	10,856
Corporate borrowers in Japan		
Real estate companies	72,038	47,126
Non-recourse loans	44,148	23,415
Commercial, industrial and other companies	77,277	50,680
Subtotal	193,463	121,221
Overseas		
Non-recourse loans	38,809	37,635
Other	17,616	13,921
Subtotal	56,425	51,556
Purchased loans	34,907	29,107
Total	¥ 293,774	¥ 212,740

**Table of Contents****Provision for doubtful receivables and probable loan losses**

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

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

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

**Investment Securities**

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

- (1) The balance of investment in securities related to our life insurance operations are included in investment in securities in the consolidated balance sheets; 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.

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

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

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

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

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

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

	Year ended March 31,		Change	
	2012	2013	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Brokerage commissions and net gains on investment securities:</b>				
Brokerage commissions	¥ 24	¥ 122	¥ 98	408
Net gains on investment securities <sup>(1)</sup>	24,894	28,805	3,911	16
Dividend income <sup>(1)</sup>	4,419	5,887	1,468	33

Total	¥ 29,337	¥ 34,814	¥ 5,477	19
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- (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.

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Brokerage commissions and net gains on investment securities increased 19% to ¥34,814 million in fiscal 2013, compared to fiscal 2012. Our brokerage commissions increased 408% primarily due to an increase in revenues from the securities operations. Net gains on investment securities increased 16% to ¥28,805 million in fiscal 2013, compared to fiscal 2012, primarily due to an increase of net gains on domestic available-for-sale securities resulting from recovery of the financial and capital markets in Japan. Dividend income increased 33% to ¥5,887 million in fiscal 2013 compared to fiscal 2012.

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

**Life insurance**

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

	Year ended March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
<b>Life insurance premiums and related investment income and life insurance costs:</b>				
Life insurance premiums	¥ 116,836	¥ 130,187	¥ 13,351	11
Life insurance-related investment income	11,375	8,539	(2,836)	(25)
Total	¥ 128,211	¥ 138,726	¥ 10,515	8
Life insurance costs	¥ 93,421	¥ 98,599	¥ 5,178	6

The amount of life insurance costs for fiscal 2012 has been adjusted retrospectively due to the adoption of Accounting Standards Update 2010-26.

	Year ended March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
<b>Breakdown of life insurance-related investment income:</b>				
Net income on investment securities	¥ 5,786	¥ 5,350	¥ (436)	(8)
Interest on loans, income on real estate under operating leases, and others	5,589	3,189	(2,400)	(43)
Total	¥ 11,375	¥ 8,539	¥ (2,836)	(25)

Life insurance premiums and related investment income increased 8% to ¥138,726 million in fiscal 2013 compared to fiscal 2012.

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

Income on real estate under operating leases decreased due to a decline of gains on sales of real estate. As a result, life insurance-related investment income decreased 25% to ¥8,539 million in fiscal 2013 compared to fiscal 2012.



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

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

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

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

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

**Real estate sales**

	Year ended March 31,		Change	
	2012	2013	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Real estate sales:</b>				
Real estate sales	¥ 61,029	¥ 38,804	¥ (22,225)	(36)
Costs of real estate sales	59,534	39,430	(20,104)	(34)
Margins	¥ 1,495	¥ (626)	¥ (2,121)	

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

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

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

*Gains on sales of real estate under operating leases*

	Year ended March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
<b>Gains on sales of real estate under operating leases:</b>				
Gains on sales of real estate under operating leases	¥ 2,215	¥ 5,800	¥ 3,585	162

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Gains on sales of real estate under operating leases increased 162% year on year to ¥5,800 million in fiscal 2013, mainly due to an increase in profits from the large sale of real estate in Japan.

Where we have significant continuing involvement in the operations of real estate under operating leases which have been disposed of, the gains or losses arising from such disposition are separately disclosed as gains on sales of real estate under operating leases, while if we have no significant continuing involvement of operations of such disposed real estate properties, the gains or losses are reported as income from discontinued operations. For a discussion of our accounting policy for discontinued operations, see Note 26 of Item 18. Financial Statements.

**Other operations**

	As of and for the year ended		Change Amount	Change Percent (%)
	2012	March 31, 2013		
	(Millions of yen, except percentage data)			
<b>Other operations:</b>				
Other operating revenues	¥ 264,005	¥ 336,510	¥ 72,505	27
Japan	198,520	262,393	63,873	32
Overseas	65,485	74,117	8,632	13
Other operating expenses	152,827	200,146	47,319	31
New assets added	37,876	12,931	(24,945)	(66)
Japan	36,548	12,479	(24,069)	(66)
Overseas	1,328	452	(876)	(66)
Other operating assets	206,109	233,258	27,149	13
Japan	189,293	212,695	23,402	12
Overseas	16,816	20,563	3,747	22

Other operating revenues were up 27% year on year to ¥336,510 million. In Japan, revenues were up 32% to ¥262,393 million compared to ¥198,520 million in fiscal 2012, mainly due to an increase in earnings of the aquarium business and environment and energy related business and an increase of private equity investment related business. Overseas, revenues were up 13% to ¥74,117 million compared to ¥65,485 million in fiscal 2012, due to an increase of revenues from advisory services in the United States and an increase of revenues from car-related service associated with ORIX Auto Infrastructure Services Limited in India being a consolidated subsidiary for the full fiscal 2013.

Other operating expenses were up 31% year on year to ¥200,146 million resulting from the recognition of expenses from aquarium business, environment and energy related business, and private equity investment-related business, corresponded to the increase in other operating revenues.

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

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

*Expenses*

*Interest expense*

Interest expense decreased 8% to ¥101,275 million compared to fiscal 2012. Our total outstanding short-term debt, long-term debt and deposits decreased 5% to ¥5,560,847 million compared to fiscal 2012.

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

***Selling, general and administrative expenses***

	Year ended March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
<b>Selling, general and administrative expenses:</b>				
Personnel expenses	¥ 126,089	¥ 138,262	¥ 12,173	10
Selling expenses	20,834	29,849	9,015	43
Administrative expenses	45,326	54,542	9,216	20
Depreciation of office facilities	3,228	2,994	(234)	(7)
Total	¥ 195,477	¥ 225,647	¥ 30,170	15

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

***Write-downs of long-lived assets***

As a result of the impairment reviews we performed during fiscal 2013 for long-lived assets in Japan and overseas, such as golf courses, office buildings, commercial facilities other than office buildings, condominiums, and land undeveloped or under construction, write-downs of long-lived assets increased 4% to ¥21,053 million during fiscal 2013 compared to the previous fiscal year. These write-downs are reflected as write-downs of long-lived assets and income from discontinued operations, net. ¥19,117 million is reflected as write-downs of long-lived assets in our consolidated statement of income. These write-downs consist of impairment losses of ¥1,978 million on 16 office buildings, ¥2,024 million on six commercial facilities other than office buildings, ¥4,995 million on 17 condominiums, ¥7,426 million on five parcels of lands undeveloped or under construction, and ¥4,630 million on 23 other assets, because the assets were classified as held for sale or the carrying amount exceeded the estimated undiscounted future cash flows.

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

***Write-downs of securities***

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

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### ***Foreign currency transaction loss (gain), net***

We recognized a foreign currency transaction net loss in the amount of ¥488 million in fiscal 2013. In contrast, we recognized a foreign currency transaction net gain in the amount of ¥218 million in fiscal 2012. For information on the impact of foreign currency fluctuations, see Item 11. Quantitative and Qualitative Disclosures about Market Risk.

### ***Equity in net income of affiliates***

Equity in net income of affiliates increased in fiscal 2013 to ¥14,037 million compared to ¥1,972 million in fiscal 2012. In fiscal 2012, a write-down was recorded for the investment in the equity-method affiliate Monex Group, Inc. In fiscal 2013, the recorded gain was mainly due to contributions from equity-method affiliates in Japan. Net loss from joint ventures in Japan was ¥276 million improved from a net loss of ¥1,295 million in fiscal 2012. The number of residential condominiums delivered through joint ventures in Japan decreased to 519 units in fiscal 2013 from 785 units in fiscal 2012, however, gains from some real estate investment properties contributed to the profit improvement of these joint ventures.

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

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

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

### ***Provision for income taxes***

Provision for income taxes in fiscal 2013 was ¥53,656 million, compared to ¥45,475 million in fiscal 2012. The increase of ¥8,181 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***

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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 88% compared to fiscal 2012 to ¥196 million in fiscal 2013 primarily due to a decrease of net income from subsidiaries sold.

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 2013, net income attributable to the noncontrolling interests was ¥3,164 million.



**Table of Contents****Net income attributable to the redeemable noncontrolling interests**

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

**Segment Information**

Our business is organized into six segments 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.

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	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues <sup>(1)</sup> :				
Corporate Financial Services	¥ 72,449	¥ 72,463	¥ 14	0
Maintenance Leasing	231,951	238,316	6,365	3
Real Estate	222,631	215,212	(7,419)	(3)
Investment and Operation	73,293	121,933	48,640	66
Retail	160,071	188,695	28,624	18
Overseas Business	187,240	202,516	15,276	8
Segment Total	947,635	1,039,135	91,500	10
Difference between Segment Total and Consolidated Amounts	23,186	26,503	3,317	14
Consolidated Amounts	¥ 970,821	¥ 1,065,638	¥ 94,817	10

<sup>(1)</sup> Results of discontinued operations are included in segment revenues of each segment.



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	Year ended March 31,		Amount	Change Percent (%)
	2012	2013		
(Millions of yen, except percentage data)				
<b>Segment Profits<sup>(1)</sup>:</b>				
Corporate Financial Services	¥ 21,532	¥ 24,754	¥ 3,222	15
Maintenance Leasing	34,710	36,091	1,381	4
Real Estate	1,349	5,582	4,233	314
Investment and Operation	15,983	34,937	18,954	119
Retail	19,352	43,209	23,857	123
Overseas Business	49,768	52,756	2,988	6
Segment Total	142,694	197,329	54,635	38
Difference between Segment Total and Consolidated Amounts	(12,938)	(24,811)	(11,873)	
Consolidated Amounts	¥ 129,756	¥ 172,518	¥ 42,762	33

(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,		Amount	Change Percent (%)
	2012	2013		
(Millions of yen, except percentage data)				
<b>Segment Assets:</b>				
Corporate Financial Services	¥ 898,776	¥ 892,738	¥ (6,038)	(1)
Maintenance Leasing	537,782	599,075	61,293	11
Real Estate	1,369,220	1,111,810	(257,410)	(19)
Investment and Operation	471,145	416,569	(54,576)	(12)
Retail	1,738,454	1,970,972	232,518	13
Overseas Business	986,762	1,211,500	224,738	23
Segment Total	6,002,139	6,202,664	200,525	3
Difference between Segment Total and Consolidated Amounts	2,330,691	2,237,046	(93,645)	(4)
Consolidated Amounts	¥ 8,332,830	¥ 8,439,710	¥ 106,880	1

**Corporate Financial Services Segment**

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

Segment assets remained relatively flat year on year at ¥892,738 million, as an increase in investment in direct financing leases offset a decrease in the balance of installment loans.

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Installment loan revenues decreased in line with a decrease in the average balance of installment loans despite a steady trend in new business volume. Meanwhile, direct financing lease revenues remained robust, backed by solid new transaction volume and an increase in the average balance. As a result, segment revenues remained relatively flat compared to fiscal 2012 at ¥72,463 million.

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

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As a result of the foregoing, segment profits increased 15% to ¥24,754 million compared to ¥21,532 million during fiscal 2012.

### ***Maintenance Leasing Segment***

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

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

Segment revenues increased 3% to ¥238,316 million compared to ¥231,951 million during fiscal 2012 due to solid revenues from operating leases. Meanwhile, segment expenses increased as a result of an increase in costs of operating leases in line with increased investment in operating leases, despite a decrease in selling, general and administrative expenses compared to fiscal 2012.

As a result of the foregoing, segment profits increased 4% to ¥36,091 million compared to ¥34,710 million during fiscal 2012.

Segment assets increased 11% compared to March 31, 2012, to ¥599,075 million due to an increase in investment in operating leases.

### ***Real Estate Segment***

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

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

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

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

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

Segment assets decreased 19% compared to March 31, 2012, to ¥1,111,810 million due to sales of real estate under operating leases, as well as decreases in installment loans and investment in securities.

***Investment and Operation Segment***

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

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

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

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

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

Segment assets decreased 12% compared to March 31, 2012 to ¥416,569 million due to decreases in investment in securities and installment loans.

### ***Retail Segment***

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

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

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

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

Segment assets increased 13% compared to March 31, 2012 to ¥1,970,972 million, mainly due to an increase in installment loans as a result of consolidation of ORIX Credit Corporation.

*Overseas Business Segment*

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

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

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

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



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

Segment assets increased 23% compared to March 31, 2012 to ¥1,211,500 million due to increases in investment in operating leases, including aircraft, and investment in direct financing leases in Asia, in addition to the effect of yen depreciation.

**YEAR ENDED MARCH 31, 2012 COMPARED TO YEAR ENDED MARCH 31, 2011****Performance Summary****Financial Results**

	Year ended March 31,			Change	
	2011 <sup>(3)</sup>	2012 <sup>(3)</sup>	Amount	Percent (%)	
	(Millions of yen, except ratios, per share data and percentages)				
Total revenues	¥ 941,006	¥ 970,821	¥ 29,815	3	
Total expenses	869,379	846,354	(23,025)	(3)	
Income before Income Taxes and Discontinued Operations	89,632	129,756	40,124	45	
Net Income Attributable to ORIX Corporation Shareholders	66,021	83,509	17,488	26	
Earnings per share <sup>(4)</sup>					
	(Basic)	61.42	77.68	16.26	26
	(Diluted)	51.83	65.03	13.20	25
ROE <sup>(1)</sup>	5.1	6.2	1.1		
ROA <sup>(2)</sup>	0.81	0.99	0.18		

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

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

(3) Certain amounts have been adjusted for the retrospective adoption of Accounting Standards Update 2010-26 ( Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts - ASC 944 ( Financial Services - Insurance )) on April 1, 2012.

(4) On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. The per share data has been adjusted retrospectively to reflect the stock split for all periods presented.

Total revenues for fiscal 2012 increased 3% to ¥970,821 million compared to ¥941,006 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. 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 revenues from re-leased automobiles. 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.

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Total expenses for fiscal 2012 decreased 3% to ¥846,354 million compared to ¥869,379 million during the previous fiscal year. Both interest expenses and provisions 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.

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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.

As a result of the foregoing, income before income taxes and discontinued operations for fiscal 2012 increased 45% to ¥129,756 million compared to ¥89,632 million during the previous fiscal year, and net income attributable to ORIX Corporation increased 26% to ¥83,509 million compared to ¥66,021 million during the previous fiscal year.

**Balance Sheet data**

	As of March 31,		Change	
	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>	Amount	Percent (%)
(Millions of yen except ratios, per share and percentages)				
Total Assets	¥ 8,561,910	¥ 8,332,830	¥ (229,080)	(3)
(Segment assets)	6,142,818	6,002,139	(140,679)	(2)
Total Liabilities	7,199,739	6,874,726	(325,013)	(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	1,306,582	1,380,736	74,154	6
ORIX Corporation Shareholders' Equity per share <sup>(2)</sup>	1,215.44	1,284.15	68.71	6
ORIX Corporation Shareholders' Equity ratio <sup>(3)</sup>	15.3%	16.6%	1.3%	
Adjusted ORIX Corporation Shareholders' equity ratio <sup>(4)</sup>	17.6%	18.8%	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 <sup>(4)</sup>	3.0x	2.8x	(0.2)x	

(1) Certain amounts have been adjusted for the retrospective adoption of Accounting Standards Update 2010-26 (Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts - ASC 944 (Financial Services - Insurance)) on April 1, 2012.

(2) On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. The per share data has been adjusted retrospectively to reflect the stock split for all periods presented.

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

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

Total assets as of March 31, 2012 decreased 3% to ¥8,332,830 million from ¥8,561,910 million as of 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.

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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 ¥1,380,736 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.

### *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)			
<b>Direct financing leases:</b>				
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

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

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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.

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

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,		Amount	Change Percent (%)
	2011	2012		
(Millions of yen, except percentage data)				
<b>Investment in direct financing leases by category:</b>				
Transportation equipment	¥ 302,080	¥ 318,364	¥ 16,284	5
Industrial equipment	117,915	133,667	15,752	13
Electronics	123,856	135,294	11,438	9
Information-related and office equipment	79,006	85,060	6,054	8
Commercial services equipment	57,286	62,339	5,053	9
Other equipment	150,710	166,162	15,452	10
Total	¥ 830,853	¥ 900,886	¥ 70,033	8

**Operating leases**

	As of and for the year ended March 31,		Amount	Change Percent (%)
	2011	2012		
(Millions of yen, except percentage data)				
<b>Operating leases:</b>				
Operating lease revenues	¥ 269,793	¥ 287,202	¥ 17,409	6
Japan	218,805	229,617	10,812	5
Overseas	50,988	57,585	6,597	13
Costs of operating leases	179,792	184,156	4,364	2
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 for fiscal 2012 increased 6% to ¥287,202 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 and an increase in revenues from real estate leasing. Overseas, operating lease revenues increased mainly due to an increase in 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.

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Costs of operating leases increased 2% to ¥184,156 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 aircraft purchases.

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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,		Change	
	2011	2012	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Investment in operating leases by category:</b>				
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
<b>Total</b>	<b>¥ 1,270,295</b>	<b>¥ 1,309,998</b>	<b>¥ 39,703</b>	<b>3</b>

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,		Change	
	2011	2012	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Installment loans:</b>				
Interest on installment loans <sup>(1)</sup>	¥ 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)

<sup>(1)</sup> 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.



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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 due to the balance of installment loans decreasing, as mentioned above. Overseas, interest on installment loans decreased 19% in fiscal 2012 due to the appreciation of the yen in addition to the decrease in the balance of loans, as mentioned above.

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The average interest rate earned on loans in Japan, calculated on the basis of quarterly balances, increased to 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.

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)			
<b>Installment loans:</b>				
<b>Consumer borrowers in Japan</b>				
Housing loans	¥ 823,974	¥ 864,764	¥ 40,790	5
Other	14,317	13,826	(491)	(3)
Subtotal	838,291	878,590	40,299	5
<b>Corporate borrowers in Japan</b>				
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)
<b>Overseas</b>				
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 <sup>(1)</sup>	111,335	97,559	(13,776)	(12)
Total	¥ 2,983,164	¥ 2,769,898	¥ (213,266)	(7)

(1)

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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

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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.

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                      2012 (Millions of yen, except percentage data)	
<b>90+ days past-due direct financing leases and allowances for direct financing leases:</b>		
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 <sup>(1)</sup>	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%

<sup>(1)</sup> Average balances are calculated on the basis of fiscal beginning balance and fiscal quarter-end balances. The application of the 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.

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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.

**Table of Contents***Loans not individually evaluated for impairment*

	As of March 31, 2011                      2012 (Millions of yen, except percentage data)	
<b>90+ days past-due loans and allowance for installment loans:</b>		
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 not individually evaluated for impairment <sup>(1)</sup>	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%

<sup>(1)</sup> Average balances are calculated on the basis of fiscal beginning balance and fiscal quarter-end balances. The application of the 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                      2012 (Millions of yen)	
<b>90+ days past-due loans not individually evaluated for impairment:</b>		
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.

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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.

**Table of Contents***Loans individually evaluated for impairment*

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

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

<sup>(2)</sup> The allowance is individually evaluated based on the present value of expected future cash flows, the loans 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                      2012 (Millions of yen)	
<b>Impaired loans:</b>		
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
<b>Subtotal</b>	<b>200,746</b>	<b>193,463</b>
Overseas		
Non-recourse loans	51,611	38,809
Other	14,683	17,616
<b>Subtotal</b>	<b>66,294</b>	<b>56,425</b>
Purchased loans	36,685	34,907
<b>Total</b>	<b>¥ 312,031</b>	<b>¥ 293,774</b>





**Table of Contents***Provision for doubtful receivables and probable loan losses*

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

	As of March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
<b>Provision for doubtful receivables on direct financing leases and probable loan losses:</b>				
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 accounting standards for the consolidation of VIEs <sup>(1)</sup>	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	31,065	19,186	(11,879)	(38)
Direct financing leases	4,322	2,568	(1,754)	(41)
Loans not individually evaluated for impairment	3,455	(4,978)	(8,433)	
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 <sup>(2)</sup>	(4,965)	(489)	4,476	(90)
Direct financing leases	257	(134)	(391)	
Loans not individually evaluated for impairment	(837)	(129)	708	(85)
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 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.

**Table of Contents****Investment Securities**

	As of and for the year ended March 31,		Amount	Change	
	2011	2012		Amount	Percent (%)
(Millions of yen, except percentage data)					
<b>Investment securities<sup>(1)</sup>:</b>					
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)

<sup>(1)</sup> 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,		Amount	Change	
	2011	2012		Amount	Percent (%)
(Millions of yen, except percentage data)					
<b>Investment in securities by security type:</b>					
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

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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 the sale of 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,		Change	
	2011	2012	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Brokerage commissions and net gains on investment securities:</b>				
Brokerage commissions	¥ 119	¥ 24	¥ (95)	(80)
Net gains on investment securities <sup>(1)</sup>	15,116	24,894	9,778	65
Dividend income	4,344	4,419	75	2
<b>Total</b>	<b>¥ 19,579</b>	<b>¥ 29,337</b>	<b>¥ 9,758</b>	<b>50</b>

<sup>(1)</sup> 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 50% to ¥29,337 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 65% to ¥24,894 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,		Change	
	2011	2012	Amount	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	10,343	11,375	1,032	10
Total	¥ 118,203	¥ 128,211	¥ 10,008	8
Life insurance costs	¥ 89,382	¥ 93,421	¥ 4,039	5

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The amounts of life insurance costs for fiscal 2011 and 2012 have been adjusted retrospectively due to the adoption of Accounting Standards Update 2010-26.

	Year ended March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
<b>Breakdown of life insurance-related investment income:</b>				
Net income on investment securities	¥ 6,347	¥ 5,786	¥ (561)	(9)
Interest on loans, income on real estate under operating leases, and others	3,996	5,589	1,593	40
Total	¥ 10,343	¥ 11,375	¥ 1,032	10

Life insurance premiums and related investment income increased 8% to ¥128,211 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 ¥11,375 million in fiscal 2012 compared to fiscal 2011.

Life insurance costs increased 5% to ¥93,421 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 20% in fiscal 2012 compared to 17% in fiscal 2011.

	As of March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
<b>Investments by ORIX Life Insurance:</b>				
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)

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Total	¥ 446,279	¥ 490,665	¥ 44,386	10
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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.



**Table of Contents***Real estate sales*

	Year ended March 31,		Change	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
<b>Real estate sales:</b>				
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	

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)			
<b>Gains on sales of real estate under operating leases:</b>				
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 profits from the sale of real estate in Japan.

Where we have significant continuing involvement in the operations of real estate under operating leases which have been disposed of, the gains or losses arising from such disposition are separately disclosed as gains on sales of real estate under operating leases, while if we have no significant continuing involvement of operations of such disposed real estate properties, the gains or losses are reported as income from discontinued operations. For a discussion of our accounting policy for discontinued operations, see Note 26 of Item 18. Financial Statements.

**Table of Contents****Other operations**

	As of and for the year ended March 31,		Change Amount	Change Percent (%)
	2011	2012		
(Millions of yen, except percentage data)				
<b>Other operations:</b>				
Other operating revenues	¥ 252,444	¥ 264,005	¥ 11,561	5
Japan	187,196	198,520	11,324	6
Overseas	65,248	65,485	237	0
Other operating expenses	147,049	152,827	5,778	4
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	219,057	206,109	(12,948)	(6)
Japan	204,369	189,293	(15,076)	(7)
Overseas	14,688	16,816	2,128	14

Other operating revenues were up 5% year on year to ¥264,005 million. In Japan, revenues were up 6% to ¥198,520 million compared to ¥187,196 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 broadly flat to ¥65,485 million compared to ¥65,248 million in fiscal 2011.

Other operating expenses were up 4% year on year to ¥152,827 million resulting from the recognition of expenses from hotels and nursing facilities, corresponding 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 6% to ¥206,109 million in fiscal 2012.

**Expenses****Interest expense**

Interest expense decreased 10% to ¥110,334 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.

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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.

**Table of Contents*****Selling, general and administrative expenses***

	Year ended March 31,		Change	
	2011	2012	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Selling, general and administrative expenses:</b>				
Personnel expenses	¥ 129,987	¥ 126,089	¥ (3,898)	(3)
Selling expenses	19,273	20,834	1,561	8
Administrative expenses	49,929	45,326	(4,603)	(9)
Depreciation of office facilities	2,857	3,228	371	13
Total	¥ 202,046	¥ 195,477	¥ (6,569)	(3)

Employee salaries and other personnel expenses accounted 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 3% 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 undeveloped land or land under construction, we recorded write-downs totaling ¥20,246 million in fiscal 2012, these write-downs remaining 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, ¥9,203 million on eight undeveloped plots or plots under construction, and ¥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.

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***

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We recognized a foreign currency transaction net gain in the amount of ¥218 million in fiscal 2012. Also, we recognized a foreign currency transaction net gain in the amount of ¥160 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

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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 ¥45,475 million, compared to ¥24,673 million in fiscal 2011. The increase of ¥20,802 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 75% compared to fiscal 2011 to ¥1,620 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

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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	
	2011	2012	Amount	Percent (%)
	(Millions of yen, except percentage data)			
<b>Segment Revenues<sup>(1)</sup>:</b>				
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	3,043	23,186	20,143	662
Consolidated Amounts	¥ 941,006	¥ 970,821	¥ 29,815	3

<sup>(1)</sup> 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)			
<b>Segment Profits<sup>(1)</sup>:</b>				
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	21,811	19,352	(2,459)	(11)
Overseas Business	45,639	49,768	4,129	9
Segment Total	116,954	142,694	25,740	22
Difference between Segment Total and Consolidated Amounts	(27,322)	(12,938)	14,384	
Consolidated Amounts	¥ 89,632	¥ 129,756	¥ 40,124	45



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<sup>(1)</sup> 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)				
<b>Segment Assets:</b>				
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	2,419,092	2,330,691	(88,401)	(4)
Consolidated Amounts	¥ 8,561,910	¥ 8,332,830	¥ (229,080)	(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 the post 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.

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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***

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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.

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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.

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 11% to ¥19,352 million during fiscal 2012 compared to ¥21,811 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.

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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.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Funding Activities**

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

In our funding activities during fiscal 2013, we have tried to reinforce our funding structure by diversifying our funding resources, promoting longer maturities, staggering redemption dates and maintaining sufficient liquidity. In fiscal 2013, we also implemented various international funding activities, such as our first bond offering in Thailand and international bond marketing outside Japan. Additionally we developed our domestic capital resources through various activities such as distributing foreign currency denominated medium term notes ( MTNs ) in the Japanese capital market. We also have enhanced our use of longer maturities, employed staggered interest and principal repayment dates and endeavored to reduce risk in refinancing by leveling out annual redemption amount both in borrowing from financial institutions and bonds. As of March 31, 2013, the total balance of cash and cash equivalents and unused committed credit facilities was ¥1,265,826 million. The balance of these liquidity resources equals approximately 295% of our short-term marketable liabilities, namely bonds and MTNs maturing within one year and commercial paper ( CP ). We maintain adequate levels of liquidity and monitor liquidity risk to minimize the effect on us of sudden market deteriorations and to enable us sustain our operations.

As a result of these initiatives our ratio of long-term debt to total debt (excluding deposits) reached 91% as of March 31, 2013 and 90% as of March 31, 2012. On an adjusted basis, our ratio of long-term debt to total debt (excluding deposits) was 89% as of March 31, 2013 and 88% as of March 2012. 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.

For more information regarding our liquidity risk management, see [Risk Management](#) under this Item 5.

### **Group Liquidity Management**

ORIX is primarily responsible for accessing liquidity for the ORIX Group and for managing the allocation of liquidity to subsidiaries. In managing our capital resources and controlling liquidity risk, we employ various measures, including a cash management system for supplying funds to, and receiving funds from, our major domestic subsidiaries, other than regulated subsidiaries like ORIX Bank Corporation ( ORIX Bank ) and ORIX Life Insurance Corporation ( ORIX Life Insurance ). Our overseas subsidiaries rely primarily on local sources of funding such as borrowings from local financial institutions and issuing bonds in local capital markets, but they may also obtain loans from ORIX depending



on local market and business conditions, including local regulations such as those imposed on capital inflows. We also support liquidity in overseas subsidiaries by establishing local commitment lines and maintaining a multi-currency commitment line available to ORIX and some of its overseas subsidiaries.

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ORIX Bank and ORIX Life Insurance are our main regulated subsidiaries in terms of liquidity controls, although several other subsidiaries also operate under such regulations. ORIX Bank and ORIX Life Insurance are regulated by Japanese financial authorities. Under relevant regulations, each of them employs prescribed measures to monitor liquidity risk at the entity level and maintains internal policies to manage its portfolios and capital resources on a standalone basis. Each of these subsidiaries met the relevant regulatory threshold relating to measures for monitoring its liquidity risk as of March 31, 2013.

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

## **Ratings**

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

## **Sources of Liquidity**

### ***Borrowings from Financial Institutions***

ORIX Group borrows from a variety of sources, including major banks, regional banks, foreign banks, life insurance companies, casualty insurance companies and financial institutions associated with agricultural cooperatives. As of March 31, 2013, the number of our lenders exceeded 200. We have promoted regular face-to-face communications and established positive working relationships with financial institutions in Japan and overseas. The majority of our loan balances consists of borrowings from Japanese financial institutions. As of March 31, 2012 and March 31, 2013, short-term debt from Japanese and foreign financial institutions was ¥275,580 million and ¥268,588 million, respectively, while long-term debt from financial institutions was ¥2,001,727 million and ¥2,099,408 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 applied depends upon the circumstances at that time. As of the time of filing we have not received any such demand from any lender.

### ***Committed Credit Facilities***

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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, 2012 and March 31, 2013 was ¥463,969 million and ¥481,096 million, respectively. Of these figures, the unused amount as of March 31, 2012 and March 31, 2013 was ¥427,435 million and ¥439,530 million, respectively. A part of the facilities are arranged to be drawn down in foreign currencies by ORIX and our subsidiaries.

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

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Some of these committed credit facility agreements include financial covenants, such as the maintenance of a minimum ORIX Corporation shareholders' equity ratio. In addition, the majority of our committed credit facilities require the relevant obligor to represent and warrant that there has been, among other things, no material negative change in its financial condition since the date of the agreement. As of March 31, 2013, we were in compliance with all of our financial covenants and have been able to make the necessary representations and warranties concerning our financial condition.

***Debt from the Capital Markets***

Our debt from capital markets is mainly composed of bonds (including straight bonds and 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 2013, we issued ¥210,000 million of domestic straight bonds in Japan, and THB 2,000 million and KRW67,000 million of notes outside Japan. Domestic straight bond issuances are divided mainly into bonds for institutional investors and bonds for individual investors. As of March 31, 2012 and March 31, 2013, the balance of straight bonds issued by ORIX for domestic institutional investors was ¥392,800 million and ¥308,100 million, respectively, while the balance of straight bonds issued by ORIX for individual investors was ¥564,487 million and ¥664,487 million, respectively. The balance of bonds issued by domestic subsidiaries as of March 31, 2012 and March 31, 2013 was ¥26,012 million and ¥5,756 million, respectively. To accommodate our overseas operations, 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 during 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 ¥163,195 million and ¥183,690 million as of March 31, 2012 and March 31, 2013, respectively.

ORIX and three overseas subsidiaries currently are participants in a Multi-Issuer Euro MTN program (the EMTN program) with a maximum issuance limit of \$4,000 million. During fiscal 2013 ORIX issued Australian dollar denominated notes under the EMTN program. In addition to the EMTN program, ORIX Group has established other MTN programs in several countries and issues MTNs to meet funding necessities. The total balance of MTNs issued as of March 31, 2012 and March 31, 2013 was ¥60,911 million and ¥58,169 million, respectively, of which MTNs amounting to ¥17,838 million and ¥12,871 million, respectively, were issued by foreign subsidiaries.

In addition, the Company has issued convertible bonds. The balance of convertible bonds as of March 31, 2012 and March 31, 2013 was ¥185,598 million and ¥50,289 million, respectively. Liquid Yield Option Notes, which have an original maturity date on June 14, 2022, was completely redeemed during fiscal 2013. On the other hand, ¥99,679 million of the third series of unsecured convertible bonds was converted during the same period.

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

***CP***

We offer CP (direct paper) as a direct financing source, and have successfully obtained a diverse range of investors such as investment trusts, life insurance companies, casualty insurance companies and other financial institutions, as well as private corporations. We consider our liquidity levels and spread out the date of issuance and the terms over time so as to avoid significant overlap. The balance of outstanding CP as of March 31, 2012 and March 31, 2013 was ¥180,438 million and ¥151,504 million, respectively.

**Table of Contents***Securitization*

We securitize leases, loan receivables and investment in securities, primarily in Japan. We also invest in CMBS in the United States and elsewhere while acting as a servicer or asset manager for the underlying assets. We recognize liabilities consolidated with such investments as our liabilities when required under applicable accounting standards. The total amount of payables under securitized lease, loan receivables and investment in securities as of March 31, 2012 and March 31, 2013 was ¥874,705 million and ¥679,766 million, respectively.

*Deposits*

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

The majority of deposits are attributable to ORIX Bank, which attracts both corporate and retail deposits, and which has seen sustained growth in deposits outstanding. Deposit balances of ORIX Bank as of March 31, 2012 and March 31, 2013 were ¥1,060,739 million and ¥1,078,340 million, respectively.

**Short-term and long-term debt and deposits***Short-term Debt*

	As of March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
<b>Short-term debt<sup>(1)</sup>:</b>				
Borrowings from financial institutions	¥ 275,580	¥ 268,588	¥ (6,992)	(3)
Notes	1,955	634	(1,321)	(68)
Commercial paper	180,438	151,504	(28,934)	(16)
<b>Total short-term debt</b>	<b>¥ 457,973</b>	<b>¥ 420,726</b>	<b>¥ (37,247)</b>	<b>(8)</b>

<sup>(1)</sup> The above table includes the following liabilities of consolidated VIEs as of March 31, 2012 and 2013, for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries.

	As of March 31,	
	2012	2013
	(Millions of yen)	
<b>Short-term debt<sup>(1)</sup>:</b>		
Borrowings from financial institutions	¥ 1,233	¥ 1,710

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Short-term debt as of March 31, 2013 was ¥420,726 million, representing 9% of total debt (excluding deposits) as of March 31, 2013, while the ratio was 10% of total debt as of March 31, 2012. As of March 31, 2013, 64% of short-term debt was borrowings from financial institutions.

### *Long-term debt*

	As of March 31,		Change	
	2012	2013	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Long-term debt<sup>(2)</sup>:</b>				
Borrowings from financial institutions	¥ 2,001,727	¥ 2,099,408	¥ 97,681	5
Bonds	1,330,137	1,224,191	(105,946)	(8)
Medium-term notes	60,911	58,169	(2,742)	(5)
Payable under securitized lease, loan receivables and investment in securities	874,705	679,766	(194,939)	(22)
Total long-term debt	¥ 4,267,480	¥ 4,061,534	¥ (205,946)	(5)

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(2) The above table includes the following liabilities of consolidated VIEs as of March 31, 2012 and 2013 for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries.

	As of March 31,	
	2012	2013
	(Millions of yen)	
<b>Long-term debt<sup>(2)</sup>:</b>		
Borrowings from financial institutions	¥ 139,892	¥ 126,991
Bonds	25,330	100
Payable under securitized lease, loan receivables and investment in securities	874,705	679,766

Long-term debt as of March 31, 2013 was ¥4,061,534 million, representing 91% of total debt (excluding deposits) as of March 31, 2013, while the ratio was 90% of total debt as of March 31, 2012. Borrowings from financial institutions comprised 52% of the long-term debt as of March 31, 2013.

Approximately 61% of interest paid on long-term debt in fiscal 2013 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,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Deposits <sup>(3)</sup>	¥ 1,103,514	¥ 1,078,587	¥ (24,927)	(2)

(3) VIEs did not have any deposits as of March 31, 2012 and 2013.

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

**CASH FLOWS**



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

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents as of March 31, 2012 increased by ¥54,765 million to ¥786,892 million compared to March 31, 2011.

Cash flows from operating activities provided ¥332,994 million in fiscal 2012, up from ¥212,380 million in fiscal 2011, primarily resulting 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 primarily 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 primarily due to a decrease in repayment of debt with maturities longer than three months.

**COMMITMENTS FOR CAPITAL EXPENDITURES**

As of March 31, 2013, we had commitments for the purchase of equipment to be leased in the amount of ¥12,117 million. For information on commitments, guarantees and contingent liabilities, see Note 31 of Item 18. Financial Statements.

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### **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 the 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, excluding some *kumiai* and SPE, we do not guarantee or otherwise have any financial commitments or exposure with respect to the *kumiai* or its related SPE and, accordingly, their assets are not reflected on our consolidated balance sheet.

#### **Other Financial Transactions**

We occasionally enter into loans, equity or other investments in SPEs in connection with finance transactions related to aircraft, ships and real estate, as well as transactions involving investment funds, in addition to real estate purchases and development projects. All transactions involving use of SPE structures are evaluated to determine whether we hold a variable interest that would result in our being defined as the primary beneficiary of the SPE pursuant to ASC 810-10 ( 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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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, 2013.

	Total	Amount of commitment expiration per period (Millions of yen)			
		Within 1 year	1-3 years	3-5 years	After 5 years
<b>Commitments:</b>					
Guarantees	¥ 400,140	¥ 45,006	¥ 115,445	¥ 78,370	¥ 161,319
Committed credit lines and other	343,920	63,985	26,998	10,994	241,943
Total commercial commitments	¥ 744,060	¥ 108,991	¥ 142,443	¥ 89,364	¥ 403,262

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 ¥196,162 million as of March 31, 2013.

The subsidiary makes certain representations and warranties in connection with the sale of loans through Fannie Mae, including among others, that: the mortgage meets Fannie Mae requirements; there is a valid lien on the property; the relevant transaction documents are valid and enforceable; and title insurance is maintained on the property. If it is determined that a representation and warranty was breached, the subsidiary may be required to repurchase the related loans or indemnify Fannie Mae for any related losses incurred. The subsidiary had no such repurchase claims during the year ended March 31, 2013.

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

**TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS**

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The table below sets forth the maturities of contractual cash obligations as of March 31, 2013.

	Total	Payments due by period			
		Within 1 year	1-3 years	3-5 years	After 5 years
(Millions of yen)					
<b>Contractual cash obligations:</b>					
Deposits	¥ 1,078,587	¥ 703,452	¥ 287,711	¥ 87,424	¥
Long-term debt	4,061,534	1,110,847	1,404,682	1,190,845	355,160
Operating leases	36,260	4,036	6,876	6,065	19,283
Unconditional purchase obligations of lease equipments	12,117	12,117			
Unconditional noncancelable contracts for computer systems	312	179	133		
<b>Interest rate swaps:</b>					
Notional amount (floating to fixed)	170,045	65,251	83,028	12,692	9,074
Notional amount (fixed to floating)	95,683		92,683	3,000	
Total contractual cash obligations	¥ 5,454,538	¥ 1,895,882	¥ 1,875,113	¥ 1,300,026	¥ 383,517

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Items excluded from the above table include short-term debt, security deposits, trade notes and accounts payable and policy liabilities. The amounts of such items were ¥420,726 million, ¥146,402 million, ¥302,219 million and ¥426,007 million, respectively, as of March 31, 2013. 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 NOT YET ADOPTED**

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 accumulated other comprehensive income to net income. The Company and its subsidiaries adopted these Updates on April 1, 2012. These Updates only relate to certain disclosure requirements and the adoption had no effect on the Company and its subsidiaries' results of operations or financial position. In February 2013, Accounting Standards Update 2013-02 ( Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ASC 220 ( Comprehensive Income )) was issued. This Update supersedes the reporting requirement for reclassifications out of accumulated other comprehensive income, originally required under Accounting Standards Update 2011-05, for which the effective date was deferred by Accounting Standards Update 2011-12. This Update requires an entity to present information about amounts reclassified out of accumulated other comprehensive income, their corresponding effect on line items of net income and other information by component. An entity shall provide the information together, in one location, either on the face of the statement where net income is presented or as a separate disclosure in the notes to the financial statement. The Update is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2012 with early adoption permitted. The Update only relates to certain disclosure requirements and the adoption will have no 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. Generally, the effect of adopting this Update on the Company and its subsidiaries' results of operations or financial position will depend on future transactions.



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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. In January 2013, Accounting Standards Update 2013-01 ( Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities ASC 210 ( Balance Sheet )) was issued. This Update clarifies that the scope of Update 2011-11 applies to derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. These Updates are effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. These Updates only relate to certain disclosure requirements and the adoption will have no effect on the Company and its subsidiaries' results of operations or financial position.

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

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

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

In June 2013, Accounting Standards Update 2013-08 ( Amendments to the Scope, Measurement, and Disclosure Requirements ASC 946 ( Financial Services Investment Companies )) was issued. This Update changes the approach to the investment company assessment, clarifies the characteristics of an investment company, and provides comprehensive guidance for assessing whether an entity is an investment company. This Update requires an investment company to measure noncontrolling ownership interests in other investment

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companies at fair value rather than using the equity method of accounting. This Update requires an investment company to disclose the additional information about an entity's status as an investment company and financial support provided or contractually required to be provided by an investment company to its investees. The Update is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. Early adoption is prohibited. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations and financial position.

**NON-GAAP FINANCIAL MEASURES**

The sections "Results of Operation" and "Liquidity and Capital Resources" contain certain financial measures presented on a basis not in accordance with U.S. GAAP (commonly referred to as non-GAAP financial measures), including long-term debt, ORIX Corporation Shareholders' equity and total assets, as well as other measures or ratios calculated based on those measures, presented on an adjusted basis, which excludes payables under securitized leases, loan receivables and investment in securities and reverses the cumulative effect on retained earnings of applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010.

Our management believes these non-GAAP financial measures provide investors with additional meaningful comparisons between our financial condition as of March 31, 2013, as compared to prior periods. Effective April 1, 2010, we adopted ASU 2009-16 and ASU 2009-17, which changed the circumstances under which we are required to consolidate certain VIEs. Our adoption of these accounting standards caused a significant increase in our consolidated assets and liabilities and a decrease in our retained earnings without affecting the net cash flow and economic effects of our investments in such consolidated VIEs. Accordingly, our management believes that providing certain financial measures that exclude the impact of consolidating certain VIEs on our assets and liabilities as a supplement to financial information calculated in accordance with U.S. GAAP enhances understanding of the overall picture of our current financial position and enables investors to evaluate our historical financial and business trends without the large balance sheet fluctuation caused by our adoption of these accounting standards.

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

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

		2011	As of March 31, 2012 (Millions of yen,	2013
			except ratios and percentage data)	
<b>Total assets</b>	(a)	¥ 8,561,910	¥ 8,332,830	¥ 8,439,710
Deduct: Payables under securitized leases, loan receivables and investment in securities*		1,018,190	874,705	679,766
<b>Adjusted total assets</b>	(b)	7,543,720	7,458,125	7,759,944
<b>Short-term debt</b>	(c)	478,633	457,973	420,726
<b>Long-term debt</b>	(d)	4,531,268	4,267,480	4,061,534
Deduct: Payables under securitized leases, loan receivables and investment in securities*		1,018,190	874,705	679,766
<b>Adjusted long-term debt</b>	(e)	3,513,078	3,392,775	3,381,768
<b>Long- and short-term debt (excluding deposits)</b>	(f)=(c)+(d)	5,009,901	4,725,453	4,482,260
<b>Adjusted long- and short-term debt (excluding deposits)</b>	(g)=(c)+(e)	3,991,711	3,850,748	3,802,494
<b>ORIX Corporation Shareholders equity</b>	(h)	1,306,582	1,380,736	1,643,596
Deduct: The cumulative effect on retained earnings of applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010		(21,947)	(19,248)	(16,593)
<b>Adjusted ORIX Corporation Shareholders equity</b>	(i)	1,328,529	1,399,984	1,660,189
<b>ORIX Corporation Shareholders Equity Ratio</b>	(h)/(a)	15.3%	16.6%	19.5%
<b>Adjusted ORIX Corporation Shareholders Equity Ratio</b>	(i)/(b)	17.6%	18.8%	21.4%
<b>D/E ratio</b>	(f)/(h)	3.8x	3.4x	2.7x
<b>Adjusted D/E ratio</b>	(g)/(i)	3.0x	2.8x	2.3x
<b>Long-term debt ratio</b>	(d)/(f)	90%	90%	91%
<b>Adjusted long-term debt ratio</b>	(e)/(g)	88%	88%	89%

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

Note: Prior-year amounts have been adjusted for the retrospective adoption of Accounting Standards Update 2010-26 ( Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts ASC 944 ( Financial Services Insurance )) on April 1, 2012

**RISK MANAGEMENT****Group-Wide Risk Management System***Risk Management System*

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The ORIX Group monitors and manages the risks relating to the Group businesses through its risk management system. In addition to the Risk Management Headquarters, which primarily monitors risks related to individual transactions, and the Corporate Planning Department, which monitors risks at the corporate level, each

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business unit has designated staff responsible for managing risks at the business unit level. Risk Management Headquarters, the Corporate Planning Department and individual business units respectively analyze and monitor various risks in collaboration with each other. The results are reported to the Investment and Credit Committee three times a month, to the Group Executive Officer Committee on a monthly basis and to the board of directors on a regular basis for evaluation, and the relevant executive officers, along with the Chief Financial Officer ( CFO ) as the central person responsible for overall risk management, take measures deemed appropriate.

### ***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 executive officers evaluate the performance and profitability of each business unit, and the executive officers, along with the CFO as the person responsible for overall risk management, take the responsive measures they deem necessary. This process enables us to control the balance sheet and allocate more management resources to business units viewed as having greater growth potential.

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

For individual transactions, the Risk Management Headquarters evaluates the operating environment, strategies, risks and profitability of each transaction prior to execution, and reports on such individual transactions to the Investment and Credit Committee for review. Changes to the operating environment and cash flow are monitored after transaction execution, and transactions for which there has been a major change in circumstance or strategy are then reported to the appropriate executive officers. In addition, individual business units conduct their risk analysis together with the trend analysis of relevant industries aimed at controlling risks for individual transactions.

In analyzing a portfolio, the Risk Management Headquarters monitors the following characteristics from a Group-wide perspective: business type, region, transaction type, risk type, asset quality status and concentration status of major debtors. The Corporate Planning Department monitors risks at the corporate level, including market risk and risk related to fund procurement, in cooperation with the Treasury Headquarters and the Risk Management Headquarters.

### **Main Risk Management**

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

### ***Credit Risk Management***

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

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To manage credit risk, we analyze each individual credit transaction before and after execution. We focus on the adequacy of collateral and guarantees, the liquidation of debt and the concentration of debtors and their business types. We conduct a comprehensive customer credit evaluation based on the customer's financial position, projected cash flow, underlying security interests, profitability and other factors. Profitability is based on, among other things, the spread calculated from investment yield, default rates and underlying security interests, which helps us to evaluate risk quantitatively.

Moreover, analysis of our total portfolio, as well as measures to establish appropriate credit limits, allows us to control exposure to markets with potentially high risks.

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We define problem assets to include credit extended to debtors who have petitioned for bankruptcy or civil rehabilitation, or other insolvency proceedings, whose bank transactions are suspended, bills are dishonored, debts are not collected for three months or more or businesses have deteriorated, or who are involved in fraud. The relevant business units, in cooperation with the Risk Management Headquarters, take steps to secure collateral or other guarantees and to begin the collection process. The accumulated collection know-how from sending an initial reminder to actively seizing collateral is consolidated at the Risk Management Headquarters and is reflected in our evaluation criteria for individual credit transactions and portfolio analysis.

### ***Business Risk Management***

We define *business risk* as uncertainties related to new business areas, potential obsolescence of the products or services we offer or a decline in their quality, and variability in market prices for products or services of the types we offer.

We monitor business plans and operations using scenario analyses and stress tests for business risk. The cost of withdrawal from a business is also subject to evaluation and verification.

In addition to monitoring the quality of our products and services, we also review the resilience of our lineup of products and services to changes in the business environment and evolving customer needs, and respond proactively to maintain or improve quality and our responsiveness.

A principal risk relating to operating leases is fluctuation in the residual value of the leased properties. In order to control fluctuation in residual value, we monitor our inventories of leased properties, market environments and the overall business environment. We generally limit our operating leases to leased properties with high versatility that are comparatively easy to re-lease, and evaluate the sale of such properties depending on changes in market conditions.

We endeavor to reduce the risk related to fluctuation in market prices for real estate by emphasizing cash flows in our investment strategy.

### ***Market Risk Management***

We define *market risk* as the risk of changes in the fair value of assets and liabilities caused by changes in market variables, such as interest rates, exchange rates and stock prices.

We establish Group-wide asset liability management ( ALM ) rules, and we endeavor to maintain the overall amount of market risk within a fixed range by comprehensively verifying the volatility of fair value for our assets and liabilities and the impact thereof on profit and loss using both quantitative and qualitative analysis.

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Interest rate risk is evaluated based on quantitative analysis methods such as sensitivity analysis, including basis point value ( BPV ), slope point value ( SPV ) and value at risk ( VaR ), scenario analysis and stress tests. Comprehensive evaluations are made using such quantitative analysis as well as qualitative analysis of the condition of assets and liabilities and the procurement environment. These analysis are reviewed, as required, depending on the situation.

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

We manage counterparty credit risk and other risks of hedging derivative transactions in accordance with internal rules on derivative transaction management.



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For assets under management in the banking business, the life insurance business and our United States operations, we regularly monitor monetary policies, macroeconomic indicators and securities and financial market trends and manage the asset portfolios by analyzing on a daily basis individual security price movements and gains and losses. Market volatility is managed according to guidelines that include fixed loss amounts and decreases in position. Our risk management departments monitor compliance with the guidelines.

For quantitative and qualitative analysis information on market risk, please see Item 11. Quantitative and Qualitative Disclosures about Market Risk.

### ***Liquidity Risk Management (Risk Management Relating to Fund Procurement)***

We define *liquidity risk* as the risk that we will be unable to obtain the required funds, or that we will be forced to procure funds at an unusually high rate of interest due to market turmoil, deterioration in the financial condition of the ORIX Group or other reasons.

To reduce liquidity risk, we diversify fund procurement methods and sources and monitor liquidity on hand. To manage liquidity on hand, we project future cash flows and evaluate liquidity risk in hypothetical stress scenarios. We take necessary measures in accordance so that business may continue undisturbed in the event of environmental changes.

Liquidity risk management for the ORIX Group includes not only monitoring the effect on the business of the Group as a whole, but also the effect on the business of each subsidiary by ascertaining liquidity risk in each subsidiary and in every country in which ORIX operates and taking appropriate steps such as parent-to-subsidiary lending.

ORIX Bank Corporation ( ORIX Bank ) and ORIX Life Insurance Corporation ( ORIX Life Insurance ) are engaged in retail financial activities such as accepting deposits and insurance underwriting and are regulated by Japanese financial authorities. Therefore they are required to manage liquidity risk independently from other ORIX Group companies based on internal regulations formulated according to the relevant regulations.

ORIX Bank maintains the required liquidity levels by maintaining deposits and liquid assets such as marketable securities above a fixed percentage and setting an upper limit for capital market-based funding. In addition, it regularly monitors the status of these measures, estimates the tightness of cash flows under different scenarios and conducts stage-by-stage management of liquidity risk accordingly.

ORIX Life Insurance conducts stress tests on insured accidents and maintains the required liquidity levels by setting an upper limit on the amount of held-to-maturity securities and by holding deposits and liquid assets such as marketable securities for policy reserve amounts above a specified percentage.

### ***Legal Risk Management***

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We define *legal risk* as the risk of legal responsibility or legal disadvantage arising due to noncompliance with applicable laws and/or regulations in any business or corporate management.

In an attempt to avoid, prevent and mitigate transactional legal risk in Japan, we generally require that the Group Legal and Compliance Department and the Risk Management Headquarters be involved in transactions. In addition to establishing internal rules necessary to observe applicable laws, we implement necessary steps to ensure that we are, and continue to be, in compliance with revisions to laws as they take effect.

For transactional agreements, we have established an approval process involving the Group Legal and Compliance Department and the Risk Management Headquarters, in accordance with our prescribed internal rules. In addition, depending on the size and importance of a given transaction, we might also utilize the

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expertise of outside lawyers. To ensure that proper legal procedures are followed in connection with legal disputes and litigation, we require that the Group Legal and Compliance Department and the Risk Management Headquarters be involved in the management of such disputes and litigation, including lawsuits that have been, or are expected to be, brought against us and lawsuits that we bring, or expect to bring, against third parties.

In order to prevent the violation of intellectual property rights and to quickly take necessary measures, monitoring activities are conducted if and when violations are discovered.

Overseas, each Group company works to avoid, prevent and mitigate risks by utilizing in-house legal functions and, when necessary, by engaging outside lawyers and other advisers.

### ***Operational Risk Management***

We define *operational risk* as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Group Internal Audit Department monitors the effectiveness, efficiency and compliance with applicable rules and regulations for our various operations, as well as the status of improvements and compliance with our internal regulations, based on an annual internal audit plan that focuses on material risks. Each department conducts monitoring activities according to its self-examination system. Through these monitoring activities, we evaluate the current status of internal controls and strive for functional reinforcement.

To raise awareness of compliance issues among executives and employees, the Group Legal and Compliance Department has produced a compliance manual and distributed it to all executives and employees. The department also plans and executes a compliance improvement plan for each Group company based on annual Group-wide compliance policies. We intend to reinforce our compliance systems based on the results of these initiatives.

ORIX Computer Systems Corporation works to reduce operational risk through the maintenance and operational administration of internal systems.

We have established internal rules to manage risks associated with natural disasters, designed to protect management resources and minimize losses, while giving priority to the safety of our executives and employees. The Human Resources and Corporate Administration Headquarters supervises the coordination of recovery activities after the occurrence of a natural disaster in Japan, whereas the Global Business and Alternative Investment Headquarters handles the overseas function. We distribute a natural disaster manual to all executives and employees in Japan and carry out disaster drills on an ongoing basis.

### ***Individual Business Risk Management***

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We have a broadly dispersed business portfolio, including financial service operations, and we perform complete and transparent monitoring and control according to the characteristics of each operation.

### *Corporate Financial Services Segment*

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

After individual transactions have been executed, the Corporate Financial Services segment regularly monitors performance and collateral as well as collection from customers whose balances exceed specified levels. The Risk Management Headquarters regularly evaluates customers with large credit balances.

We analyze the current condition and outlook for specific business types and industries and analyze the potential impact on customers while making decisions about future transactions in that specific business type or industry.

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For problem assets, particularly in transactions collateralized by real estate, we take various measures such as capitalizing on our network of real estate-related departments to sell properties or introduce tenants.

### *Maintenance Leasing Segment*

Business risk and credit risk are the main risks of the Maintenance Leasing segment.

To manage the risk of changes in market values of property under operating leases, we continuously monitor market environments and fluctuation in the resale value of leased property and adjust residual value estimates of leased property in new transactions accordingly.

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

In addition to manage the risk that the quality of our services might fall short of customer expectations due to changes in the operating environment or changes and diversification of client needs, we monitor our service quality quantitatively and qualitatively and continuously strive to improve our service according to the operating environment.

We also conduct credit examinations of individual transactions before and after execution to manage credit risk.

### *Real Estate Segment*

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

When making a decision on a real estate investment, we compare cash flow performance to the initial plan and, after making the investment, monitor investment strategies and schedules. The strategy is reevaluated in the case of a major divergence from the initial forecast. We invest mainly in small properties and diversify risk by investing in large properties through joint ventures with partners.

For condominiums, we monitor development and sales schedule, unit sales progress and rate of return. For development and leasing properties, we monitor development and retention schedule and NOI yield. We capitalize on the Group's network in order to improve occupancy rates and promote sales.

We monitor occupancy rates and rates of return and create manuals and educate employees in our operation business.

For non-recourse loans in our real estate finance business, we carefully examine the loan-to-value ratio ( LTV ), the debt-service coverage ratio ( DSCR ) and other contractual terms and conditions such as equity provided by other companies, interest reserve and guarantees to control the relevant risks.

To minimize credit risk in the event of a significant drop in market liquidity, we may agree to changes in loan terms based on our view of the potential cash flows from properties and the credit worthiness of the borrower. In addition, depending on the circumstances, we may foreclose on collateral and hold and operate it ourselves, thereby taking on business risk.

*Investment and Operation Segment*

Credit risk, market risk and business risk are the main risks of the Investment and Operation segment.

When making investment decisions in the principal investment business, we do a credit evaluation, analyzing the investee s credit risk and assessing its cash flow. In addition, we perform a multi-faceted

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evaluation on the characteristics of the operation and investment scheme, in which administrative departments such as the accounting and legal departments are also involved. After an investment has been made, each transaction is monitored for deviations from the original scenario.

Credit risk is emphasized for the companies for which we are raising corporate value due to the focus on cash flow. We also monitor market risk as time for collection nears, measuring corporate value by referencing the corporate values of similar business types. The frequency of monitoring may increase based on changes in the business environment, and we simultaneously verify the adequacy of investment scenarios and take necessary action. Furthermore, we work to enhance the management of investments in investees that have a significant impact on the profitability of the ORIX Group through such measures as the dispatch of management personnel.

In the servicer business, we seek to reduce credit and operational risks by conducting periodic internal auditing and monitoring and by implementing a business operation based on work procedures in accordance with applicable guidance from regulatory authorities. We also aim to strengthen our legal and regulatory compliance and, to this end, have appointed an outside lawyer as a director who also oversees our legal and compliance departments as the head of ORIX Asset Management and Loan Services Corporation's Legal and Compliance Department to respond to potential legal issues.

We endeavor to minimize business risk in the environment and energy-related businesses by deploying appropriate equipment and technology, by forming alliances with expert operators for renewable energy, energy conservation, and resource and waste processing operations, and by streamlining our organizational structure to allow for changes in the business environment and the description of businesses.

### *Retail Segment*

The main risk in the life insurance business is business risk, especially that associated with underwriting insurance contracts.

Before underwriting insurance contracts, ORIX Life Insurance works to ensure the hiring of sufficient staff and cultivates expert staff with specialized know-how for the rigorous assessment of health condition declarations and medical examination reports, in combination with steps to check the status of other insurance contracts, to prevent the underwriting of fraudulent contracts. ORIX Life Insurance also educates and instructs representative branch staff and agents to enhance compliance with applicable laws and regulations regarding the privacy of personal information as well as sales practices.

Credit risk is the main risk of the housing loan business, the corporate loan business and the card loan business.

When we arrange housing loans (for the purchase of condominiums and apartments for investment purposes), we conduct screenings, each of which consists of a comprehensive evaluation of each transaction including the client's ability to repay, the cash flows that can be derived from the property and collateral value. Decision making for corporate loans is based on an investigation of the client's performance, business plan, the purpose of the loan, the source of repayment and industry trends. We also reduce risks by diversifying the business types and products of our portfolio.

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

### *Overseas Business Segment*

In the Overseas Business segment, credit risk is the main risk of the leasing and loan businesses operated by local subsidiaries mainly in Asia.



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Individual transactions in this segment are conducted in a manner similar to those in the domestic business segments. The Risk Management Headquarters monitors the country risk of the overseas portfolio. Information regarding the portfolios of the respective local subsidiaries, the performance of major clients, the condition of problem assets and clients of particular concern is shared internally.

Risk management in the principal investment business and the automobile related business, which are mainly in Asia, is conducted in a similar manner as those in the domestic business segments.

We monitor market environments and the overall business environment for the business risk for the ship and aircraft related business. We generally limit our operating leases to ships and aircraft with high versatility that are comparatively easy to re-lease, and evaluate sales such equipment depending on changes in market conditions.

Credit risk and market risk are the main risks for the investment and finance business such as corporate loans and securities investment in the United States.

Regarding credit risk, at the time of origination we assign an internal credit rating to each investment and loan taking into consideration the credit status and the collateral status. For investees and customers with a rating requiring attention, we evaluate the need to recognize an allowance of doubtful accounts or impairment.

To manage market risk, we monitor market values while referring to credit risk information and pursue sales as appropriate to secure profits or minimize losses.

Operational risk is the main risk for the loan servicing business in the United States. In the loan servicing business, we are committed to the arrangement and servicing of loans under the public financial system provided by Fannie Mae and the Federal Housing Administration (FHA). We conduct our operations based on the designated operating procedures set forth by these public financial institutions, and monitor and manage service quality through internal auditing.

Operational risk and business risk are the main risks for the advisory business and the asset management business in the United States.

In the advisory business, we maintain and ensure quality and operational procedures that meet the operating standards set forth by authorities through an internal quality control committee and other oversight so that high-quality advisory and evaluation services can be provided according to proper operating procedures.

To manage operational risk for the asset management business, we have established an internal compliance system and manage our operations to abide by established compliance standards as an SEC-registered company.

For business risk in the advisory business and the asset management business, in addition to monitoring to maintain and ensure satisfactory quality levels, we review products and services in response to changes in the business environment and evolving customer needs to constantly maintain and improve quality.

**GOVERNMENTAL AND POLITICAL POLICIES AND FACTORS**

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

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**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.

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.

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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, 2012 through March 31, 2013, the board of directors met nine times. The attendance rate of directors for these meetings was 96%.

The board of directors as of June 27, 2013, includes 13 members, six of whom are outside directors.

### **Structure and Activities of the Three Committees**

As of June 27, 2013, 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**

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Members as of June 27, 2013	Takeshi Sasaki (Chairman)	Eiko Tsujiyama (Chairwoman)	Robert Feldman (Chairman)
	Robert Feldman	Takeshi Sasaki	Takeshi Sasaki
	Takeshi Niinami	Nobuaki Usui	Eiko Tsujiyama
	Nobuaki Usui	Ryuji Yasuda	Takeshi Niinami
Number of meetings held during fiscal 2013 (Attendance rate)	Ryuji Yasuda Six (6) meetings (87%)	Nine (9) meetings (96%)	Ryuji Yasuda Six (6) meetings (93%)

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### *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 ¥10 million or higher annually excluding compensation as an employee for family members, and excluding the individual's compensation as outside directors, from ORIX or its subsidiaries.

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

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

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

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

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

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

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

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

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

*Audit Committee*

The Audit Committee monitors the operational execution of the directors and executives and 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, chairwoman of the Audit Committee, is qualified as a certified public accountant and has extensive knowledge in finance and accounting as a professional accountant.



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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 the Group Internal Audit Department to conduct an inspection as needed.

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 the reports that it receives from the independent certified public accountants regarding whether there are any material items relating to the audit.

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 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.

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

## ***Compensation Committee***

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

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

*Policy of Determining Compensation of Directors and Executive Officers*

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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

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directors and executive officers. Taking into consideration this basic policy, we have established separate policies for the compensation of directors and that of executive officers in accordance with their respective roles.

### *Compensation Policy for Directors*

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

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

The shares component of compensation is a program in which points are annually allocated to directors and executive officers based upon prescribed standards while in offices, and the compensation provided is the amount equal to the accumulated number of points multiplied by the stock price at the time of retirement. Points granted to the members of each position are determined based on title and seniority in accordance with guidelines set by the Compensation Committee. Under this program, directors and executive officers have an obligation to purchase shares from the Company at the stock price that prevails at the time of their retirement using the after-tax compensation provided. The Compensation Committee has not set a fixed term in which directors and executive officers must retain the shares after their retirement. The Compensation Committee may restrict the awarding of stock-based compensation to directors and executive officers in the event that they engage in inappropriate behavior while in office that would inflict harm on the Company.

### *Compensation Policy for Executive Officers*

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

Fixed compensation is decided for each individual based on a standard amount for each position. Compensation linked to business performance uses the level of achievement of the net income target as a performance indicator, adjusting the level-based standard amount within the range of 0% to 200%. Share-based compensation reflecting medium- to long-term performance is granted as a certain number of points based on a standard amount for each position while in office, and the amount of the payment is decided according to the share price at the time of an individual executive officer's retirement. In addition, and based on the outcome of a third-party compensation research agency investigation, the Company strives to maintain a competitive level of compensation with executive officer compensation functioning as an effective incentive.

**AUDITOR INDEPENDENCE**

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

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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 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, 2013 are as follows:

<b>Name</b>	<b>Current positions and</b>		<b>Shareholdings</b>
<b>(Date of birth)</b>	<b>principal outside positions<sup>(1)</sup></b>	<b>Business experience</b>	<b>as of</b>
			<b>June 27, 2013<sup>(2)</sup></b>
Yoshihiko Miyauchi	Director,	Aug. 1960	393,800
(Sep. 13, 1935)	Representative Executive Officer,	Apr. 1964	
	Chairman and Chief Executive Officer	Dec. 1967	
		Mar. 1970	
		Nov. 1973	
		May 1976	
		Nov. 1977	
		Dec. 1979	
		Dec. 1980	
		Apr. 2000	
		Mar. 2003	
		Jun. 2003	
		Apr. 2006	

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<b>Name</b>	<b>Current positions and</b>		<b>Business experience</b>	<b>Shareholdings</b>
<b>(Date of birth)</b>	<b>principal outside positions<sup>(1)</sup></b>			<b>as of</b>
				<b>June 27, 2013<sup>(2)</sup></b>
Makoto Inoue	Director,	Apr. 1975	Joined ORIX	33,277
(Oct. 2, 1952)	Representative Executive Officer,	Jan. 2003	Deputy Head of Investment Banking Headquarters	
	President and Chief Operating Officer	Feb. 2005	Executive Officer	
		Jan. 2006	Corporate Senior Vice President	
		Jun. 2008	Head of International Administrative Headquarters	
		Jan. 2009	Head of the Global Business and Administrative Headquarters	
		Jun. 2009	Corporate Executive Vice President	
		Jun. 2010	Director	
			Deputy President	
		Oct. 2010	Responsible for Investment Banking Headquarters	
		Jan. 2011	Representative Executive Officer, President and Chief Operating Officer	
Haruyuki Urata	Director,	Apr. 1977	Joined ORIX	24,301
(Nov. 8, 1954)	Representative Executive Officer,	Feb. 2004	Deputy Head of Risk Management Headquarters	
	Deputy President and Chief Financial Officer	Feb. 2005	Executive Officer	
		Aug. 2006	Corporate Senior Vice President	
		Jun. 2007	Director	
		Jan. 2008	Deputy President	
		Jan. 2009	Chief Financial Officer	
		Jun. 2009	Head of Financial Control Headquarters	
		Nov. 2009	Responsible for Corporate Communications Department	
		Jun. 2010	Responsible for Corporate Planning Department	
		Jan. 2011	Representative Executive Officer	

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Name	Current positions and		Business experience	Shareholdings
(Date of birth)	principal outside positions <sup>(1)</sup>			as of
				June 27, 2013 <sup>(2)</sup>
Tamio Umaki	Director,	Apr. 1972	Joined ORIX	34,174
(Jan. 16, 1948)	Deputy President and	Mar. 1999	Head of Tohoku Area	
	Chief Information Officer	Jun. 1999	Executive Officer	
		Jan. 2002	Group Executive	
		Jan. 2007	Group Senior Vice President	
		Oct. 2008	Corporate Senior Vice President	
	Human Resources and		Chief Information Officer	
	Corporate Administration			
	Headquarters			
		Jan. 2009	Responsible for IT Planning Office	
			Head of 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	
		Jun. 2013	Deputy President	
Kazuo Kojima	Director,	Apr. 1980	Joined ORIX	30,956
(Jul. 5, 1956)	Corporate Executive Vice	Apr. 2003	Deputy Head of Real Estate Finance	
	President		Headquarters	
		Feb. 2005	Executive Officer	
	Investment and Operation	Jan. 2007	Corporate Senior Vice President	
	Headquarters	Jan. 2008	Corporate Executive Vice President	
		Jun. 2008	Director	
		Jan. 2010	Head of Domestic Sales Administrative	
			Headquarters	
		Sep. 2012	Responsible for Investment and Operation	
			Headquarters	
Yoshiyuki Yamaya	Director,	Apr. 1980	Joined ORIX	22,800
(Oct. 20, 1956)	Corporate Executive Vice	Apr. 2001	General Manager of Office of the President	
	President	Feb. 2005	Group Executive	
		Aug. 2006	Executive Officer	
	Real Estate Headquarters	Jan. 2008	Group Senior Vice President	
		Jan. 2009	Corporate Senior Vice President	
	President, ORIX Real Estate		Head of Real Estate Headquarters	
	Corporation			
		Jun. 2009	President, ORIX Real Estate Corporation	
			Director	
			Corporate Executive Vice President	

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Name	Current positions and		Business experience	Shareholdings
(Date of birth)	principal outside positions <sup>(1)</sup>			as of
				June 27, 2013 <sup>(2)</sup>
Katsutoshi Kadowaki	Director,	Apr. 1977	Joined ORIX	25,629
(Sep. 18, 1954)	Corporate Executive Vice President	Feb. 2004	Deputy Head of Tokyo Sales Headquarters	
		Jan. 2007	Executive Officer	
		Oct. 2008	Group Executive	
		Jan. 2010	Executive Officer	
	Domestic Sales Administrative Headquarters, Tokyo Sales		Domestic Sales Administrative Headquarters: Head of District Sales	
		Jan. 2011	Corporate Senior Vice President	
	President, NS Lease Co., Ltd.		Deputy Head of Domestic Sales Administrative Headquarters	
		Sep. 2012	Corporate Executive Vice President	
			Head of Domestic Sales Administrative Headquarters: Head of Tokyo Sales	
		Jun. 2013	President, NS Lease Co., Ltd. Director	
Takeshi Sasaki	Outside Director	Apr. 1968	Assistant Professor at The University of Tokyo, School of Law	0
(Jul. 15, 1942)	Outside Director, East Japan Railway Company	Nov. 1978	Professor at The University of Tokyo, School of Law	
		Apr. 1991	Professor at The University of Tokyo Graduate Schools for Law and Politics	
		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	Current positions and		Business experience	Shareholdings as of June 27, 2013 <sup>(2)</sup>
Eiko Tsujiyama  (Dec. 11, 1947)	principal outside positions <sup>(1)</sup> Outside Director  Professor, Waseda University, Faculty of Commerce  Corporate Auditor, Mitsubishi Corporation  Corporate Auditor, Lawson, Inc.  Audit & Supervisory Board Member, NTT DOCOMO, Inc.  Audit & Supervisory Board Member, Shiseido Company, Limited	Apr. 1974 Aug. 1980  Apr. 1985  Apr. 1991  Apr. 1996  Apr. 2003  Sep. 2004  Jun. 2008 Jun. 2010 Sep. 2010  May 2011 Jun. 2011  Jun. 2012	Certified Public Accountant Assistant Professor at Ibaraki University's College of Humanities Assistant Professor at Musashi University's School of Economics Professor at Musashi University's School of Economics Dean of Musashi University's School of Economics Professor at Waseda University's School of Commerce and The Graduate School of Commerce Professor at Waseda University's Faculty of Commerce Corporate Auditor of Mitsubishi Corporation Outside Director of ORIX Dean of The Graduate School of Commerce, Waseda University  Corporate Auditor of Lawson, Inc. Audit & Supervisory Board Member of NTT DOCOMO, Inc. Audit & Supervisory Board Member of Shiseido Company, Limited	0
Robert Feldman  (Jun. 12, 1953)	Outside Director  Managing Director,  Chief Economist and Head of Fixed Income Research, Morgan Stanley MUFG Securities Co., Ltd.	Oct. 1983 May 1989  Feb. 1998  Apr. 2003  Dec. 2007  Jun. 2010 Jul. 2012	Economist, International Monetary Fund Chief Economist, Salomon Brothers Inc. (currently Citigroup Global Markets Japan Inc.) Joined Morgan Stanley Securities, Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.) as Managing Director and Chief Economist Japan Managing Director, Co-Director of Japan Research and Chief Economist, Morgan Stanley Japan Securities Co., Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.) Managing Director and Head of Japan Economic Research, Morgan Stanley Japan Securities Co., Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.) Outside Director of ORIX Managing Director, Chief Economist and Head of Fixed Income Research, Morgan Stanley MUFG Securities Co., Ltd.	0

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<b>Name</b>	<b>Current positions and</b>		<b>Business experience</b>	<b>Shareholdings</b>
<b>(Date of birth)</b>	<b>principal outside positions<sup>(1)</sup></b>			<b>as of</b>
				<b>June 27, 2013<sup>(2)</sup></b>
Takeshi Niinami	Outside Director	Jun. 1995	President of Sodex Corporation (currently LEOC Co., Ltd.)	0
(Jan. 30, 1959)	CEO, Lawson, Inc.	Apr. 2001	Unit Manager of Lawson Business and Mitsubishi's Dining Logistical Planning team, Consumer Industry division, Mitsubishi Corporation	
	Outside Director, ACCESS, Co., Ltd.	May 2002	President and Executive Officer, Lawson, Inc.	
		Mar. 2005	President and CEO, Lawson, Inc.	
		Apr. 2006	Outside Director of ACCESS Co., Ltd.	
		Jun. 2010	Outside Director of ORIX	
		May 2013	CEO, Lawson, Inc.	
Nobuaki Usui	Outside Director	May 1995	Director-General of the Tax Bureau, Ministry of Finance	0
(Jan. 1, 1941)	Corporate Auditor, KONAMI CORPORATION	Jan. 1998	Commissioner, National Tax Agency	
		Jul. 1999	Administrative Vice Minister, Ministry of Finance	
		Jan. 2003	Governor and CEO, National Life Finance Corporation (currently Japan Finance Corporation)	
		Dec. 2008	Chairman, The Japan Research Institute, Limited	
		Jun. 2011	Corporate Auditor of KONAMI CORPORATION	
		Jun. 2012	Outside Director of ORIX	
Ryuji Yasuda	Outside Director	Jan. 1979	Joined McKinsey & Company	0
(Apr. 28, 1946)	Professor, Graduate School of International Corporate Strategy at Hitotsubashi University	Jan. 1986	Principal Partner, McKinsey & Company	
		Jun. 1991	Director, McKinsey & Company	
		Jun. 1996	Chairman, A.T. Kearney, Asia	
		Jun. 2003	Chairman, J-Will Partners, Co., Ltd.	
	Outside Director, Daiwa Securities Group Inc.	Apr. 2004	Outside Director, Daiwa Securities Group Inc.	
	Outside Director, Fukuoka Financial Group, Inc.	Apr. 2007	Professor, Graduate School of International Corporate Strategy at Hitotsubashi University	
		Jun. 2007	Outside Director, Fukuoka Financial Group, Inc.	
	Outside Director, Sony Corporation	Jun. 2009	Outside Director, Sony Corporation	
		Jun. 2013	Outside Director, Yakult Honsha Co., Ltd.	
	Outside Director, Yakult Honsha Co., Ltd.		Outside Director of ORIX	

Notes:<sup>(1)</sup> All ORIX directors are engaged full-time except Takeshi Sasaki, Eiko Tsujiyama, Robert Feldman, Takeshi Niinami, Nobuaki Usui and Ryuji Yasuda.

<sup>(2)</sup> On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. Shareholdings of each director have been retrospectively adjusted to reflect the stock split for all periods presented.



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### **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**

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

#### **Group Executive Officer Committee**

The Meetings of the Group Executive Officer Committee, in which executive officers and group executives of the Company participate, are held on a monthly basis to share important information related to the business execution of 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 discussed at Monthly Strategy Meetings are deliberated and decided by the ICC and reported to the board of directors as necessary.

#### **Information Technology Management Committee**

The Information Technology Management Committee includes members of the top management and the executive officer in charge of information technology ( IT ) systems, and meets once a month to deliberate and approve important matters concerning fundamental policies for IT operations and IT systems. The committee determines the needs of and priorities for IT investment based on 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.



**Table of Contents****Disclosure Committee**

The Disclosure Committee, which plays a key role in our disclosure control, is chaired by the CFO and consists of the executive officers in charge of various departments, including: Treasury Headquarters, Accounting Headquarters, Risk Management Headquarters, Group 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, 2013, excluding those who are also directors as listed above are as follows:

<b>Name</b>	<b>Title</b>	<b>Areas of duties</b>	<b>Shareholdings as of June 27, 2013</b>
Hiroaki Nishina	Vice Chairman	Group Kansai Representative	42,901
		Chairman, ORIX Real Estate Corporation	
		President, ORIX Baseball Club Co., Ltd.	
Shintaro Agata	Corporate Executive Vice President	Treasury Headquarters	40,900
Yuki Ohshima	Corporate Executive Vice President	Global Business and Alternative Investment Headquarters	40,500
Eiji Mitani	Corporate Senior Vice President	Regional Director for China Domestic Sales Administrative Headquarters: Head of Kinki Sales	13,100
		Group Kansai	
Takao Kato	Corporate Senior Vice President	Deputy Representative Accounting Headquarters	11,041
Kazutaka Shimoura	Corporate Senior Vice President	President, ORIX Management Information Center Corporation	4,639
Yuichi Nishigori	Executive Officer	Risk Management Headquarters Investment and Operation Headquarters	11,095
Komei Ikebukuro	Executive Officer	Group Legal and Compliance Department	10,864
		Group Internal Audit Department	

Hideto Nishitani

Executive Officer

Chairman, ORIX USA Corporation

26,209

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<b>Name</b>	<b>Title</b>	<b>Areas of duties</b>	<b>Shareholdings as of June 27, 2013</b>
Yasuyuki Ijiri	Executive Officer	Domestic Sales Administrative Headquarters: Head of District Sales	19,219
Shigeki Seki	Executive Officer	Human Resources and Corporate Administration Headquarters	13,960
Satoru Katahira	Executive Officer	IT Planning Office Domestic Sales Administrative Headquarters: Head of OQL Business Headquarters, Regional Business, Administration Center and Call Center	12,699
Shuji Irie	Executive Officer	Investment and Operation Headquarters	153
Satoru Matsuzaki	Executive Officer	Corporate Planning Department	5,753
Tsukasa Kimura	Executive Officer	Corporate Communications Department Global Business and Alternative Investment Headquarters	5,767
Katsunobu Kamei	Group Senior Vice President	President, ORIX Auto Corporation	14,585
Masatoshi Kemmochi	Group Senior Vice President	President, ORIX Credit Corporation	11,351
Tetsuro Masuko	Group Executive	Real Estate Headquarters	14,178
		Deputy President, ORIX Real Estate Corporation	

On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. Shareholdings of each executive officer have been retrospectively adjusted to reflect the stock split for all periods presented.

**EMPLOYEES**

As of March 31, 2013, we had 19,043 full-time employees, compared to 17,488 as of March 31, 2012 and 17,578 as of March 31, 2011. We employ 2,321 staff in the Corporate Financial Services segment, 2,821 staff in the Maintenance Leasing segment, 4,099 staff in the Real Estate segment, 2,174 staff in the Investment and Operation segment, 1,612 staff in the Retail segment, 4,743 staff in the Overseas Business segment and 1,273 staff as part of our headquarters function as of March 31, 2013. With the exception of the Overseas Business segment, all other staff are located in Japan. As of March 31, 2013, we had 8,838 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, but for our subsidiaries and affiliates the retirement age varies. ORIX and major domestic subsidiaries will introduce a system for retirement at age 65 from April 2014. By implementing the system alongside the current re-employment system at retirement age, the system



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will allow employees to choose how they will work from age 60 according to their lifestyles. In April 2010, ORIX introduced an early voluntary retirement program 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 ¥4,537 million, ¥4,614 million and ¥4,952 million in fiscal 2011, 2012 and 2013, respectively.

## **SHARE OWNERSHIP**

As of June 27, 2013, the directors, executive officers and group executives of the Company directly held an aggregate of 863,851 Shares, representing 0.07% of the total Shares issued as of such date.

On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. Shareholdings and percentage of the directors, executive officers and group executives of the Company has been adjusted retrospectively to reflect the stock split for all periods presented.

## **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 2013 was as follows (in millions of yen):

	Fixed compensation (Number of people)	Compensation linked to the performance (Number of people)	Share component of compensation (Number of people)	Total compensation
Outside Director	67 (7)	( )	17 (1)	84
Executive Officer and Group Executive	907 (28)	206 (28)	122 (4)	1,235
Total	974 (35)	206 (28)	139 (5)	1,320

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 2013 is equivalent to 383,250 points. Under this system, ¥68 million, which is equivalent to 72,250 points accumulated up to the time of retirement, was paid to executive officers and group executive who retired during fiscal 2013. As a result, the balance to directors, executive officers and group executives as of March 31, 2013 was 1,737,792 points.

Compensation for Yoshihiko Miyauchi, Representative Executive Officer, Chairman and Chief Executive Officer of ORIX, for fiscal 2013 was ¥165 million in fixed compensation and ¥31 million in compensation linked to the performance of the Company. Compensation for Makoto Inoue, Representative Executive Officer, President and Chief Operating Officer of ORIX, for fiscal 2013 was ¥80 million in fixed compensation and ¥25 million in compensation linked to the performance of the Company.

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

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

The following table shows the names of directors, executive officers and group executives who received stock options, and the numbers of Shares for which they were granted options, under the stock option plans for each year from 2002 to 2008. No stock options were granted for each year from 2009 to 2013. Each unit of the Shares has one vote. We have not issued any preferred shares. On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. The number of shares has been adjusted retrospectively to reflect the stock split for all periods presented. Titles for each individual as of June 27, 2013, unless otherwise described, are as follows:

Name	Title	2003 stock option plans	2008 stock option plans
Yoshihiko Miyauchi	Director, Chairman and Chief Executive Officer	452,000	
Makoto Inoue	Director, President and Chief Operating Officer	69,000	
Haruyuki Urata	Director, Deputy President and Chief Financial Officer	88,000	

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Tamio Umaki	Director, Deputy President	59,000
Kazuo Kojima	Director, Corporate Executive Vice President	77,000
Yoshiyuki Yamaya	Director, Corporate Executive Vice President	74,000
Katsutoshi Kadowaki	Director, Corporate Executive Vice President	57,000
Takeshi Sasaki	Outside Director	12,000
Eiko Tsujiyama	Outside Director	0
Robert Feldman	Outside Director	0
Takeshi Niinami	Outside Director	0

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Name	Title	2003 stock option plans	2008 stock option plans
Nobuaki Usui	Outside Director		0
Ryuji Yasuda	Outside Director		0
Hiroaki Nishina	Vice Chairman	180,000	
Shintaro Agata	Corporate Executive Vice President	111,000	
Yuki Ohshima	Corporate Executive Vice President	68,000	
Eiji Mitani	Corporate Senior Vice President	106,000	
Takao Kato	Corporate Senior Vice President	25,400	
Kazutaka Shimoura	Corporate Senior Vice President	19,800	
Yuichi Nishigori	Executive Officer	22,400	
Komei Ikebukuro	Executive Officer	20,400	
Hideto Nishitani	Executive Officer	21,200	
Yasuyuki Ijiri	Executive Officer	29,800	
Shigeki Seki	Executive Officer	17,200	
Satoru Katahira	Executive Officer	20,000	
Shuji Irie	Executive Officer		0
Satoru Matsuzaki	Executive Officer		13,600
Tsukasa Kimura	Executive Officer		23,800
Katsunobu Kamei	Group Senior Vice President		37,000
Masatoshi Kemmochi	Group Senior Vice President		40,000
Tetsuro Masuko	Group Executive		19,600

**STOCK OPTION PLAN**

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

Our shareholders approved stock option plans at the annual general meetings of shareholders in the years from 1997 to 2000 inclusive, under which Shares were purchased from the open market and were held by ORIX for transfer to directors and executive officers and some employees of ORIX upon the exercise of their options. Shareholders also approved a stock subscription rights plan in 2001 and stock acquisition rights plans from 2002 to 2005. From 2006 to 2008, the Compensation Committee approved stock acquisition rights plans for our directors and executive officers, and shareholders approved similar plans for certain ORIX employees, as well as directors, executives and certain employees of our subsidiaries and affiliates. From 2009 to 2013, 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 2003 is as follows:

Shares granted	Exercise price per Share	Option expiration date
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2003 Stock Acquisition Rights Plan	5,160,000	¥	700	June 25, 2013
2004 Stock Acquisition Rights Plan	5,289,000	¥	1,172	June 23, 2014
2005 Stock Acquisition Rights Plan	4,774,000	¥	1,891	June 21, 2015
2006 Stock Acquisition Rights Plan	1,942,000	¥	2,962	June 20, 2016
2007 Stock Acquisition Rights Plan	1,449,800	¥	3,101	June 22, 2017
2008 Stock Acquisition Rights Plan	1,479,000	¥	1,689	June 24, 2018

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On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. The number of shares granted under options and the exercise price per share have been retrospectively adjusted to reflect the stock split for all periods presented.

**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, 2013.

On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. The numbers of issued shares and the numbers of shares held described herein have been retrospectively adjusted to reflect the stock split. As a result of the stock split, the ratio of ADRs to underlying shares changed from 0.5 underlying shares per 1 ADR to 5 underlying shares per 1 ADR.

Each unit of Shares (1 unit = 100 Shares) has one vote, and none of our major shareholders have different voting rights. We do not issue preferred shares.

Name	Number of Shares held (Thousands)	Percentage of Issued shares (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	125,295	10.03
The Master Trust Bank of Japan, Ltd. (Trust Account)	107,329	8.59
Japan Trustee Services Bank, Ltd. (Trust Account 9)	51,598	4.13
SSBT OD05 OMNIBUS ACCOUNT TREATY CLIENTS	40,841	3.27
The Chase Manhattan Bank 385036	40,637	3.25
State Street Bank and Trust Company	33,217	2.66
Mellon Bank, N. A. as Agent for its Client Mellon Omnibus US Pension	16,999	1.36
State Street Bank and Trust Company 505225	16,674	1.33
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	16,409	1.31
BBH for Matthews Asia Dividend Fund	16,027	1.28

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, 2013, the percentage of issued Shares held by overseas corporations and individuals was 57.76%. On March 31, 2013, approximately 2,871,308 ADSs were outstanding (equivalent to 14,356,540 or approximately 1.14% of ORIX's issued Shares as of that date). As of March 31, 2013, all our ADSs were held by 3 record holders in the United States.

In June 2013, we received a copy of a filing made by JP Morgan Group to the Kanto Local Finance Bureau on June 7, 2013 indicating that JP Morgan Group, primarily through JP Morgan Asset Management (Japan) Limited, held 79,160,147 Shares (including 888,498 Shares issuable under bonds with stock acquisition rights), representing 6.33% of ORIX's outstanding Shares, as part of JP Morgan Group's assets under

management.

In May 2013, we received a copy of a filing made by Fidelity Group to the Kanto Local Finance Bureau on May 17, 2013 indicating Fidelity Group, primarily through FMR LLC, held 117,853,053 Shares, representing 9.44% of ORIX's outstanding Shares, as part of Fidelity Group's assets under management.

In April 2013, we received a copy of a filing made by Nomura Group to the Kanto Local Finance Bureau on April 22, 2013 indicating Nomura Group, primarily through Nomura Asset Management Co., Ltd., held 70,675,749 Shares (including 13,479,904 Shares issuable under bonds with stock acquisition rights), representing 6.23% of ORIX's outstanding Shares, as part of Nomura Group's assets under management.

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In April 2013, we received a copy of a filing made by Sumitomo Mitsui Trust Holdings to the Kanto Local Finance Bureau on April 19, 2013 indicating the Sumitomo Mitsui Trust Holdings, primarily through Sumitomo Mitsui Trust Bank, Limited, held 72,465,125 Shares (including 569,925 Shares issuable under bonds with stock acquisition rights), representing 5.86% of ORIX's outstanding Shares, as part of Sumitomo Mitsui Trust Holdings' assets under management.

In April 2013, we received a copy of a filing made by Mizuho Financial Group to the Kanto Local Finance Bureau on April 5, 2013 indicating Mizuho Financial Group, primarily through Mizuho Trust & Banking Co., Ltd., held 38,447,164 Shares (including 3,732,280 Shares issuable under bonds with stock acquisition rights), representing 3.42% of ORIX's outstanding Shares, as part of Mizuho Financial Group's assets under management.

In February 2013, we received a copy of a filing made by Mitsubishi UFJ Financial Group to the Kanto Local Finance Bureau on February 18, 2013 indicating Mitsubishi UFJ Financial Group, primarily through Mitsubishi UFJ Trust and Banking Corporation, held 4,677,711 Shares (including 30,688 Shares issuable under bonds with stock acquisition rights), representing 4.24% of ORIX's outstanding Shares, as part of the Mitsubishi UFJ Financial Group's assets under management. The above number of shares reported in the copy of the filing made by Mitsubishi UFJ Financial Group to the Kanto Local Finance Bureau on February 18, 2013 has not been retroactively adjusted to reflect the 10-for-1 stock split on April 1, 2013.

## **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 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 other than those listed in the table below. Certain of our affiliates may fall within the meaning of a related party under clauses





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(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 ¥10,911 million as of March 31, 2013 and did not exceed ¥14,000 million at any time during fiscal 2013.

Each of these loans was made in the ordinary course of business. The following table describes, for each related party borrower, the applicable interest rate (or range of interest rates), the largest aggregate amount outstanding during fiscal 2013 and the aggregate amount outstanding as of March 31, 2013.

Related Party	The largest aggregate amount outstanding during fiscal 2013	Aggregate amount outstanding as of March 31, 2013	Interest rate (%)
	(Millions of yen)		
Flexible Energy Service Co., Ltd.	¥ 51	¥ 43	6.0
Plaza Sunroute Co	1,534	1,433	3.5
ORIX JREIT Inc.	5,500	3,500	0.7 2.1
Sanyo Homes Corporation	1,510	1,010	1.8 1.9
Pacific League Marketing Corporation	11	0	3.5
Yamaguchi Leasing Corporation	375	375	0.7 1.1
SHIGAGIN LEASE CAPITAL CO., LTD.	1,000	1,000	0.8
Torigin Leasing Corporation	295	270	1.0 1.2
TOMONY Lease, Inc.	263	188	1.0
DAIKYO INCORPORATED	1,545	1,000	1.2 1.7
Embio Holdings Inc.	50	0	1.6
BAROQUE JAPAN Ltd.	250	83	1.8 2.1
Hyakugo Leasing Company Limited	100	25	0.8
Dragon Wealth Development Limited	757	757	2.5
Aisling Airlease Ltd.	479	239	8.0
ORIVA Airlease Limited	953	412	8.0
Tsubaki Marine S.A.	190	190	1.0
Sazanka Marine S.A.	190	190	1.0
LEIS Corporation	30	0	8.0
Venrich Co., Ltd.	10	10	No interest*
MU Planning Corporation	1	1	No interest*
TOKYOYAMAKI CO., Ltd.	70	70	2.7
Yamatojuken	21	21	3.0 3.9
World Service Corporation	94	94	2.0

\* These loans primarily comprise purchased loans (see Note 1 of Item 18. Financial Statements ), and accordingly they are recorded as no interest.

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 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 two transactions with I Seeds. The total fees ORIX Living Corporation paid under the agreement for the fiscal year ended March 31, 2013 was less than ¥1 million.

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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 effected at fair prices based on third-party appraisals, and were valued less than ¥23,200 million in the aggregate for the fiscal year ended March 31, 2013. 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.

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### **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 following table shows the reported high and low closing sales prices of the Shares on the Tokyo Stock Exchange, excluding off-floor transactions. High and low sales price quotations from the Tokyo Stock Exchange have been translated in each case into dollars per ADS at the noon buying rate for yen expressed in yen per \$1.00 in New York City for cable transfer in foreign currencies on the relevant date or the noon buying rate for yen on the next business day if the relevant date is not a New York business day. On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. As a result of the stock split, the ratio of ADRs to underlying shares changed from 0.5 underlying shares per one ADR to five underlying shares per one ADR. In the following tables and elsewhere in this document unless indicated otherwise, numbers of shares of ORIX's common stock, per share, including price per share, information for ORIX's common stock and ORIX's ADR information in this annual report have been retroactively adjusted to reflect the 10-for-1 stock split on April 1, 2013.



**Table of Contents****TOKYO STOCK EXCHANGE PRICE PER SHARE**

	Price per Share (¥)		Translated into dollars per ADS	
	High	Low	High	Low
Fiscal Year ended March 31, 2009	2,124	171	101	9
Fiscal Year ended March 31, 2010	848	320	45	16
Fiscal Year ended March 31, 2011	945	741	57	46
Fiscal Year ended March 31, 2012				
First fiscal quarter	809	729	50	45
Second fiscal quarter	845	555	54	36
Third fiscal quarter	720	569	48	37
Fourth fiscal quarter	846	643	51	42
Fiscal Year ended March 31, 2013				
First fiscal quarter	812	642	49	41
Second fiscal quarter	802	710	51	45
Third fiscal quarter	973	771	57	49
Fourth fiscal quarter	1,217	915	64	52
Recent Six Months				
December 2012	973	833	57	51
January 2013	986	915	56	52
February 2013	1,085	991	58	54
March 2013	1,217	1,065	64	57
April 2013	1,499	1,152	77	62
May 2013	1,638	1,379	80	68

**NEW YORK STOCK EXCHANGE**

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

One ADSs represents five shares. On March 31, 2013, approximately 2,871,308 ADSs were outstanding. This is equivalent to 14,356,540 or approximately 1.14% 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.

**Table of Contents****NYSE PRICE PER ADS**

	Price per ADS (\$)		Average daily trading volume (shares)
	High	Low	
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	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
Fiscal Year ended March 31, 2013			
First fiscal quarter	49.44	41.28	12,255
Second fiscal quarter	51.22	45.12	8,742
Third fiscal quarter	57.42	49.13	12,936
Fourth fiscal quarter	64.53	51.76	17,628
Recent Six Months			
December 2012	57.42	50.49	12,602
January 2013	58.67	51.76	17,805
February 2013	57.83	54.15	18,721
March 2013	64.53	57.46	16,403
April 2013	76.86	61.24	40,622
May 2013	80.38	66.75	22,124

**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





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sale of antiques; (xvii) transport business; (xviii) brokerage, agency, investigation and consulting for business relating to any of the preceding items, and pension consulting service; (xix) as a result of holding shares in a subsidiary company engaged in those activities, engaging in business relating to any of the preceding items and managing such company's business activities; and (xx) any and all businesses incidental or related to any of the preceding items.

## **Directors and Board of Directors, and Committees**

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

There is no provision in our Articles of Incorporation as to a director's power to vote on a proposal or arrangement in which the director is materially interested, but, under the Companies Act or Regulations of the board of directors, the director must refrain from voting on such matters at meetings of the board of directors. Under the Companies Act, the board of directors may, by resolution, delegate to the executive officers its authority to make decisions with regard to 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 2,590,000,000 shares. Currently our Articles of Incorporation provide only for the issuance of shares of common stock. All shares of capital stock of us have no par value. All issued shares are fully-paid and non-assessable.

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

For a change in the number of shares issued for the past three fiscal years, see Note 21 of Item 18. Financial Statements for fiscal 2013.

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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

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an account at an account managing institution is presumed to be the legal owner of the shares recorded in such account. Under the Companies Act and the Book-Entry Law, in order to assert shareholders' rights against us, the transferee must have his or her name and address registered on our Register of Shareholders, except in limited circumstances. Foreign shareholders may file specimen signatures in lieu of seals. Nonresident shareholders are required to appoint a standing proxy in Japan or designate a mailing address in Japan. The registration of transfer and the application for reduced withholding tax on dividends can usually be handled by a standing proxy. See "Taxation Japanese Taxation." Japanese securities companies and commercial banks customarily will act as standing proxies and provide related services for standard fees.

Our transfer agent is Mitsubishi UFJ Trust and Banking Corporation, located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan.

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

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

## **Distributions of Surplus**

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

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

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

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

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

$$A + B + C + D - (E + F + G)$$

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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.

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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.

On October 26, 2012, the board of directors adopted a resolution on a ten-for-one stock split, effective as of April 1, 2013. The record date for the stock was one day prior to the effective date of the stock split. Our articles of incorporation were amended to increase the authorized share capital to cover the number of shares increased by the stock split, which amendment became effective simultaneously with the effectiveness of the stock split.

### **Unit Share System**

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

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

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

- (ii)

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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;



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- (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.

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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

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rights of a corporate or other entity which is a shareholder, such corporate shareholder cannot exercise its voting rights. Except as otherwise provided by law or in our Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the number of voting rights represented at the meeting. The quorum for election of directors is one-third of the total number of voting rights. Our shareholders are not entitled to cumulative voting in the election of directors. Our shareholders may exercise their voting rights through proxies, provided that the proxies are also shareholders having voting rights.

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

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

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### **Record Date of Register of Shareholders**

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

### **Repurchase of Own Shares**

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

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

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

### **Stock Options**

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

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

## **MATERIAL CONTRACTS**

None.

**FOREIGN EXCHANGE AND OTHER REGULATIONS**

**Foreign Exchange**

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

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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.

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

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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.



**Table of Contents****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. On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. As a result of the stock split, the ratio of ADRs to underlying shares changed from 0.5 underlying shares per one ADR to five underlying shares per one ADR. In the following tables and elsewhere in this document unless indicated otherwise, numbers of shares of ORIX's common stock, per share, including price per share, information for ORIX's common stock and ORIX's ADR information in this annual report have been retroactively adjusted to reflect the 10-for-1 stock split on April 1, 2013.

Year ended	Dividends applicable to fiscal year per Share	Translated into dollar per ADS
March 31, 2009	¥ 7.00	\$ 0.36
March 31, 2010	7.50	0.40
March 31, 2011	8.00	0.49
March 31, 2012	9.00	0.57
March 31, 2013	13.00	0.64

We believe that securing profits from our businesses, primarily as retained earnings, and utilizing them for strengthening our base of operations and making investments for growth, assists in sustaining profit growth while maintaining financial stability, and leads 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 13 yen per share, up from 9 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 7.147% for the period from January 1, 2013 to December 31, 2013.



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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 20.42% 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.

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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 donee.

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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 (including the application of the provisions of the code known as the Medicare Contribution Tax) 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.

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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 individual 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 preferential 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 *Taxation 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

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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



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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 such distribution, an excess distribution). 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 holders 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 excess distributions on shares in a PFIC.

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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. Accordingly, we endeavor to reduce interest rate risk through techniques such as funding interest rate bearing assets through liabilities with similar interest rate characteristics, e.g, financing floating-rate assets with floating-rate liabilities, and likewise fixed-rate assets with fixed-rate liabilities.

We conduct asset liability management through various methods including constructing balance sheets for fixed rate asset and liabilities, and those for floating rate, testing interest rate sensitivities, and producing value at risk. It is our basic policy to control risk volume in interest rate 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, investment 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, 2013 were: 4.5% for installment loans, 1.6% for investment in securities (floating and fixed rate), 1.9% for long- and short-term debt and 0.5% for deposits. As of March 31, 2013, the average payment rate of interest rate swaps was 1.2% and the average receipt rate was 1.6%. The average interest rates of financial instruments as of March 31, 2012 were: 4.2% for installment loans, 1.7% for investments 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%. As of March 31, 2013, there was no material change in the balance or in the average interest rate of financial instruments from March 31, 2012. The table below shows our interest rate risk exposure and the results of our interest rate sensitivity analysis.

**Table of Contents****INTEREST RATE SENSITIVITY****NONTRADING FINANCIAL INSTRUMENTS**

	Expected Maturity Date Year ended and ending March 31,						Total	March 31, 2013 Estimated Fair Value
	2014	2015	2016	2017	2018	Thereafter		
(Millions of yen)								
<b>Assets:</b>								
Installment loans (fixed rate)	¥ 497,918	¥ 131,049	¥ 198,448	¥ 69,526	¥ 60,272	¥ 204,841	¥ 1,162,054	¥ 1,144,926
Average interest rate	5.2%	6.7%	7.2%	7.1%	6.5%	5.1%	5.9%	
Installment loans (floating rate)	¥ 280,640	¥ 183,556	¥ 129,735	¥ 96,669	¥ 94,032	¥ 673,684	¥ 1,458,316	¥ 1,424,721
Average interest rate	3.6%	3.3%	4.1%	4.4%	4.0%	2.7%	3.3%	
Investment in securities (fixed rate)	¥ 146,972	¥ 56,683	¥ 61,801	¥ 55,938	¥ 69,219	¥ 286,468	¥ 677,081	¥ 695,717
Average interest rate	0.5%	1.3%	1.0%	1.2%	0.9%	2.4%	1.5%	
Investment in securities (floating rate)	¥ 52,197	¥ 2,807	¥ 3,288	¥ 2,031	¥ 1,257	¥ 11,111	¥ 72,691	¥ 71,642
Average interest rate	2.6%	4.8%	3.4%	2.3%	5.0%	3.2%	2.8%	
<b>Liabilities:</b>								
Short-term debt	¥ 420,726	¥	¥	¥	¥	¥	¥ 420,726	¥ 420,726
Average interest rate	1.1%						1.1%	
Deposits	¥ 703,452	¥ 182,935	¥ 104,776	¥ 57,090	¥ 30,334	¥	¥ 1,078,587	¥ 1,081,273
Average interest rate	0.4%	0.8%	0.6%	0.5%	0.4%		0.5%	
Long-term debt (fixed rate)	¥ 722,602	¥ 368,923	¥ 524,409	¥ 347,757	¥ 358,025	¥ 153,861	¥ 2,475,577	¥ 2,495,765
Average interest rate	2.3%	2.1%	3.5%	1.7%	1.3%	2.8%	2.5%	
Long-term debt (floating rate)	¥ 388,245	¥ 252,251	¥ 259,099	¥ 266,617	¥ 218,446	¥ 201,299	¥ 1,585,957	¥ 1,586,147
Average interest rate	1.1%	1.4%	1.2%	1.0%	0.9%	1.1%	1.1%	

**NONTRADING DERIVATIVE FINANCIAL INSTRUMENTS**

	Expected Maturity Date Year ended and ending March 31,						Total	March 31, 2013 Estimated Fair Value
	2014	2015	2016	2017	2018	Thereafter		
(Millions of yen)								
<b>Interest rate swaps:</b>								
Notional amount (floating to fixed)	¥ 65,251	¥ 52,620	¥ 30,408	¥ 1,295	¥ 11,397	¥ 9,074	¥ 170,045	¥ (1,416)
Average pay rate	1.3%	1.7%	1.5%	2.2%	0.7%	4.6%	1.6%	
Average receive rate	0.7%	1.1%	0.9	1.0%	0.5%	3.1%	1.0%	
Notional amount (fixed to floating)	¥	¥	¥ 92,683	¥	¥ 3,000	¥	¥ 95,683	¥ 4,611
Average pay rate			0.5%		0.7%		0.5%	
Average receive rate			2.7%		2.1%		2.7%	

The above table excludes purchased loans for which there is interest rate exposure. We acquire deteriorated credit loans at a discount 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). We refer to these as purchased loans. It is difficult to estimate the timing and extent of collection for these loans. The total book value of our purchased loans as of March 31, 2013 was to ¥70,801 million.

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We are also exposed to interest rate risks on life insurance policies issued by ORIX Life Insurance Corporation 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).

**Table of Contents*****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 shareholders' 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 euro appreciated 10% against the U.S. dollar from the rate in effect on March 31, 2012 and 2013. Based on these scenarios, exchange losses in future earnings were estimated to be ¥1,603 million and ¥1,382 million as of March 31, 2012 and 2013, respectively.

***Risk of Market Prices in Stocks***

We have marketable stocks that are subject to price risk arising from changes in their market prices. Our shareholders' 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, 2012 and 2013, respectively, and under such circumstances estimate a ¥8,510 million and ¥8,841 million decrease in the fair value of our equity securities as of March 31, 2012 and 2013.

**Item 12. Description of Securities Other than Equity Securities****FEEES 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:

<b>Service</b>	<b>Fee</b>
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



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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 2013, this amount was \$80,000.

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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**

In order to improve the convenience and liquidity of our securities on exchanges where our shares are listed, in accordance with our Action Plan for Consolidating Trading Units issued in November 2007 by the securities exchanges in Japan, the Company implemented a 10-for-1 stock split of shares of its common stock on March 31, 2013, pursuant to which one hundred shares constitutes one unit as of April 1, 2013. The change resulted in no substantive change in trading unit price levels. As a result of the stock split, the ratio of ADRs to underlying shares changed from 0.5 underlying shares per one ADR to five underlying shares per one ADR. The change has not affected ADR unit price levels or other material ADR terms.

**Item 15. Controls and Procedures**

As of March 31, 2013, 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:

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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.

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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, 2013 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, 2013.

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, 2013, 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, last amended in July 2012, 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 Group 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 2012 and 2013, our auditors (including Japanese and overseas affiliates of KPMG AZSA LLC) billed us ¥1,419 million and ¥1,458 million, respectively, for direct audit fees.

**AUDIT-RELATED FEES**

In fiscal 2012 and 2013, our auditors billed us ¥49 million and ¥119 million, respectively, for audit-related services, including services related to due diligence.

**TAX FEES**

In fiscal 2012 and 2013, our auditors billed us ¥68 million and ¥159 million, respectively, for tax-related services, including tax compliance and tax advice.

**ALL OTHER FEES**

In fiscal 2012 and 2013, our auditors billed us ¥16 million and ¥2 million, respectively, for other products and services which primarily consisted of advisory services.

**Table of Contents****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.

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

	(a) Total number of Shares Purchased <sup>(1)</sup>	(b) Average Price Paid per Share	(c) Total number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	(d) Maximum Number (or Approximate Yen Value) of Shares that May Yet be Purchased Under the Plans or Programs <sup>(2)</sup>
<b>Year ended March 31, 2013</b>				
April 2012	20	¥ 756	0	¥ 0
May 2012	0		0	0
June 2012	0		0	0
July 2012	0		0	0
August 2012	0		0	0
September 2012	90	775	0	0
October 2012	80	805	0	0
November 2012	0		0	0
December 2012	130	901	0	0
January 2013	340	946	0	0
February 2013	480	1,040	0	0
March 2013	1,650	1,156	0	0
<b>Total</b>	<b>2,790</b>	<b>¥ 1,073</b>	<b>0</b>	<b>¥ 0</b>

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- (1) One unit of the Shares comprises 100 Shares, amended from 10 Shares on April 1, 2013. Each unit of Shares has one vote. A holder who owns Shares in other than a multiple of 100 will own less than a whole unit (i.e., for the portion constituting fewer than 100 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 100 Shares.
- (2) There is no plan or program to purchase Shares announced in fiscal 2013 and up until the filing of this annual report.
- (3) On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. The number of Shares Purchased and Average Price Paid per Share have been adjusted retrospectively to reflect the stock split.

### **Item 16F. Change in Registrant's Certifying Accountant.**

Not applicable.



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### **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-120.

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, 2012 and 2013 (page F-4);
- (b) Consolidated Statements of Income for the years ended March 31, 2011, 2012 and 2013 (page F-6);
- (c) Consolidated Statements of Comprehensive Income for the years ended March 31, 2011, 2012 and 2013 (page F-8);
- (d) Consolidated Statements of Changes in Equity for the years ended March 31, 2011, 2012 and 2013 (page F-9);
- (e) Consolidated Statements of Cash Flows for the years ended March 31, 2011, 2012 and 2013 (page F-11);
- (f) Notes to Consolidated Financial Statements (page F-12 to F-119);
- (g) Schedule II. Valuation and Qualifying Accounts and Reserves (page F-120).

**Table of Contents****Item 19. Exhibits**

We have filed the following documents as exhibits to this document.

<b>Exhibit Number</b>	<b>Description</b>
Exhibit 1.1	Articles of Incorporation of ORIX Corporation, as amended on April 1, 2013.
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 July 17, 2012.
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 July 20, 2012.
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 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 relating to our long-term debt or the long-term debt of our subsidiaries. The total amount of securities of us or our subsidiaries authorized under any such instrument does not exceed 10% of our consolidated total assets. We hereby agree to furnish to the SEC, upon its request, a copy of any and all such instruments.

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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, 2013

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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, 2012 and 2013, 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, 2013. 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, 2012 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2013, 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 (af) to the consolidated financial statements, ORIX Corporation has changed its method of accounting for deferred policy acquisition costs retrospectively in the year ended March 31, 2013 due to the adoption of Accounting Standards Update 2010-26 ( Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts ASC 944 ( Financial Services Insurance )).

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, 2013, 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, 2013 expressed an unqualified opinion on the effectiveness of ORIX Corporation's internal control over financial reporting.

KPMG AZSA LLC

Tokyo, Japan

June 27, 2013

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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, 2013, 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, 2013, 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, 2012 and 2013, 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, 2013, expressed in Japanese yen, and our report dated June 27, 2013 expressed an unqualified opinion on those consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan

June 27, 2013

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**Table of Contents****CONSOLIDATED BALANCE SHEETS****AS OF MARCH 31, 2012 AND 2013****ORIX Corporation and Subsidiaries**

	Millions of yen	
	2012	2013
<b>ASSETS</b>		
Cash and Cash Equivalents	¥ 786,892	¥ 826,296
Restricted Cash	123,295	106,919
Time Deposits	24,070	8,356
Investment in Direct Financing Leases	900,886	989,380
Installment Loans	2,769,898	2,691,171
(The amounts of ¥19,397 million of installment loans as of March 31, 2012 and ¥16,026 million of installment loans as of March 31, 2013 are 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	(136,588)	(104,264)
Investment in Operating Leases	1,309,998	1,395,533
Investment in Securities	1,147,390	1,093,668
(The amount of ¥5,800 million of investment in securities as of March 31, 2013 is measured at fair value by electing the fair value option under FASB Accounting Standards Codification 825-10.)		
Other Operating Assets	206,109	233,258
Investment in Affiliates	331,717	326,732
Other Receivables	188,108	196,626
Inventories	79,654	41,489
Prepaid Expenses	39,547	50,323
Office Facilities	123,338	108,757
Other Assets	438,516	475,466
<b>Total Assets</b>	<b>¥ 8,332,830</b>	<b>¥ 8,439,710</b>

Note 1: Fiscal 2012 amounts have been adjusted for the retrospective adoption of Accounting Standards Update 2010-26 ( Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts ASC 944 ( Financial Services Insurance )) on April 1, 2012.

2: The assets of consolidated variable interest entities (VIEs) that can be used only to settle obligations of those VIEs are below:

	Millions of yen	
	2012	2013
Cash and Cash Equivalents	¥ 11,836	¥ 9,439
Investment in Direct Financing Leases (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	232,575	205,989
Installment Loans (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	709,863	528,976
Investment in Operating Leases	269,267	199,190
Investment in Securities	50,059	37,641
Investment in Affiliates	13,899	13,820
Others	91,240	98,885
	<b>¥ 1,378,739</b>	<b>¥ 1,093,940</b>



**Table of Contents****CONSOLIDATED BALANCE SHEETS (Continued)****AS OF MARCH 31, 2012 AND 2013****ORIX Corporation and Subsidiaries**

	Millions of yen	
	2012	2013
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Short-Term Debt	¥ 457,973	¥ 420,726
Deposits	1,103,514	1,078,587
Trade Notes, Accounts Payable and Other Liabilities	290,466	312,922
Accrued Expenses	110,057	121,281
Policy Liabilities	405,017	426,007
Income Taxes:		
Current	7,849	11,651
Deferred	90,278	131,406
Security Deposits	142,092	146,402
Long-Term Debt	4,267,480	4,061,534
<b>Total Liabilities</b>	<b>6,874,726</b>	<b>6,710,516</b>
Redeemable Noncontrolling Interests	37,633	41,621
Commitments and Contingent Liabilities		
Equity:		
Common stock:		
Authorized 2,590,000,000 shares		
Issued 1,102,544,220 shares as of March 31, 2012 and 1,248,714,760 shares as of March 31, 2013	144,026	194,039
Additional paid-in capital	179,223	229,600
Retained earnings	1,202,450	1,305,044
Accumulated other comprehensive income (loss)	(96,056)	(36,263)
Treasury stock, at cost:		
27,327,010 shares as of March 31, 2012 and 27,281,710 shares as of March 31, 2013	(48,907)	(48,824)
<b>ORIX Corporation Shareholders Equity</b>	<b>1,380,736</b>	<b>1,643,596</b>
Noncontrolling interests	39,735	43,977
<b>Total Equity</b>	<b>1,420,471</b>	<b>1,687,573</b>
<b>Total Liabilities and Equity</b>	<b>¥ 8,332,830</b>	<b>¥ 8,439,710</b>

Note 1: Fiscal 2012 amounts have been adjusted for the retrospective adoption of Accounting Standards Update 2010-26 ( Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts ASC 944 ( Financial Services Insurance )) on April 1, 2012.

2: On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. The number of shares has been adjusted retrospectively to reflect the stock split for all periods presented.

3: The liabilities of consolidated VIEs for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries are below:

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	Millions of yen	
	2012	2013
Short-Term Debt	¥ 1,233	¥ 1,710
Trade Notes, Accounts Payable and Other Liabilities	8,120	3,503
Security Deposits	8,333	5,679
Long-Term Debt	1,039,927	806,857
Others	5,829	5,649
	¥ 1,063,442	¥ 823,398

The accompanying notes to consolidated financial statements are an integral part of these statements.

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**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED MARCH 31, 2011, 2012 AND 2013**

**ORIX Corporation and Subsidiaries**

	2011	Millions of yen 2012	2013
<b>Revenues:</b>			
Direct financing leases	¥ 51,211	¥ 50,934	¥ 54,356
Operating leases	269,793	287,202	300,665
Interest on loans and investment securities	169,932	147,888	155,963
Brokerage commissions and net gains on investment securities	19,579	29,337	34,814
Life insurance premiums and related investment income	118,203	128,211	138,726
Real estate sales	54,741	61,029	38,804
Gains on sales of real estate under operating leases	5,103	2,215	5,800
Other operating revenues	252,444	264,005	336,510
<b>Total revenues</b>	<b>941,006</b>	<b>970,821</b>	<b>1,065,638</b>
<b>Expenses:</b>			
Interest expense	122,128	110,334	101,275
Costs of operating leases	179,792	184,156	197,484
Life insurance costs	89,382	93,421	98,599
Costs of real estate sales	58,930	59,534	39,430
Other operating expenses	147,049	152,827	200,146
Selling, general and administrative expenses	202,046	195,477	225,647
Provision for doubtful receivables and probable loan losses	31,065	19,186	10,016
Write-downs of long-lived assets	17,400	15,167	19,117
Write-downs of securities	21,747	16,470	22,838
Foreign currency transaction loss (gain), net	(160)	(218)	488
<b>Total expenses</b>	<b>869,379</b>	<b>846,354</b>	<b>915,040</b>
<b>Operating Income</b>	<b>71,627</b>	<b>124,467</b>	<b>150,598</b>
Equity in Net Income of Affiliates	16,806	1,972	14,037
Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, net	1,199	3,317	7,883
<b>Income before Income Taxes and Discontinued Operations</b>	<b>89,632</b>	<b>129,756</b>	<b>172,518</b>
Provision for Income Taxes	24,673	45,475	53,656
<b>Income from Continuing Operations</b>	<b>¥ 64,959</b>	<b>¥ 84,281</b>	<b>¥ 118,862</b>
<b>Discontinued Operations:</b>			
Income (Loss) from discontinued operations, net	¥ 13,924	¥ (466)	¥ (125)
Provision for income taxes	(7,530)	2,086	321
<b>Discontinued operations, net of applicable tax effect</b>	<b>6,394</b>	<b>1,620</b>	<b>196</b>
<b>Net Income</b>	<b>71,353</b>	<b>85,901</b>	<b>119,058</b>

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Net Income (Loss) Attributable to the Noncontrolling Interests	2,373	(332)	3,164
Net Income Attributable to the Redeemable Noncontrolling Interests	2,959	2,724	3,985
Net Income Attributable to ORIX Corporation Shareholders	¥ 66,021	¥ 83,509	¥ 111,909

Note 1: Pursuant to FASB Accounting Standards Codification 205-20 ( Presentation of Financial Statements Discontinued Operations ), the results of operations which meet the criteria for discontinued operations are reported as a separate component of income, and those related amounts that had been previously reported are reclassified.

2: Fiscal 2011 and 2012 amounts have been adjusted for the retrospective adoption of Accounting Standards Update 2010-26 ( Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts ASC 944 ( Financial Services Insurance )) on April 1, 2012.

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**CONSOLIDATED STATEMENTS OF INCOME (Continued)**  
**FOR THE YEARS ENDED MARCH 31, 2011, 2012 AND 2013**

**ORIX Corporation and Subsidiaries**

	2011	Millions of yen 2012	2013
Income attributable to ORIX Corporation shareholders:			
Income from continuing operations	¥ 59,567	¥ 81,154	¥ 112,116
Discontinued operations	6,454	2,355	(207)
Net income attributable to ORIX Corporation shareholders	¥ 66,021	¥ 83,509	¥ 111,909
		<b>Yen</b>	
	<b>2011</b>	<b>2012</b>	<b>2013</b>
Amounts per Share of Common Stock for Income attributable to ORIX Corporation shareholders:			
Basic:			
Income from continuing operations	¥ 55.42	¥ 75.49	¥ 103.06
Discontinued operations	6.00	2.19	(0.19)
Net income attributable to ORIX Corporation shareholders	¥ 61.42	¥ 77.68	¥ 102.87
Diluted:			
Income from continuing operations	¥ 46.94	¥ 63.25	¥ 87.53
Discontinued operations	4.89	1.78	(0.16)
Net income attributable to ORIX Corporation shareholders	¥ 51.83	¥ 65.03	¥ 87.37
Cash Dividends	7.50	8.00	9.00

Note 1: The accompanying notes to consolidated financial statements are an integral part of these statements.

Note 2: On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. The amounts per share of common stock for income attributable to ORIX Corporation shareholders and cash dividends have been adjusted retrospectively to reflect the stock split for all periods presented.

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED MARCH 31, 2011, 2012 AND 2013**

**ORIX Corporation and Subsidiaries**

	2011	Millions of yen 2012	2013
Net Income	¥ 71,353	¥ 85,901	¥ 119,058
Other comprehensive income (loss), net of tax:			
Net change of unrealized gains (losses) on investment in securities	7,663	5,121	13,330
Net change of defined benefit pension plans	(2,006)	(3,247)	4,759
Net change of foreign currency translation adjustments	(21,186)	(1,392)	50,979
Net change of unrealized gains (losses) on derivative instruments	(782)	(1,170)	268
Total other comprehensive income (loss)	(16,311)	(688)	69,336
Comprehensive Income	55,042	85,213	188,394
Comprehensive Income (Loss) Attributable to the Noncontrolling Interests	1,734	(849)	7,394
Comprehensive Income Attributable to the Redeemable Noncontrolling Interests	606	2,409	9,209
Comprehensive Income Attributable to ORIX Corporation Shareholders	¥ 52,702	¥ 83,653	¥ 171,791

The accompanying notes to consolidated financial statements are an integral part of these statements.



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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED MARCH 31, 2011, 2012 AND 2013**

**ORIX Corporation and Subsidiaries**

	Millions of yen							
	ORIX Corporation Shareholders			Equity		Total ORIX Corporation		
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Shareholders Equity	Noncontrolling Interests	
<b>Balance at March 31, 2010</b>	¥ 143,939	¥ 178,661	¥ 1,104,779	¥ (79,459)	¥ (49,236)	¥ 1,298,684	¥ 17,777	¥ 1,316,461
Cumulative effect of applying new accounting standards for the consolidation of variable interest entities			(22,495)	(3,406)		(25,901)	4,233	(21,668)
Cumulative effect of change in accounting principle*2			(11,505)			(11,505)	0	(11,505)
<b>Balance at April 1, 2010</b>	143,939	178,661	1,070,779	(82,865)	(49,236)	1,261,278	22,010	1,283,288
Contribution to subsidiaries						0	3,864	3,864
Transaction with noncontrolling interests		200		4		204	(2,450)	(2,246)
Comprehensive income (loss), net of tax:								
Net income			66,021			66,021	2,373	68,394
Other comprehensive income (loss)								
Net change of unrealized gains on investment in securities				7,605		7,605	58	7,663
Net change of defined benefit pension plans				(2,006)		(2,006)	0	(2,006)
Net change of foreign currency translation adjustments				(18,118)		(18,118)	(715)	(18,833)
Net change of unrealized gains (losses) on derivative instruments				(800)		(800)	18	(782)
Total other comprehensive income (loss)						(13,319)	(639)	(13,958)
Total comprehensive income (loss)						52,702	1,734	54,436
Cash dividends			(8,061)			(8,061)	(3,471)	(11,532)
Conversion of convertible bond	7	7				14	0	14
Exercise of stock options	49	49				98	0	98
Compensation cost of stock options		142				142	0	142
Acquisition of treasury stock					(70)	(70)	0	(70)
Other, net		78	61		136	275	0	275
<b>Balance at March 31, 2011</b>	143,995	179,137	1,128,800	(96,180)	(49,170)	1,306,582	21,687	1,328,269



**Table of Contents****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)****FOR THE YEARS ENDED MARCH 31, 2011, 2012 AND 2013****ORIX Corporation and Subsidiaries**

	Millions of yen					Total ORIX Corporation		Total Equity
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Shareholders Equity	Noncontrolling Interests	
Contribution to subsidiaries						0	21,503	21,503
Transaction with noncontrolling interests		52		(20)		32	(502)	(470)
Comprehensive income (loss), net of tax:								
Net income			83,509			83,509	(332)	83,177
Other comprehensive income (loss)								
Net change of unrealized gains on investment in securities				4,642		4,642	479	5,121
Net change of defined benefit pension plans				(3,245)		(3,245)	(2)	(3,247)
Net change of foreign currency translation adjustments				(98)		(98)	(979)	(1,077)
Net change of unrealized gains (losses) on derivative instruments				(1,155)		(1,155)	(15)	(1,170)
Total other comprehensive income (loss)						144	(517)	(373)
Total comprehensive income (loss)						83,653	(849)	82,804
Cash dividends			(8,599)			(8,599)	(2,104)	(10,703)
Conversion of convertible bond	3	3				6	0	6
Exercise of stock options	28	27				55	0	55
Acquisition of treasury stock					(1)	(1)	0	(1)
Other, net		4	(1,260)		264	(992)	0	(992)
<b>Balance at March 31, 2012</b>	<b>144,026</b>	<b>179,223</b>	<b>1,202,450</b>	<b>(96,056)</b>	<b>(48,907)</b>	<b>1,380,736</b>	<b>39,735</b>	<b>1,420,471</b>
Contribution to subsidiaries						0	2,229	2,229
Transaction with noncontrolling interests		98		(89)		9	(143)	(134)
Comprehensive income (loss), net of tax:								
Net income			111,909			111,909	3,164	115,073
Other comprehensive income (loss)								
Net change of unrealized gain on investment in securities				12,829		12,829	501	13,330
Net change of defined benefit pension plans				4,758		4,758	1	4,759
Net change of foreign currency translation adjustments				42,020		42,020	3,735	45,755
Net change of unrealized gains (losses) on derivative instruments				275		275	(7)	268

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Total other comprehensive income (loss)					59,882	4,230	64,112	
Total comprehensive income (loss)					171,791	7,394	179,185	
Cash dividends			(9,676)		(9,676)	(5,238)	(14,914)	
Conversion of convertible bond	49,840	49,933			99,773	0	99,773	
Exercise of stock options	173	172			345	0	345	
Acquisition of treasury stock					(3)	0	(3)	
Other, net		174	361		86	621	621	
<b>Balance at March 31, 2013</b>	¥ 194,039	¥ 229,600	¥ 1,305,044	¥ (36,263)	¥ (48,824)	¥ 1,643,596	¥ 43,977	¥ 1,687,573

1. Changes in the redeemable noncontrolling interests are not included in the table. For further information, see Note 18 ( Redeemable Noncontrolling Interests ).
2. Cumulative effect of change in accounting principle represents the cumulative effect of the retrospective adoption of Accounting Standards Update 2010-26 ( Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts - ASC 944 ( Financial Services - Insurance )).

The accompanying notes to consolidated financial statements are an integral part of these statements.

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2011, 2012 AND 2013**

**ORIX Corporation and Subsidiaries**

	2011	Millions of yen 2012	2013
<b>Cash Flows from Operating Activities:</b>			
Net income	¥ 71,353	¥ 85,901	¥ 119,058
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	163,546	165,193	178,840
Provision for doubtful receivables and probable loan losses	31,065	19,186	10,016
Increase (Decrease) in policy liabilities	(11,615)	6,421	20,990
Deferred tax provision (benefit)	(19,624)	16,362	32,655
Equity in net income of affiliates (excluding interest on loans)	(14,337)	(889)	(12,874)
Gains on sales of subsidiaries and affiliates and liquidation losses, net	(1,199)	(3,317)	(7,883)
Gains on sales of available-for-sale securities	(4,867)	(8,918)	(17,252)
Gains on sales of real estate under operating leases	(5,103)	(2,215)	(5,800)
Gains on sales of operating lease assets other than real estate	(9,968)	(14,721)	(14,032)
Write-downs of long-lived assets	17,400	15,167	19,117
Write-downs of securities	21,747	16,470	22,838
Decrease (Increase) in restricted cash	(6,659)	(5,188)	33,852
Decrease (Increase) in trading securities	(28,372)	55,173	(16,264)
Decrease in inventories	27,596	26,830	37,918
Decrease (Increase) in other receivables	16,006	(7,893)	20,782
Increase (Decrease) in trade notes, accounts payable and other liabilities	(22,042)	22,760	(8,715)
Other, net	(12,547)	(53,328)	(21,942)
<b>Net cash provided by operating activities</b>	<b>212,380</b>	<b>332,994</b>	<b>391,304</b>
<b>Cash Flows from Investing Activities:</b>			
Purchases of lease equipment	¥ (561,919)	¥ (603,060)	¥ (736,373)
Principal payments received under direct financing leases	384,288	348,549	381,080
Installment loans made to customers	(719,190)	(741,570)	(918,777)
Principal collected on installment loans	1,130,718	918,565	1,193,884
Proceeds from sales of operating lease assets	159,369	174,139	173,890
Investment in affiliates, net	36,945	17,808	(19,206)
Proceeds from sales of investment in affiliates	4,622	2,864	3,280
Purchases of available-for-sale securities	(742,816)	(654,873)	(684,870)
Proceeds from sales of available-for-sale securities	340,634	279,367	417,534
Proceeds from redemption of available-for-sale securities	310,594	361,881	373,729
Purchases of held-to-maturity securities	0	(182)	(46,567)
Purchases of other securities	(48,538)	(44,654)	(26,855)
Proceeds from sales of other securities	25,614	24,832	40,568
Purchases of other operating assets	(14,219)	(17,282)	(15,152)
Acquisitions of subsidiaries, net of cash acquired	(46,554)	(9,252)	(43,223)
Sales of subsidiaries, net of cash disposed	12,685	7,554	(171)
Other, net	(20,635)	(22,929)	12,886
<b>Net cash provided by investing activities</b>	<b>251,598</b>	<b>41,757</b>	<b>105,657</b>
<b>Cash Flows from Financing Activities:</b>			
Net decrease in debt with maturities of three months or less	¥ (72,584)	¥ (59,769)	¥ (20,507)
Proceeds from debt with maturities longer than three months	1,488,199	1,488,111	1,365,827
Repayment of debt with maturities longer than three months	(1,918,774)	(1,782,081)	(1,790,616)
Net increase in deposits due to customers	166,012	40,288	6,623
Cash dividends paid to ORIX Corporation shareholders	(8,061)	(8,599)	(9,676)

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Contribution from noncontrolling interests	0	20,258	1,133
Cash dividends paid to redeemable noncontrolling interests	(6,008)	(1,079)	(5,763)
Net decrease in call money	(8,000)	(10,000)	0
Other, net	(4,374)	(5,606)	(14,214)
<b>Net cash used in financing activities</b>	<b>(363,590)</b>	<b>(318,477)</b>	<b>(467,193)</b>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(7,348)	(1,509)	9,636
<b>Net Increase in Cash and Cash Equivalents</b>	<b>93,040</b>	<b>54,765</b>	<b>39,404</b>
Cash and Cash Equivalents at Beginning of Year	639,087	732,127	786,892
<b>Cash and Cash Equivalents at End of Year</b>	<b>¥ 732,127</b>	<b>¥ 786,892</b>	<b>¥ 826,296</b>

The accompanying notes to consolidated financial statements are an integral part of these statements.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**ORIX Corporation and Subsidiaries**

**1. Significant Accounting and Reporting Policies**

In preparing the accompanying consolidated financial statements, ORIX Corporation (the Company) and its subsidiaries have complied with accounting principles generally accepted in the United States of America (U.S. GAAP), modified for the accounting for stock splits (see (o)). Significant accounting and reporting policies are summarized as follows:

**(a) Basis of presenting financial statements**

The Company and its subsidiaries in Japan maintain their books in conformity with Japanese accounting practices, which differ in certain respects from U.S. GAAP.

The accompanying consolidated financial statements have been prepared in conformity with U.S. GAAP and, therefore, reflect certain adjustments to the books and records of the Company and its subsidiaries. The principal adjustments relate to initial direct costs to originate leases and loans, use of the straight-line method of depreciation for operating lease equipment, deferral of life insurance policy acquisition costs, calculation of insurance policy liabilities, accounting for goodwill and intangible assets resulting from business combinations, accounting for pension plans, accounting for changes in a parent's ownership interest in its subsidiary, accounting for securitization of financial assets, reflection of the income tax effect on such adjustments and reclassification of discontinued operations, and the presentation of the noncontrolling interests.

**(b) Principles of consolidation**

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Investments in affiliates, where the Company has the ability to exercise significant influence by way of 20%–50% ownership or other means, are accounted for by using the equity method. Where the Company holds majority voting interests but noncontrolling shareholders have substantive participating rights to decisions that occur as part of the ordinary course of their 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 to which the Company and its subsidiaries are primary beneficiaries pursuant to ASC 810-10 (Consolidation—Variable Interest Entities).

A lag period of up to three months is used on a consistent basis for recognizing the results of certain subsidiaries and affiliates.

All significant intercompany accounts and transactions have been eliminated in consolidation.

**(c) Use of estimates**

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company has identified ten areas where it believes assumptions and estimates are particularly critical to the financial statements. These are the selection of valuation techniques and determination of assumptions used in fair value measurements (see Note 2), the determination and periodic reassessment of the unguaranteed residual value for direct financing leases and operating leases (see (e)), the determination and reassessment of insurance policy liabilities and deferred policy acquisition costs (see (f)), the determination of the allowance for doubtful receivables on direct financing leases and probable loan losses (see (g)), the determination of impairment of long-lived assets (see (h)), the



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**ORIX Corporation and Subsidiaries**

determination of impairment of investment in securities (see (i)), the determination of the valuation allowance for deferred tax assets and the evaluation of tax positions (see (j)), assessment and measurement of effectiveness in hedging relationship using derivative financial instruments (see (l)), the determination of benefit obligation and net periodic pension cost (see (m)) and the determination of impairment of goodwill and intangible assets not subject to amortization (see (w)).

**(d) Foreign currencies translation**

The Company and its subsidiaries maintain their accounting records in their functional currency. Transactions in foreign currencies are recorded in the entity's functional currency based on the prevailing exchange rates on the transaction date.

The financial statements of overseas subsidiaries and affiliates are translated into Japanese yen by applying the exchange rates in effect at the end of each fiscal year to all assets and liabilities. Income and expenses are translated at the average rates of exchange prevailing during the fiscal year. The currencies in which the operations of the overseas subsidiaries and affiliates are conducted are regarded as the functional currencies of these companies. Foreign currency translation adjustments reflected in accumulated other comprehensive income (loss) arise from the translation of foreign currency financial statements into Japanese yen.

**(e) Recognition of revenues**

Revenues are recognized when persuasive evidence of an arrangement exists, the service has been rendered or the goods have been delivered to the customer, the transaction price is fixed or determinable and collectibility is reasonably assured.

In addition to the aforementioned general policy, the policies as specifically described hereinafter are applied for each of the major revenue items.

**Leases** The Company and its subsidiaries lease various assets to customers under direct financing or operating lease arrangements. Classification of a lease arrangement into either a direct financing lease or an operating lease is dependent upon the specific conditions of the arrangement. Revenue recognition policies applied for direct financing leases and operating leases are specifically described in sections following this paragraph. In providing leasing services, the Company and its subsidiaries execute supplemental services, such as paying insurance and handling taxes on leased assets on behalf of lessees. In some cases, automobile maintenance services are also provided to lessees. Where, under terms of the lease or related maintenance agreements, the Company and its subsidiaries bear the favorable or unfavorable variability of cost, revenues and expenses are recorded on a gross basis. For those arrangements in which the Company and its subsidiaries do not have substantial risks and rewards of ownership, but instead serve as an agent in collecting from lessees and remitting payments to third parties, the Company and its subsidiaries record revenues net of third-party services costs. Revenues from automobile maintenance services are taken into income over the

contract period in proportion to the estimated service costs to be incurred and are recorded in other operating revenues in the accompanying consolidated statements of income.

**(1) Recognition of revenues for direct financing leases**

Direct financing leases consist of full-payout leases for various equipment types, including office equipment, industrial machinery and transportation equipment. The excess of aggregate lease rentals plus the estimated unguaranteed residual value over the cost of the leased equipment constitutes the unearned lease income to be taken into income over the lease term by using the interest method. The estimated residual values

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

represent estimated proceeds from the disposition of equipment at the time the lease is terminated. Estimates of unguaranteed residual values are based on current market values of used equipment, estimates of when and how much equipment will become obsolete and actual recovery being experienced for similar used equipment. Initial direct costs are being deferred and amortized as a yield adjustment over the life of related lease by using the interest method. The unamortized balance of initial direct costs is reflected as a component of investment in direct financing leases.

**(2) Recognition of revenues for operating leases**

Revenues from operating leases are recognized on a straight-line basis over the contract terms. Investment in operating leases is recorded at cost less accumulated depreciation and is depreciated over their estimated useful lives mainly on a straight-line basis. The estimated average useful lives of principal operating lease assets classified as transportation equipment is 9 years, measuring and information-related equipment is 4 years, real estate (other than land) is 32 years and other is 7 years. Depreciation expenses are included in costs of operating leases. Gains or losses arising from dispositions of operating lease assets, except real estate under operating leases, are included in operating lease revenues. With respect to some sales of real estate under operating leases such as commercial buildings, the Company or its subsidiaries may retain an interest in some cash flows of the real estate in the form of management or operation of the real estate. Where the Company or its subsidiaries have significant continuing involvement in the operations from the 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, whereas if the Company or its subsidiaries have no significant continuing involvement in the operations from such disposed real estate, the gains or losses are reported as income from discontinued operations, net.

Estimates of residual values are based on current market values of used equipment, estimates of when and how much equipment will become obsolete and actual recovery being experienced for similar used equipment.

**Installment loans** Interest income on installment loans is recognized on an accrual basis. Certain direct loan origination costs, net of origination fees, are being deferred and amortized over the contractual term of the loan as an adjustment of the related loan's yield using the interest method.

Interest payments received on impaired loans other than purchased loans are recorded as interest income unless the collection of the remaining investment is doubtful at which time payments received are recorded as reductions of principal. For purchased loans, although the acquired assets may remain loans in legal form, collections on these loans often do not reflect the normal historical experience of collecting delinquent accounts, and the need to tailor individual collateral-realization strategies often makes it difficult to reliably estimate the amount, timing or nature of collections. Accordingly, the Company and its subsidiaries use the cost recovery method of income recognition for such purchased loans regardless of whether impairment is recognized or not.

**Non-accrual policy** In common with all classes, past-due financing receivables are receivables for which principal or interest is past-due 30 days or more. Loans whose terms have been modified are not classified as past-due financing receivables if the principals and interests are not past-due 30 days or more in accordance with the modified terms. The Company and its subsidiaries suspend accruing revenues on past-due installment loans and direct financing leases when principal or interest is past-due 90 days or more, or earlier, if management determines that

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their collections are doubtful based on factors such as individual debtors' creditworthiness, historical loss experience, current delinquencies and delinquency trends. Accrued but uncollected interest is reclassified to investment in direct financing leases or installment loans in the accompanying consolidated balance sheets and becomes subject to the allowance for doubtful receivables and probable loan loss process. Cash repayments received on non-accrual loans are applied first against past due interest and then any surpluses.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**ORIX Corporation and Subsidiaries**

are applied to principal in view of the conditions of the contract and obligors. The Company and its subsidiaries return to accrual status non-accrual loans and lease receivables when it becomes probable that the Company and its subsidiaries will be able to collect all amounts due according to the contractual terms of these loans and receivables, as evidenced by continual payments from the debtors. The period of such continual payments before returning to accrual status varies depending on factors that we consider are relevant in assessing the debtor's creditworthiness, such as the debtor's business characteristics and financial conditions as well as relevant economic conditions and trends.

**Brokerage commissions and net gains on investment securities** Brokerage commissions and net gains on investment securities are recorded on a trade date basis.

**Real estate sales** Revenues from the sales of real estate are recognized when a contract is in place, a closing has taken place, the buyer's initial and continuing investment is adequate to demonstrate a commitment to pay for the property and the Company and its subsidiaries do not have a substantial continuing involvement in the property.

**(f) Insurance premiums and expenses**

Premium income from life insurance policies is recognized as earned premiums when due.

Life insurance benefits are recorded as expenses when they are incurred. Policy 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 necessarily includes assumptions about mortality, morbidity, lapse rates, future yields on related investments and other factors applicable at the time the policies are written. The Company's 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 both to adjust recorded liabilities and to adjust underwriting criteria and product offerings.

ASC 944 (Financial Services - Insurance) requires insurance companies to defer certain costs related directly to the successful acquisition of new or renewal insurance contracts, or deferred policy acquisition costs, and amortize them over the respective policy periods in proportion to anticipated premium revenue. These deferred policy acquisition costs consist primarily of first-year commissions in excess of recurring policy maintenance costs and certain variable costs and expenses for underwriting policies (see (ag) regarding the retrospective adoption of Accounting Standards Update 2010-26 for deferred policy acquisition costs).

**(g) 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 is maintained at a level which, in the judgment of management, is appropriate to provide for probable losses inherent in lease and loan portfolios. The allowance is increased by provision charged to income and is decreased by charge-offs, net of recoveries.

Developing the allowance for doubtful receivables on direct financing leases and probable loan losses is subject to numerous estimates and judgments. In evaluating the appropriateness of the allowance, management considers various factors, including the business characteristics and financial conditions of the obligors, current economic conditions and trends, prior charge-off experience, current delinquencies and delinquency trends, future cash flows expected to be received from the direct financing leases and loans and value of underlying collateral and guarantees. Impaired loans are individually evaluated for a valuation allowance based on the

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**ORIX Corporation and Subsidiaries**

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. For non-impaired loans, including loans that are not individually evaluated for impairment, and direct financing leases, the Company and its subsidiaries evaluate prior charge-off experience segmented by the debtors' industries and the purpose of the loans, and then develop the allowance for doubtful receivables on direct financing leases and probable loan losses considering the prior charge-off experience and current economic conditions.

The Company and its subsidiaries charge off doubtful receivables when the likelihood of any future collection is believed to be minimal considering debtors' creditworthiness and the liquidation status of collateral.

**(h) Impairment of long-lived assets**

The Company and its subsidiaries have followed ASC 360-10 (Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets). Under ASC 360-10, long-lived assets to be held and used in operations, including tangible assets and intangible assets being amortized, consisting primarily of office building, condominiums, golf courses and other operating assets, shall be tested for recoverability whenever events or changes in circumstances indicate that the assets might be impaired. When the undiscounted future cash flows estimated to be generated by those assets are less than the carrying amount of those assets, the net carrying amount of assets not recoverable is reduced to fair value if lower than the carrying amount. The Company and its subsidiaries determine the fair value using appraisals prepared by independent third party appraisers or our own staff of qualified appraisers based on recent transactions involving sales of similar assets or other valuation techniques, such as 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.

**(i) Investment in securities**

Trading securities are reported at fair value with unrealized gains and losses included in income.

Available-for-sale securities are reported at fair value, and unrealized gains or losses are recorded in accumulated other comprehensive income (loss), net of applicable income taxes.

Held-to-maturity securities are recorded at amortized cost.

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Other securities are recorded at cost or carrying value that reflects equity income and loss based on the Company's share, except investments which are recorded at fair value with unrealized gains and losses included in income by electing the fair value option under ASC 825-10 ( Financial Instruments - Fair Value Option ).

For available-for-sale securities, the Company and its subsidiaries 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, the Company and its subsidiaries 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, in the case of the fair value being below the amortized cost, the Company and its subsidiaries consider whether those securities are other-than-temporarily impaired using all available information



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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

about the collectibility of debt securities. The Company and its subsidiaries do not consider that an other-than-temporary impairment for a debt security has occurred if (1) the Company and its subsidiaries do not intend to sell the debt security, (2) it is not more likely than not that the Company and its subsidiaries will be required to sell the debt security before recovery of its amortized cost basis and (3) the present value of estimated cash flows will fully cover the amortized cost of the security. On the other hand, the Company and its subsidiaries consider that an other-than-temporary impairment has occurred if any of the above mentioned three conditions are not met. For the debt security for which an other-than-temporary impairment is considered to have occurred, the Company and its subsidiaries recognize the entire difference between the amortized cost and the fair value in earnings if the Company and its subsidiaries intend to sell the debt security or it is more likely than not that the Company and its subsidiary will be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss. On the other hand, if the Company and its subsidiaries do not intend to sell the debt security and it is not more likely than not that the Company and its subsidiaries will be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss, the Company and its subsidiaries 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.

For other securities, the Company and its subsidiaries reduce the carrying value of other security to the fair value and charge against income losses related to other securities in situations where it is considered that the decline in the value of other security is other than temporary.

**(j) Income taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The Company and its subsidiaries have followed ASC 740 ( Income Taxes ). According to ASC 740, the Company and its subsidiaries 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. The Company and its subsidiaries classify penalties and interest expense related to income taxes as part of provision for income taxes in the consolidated statements of income.

Effective for the fiscal year ended March 31, 2012, the Company and certain consolidated subsidiaries have elected to file a consolidated tax return for National Corporation tax purposes.

**(k) Securitized assets**

The Company and its subsidiaries have securitized and sold to investors certain lease receivables, loan receivables and investment in securities. In the securitization process, the assets to be securitized ( the assets ) are sold to trusts and special-purpose entities that issue asset-backed beneficial interests and securities to the investors.

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

Until March 31, 2010, certain trusts and special-purpose entities that met the conditions of qualifying special-purpose entities ( QSPEs ) were not consolidated under the previous consolidation guidance for variable interest entities ( VIEs ) and the Company and its subsidiaries had accounted for those securitization transactions in which the financial assets were transferred to QSPEs as a sale when control over the transferred assets was surrendered.

From April 1, 2010, the Company and its subsidiaries have adopted Accounting Standards Update 2009-16 (ASC 860 ( Transfers and Servicing )), which removed the exemption from consolidation previously given to QSPEs and any SPEs for securitizing financial assets have become subject to the consolidation rule for VIEs. As a result, trusts or SPEs used in securitization transactions including those that were previously considered to be QSPEs have been consolidated if the Company and its subsidiaries are the primary beneficiary of the trusts or SPEs, and the transfers of the financial assets to those consolidated trusts and SPEs are not accounted for as sales. Assets held by consolidated trusts or consolidated SPEs continue to be accounted for as direct financing lease receivables, loan receivable and investment securities, as they were before the transfer, and asset-backed beneficial interests and securities issued to the investors are accounted for as debt. When the Company and its subsidiaries have transferred financial assets to a transferee which is not subject to consolidation, the Company and its subsidiaries account for the transfer as a sale if control over the transferred assets is surrendered.

A certain subsidiary originates and sells loans into the secondary market, while retaining the obligation to service those loans. In addition, it undertakes obligations to service loans originated by others. The subsidiary recognizes servicing assets if it expects the benefit of servicing to more than adequately compensate it for performing the servicing or recognizes servicing liabilities if it expects the benefit of servicing to less than adequately compensate it. These servicing assets and liabilities are initially recognized at fair value and subsequently accounted for using the amortization method whereby the assets and liabilities are amortized in proportion to and over the period of estimated net servicing income or net servicing loss. On a quarterly basis, servicing assets and liabilities are evaluated for impairment or increased obligations. The fair value of servicing assets and liabilities is estimated using an internal valuation model, or by obtaining an opinion of value from an independent third-party vendor. Both methods are based on calculating the present value of estimated future net servicing cash flows, taking into consideration discount rates, prepayments, and servicing costs. The internal valuation model is validated at least semiannually through third-party valuations.

**(I) Derivative financial instruments**

The Company and its subsidiaries apply ASC 815 ( Derivatives and Hedging ), and all derivatives held by the Company and its subsidiaries are recognized on the consolidated balance sheets at fair value. The accounting treatment of subsequent changes in the fair value depends on their use, and whether they qualify as effective hedges for accounting purposes. Derivatives that are not hedges must be adjusted to fair value through the consolidated statements of income. If a derivative is a hedge, then depending on its nature, changes in its fair value will be either offset against change in the fair value of hedged assets or liabilities through the consolidated statements of income, or recorded in other comprehensive income (loss).

If a derivative is held as a hedge of the variability of fair value related to a recognized asset or liability or an unrecognized firm commitment ( fair value hedge), changes in the fair value of the derivative are recorded in earnings along with the changes in the fair value of the hedged item.

If a derivative is held as a hedge of the variability of cash flows related to a forecasted transaction or a recognized asset or liability ( cash flow hedge), changes in the fair value of the derivative are recorded in other comprehensive income (loss) to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**ORIX Corporation and Subsidiaries**

If a derivative is held as a hedge of a foreign-currency fair-value or cash-flow hedge ( foreign currency hedge), changes in the fair value of the derivative are recorded in either earnings or other comprehensive income (loss), depending on whether the hedged transaction is a fair-value hedge or a cash-flow hedge. However, if a derivative is used as a hedge of a net investment in a foreign operation, changes in its fair value, to the extent effective as a hedge, are recorded in the foreign currency translation adjustments account within other comprehensive income (loss).

Changes in the fair value of derivatives that are not held as a hedge, such as those held for trading use, or the ineffective portion of the change in fair value of derivatives that qualify as a hedge, are recorded in earnings.

For all hedging relationships, at inception the Company and its subsidiaries formally document the details of the hedging relationship and the hedged activity. The Company and its subsidiaries also formally assess, both at the hedge's inception and on an ongoing basis, the effectiveness of the hedge relationship. The Company and its subsidiaries cease hedge accounting prospectively when the derivative no longer qualifies for hedge accounting.

**(m) Pension plans**

The Company and certain subsidiaries have contributory and non-contributory pension plans covering substantially all of their employees. The Company and its subsidiaries apply ASC 715 ( Compensation Retirement Benefits ), and the costs of pension plans are accrued based on amounts determined using actuarial methods, with assumptions of discount rate, rate of increase in compensation level, expected long-term rate of return on plan assets and others.

The Company and its subsidiaries also recognize the funded status of pension plans, measured as the difference between the fair value of plan assets and the benefit obligation, on the consolidated balance sheets. Changes in that funded status are recognized in the year in which the changes occur through other comprehensive income (loss), net of applicable income taxes.

**(n) Stock-based compensation**

The Company and its subsidiaries apply ASC 718 ( Compensation Stock Compensation ). ASC 718 requires, with limited exception, that the cost of employee services received in exchange for an award of equity instruments be measured based on the grant-date fair value. The costs are recognized over the requisite employee service period.

**(o) Stock splits**

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Stock splits implemented prior to October 1, 2001 had been accounted for by transferring an amount equivalent to the par value of the shares from additional paid-in capital to common stock as required by the Japanese Commercial Code (the Code ) before amendment. However, no such reclassification was made for stock splits when common stock already included a portion of the proceeds from shares issued at a price in excess of par value. This method of accounting was in conformity with accounting principles generally accepted in Japan.

As a result of a revision to the Code before amendment effective on October 1, 2001 and the Companies Act implemented on May 1, 2006, the above-mentioned method of accounting required by the Code has become unnecessary.

In the United States, stock splits in comparable circumstances are considered to be stock dividends and are accounted for by transferring from retained earnings to common stock and additional paid-in capital amounts

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**ORIX Corporation and Subsidiaries**

equal to the fair market value of the shares issued. Common stock is increased by the par value of the shares and additional paid-in capital is increased by the excess of the market value over par value of the shares issued. Had such stock splits made prior to October 1, 2001 been accounted for in this manner, additional paid-in capital as of March 31, 2013 would have increased by approximately ¥24,674 million, with a corresponding decrease in retained earnings. Total ORIX Corporation shareholders' equity would remain unchanged. A stock split on May 19, 2000 was excluded from the above amounts because the stock split was not considered to be a stock dividend under U.S. GAAP.

On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. The number of shares and per share data have been adjusted retrospectively to reflect the stock split for all periods presented. This stock split on April 1, 2013 was not considered to be a stock dividend under U.S. GAAP.

**(p) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits placed with banks and short-term highly liquid investments with original maturities of three months or less.

**(q) Restricted cash**

Restricted cash consists of deposits related to servicing agreements, deposits collected on the underlying assets and applied to non-recourse loans, trust accounts under securitization programs and others.

**(r) Other operating assets**

Other operating assets consist primarily of operating facilities (including golf courses, hotels and training facilities and senior housing), which are stated at cost less accumulated depreciation, and depreciation is calculated mainly on a straight-line basis over the estimated useful lives of the assets. Depreciation expenses in fiscal 2011, 2012 and 2013 are ¥6,857 million, ¥6,606 million and ¥8,274 million, respectively. Accumulated depreciation was ¥37,765 million and ¥48,313 million as of March 31, 2012 and 2013, respectively. Estimated useful lives range up to 50 years for buildings, up to 60 years for land improvement and up to 20 years for others.

**(s) Other receivables**

Other receivables primarily include payments made on behalf of lessees for property tax, maintenance fees and insurance premiums in relation to direct financing lease contracts, accounts receivables in relation to sales of assets to be leased, residential condominiums and other assets, and derivative assets.

**(t) Inventories**

Inventories primarily consist of advance and/or progress payments for development of residential condominiums for sale and completed residential condominiums (including completed residential condominiums waiting to be delivered to buyers under the contracts for sale). Advance and/or progress payments for development of residential condominiums for sale are carried at cost less any impairment losses and finished goods (including completed residential condominiums) are stated at the lower of cost or market. As of March 31, 2012 and 2013, advance and/or progress payments were ¥69,816 million and ¥34,556 million, respectively, and finished goods were ¥9,838 million and ¥6,933 million, respectively.



**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

Certain subsidiaries recorded ¥9,844 million, ¥4,039 million and ¥3,377 million of write-downs principally for advance and/or progress payments for development of residential condominiums for sale for fiscal 2011, 2012 and 2013, respectively, resulting from an increase in development costs and/or a decrease in expected sales price. These write-downs were recorded in costs of real estate sales and included in the Real Estate segment.

**(u) Office facilities**

Office facilities are stated at cost less accumulated depreciation. Depreciation is calculated on a declining-balance basis or straight-line basis over the estimated useful lives of the assets. Depreciation expenses in fiscal 2011, 2012 and 2013 are ¥2,857 million, ¥3,228 million and ¥2,994 million, respectively. Accumulated depreciation was ¥39,492 million and ¥41,698 million as of March 31, 2012 and 2013, respectively. Estimated useful lives range up to 62 years for buildings and fixtures and up to 20 years for machinery and equipment.

**(v) Other assets**

Other assets consist primarily of the excess of purchase prices over the net assets acquired in acquisitions (goodwill) and other intangible assets (see (w)), deferred insurance policy acquisition costs, which are amortized over the contract periods, leasehold deposits, advance payments made in relation to purchases of assets to be leased and to construction of real estate for operating lease, and deferred tax assets.

**(w) Goodwill and other intangible assets**

The Company and its subsidiaries have followed ASC 805 ( Business Combinations ) and ASC 350 ( Intangibles Goodwill and Other ). ASC 805 requires that all business combinations be accounted for using the acquisition method. It also requires that intangible assets acquired in a business combination be recognized apart from goodwill if the intangible assets meet one of two criteria either the contractual-legal criterion or the separability criterion. In a business combination achieved in stages, the Company and its subsidiaries remeasure their previously held equity interest at the acquisition-date fair value and recognize the resulting gain or loss, if any, in earnings.

ASC 350 establishes how intangible assets (other than those acquired in a business combination) should be accounted for upon acquisition. It also addresses how goodwill and other intangible assets should be accounted for subsequent to their acquisition. Goodwill and intangible assets that have indefinite useful lives are not amortized but tested at least annually for impairment. Additionally, if events or changes in circumstances indicate that the asset might be impaired, we test for impairment when such events or changes occur. The Company and its subsidiaries adopted Accounting Standards Update 2011-08 ( Testing Goodwill for Impairment ASC 350 ( Intangibles Goodwill and Other )) during the fiscal year ended March 31, 2012. According to ASU 2011-08, the Company and its subsidiaries may perform a qualitative assessment to determine whether to calculate the fair value of a reporting unit under the first step of the two-step goodwill impairment test. If, after assessing the totality

of events or circumstances, it is determined that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the Company and/or subsidiaries do not perform the two-step impairment test. However, if the Company and/or subsidiaries conclude otherwise, the Company and/or subsidiaries perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the fair value of the reporting unit falls below its carrying amount, then the Company and/or subsidiaries perform the second step of the goodwill impairment test by comparing the fair value of goodwill with its carrying amount. If the carrying amount of goodwill exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The Company and its subsidiaries test the goodwill either at the operating segment level or one level below the operating segments. The Company and its subsidiaries perform the qualitative assessment for some goodwill but bypass the qualitative assessment and proceed directly to the first step of the two-step impairment test for other goodwill.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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The Company and its subsidiaries adopted Accounting Standards Update 2012-02 ( Testing Indefinite-Lived Intangible Assets for Impairment ASC 350 ( Intangibles Goodwill and Other )) during the fiscal year ended March 31, 2013. According to ASU 2012-02, the Company and its subsidiaries may perform a qualitative assessment to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, the Company and/or subsidiaries conclude that it is not more likely than not that the indefinite-lived asset is impaired, then the Company and/or subsidiaries do not perform the quantitative impairment test. However, if the Company and/or subsidiaries conclude otherwise, the Company and/or subsidiaries calculate the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test. If the carrying amount of the indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The Company and its subsidiaries perform the qualitative assessment for some indefinite-lived intangible assets but bypass the qualitative assessment and perform the quantitative assessment for other indefinite-lived intangible assets

Intangible assets with finite lives are amortized over their useful lives and tested for impairment in accordance with ASC 360-10 ( Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets ).

**(x) Trade notes, accounts payable and other liabilities**

Trade notes, accounts payable and other liabilities include accounts payables, guarantee liabilities, and derivative liabilities.

**(y) Capitalization of interest costs**

The Company and its subsidiaries capitalized interest costs of ¥3,646 million, ¥2,395 million and ¥1,707 million in fiscal 2011, 2012 and 2013, respectively, related to specific long-term development projects.

**(z) Advertising**

The costs of advertising are expensed as incurred. The total amounts charged to advertising expense in fiscal 2011, 2012 and 2013 are ¥6,165 million, ¥5,888 million and ¥11,579 million, respectively.

**(aa) Discontinued operations**

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The Company and its subsidiaries have followed ASC 205-20 ( Presentation of Financial Statements Discontinued Operations ). Under ASC 205-20, the scope of discontinued operations includes the operating results of any component of an entity with its own identifiable operations and cash flows and in which operations the Company and its subsidiaries will not have significant continuing involvement. Included in reported discontinued operations are the operating results of operations for the subsidiaries, the business units and certain properties sold or to be disposed of by sale without significant continuing involvements, which results of operations for prior periods presented have also been reclassified as discontinued operations in the accompanying consolidated statements of income.

### **(ab) Earnings per share**

Basic earnings per share is computed by dividing income attributable to ORIX Corporation shareholders from continuing operations and net income attributable to ORIX Corporation shareholders by the weighted average number of shares of common stock outstanding in each period and diluted earnings per share reflects the

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potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Earnings per share is adjusted for any stock splits and stock dividends retroactively. For discussion of stock splits, see Note 27 ( Per Share Data ).

Furthermore, the Company and its subsidiaries apply ASC 260-10-45-43 to 44 ( Earnings Per Share Contingently Convertible Instruments ) to Liquid Yield Option Notes .

**(ac) Partial sale and additional acquisition of the parent s ownership interest in subsidiaries**

A partial sale and an additional acquisition of the parent s ownership interest in subsidiaries where the parent continues to retain control of that subsidiary are accounted for as equity transactions. On the other hand, in a transaction that results in the loss of control, the gain or loss recognized in income includes the realized gain or loss related to the portion of ownership interest sold and the gain or loss on the remeasurement to fair value of the interest retained.

**(ad) Redeemable noncontrolling interests**

Noncontrolling interests in certain subsidiaries are redeemable preferred shares which are subject to call and put rights upon certain shareholder events. As redemption of the noncontrolling interest is not solely in the control of the subsidiary, it is recorded between Liabilities and Equity on the consolidated balance sheets at its estimated redemption value in accordance with provisions including EITF Topic No. D-98 (ASC 480-10-s99-3A) ( Classification and Measurement of Redeemable Securities ).

**(ae) Issuance of stock by an affiliate**

When an affiliate issues stocks to unrelated third parties, the Company and its subsidiaries ownership interest in the affiliate decreases. In the event that the price per share is more or less than the Company and its subsidiaries average carrying amount per share, the Company and its subsidiaries adjust the carrying amount of its investment in the affiliate and recognize gain or loss in the consolidated statements of income in the year in which the change in ownership interest occurs.

**(af) New accounting pronouncements**

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In June 2009, FASB Statement No. 166 ( Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 ), which was codified by Accounting Standards Update 2009-16 (ASC 860 ( Transfers and Servicing )), was issued. This Update removes the concept of a qualifying special-purpose entity and removes the exception from applying ASC 810-10 ( Consolidation-Variable Interest Entities ) to variable interest entities that are qualifying special-purpose entities. This Update also modifies the financial-components approach used in ASC 860 and limits the circumstances in which a transferor derecognizes a portion or component of a financial asset.

Furthermore, in June 2009, FASB Statement No. 167 ( Amendment of FASB Interpretation No. 46(R) ( FIN 46(R) )), which was codified by Accounting Standards Update 2009-17 (ASC 810 ( Consolidation )), was issued. This Update requires an enterprise to perform qualitative analysis to identify the primary beneficiary. An enterprise that has both of the following characteristics is considered to be the primary beneficiary who shall consolidate a variable interest entity:

The power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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The obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity.

Additionally, this Update requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity.

These Updates are effective as of the beginning of the fiscal year that begins after November 15, 2009, for interim periods within that fiscal year, and for fiscal years and interim periods thereafter. The Company and its subsidiaries adopted these Updates on April 1, 2010. The effects of adopting these Updates on the Company and its subsidiaries' financial conditions at the initial adoption date was an increase of ¥1,147 billion on total assets, an increase of ¥1,169 billion on total liabilities and a decrease of ¥22 billion on retained earnings, net of tax, respectively, in the consolidated balance sheets. These are mainly related to consolidation of VIEs used for securitization.

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 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





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relating to unsuccessful contract acquisition should be charged to expense as incurred. The Company and its subsidiaries adopted this Update retrospectively to prior period financial statements on April 1, 2012. The effect of the retrospective adoption on the financial position at the initial adoption date was 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 addition, the effect of the retrospective adoption on financial results for the fiscal year ended March 31, 2011 was a decrease of ¥1,254 million in income from continuing operations and net income attributable to ORIX Corporation Shareholders, respectively. The effect of the retrospective adoption on financial results for the fiscal year ended March 31, 2012 was a decrease of ¥2,641 million in income from continuing operations and net income attributable to ORIX Corporation Shareholders, respectively. The basic and diluted earnings per share for net income attributable to ORIX Corporation Shareholders for the fiscal year ended March 31, 2011 decreased by ¥1.17\* and ¥0.95\*, respectively. The basic and diluted earnings per share for net income attributable to ORIX Corporation Shareholders for the fiscal year ended March 31, 2012 decreased by ¥2.46\* and ¥2.00\*, respectively. (\* On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. The per share data has been adjusted retrospectively to reflect the stock split for all periods presented.)

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 material 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

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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 accumulated other comprehensive income to net income. The Company and its subsidiaries adopted these Updates on April 1, 2012. These Updates only relate to certain disclosure requirements and the adoption had no effect on the Company and its subsidiaries' results of operations or financial position. In February 2013, Accounting Standards Update 2013-02 (Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income - ASC 220 (Comprehensive Income)) was issued. This Update supersedes the reporting requirement for reclassifications out of accumulated other comprehensive income, originally required under Accounting Standards Update 2011-05, for which the effective date was deferred by Accounting Standards Update 2011-12. This Update requires an entity to present information about amounts reclassified out of accumulated other comprehensive income, their corresponding effect on line items of net income and other information by component. An entity shall provide the information together, in one location, either on the face of the statement where net income is presented or as a separate disclosure in the notes to the financial statement. The Update is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2012 with early adoption permitted. The Update only relates to certain disclosure requirements and the 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 material 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. 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. In January 2013, Accounting Standards Update 2013-01 (Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities - ASC 210 (Balance Sheet)) was issued. This Update clarifies that the scope of Update 2011-11 applies to derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or



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subject to an enforceable master netting arrangement or similar agreement. These Updates are effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. These Updates only relate to certain disclosure requirements and the adoption will have no effect on the Company and its subsidiaries' results of operations or financial position.

In July 2012, Accounting Standards Update 2012-02 ( Testing Indefinite-Lived Intangible Assets for Impairment ASC 350 ( Intangibles Goodwill and Other )) was issued. This Update permits an entity first to assess qualitative factors to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired. If after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived asset is impaired, then the entity is not required to calculate the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test. The Company and its subsidiaries adopted this Update in the period ended March 31, 2013. The adoption of this Update did not have a material effect on the Company and its subsidiaries' results of operations or financial position.

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

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

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



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**ORIX Corporation and Subsidiaries**

In June 2013, Accounting Standards Update 2013-08 ( Amendments to the Scope, Measurement, and Disclosure Requirements – ASC 946 ( Financial Services – Investment Companies )) was issued. This Update changes the approach to the investment company assessment, clarifies the characteristics of an investment company, and provides comprehensive guidance for assessing whether an entity is an investment company. This Update requires an investment company to measure noncontrolling ownership interests in other investment companies at fair value rather than using the equity method of accounting. This Update requires an investment company to disclose the additional information about an entity's status as an investment company and financial support provided or contractually required to be provided by an investment company to its investees. The Update is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. Early adoption is prohibited. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations and financial position.

**(ag) Reclassifications**

Certain amounts in fiscal 2011 and 2012 consolidated financial statements have been reclassified to conform to fiscal 2013 presentation.

**2. Fair Value Measurements**

The Company and its subsidiaries adopted ASC 820-10 ( Fair Value Measurement ). This Codification Section defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

This Codification Section 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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This Codification Section 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 ). The Company and its subsidiaries mainly measure certain loans held for sale, trading securities, available-for-sale securities, certain investment funds and derivatives at fair value on a recurring basis.

The Company and its subsidiaries adopted Accounting Standards Update 2011-04 ( Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS ASC 820 ( Fair Value Measurement )) on January 1, 2012. 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 IFRS. Consequently, this Update changes some fair value measurement principles and enhances the disclosure requirements.

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

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 and March 31, 2013:

	March 31, 2012 Millions of yen			
	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)
<b>Financial Assets:</b>				
Loans held for sale*1	¥ 19,397	¥ 0	¥ 19,397	¥ 0
Trading securities	12,817	384	12,433	0
Available-for-sale securities	886,487	173,056	469,776	243,655
Japanese and foreign government bond securities	220,915	105,353	115,562	0
Japanese prefectural and foreign municipal bond securities	57,359	33	57,326	0
Corporate debt securities	280,222	0	277,310	2,912
Specified bonds issued by SPEs in Japan	139,152	0	0	139,152
CMBS and RMBS in the U.S., and other asset- backed securities	95,328	0	2,147	93,181
Other debt securities	8,410	0	0	8,410
Equity securities	85,101	67,670	17,431	0
Other securities	5,178	0	5,178	0
Investment funds	5,178	0	5,178	0
Derivative assets	17,212	649	11,270	5,293
Interest rate swap agreements	4,624	0	4,624	0
Options held, caps held and other	5,924	0	631	5,293
Futures, foreign exchange contracts	1,027	649	378	0
Foreign currency swap agreements	5,540	0	5,540	0
Credit derivatives held	97	0	97	0
	¥ 941,091	¥ 174,089	¥ 518,054	¥ 248,948
<b>Financial Liabilities:</b>				
Derivative liabilities	¥ 16,659	¥ 412	¥ 16,247	¥ 0
Interest rate swap agreements	1,277	0	1,277	0
Options written and other	4,430	0	4,430	0
Futures, foreign exchange contracts	5,497	412	5,085	0
Foreign currency swap agreements	5,432	0	5,432	0
Credit derivatives held	23	0	23	0
	¥ 16,659	¥ 412	¥ 16,247	¥ 0

**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

	March 31, 2013 Millions of yen			
	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)
<b>Financial Assets:</b>				
Loans held for sale*1	¥ 16,026	¥ 0	¥ 16,026	¥ 0
Trading securities	33,041	2,184	30,857	0
Available-for-sale securities	757,299	166,398	453,923	136,978
Japanese and foreign government bond securities	278,717	98,990	179,727	0
Japanese prefectural and foreign municipal bond securities	61,090	0	61,090	0
Corporate debt securities	196,835	0	190,311	6,524
Specified bonds issued by SPEs in Japan	63,244	0	0	63,244
CMBS and RMBS in the U.S., and other asset- backed securities	60,691	0	1,792	58,899
Other debt securities	8,311	0	0	8,311
Equity securities	88,411	67,408	21,003	0
Other securities	5,800	0	0	5,800
Investment funds*2	5,800	0	0	5,800
Derivative assets	14,598	147	12,352	2,099
Interest rate swap agreements	4,654	0	4,654	0
Options held/written and other	5,654	0	3,555	2,099
Futures, foreign exchange contracts	1,030	147	883	0
Foreign currency swap agreements	2,890	0	2,890	0
Credit derivatives held/written	370	0	370	0
	¥ 826,764	¥ 168,729	¥ 513,158	¥ 144,877
<b>Financial Liabilities:</b>				
Derivative liabilities	¥ 18,037	¥ 0	¥ 18,037	¥ 0
Interest rate swap agreements	1,459	0	1,459	0
Options held/written and other	3,530	0	3,530	0
Futures, foreign exchange contracts	4,685	0	4,685	0
Foreign currency swap agreements	8,263	0	8,263	0
Credit derivatives held/written	100	0	100	0
	¥ 18,037	¥ 0	¥ 18,037	¥ 0

\*1 A subsidiary elected the fair value option under ASC 825-10 ( Financial Instruments Fair Value Option ) on the loans held for sale originated on or after October 1, 2011. These loans are multi-family and seniors housing loans and are sold to Federal National Mortgage Association ( Fannie Mae ) or institutional investors. Included in other operating revenues in the consolidated statements of income are gains from the change in the fair value of the loans of ¥1,024 million for the fiscal year ended March 31, 2012 and losses from the change in the fair value of the loans of ¥628 million for the fiscal year ended March 31, 2013. No gains or losses were recognized in earnings during the fiscal year ended March 31, 2012 and the fiscal year ended March 31, 2013, attributable to changes in instrument-specific credit risk. The amounts of aggregate unpaid principal balance and aggregate fair value at March 31, 2012, are ¥18,326 million and



**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

¥19,397 million, respectively, and the amount of the aggregate fair value exceeds the amount of aggregate unpaid principal balance by ¥1,071 million. The amounts of aggregate unpaid principal balance and aggregate fair value at March 31, 2013, are ¥15,535 million and ¥16,026 million, respectively, and the amount of the aggregate fair value exceeds the amount of aggregate unpaid principal balance by ¥491 million. As of March 31, 2012 and 2013, there are no loans that are 90 days or more past due, in non-accrual status, or both.

- \*2 A subsidiary elected the fair value option under ASC 825-10 ( Financial Instruments Fair Value Option ) for certain funds purchased at a discount on the secondary market and an investment in a drug royalty trust, which were made on or after April 1, 2012. Included in brokerage commissions and net gains on investment securities in the consolidated statements of income are gains from the change in the fair value of those investments of ¥670 million for the year ended March 31, 2013.

Changes in economic conditions or valuation methodologies may require the transfer of assets and liabilities from one fair value level to another. In such instances, the Company and its subsidiaries recognize the transfer at the beginning of quarter during which the transfers occur. The Company and its subsidiaries evaluate the significance of transfers between levels based upon size of the transfer relative to total assets, total liabilities or total earnings. For the year ended March 31, 2011 and for the nine months ended December 31, 2011, there were no significant transfers between Level 1 and Level 2. For the three months ended March 31, 2012 and for the year ended March 31, 2013, there were no transfers between Level 1 and Level 2.

The following table presents the reconciliation of financial assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during fiscal year 2011, 2012 and 2013:

	2011 Millions of yen							Change in unrealized gains or losses included in earnings for assets and liabilities still held at March 31, 2011*1
	Balance at April 1, 2010	Included in earnings*1	Gains or losses (realized/ unrealized) Included in other comprehensive income*2	Total	Purchase, sales, and settlements (net)	Transfers in and/or out of Level 3 (net)*3	Balance at March 31, 2011	
Trading securities	¥ 53	¥ (26)	¥ (2)	¥ (28)	¥ (25)	¥ 0	¥ 0	¥ 0
Available-for-sale securities	401,804	(6,242)	(3,248)	(9,490)	(33,102)	(43,536)	315,676	(5,848)
Corporate debt securities	6,841	(34)	(83)	(117)	(2,094)	(2,057)	2,573	(72)
Specified bonds issued by SPEs in Japan	246,305	(5,195)	351	(4,844)	(27,076)	7,929	222,314	(5,275)
CMBS and RMBS in the U.S., and other asset-backed securities	143,176	(1,013)	(3,540)	(4,553)	(3,932)	(49,408)	85,283	(501)
Other debt securities	5,482	0	24	24	0	0	5,506	0
Derivative assets and liabilities (net)	493	(206)	0	(206)	0	2,659	2,946	(206)

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Options held/written, caps held and other	0	475	0	475	0	2,659	3,134	475
Credit derivatives held/written	493	(681)	0	(681)	0	0	(188)	(681)

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	2012 Millions of yen									
			Gains or losses (realized/unrealized)					Transfers in and/ or out of Level 3	Balance at March 31, 2012	Change in unrealized gains or losses included in earnings for assets and liabilities still held at March 31, 2012*1
	Balance at April 1, 2011	Included in earnings*1	Included in comprehensive Income*2	Total	Purchases	Sales	Settlements	(net)*3	Balance at March 31, 2012	March 31, 2012*1
Available-for-sale securities	¥ 315,676	¥ (1,262)	¥ 1,443	¥ 181	¥ 63,980	¥ (18,054)	¥ (118,596)	¥ 468	¥ 243,655	¥ (2,429)
Corporate debt securities	2,573	(18)	108	90	2,549	(431)	(2,337)	468	2,912	(35)
Specified bonds issued by SPEs in Japan	222,314	(3,066)	2,178	(888)	6,668	(9,625)	(79,317)	0	139,152	(3,397)
CMBS and RMBS in the U.S., and other asset-backed securities	85,283	1,822	(1,056)	766	49,072	(7,998)	(33,942)	0	93,181	1,003
Other debt securities	5,506	0	213	213	5,691	0	(3,000)	0	8,410	0
Derivative assets and liabilities (net)	2,946	2,159	0	2,159	0	0	188	0	5,293	2,159
Options held/written, caps held and other	3,134	2,159	0	2,159	0	0	0	0	5,293	2,159
Credit derivatives held/written	(188)	0	0	0	0	0	188	0	0	0

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**2013**  
Millions of yen

	Gains or losses (realized/unrealized)				Purchases	Sales	Settlements (net)*3	Transfers in and/ or out of Level 3	Balance at March 31, 2013	Change in unrealized gains or losses included in earnings for assets and liabilities still held at March 31, 2013*1
	Balance at April 1, 2012	Included in earnings*1	Included in other comprehensive Income*2	Total						
Available-for-sale securities	¥ 243,655	¥ (9,225)	¥ 7,693	¥ (1,532)	¥ 19,294	¥ (10,564)	¥ (113,875)	¥ 0	¥ 136,978	¥ (9,783)
Corporate debt securities	2,912	(508)	908	400	3,942	(432)	(298)	0	6,524	(456)
Specified bonds issued by SPEs in Japan CMBS and RMBS in the U.S., and other asset-backed securities	139,152	(9,228)	(15)	(9,243)	5,419	(9)	(72,075)	0	63,244	(8,095)
Other debt securities	93,181	(369)	5,381	5,012	9,933	(7,725)	(41,502)	0	58,899	(1,232)
Other securities	8,410	880	1,419	2,299	0	(2,398)	0	0	8,311	0
Investment funds	0	670	825	1,495	5,018	(713)	0	0	5,800	670
Derivative assets and liabilities (net)	0	670	825	1,495	5,018	(713)	0	0	5,800	670
Options held/written, caps held and other	5,293	(3,194)	0	(3,194)	0	0	0	0	2,099	(3,194)
	5,293	(3,194)	0	(3,194)	0	0	0	0	2,099	(3,194)

\*1 Principally, gains and losses from trading securities are included in brokerage commissions and net gains on investment securities; available-for-sale securities are included in write-downs of securities or life insurance premiums and related investment income; other securities are included in brokerage commissions and net gains on investment securities and derivative assets and liabilities (net) are included in other operating revenues/expenses, respectively. Also, for available-for-sale securities, amortization of interest recognized in interest on loans and investment securities is included in these columns.

\*2 Unrealized gains and losses from available-for-sale securities are included in Net change of unrealized gains (losses) on investment in securities.

\*3 The amount reported in Transfers in and/or out of Level 3 (net) is the fair value at the beginning of quarter during which the transfers occur.

From April 1, 2010, the Company and its subsidiaries adopted Accounting Standards Update 2009-16 (ASC 860 (Transfers and Servicing)) and Accounting Standards Update 2009-17 (ASC 810 (Consolidation)). As a result, there was an increase of ¥9,225 million in the Level 3 specified bonds issued by SPEs in Japan because these bonds are held by variable interest entities that had become subject to consolidation. On the other hand, there were decreases of ¥49,408 million in the Level 3 CMBS and RMBS in the United States and other asset-backed securities, and decreases of ¥1,296 million in the Level 3 specified bonds issued by SPEs in Japan, respectively, that are held by the Company and its subsidiaries, because these securities were issued by newly consolidated variable interest entities and accordingly had been eliminated in consolidation for the fiscal year ended March 31, 2011.

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In fiscal 2012, ¥468 million of Corporate debt securities was transferred from Level 2 to Level 3 due to a certain market becoming inactive. There were no transfers from Level 3 in fiscal 2012.

There were no transfers in or out of Level 3 in fiscal 2013.

The following table presents recorded amounts of major assets measured at fair value on a nonrecurring basis as of March 31, 2012 and March 31, 2013. These assets are measured at fair value on a nonrecurring basis mainly to recognize impairment:

	March 31, 2012 Millions of yen			
	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)
Assets:				
Unlisted securities	¥ 9,715	¥ 0	¥ 0	¥ 9,715
Real estate collateral-dependent loans (net of allowance for probable loan losses)	73,319	0	0	73,319
Investment in operating leases and other operating assets	16,159	0	0	16,159
Land and buildings undeveloped or under construction	20,445	0	0	20,445
Certain investment in affiliates	15,660	10,775	0	4,885
	¥ 135,298	¥ 10,775	¥ 0	¥ 124,523

	March 31, 2013 Millions of yen			
	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)
Assets:				
Real estate collateral-dependent loans (net of allowance for probable loan losses)	¥ 60,564	¥ 0	¥ 0	¥ 60,564
Investment in operating leases and other operating assets	21,960	0	0	21,960
Land and buildings undeveloped or under construction	11,845	0	0	11,845
Certain investment in affiliates	3,704	0	0	3,704
	¥ 98,073	¥ 0	¥ 0	¥ 98,073



The following is a description of the valuation process and the main valuation methodologies used for assets and liabilities measured at fair value:

***Valuation process***

The Company and its subsidiaries determine fair value of Level 3 assets and liabilities by using valuation techniques, such as internally developed models, or using third-party pricing information. Internally developed models include the discounted cash flow methodologies and direct capitalization methodologies. To measure the

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fair value of the assets and liabilities, the Company and its subsidiaries select the valuation technique which best reflects the nature, characteristics and risks of each asset and liability. The appropriateness of valuation methods and unobservable inputs is verified when measuring fair values of the assets and liabilities by using internally developed models. The Company and its subsidiaries also use third-party pricing information to measure the fair value of certain assets and liabilities. In that case, the Company and its subsidiaries verify the appropriateness of the prices by monitoring available information about the assets and liabilities, such as current conditions of the assets or liabilities, as well as surrounding market information. When these prices are determined to be able to reflect the nature, characteristics and risks of assets and liabilities reasonably, the Company and its subsidiaries use these prices as fair value of the assets and liabilities.

***Loans held for sale***

Certain loans, which the Company and its subsidiaries have the intent and ability to sell to outside parties in the foreseeable future, are considered held-for-sale. The loans held for sale in the United States are classified as Level 2, because the Company and its subsidiaries measure their fair value based on a market approach using inputs other than quoted prices that are observable for the assets, such as treasury rate, swap rate and market spread.

***Real estate collateral-dependent loans***

The valuation allowance for large balance non-homogeneous loans 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. According to ASC 820-10 ( Fair Value Measurement ), measurement for impaired loans determined using a present value technique is not considered a fair value measurement. However, measurement for impaired loans determined using the loan's observable market price or the fair value of the collateral securing the collateral-dependent loans are fair value measurements and are subject to the disclosure requirements for nonrecurring fair value measurements.

The Company and its subsidiaries determine the fair value of the real estate collateral of real estate collateral-dependent loans 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 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. The company and its subsidiaries 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 the fair value of the collateral. Real estate collateral-dependent loans whose fair values are estimated using appraisals of the underlying collateral based on these valuation techniques are classified as Level 3 because such appraisals involve unobservable inputs. These unobservable inputs contain discount rates and cap rates as well as future cash flows estimated to be generated from real estate collateral. An increase (decrease) in the discount rate or cap rate and a decrease (increase) in the estimated future cash flows would result in a decrease (increase) in the fair value of real estate collateral-dependent loans.

*Investment in operating leases and other operating assets and Land and buildings undeveloped or under construction*

Investment in operating leases measured at fair value is mostly real estate. The Company and its subsidiaries determine the fair value of Investment in operating leases and other operating assets and land and buildings undeveloped or under construction using appraisals prepared by independent third party appraisers or the Company's own staff of qualified appraisers based on recent transactions involving sales of similar assets or

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other valuation techniques such as discounted cash flow methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate. The Company and its subsidiaries classified the assets as Level 3 because such appraisals involve unobservable inputs. These unobservable inputs contain discount rates as well as future cash flows estimated to be generated from the assets or projects. An increase (decrease) in the discount rate and a decrease (increase) in the estimated future cash flows would result in a decrease (increase) in the fair value of investment in operating leases and other operating assets and Land and buildings undeveloped or under construction.

***Trading securities, Available-for-sale securities, Unlisted securities and Investment in affiliates***

If active market prices are available, fair value measurement is based on quoted active market prices and, accordingly, these securities are classified as Level 1. If active market prices are not available, fair value measurement is based on observable inputs other than quoted prices included within Level 1, such as prices for similar assets and accordingly these securities are classified as Level 2. If market prices are not available and there are no observable inputs, then fair value is estimated by using valuation models including discounted cash flow methodologies, commonly used option-pricing models and broker quotes. Such securities are classified as Level 3, as the valuation models and broker quotes are based on inputs that are unobservable in the market. If fair value is based on broker quotes, the Company and its subsidiaries check the validity of received prices based on comparison to prices of other similar assets and market data such as relevant benchmark indices.

The Company and its subsidiaries classified CMBS and RMBS in the United States as level 3 due to a certain market being inactive. In determining whether a market is active or inactive, the Company and its subsidiaries 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. With respect to the CMBS and RMBS in the United States, the Company and its subsidiaries judged that there has been increased overall trading activity but 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, the Company and its subsidiaries 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, the Company and its subsidiaries 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.

The Company and its subsidiaries classified the specified bonds as Level 3 because the Company and its subsidiaries 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 the Company and its subsidiaries use discounted cash flow methodologies that incorporate significant unobservable inputs to measure their fair value. When evaluating the specified bonds issued by SPEs in Japan, the Company and its subsidiaries 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 in Japan. Since the discount rate is not observable for the specified bonds, the Company and its subsidiaries 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



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**ORIX Corporation and Subsidiaries**

methodologies) and the seniority of the bonds. Under the model, the Company and its subsidiaries 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 the Company and its subsidiaries 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.

***Investment funds***

The fair value is based on the net asset value if the investments meet certain requirements that the investees have all of the attributes specified in ASC 946-10 ( Financial Services Investment Companies ) and the investees calculate the net asset value. These investments are classified as Level 2, because they are not redeemable at the net asset value per share at the measurement date but they are redeemable at the net asset value per share in the near term after the measurement date. Certain investment funds in the United States for which the fair value option is elected are classified as Level 3, because a subsidiary measures their fair value using discounted cash flow methodologies based on inputs that are unobservable in the market.

***Derivatives***

For exchange-traded derivatives, fair value is based on quoted market prices, and accordingly, classified as Level 1. For non-exchange traded derivatives, fair value is based on commonly used models and discounted cash flow methodologies. If the inputs used for these measurements including yield curves and volatilities are observable, the Company and its subsidiaries classify it as Level 2. If the inputs are not observable, the Company and its subsidiaries classify it as Level 3. These unobservable inputs contain discount rates. An increase (decrease) in the discount rate would result in a decrease (increase) in the fair value of derivatives.

**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries****Information about Level 3 Fair Value Measurements**

The following table provides information about the valuation techniques and significant unobservable inputs used in the valuation of Level 3 assets measured at fair value on a recurring basis as of March 31, 2012 and March 31, 2013.

	Millions of yen Fair Value	Valuation Technique(s)	March 31, 2012 Significant Unobservable Inputs	Range (Weighted Average)
<b>Financial Assets:</b>				
Available-for-sale securities				
Corporate debt securities	¥ 1,088	Discounted cash flows	Discount rate	2.9% 7.5% (4.9%)
	1,824	Appraisals/Broker quotes		
Specified bonds issued by SPEs in Japan	118,624	Discounted cash flows	Discount rate	1.0% 13.0% (4.0%)
	20,528	Appraisals/Broker quotes		
CMBS and RMBS in the U.S., and other asset-backed securities	63,436	Discounted cash flows	Discount rate	2.7% 44.1% (11.2%)
			Probability of default	0.0% 6.1% (0.9%)
	29,745	Appraisals/Broker quotes		
Other debt securities	8,410	Discounted cash flows	Discount rate	12.5% (12.5%)
<b>Derivative assets</b>				
Options held, caps held and other	5,293	Discounted cash flows	Discount rate	10.0% 15.0% (12.0%)
	¥ 248,948			

**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

	March 31, 2013			
	Millions of yen			Range  (Weighted Average)
	Fair Value	Valuation Technique(s)	Significant Unobservable Inputs	
<b>Financial Assets:</b>				
Available-for-sale securities				
Corporate debt securities	¥ 974	Discounted cash flows	Discount rate	5.4% (5.4%)
	5,550	Appraisals/Broker quotes		
Specified bonds issued by SPEs in Japan	60,013	Discounted cash flows	Discount rate	1.0% 12.0% (4.9%)
	3,231	Appraisals/Broker quotes		
CMBS and RMBS in the U.S., and other asset-backed securities	30,804	Discounted cash flows	Discount rate	2.9% 42.6% (9.3%)
			Probability of default	0.0% 12.8% (1.7%)
	28,095	Appraisals/Broker quotes		
Other debt securities	8,311	Discounted cash flows	Discount rate	11.7% (11.7%)
Other securities				
Investment funds	5,800	Discounted cash flows	Discount rate	13.0% 20.0% (18.6%)
Derivative assets				
Options held/written and other	2,099	Discounted cash flows	Discount rate	10.0% 15.0% (12.3%)
	¥ 144,877			



**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

The following table provides information about the valuation techniques and significant unobservable inputs used in the valuation of Level 3 assets measured at fair value on a nonrecurring basis during the three months ended March 31, 2012 and during the year ended March 31, 2013.

	Millions of yen Fair Value	Valuation Technique(s)	March 31, 2012	
			Significant Unobservable Inputs	Range (Weighted Average)
<b>Assets:</b>				
Unlisted securities	¥ 8,814	Discounted cash flows	Discount rate	4.2% 12.5% (6.5%)
Real estate collateral-dependent loans (net of allowance for probable loan losses)	73,319	Discounted cash flows	Discount rate	3.3% 18.9% (7.9%)
		Direct capitalization	Capitalization rate	5.2% 29.0% (10.9%)
Investment in operating leases and other operating assets	11,561	Discounted cash flows	Discount rate	7.0% 10.0% (8.2%)
Land and buildings undeveloped or under construction	8,638	Discounted cash flows	Discount rate	6.0% (6.0%)
Certain investment in affiliates	4,596	Discounted cash flows	Discount rate	5.0% 8.0% (6.5%)
	¥ 106,928			

	Millions of yen Fair Value	Valuation Technique(s)	March 31, 2013	
			Significant Unobservable Inputs	Range (Weighted Average)
<b>Assets:</b>				
Real estate collateral-dependent loans (net of allowance for probable loan losses)	¥ 60,564	Discounted cash flows	Discount rate	5.4% 19.0% (8.4%)
		Direct capitalization	Capitalization rate	5.0% 21.0% (10.7%)
Investment in operating leases and other operating assets	21,960	Discounted cash flows	Discount rate	4.4% 12.7% (6.9%)
Land and buildings undeveloped or under construction	11,845	Discounted cash flows	Discount rate	4.7% 9.6% (6.6%)
Certain investment in affiliates	3,704	Discounted cash flows	Discount rate	5.0% 9.2%

¥ 98,073

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

The Company and its subsidiaries generally use discounted cash flow methodologies or similar internally developed models to determine the fair value of Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the preceding table. Accordingly, changes in these unobservable inputs may have a significant impact on the fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the asset or liability for a given change in that input. Alternatively, the fair value of the asset or liability may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular asset or liability. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated to one another), which may counteract or magnify the fair value impact.

For more analysis of the sensitivity of each input, see the description of the valuation process and the main valuation methodologies used for assets and liabilities measured at fair value.

**3. Acquisitions**

During fiscal 2011, the Company and its subsidiaries acquired entities for a total cost of ¥64,875 million, which was paid in cash. In accordance with the finalization of purchase price allocation during fiscal 2012, the amount of goodwill was adjusted from ¥29,247 million to ¥28,674 million, which is not deductible for income tax calculation purposes and the amount of acquired intangible assets other than goodwill recognized in these transactions was adjusted from ¥0 to ¥998 million. The acquisitions were mainly included in the Overseas Business segment.

During fiscal 2012, the Company and its subsidiaries acquired entities for a total cost of ¥11,964 million, which was paid in cash. In accordance with the finalization of purchase price allocation during fiscal 2013, the amount of goodwill was adjusted from ¥4,024 million to ¥3,478 million, which is not deductible for income tax calculation purposes and the amount of acquired intangible assets other than goodwill recognized in these transactions was adjusted from ¥0 to ¥2,476 million. The acquisitions were mainly included in the Corporate Financial Services segment and the Overseas Business segment.

During fiscal 2013, the Company and its subsidiaries acquired entities for a total cost of ¥70,537 million, which was paid in cash. Goodwill initially recognized in these transactions amounted to ¥34,429 million and ¥6,964 million of the goodwill is deductible for income tax calculation purposes. The amount of acquired intangible assets other than goodwill recognized was ¥14,491 million. The Company reflected certain preliminary estimates with respect to the value of the underlying net assets of these entities in determining amounts of the goodwill. The amount of the goodwill and intangible assets other than goodwill could possibly be adjusted because the acquisition was made near the fiscal year-end and the purchase price allocation has not completed yet. The acquisitions were mainly included in the Retail segment and the Investment and Operation segment.

The segment in which goodwill is allocated is disclosed in Note 13 ( Goodwill and Other Intangible Assets ).

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries****4. Cash Flow Information**

Cash payments during fiscal 2011, 2012 and 2013 are as follows:

	Millions of yen		
	2011	2012	2013
Cash payments:			
Interest	¥ 121,253	¥ 116,271	¥ 105,308
Income taxes	50,153	49,190	11,955

As non-cash investing activities, the Company and its subsidiaries assumed ¥142,906 million, ¥38,437 million and ¥235,255 million of liabilities in connection with acquisitions in fiscal 2011, 2012 and 2013, respectively.

Moreover, real estate under operating leases of ¥59,783 million, ¥90,398 million and ¥49,396 million were transferred from installment loans and investment in securities in fiscal 2011, 2012 and 2013, respectively, as a result of acquiring real estate collateral.

As non-cash financing activities, ¥99,773 million of convertible bonds were converted to common stocks in fiscal 2013, respectively.

For VIEs that were consolidated as a result of the application of the accounting standards starting from fiscal 2011, see Note 1 (af).

**5. Investment in Direct Financing Leases**

Investment in direct financing leases at March 31, 2012 and 2013 consists of the following:

	Millions of yen	
	2012	2013
Total Minimum lease payments to be received	¥ 1,072,091	¥ 1,167,170
Less: Estimated executory costs	(63,371)	(60,802)
Minimum lease payments receivable	1,008,720	1,106,368
Estimated residual value	34,240	27,141

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Initial direct costs	5,847	5,212
Unearned lease income	(147,921)	(149,341)
	¥ 900,886	¥ 989,380

Minimum lease payments receivable are due in periodic installments through fiscal 2035. At March 31, 2013, the amounts due in each of the next five years and thereafter are as follows:

Years ending March 31,	Millions of yen
2014	¥ 377,514
2015	255,587
2016	184,964
2017	103,938
2018	58,303
Thereafter	126,062
<b>Total</b>	<b>¥ 1,106,368</b>

**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

Gains and losses from the disposition of direct financing lease assets, which were included in direct financing leases revenues, were not significant for fiscal 2011, 2012 and 2013.

**6. Investment in Operating Leases**

Investment in operating leases at March 31, 2012 and 2013 consists of the following:

	Millions of yen	
	2012	2013
Transportation equipment	¥ 624,567	¥ 752,020
Measuring and information-related equipment	191,313	216,026
Real estate	858,413	817,330
Other	18,569	18,020
	1,692,862	1,803,396
Accumulated depreciation	(404,818)	(431,329)
Net	1,288,044	1,372,067
Accrued rental receivables	21,954	23,466
	¥ 1,309,998	¥ 1,395,533

Gains and losses from the disposition of real estate under operating leases are disclosed separately as gains on sales of real estate under operating leases or income from discontinued operations, net in the accompanying consolidated statements of income.

For fiscal 2011, 2012 and 2013, gains on sales of operating lease assets other than real estate are ¥9,968 million, ¥14,721 million and ¥14,032 million, respectively, and are included in operating lease revenues.

Costs of operating leases include depreciation and various expenses (insurance, property tax and other). Depreciation and various expenses for fiscal 2011, 2012 and 2013 are as follows:

	Millions of yen		
	2011	2012	2013

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Depreciation expenses	¥ 134,213	¥ 136,146	¥ 147,286
Various expenses	45,579	48,010	50,198
	¥ 179,792	¥ 184,156	¥ 197,484

The operating lease contracts include non-cancelable lease terms that range up to 24 years. The minimum future rentals on non-cancelable operating leases are as follows:

Years ending March 31,	Millions of yen
2014	¥ 161,107
2015	104,535
2016	73,155
2017	48,220
2018	28,474
Thereafter	51,218
<b>Total</b>	<b>¥ 466,709</b>



**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries****7. Installment Loans**

The composition of installment loans by domicile and type of borrower at March 31, 2012 and 2013 is as follows:

	Millions of yen	
	2012	2013
<b>Borrowers in Japan:</b>		
Consumer		
Housing loans	¥ 864,764	¥ 912,651
Card loans	236	225,707
Other	13,590	26,967
	878,590	1,165,325
<b>Corporate</b>		
Real estate companies	297,562	245,465
Non-recourse loans	226,887	134,440
Commercial, industrial and other companies	503,454	442,146
	1,027,903	822,051
<b>Overseas:</b>		
Non-recourse loans	549,326	434,517
Other	216,520	198,477
	765,846	632,994
Purchased loans*	97,559	70,801
	¥ 2,769,898	¥ 2,691,171

\* 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 ).

Generally, installment loans are made under agreements that require the borrower to provide collateral or guarantors.

At March 31, 2013, the contractual maturities of installment loans (except purchased loans) for each of the next five years and thereafter are as follows:

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<b>Years ending March 31,</b>	<b>Millions of yen</b>
2014	¥ 778,558
2015	314,605
2016	328,183
2017	166,195
2018	154,304
Thereafter	878,525
<b>Total</b>	<b>¥ 2,620,370</b>

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

Included in interest on loans and investment securities in the consolidated statements of income is interest income on loans of ¥152,242 million, ¥132,719 million and ¥144,458 million fiscal 2011, 2012 and 2013, respectively.

Certain loans, for which the Company and its subsidiaries have the intent and ability to sell to outside parties in the foreseeable future, are considered held for sale and are carried at the lower of cost or market value determined on an individual basis, except loans held for sale for which the fair value option under ASC 825-10 ( Financial Instruments Fair Value Option ) was elected. A subsidiary elected the fair value option under ASC 825-10 ( Financial Instruments Fair Value Option ) on its loans held for sale originated on or after October 1, 2011. The subsidiary enters into forward sale agreements to offset the change in the fair value of loans held for sale, and the election of the fair value option allows the subsidiary to recognize both the change in the fair value of the loans and the change in the fair value of the forward sale agreements due to changes in interest rates in the same accounting period.

Loans held for sale are included in installment loans, and the outstanding balances of these loans as of March 31, 2012 and March 31, 2013 were ¥20,145 million and ¥17,939 million, respectively. There were ¥19,397 million and ¥16,026 million of loans held for sale as of March 31, 2012 and 2013, respectively, measured at fair value by electing the fair value option.

For 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, ASC 310-30 (Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality) requires that the investor recognize the excess of the loan's cash flows expected at acquisition over the investor's initial investment as interest income on the level-yield basis over the remaining life of the purchased loan ( accretable yield ). ASC 310-30, however, does not prohibit placing loans on non-accrual status subsequent to acquisition, including use of the cost recovery or cash basis methods of income recognition when it is not appropriate to recognize the accretable yield, such as when the investor does not have sufficient information to reasonably estimate cash flows expected to be collected to compute the accretable yield.

Purchased loans acquired by the Company and its subsidiaries are generally characterized by extended period of non-performance by the borrower, and it is difficult to reliably estimate the amount, timing, or nature of collections. Because such loans are commonly collateralized by real estate, the Company and its subsidiaries may pursue various approaches to maximizing the return from the collateral, including arrangement of borrower's negotiated transaction of such collateral before foreclosure, the renovation, refurbishment or the sale of such loans to third parties. Accordingly, although the acquired assets may remain loans in legal form, collections on these loans often do not reflect the normal historical experience of collecting delinquent accounts, and the need to tailor individual collateral-realization strategies often makes it difficult to reliably estimate the amount, timing, or nature of collections. Accordingly, the Company and its subsidiaries use the cost recovery method of income recognition for such purchased loans. The total carrying amounts of these purchased loans were ¥97,559 million and ¥70,801 million as of March 31, 2012 and 2013, respectively, and the fair value at the acquisition date of purchased loans acquired during fiscal 2012 and 2013 were ¥11,428 million and ¥5,672 million, respectively.

When it is probable that the Company and its subsidiaries will be unable to collect all book value, the Company and its subsidiaries consider purchased loans impaired, and a valuation allowance for the excess amount of the book value over the estimated recoverable amount of the loans is provided. For most cases, the recoverable amount is estimated based on the collateral value. Purchased loans for which valuation allowances were provided amounted to ¥34,907 million and ¥29,107 million as of March 31, 2012 and 2013, respectively.



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Changes in the allowance for uncollectible accounts relating to the purchased loans for fiscal 2011, 2012 and 2013 are as follows:

	Millions of yen		
	2011	2012	2013
Beginning balance	¥ 12,421	¥ 17,455	¥ 19,825
Provision charged to income	5,261	3,188	4,649
Charge-offs	(230)	(793)	(9,412)
Other*	3	(25)	254
Ending balance	¥ 17,455	¥ 19,825	¥ 15,316

\* Other includes foreign currency translation adjustments.

The above-mentioned amounts are included in the allowance for doubtful receivables on direct financing leases and probable loan losses (see Note 8).

**8. Credit Quality of Financing Receivables and the Allowance for Credit Losses**

Changes in the allowance for doubtful receivables on direct financing leases and probable loan losses for fiscal 2011, 2012 and 2013 are as follows:

	Millions of yen		
	2011	2012	2013
Beginning balance	¥ 157,523	¥ 154,150	¥ 136,588
Effect of the application of the accounting standards for consolidation of VIEs*1	32,181	0	0
Beginning balance after the application of the accounting standards for consolidation of VIEs	¥ 189,704	¥ 154,150	¥ 136,588
Provision charged to income	31,065	19,186	10,016
Charge-offs	(61,829)	(38,610)	(44,821)
Recoveries	175	2,351	1,633
Other*2	(4,965)	(489)	848
Ending balance	¥ 154,150	¥ 136,588	¥ 104,264

\*1

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

- \*2 Other includes mainly foreign currency translation adjustments, amounts reclassified to discontinued operations and decrease in allowance related to newly consolidated subsidiaries and sales of subsidiaries.

The Company and its subsidiaries adopted Accounting Standards Update 2010-20 ( Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses – ASC 310 ( Receivables )). This Update enhances disclosures about the credit quality of financing receivables and the allowance for credit losses, and requires an entity to provide the following information disaggregated by portfolio segment and class of financing receivable.

Allowance for credit losses by portfolio segment

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

Credit quality of financing receivables by class

Impaired loans

Credit quality indicators

Non-accrual and past-due financing receivables

Information about troubled debt restructurings by class

A portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses. The Company and its subsidiaries classify our portfolio segments by instruments of loans and direct financing leases. Classes of financing receivables are determined based on the initial measurement attribute, risk characteristics of the financing receivables and the method for monitoring and assessing obligors' credit risk, and are defined as the level of detail necessary for a financial statement user to understand the risks inherent in the financing receivables. Classes of financing receivables generally are a disaggregation of a portfolio segment, and the Company and its subsidiaries disaggregate our portfolio segments into classes by regions, instruments or industries of debtors.

The following table provides information about the allowance for credit losses for fiscal 2012 and 2013:

	March 31, 2012 Millions of yen					Total
	Consumer	Loans Corporate Non-recourse loans	Other	Purchased loans*1	Direct financing leases	
<b>Allowance for Credit Losses:</b>						
Beginning balance	¥ 17,096	¥ 27,426	¥ 70,972	¥ 17,455	¥ 21,201	¥ 154,150
Provision charged to income	947	6,509	5,974	3,188	2,568	19,186
Charge-offs	(1,943)	(10,083)	(18,928)	(793)	(6,863)	(38,610)
Recoveries	43	16	2,212	0	80	2,351
Other*2	(3)	(363)	36	(25)	(134)	(489)
Ending balance	¥ 16,140	¥ 23,505	¥ 60,266	¥ 19,825	¥ 16,852	¥ 136,588
Individually evaluated for impairment	3,002	20,657	49,853	17,895	0	91,407
Not individually evaluated for impairment	13,138	2,848	10,413	1,930	16,852	45,181

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**Financing receivables:**

Ending balance	¥ 881,483	¥ 775,465	¥ 995,246	¥ 97,559	¥ 900,886	¥ 3,650,639
Individually evaluated for impairment	9,021	82,957	166,889	34,907	0	293,774
Not individually evaluated for impairment	872,462	692,508	828,357	62,652	900,886	3,356,865

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	March 31, 2013 Millions of yen					
	Consumer	Loans Corporate		Purchased loans*1	Direct financing leases	Total
		Non-recourse loans	Other			
<b>Allowance for Credit Losses:</b>						
Beginning balance	¥ 16,140	¥ 23,505	¥ 60,266	¥ 19,825	¥ 16,852	¥ 136,588
Provision charged to income	809	(200)	2,335	4,649	2,423	10,016
Charge-offs	(3,050)	(7,384)	(20,566)	(9,412)	(4,409)	(44,821)
Recoveries	281	1	988	0	363	1,633
Other*3	346	795	(1,148)	254	601	848
<b>Ending balance</b>	<b>¥ 14,526</b>	<b>¥ 16,717</b>	<b>¥ 41,875</b>	<b>¥ 15,316</b>	<b>¥ 15,830</b>	<b>¥ 104,264</b>
Individually evaluated for impairment	3,190	14,620	34,206	13,135	0	65,151
Not individually evaluated for impairment	11,336	2,097	7,669	2,181	15,830	39,113
<b>Financing receivables:</b>						
Ending balance	¥ 1,171,142	¥ 568,957	¥ 862,332	¥ 70,801	¥ 989,380	¥ 3,662,612
Individually evaluated for impairment	10,861	61,050	111,722	29,107	0	212,740
Not individually evaluated for impairment	1,160,281	507,907	750,610	41,694	989,380	3,449,872

\*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' ).

\*2 Other mainly includes foreign currency translation adjustments, amounts reclassified to discontinued operations and decrease in allowance related to sales of a subsidiary.

\*3 Other mainly includes foreign currency translation adjustments and decrease in allowance related to newly consolidated subsidiaries and sales of a subsidiary.

In developing the allowance for credit losses, the Company and its subsidiaries consider, among other things, the following factors:

business characteristics and financial conditions of obligors;

current economic conditions and trends;

prior charge-off experience;

current delinquencies and delinquency trends; and

value of underlying collateral and guarantees.

The Company and its subsidiaries 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, the Company and its subsidiaries evaluate prior charge-off experience as segmented by debtor's industry and the purpose of the loans and develop the allowance for credit losses based on such prior charge-off experience as well as current economic conditions.

In common with all portfolio segments, a deterioration of a debtor's condition may increase the risk of delay in payments of principal and interest. For loans to consumer borrowers, the amount of the allowance for credit

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**ORIX Corporation and Subsidiaries**

losses is changed by the variation of an individual debtor's creditworthiness and value of underlying collateral and guarantees, and the prior charge-off experience. For loans to corporate other borrowers and direct financing leases, the amount of the allowance for credit losses is changed by current economic conditions and trends, the value of underlying collateral and guarantees, and the prior charge-off experience in addition to the debtor's creditworthiness.

The decline of the value of underlying collateral and guarantees may increase the risk of inability to collect from the loans and direct financing leases. Particularly for non-recourse loans for which cash flow from real estate is the source of repayment, their collection depends on the real estate collateral value, which may decline as a result of decrease in liquidity of the real estate market, rise in vacancy rate of rental properties, fall in rents and other factors. These risks may change the amount of the allowance for credit losses. For purchased loans, their collection may decrease due to a decline in the real estate collateral value and debtor's creditworthiness. Thus, these risks may change the amount of the allowance for credit losses.

In common with all portfolio segments, the Company and its subsidiaries charge off doubtful receivables when the likelihood of any future collection is believed to be minimal, mainly based upon an evaluation of the relevant debtor's creditworthiness and the liquidation status of collateral.

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The following table provides information about the impaired loans as of March 31, 2012 and 2013:

Portfolio segment	Class	March 31, 2012		
		Millions of Yen		
		Loans Individually Evaluated for Impairment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded*1:		¥ 74,836	¥ 74,581	¥ 0
Consumer borrowers	Housing loans	1,438	1,421	0
	Other	0	0	0
Corporate borrowers		73,398	73,160	0
Non-recourse loans	Japan	29,471	29,455	0
	U.S.	4,565	4,565	0
Other	Real estate companies	8,120	8,102	0
	Entertainment companies	11,893	11,718	0
	Other	19,349	19,320	0
Purchased loans		0	0	0
With an allowance recorded*2:		218,938	217,560	91,407
Consumer borrowers	Housing loans	7,583	7,566	3,002
	Other	0	0	0
Corporate borrowers		176,448	175,087	70,510
Non-recourse loans	Japan	14,677	14,661	5,602
	U.S.	34,244	34,150	15,055
Other	Real estate companies	65,888	65,412	26,108
	Entertainment companies	9,867	9,667	3,181
	Other	51,772	51,197	20,564
Purchased loans		34,907	34,907	17,895
<b>Total:</b>		<b>¥ 293,774</b>	<b>¥ 292,141</b>	<b>¥ 91,407</b>
Consumer borrowers	Housing loans	9,021	8,987	3,002
	Other	0	0	0
Corporate borrowers		249,846	248,247	70,510
Non-recourse loans	Japan	44,148	44,116	5,602
	U.S.	38,809	38,715	15,055
Other	Real estate companies	74,008	73,514	26,108
	Entertainment companies	21,760	21,385	3,181

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	Other	71,121	70,517	20,564
Purchased loans		34,907	34,907	17,895

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

		March 31, 2013		
		Millions of Yen		
Portfolio segment	Class	Loans		
		Individually Evaluated for Impairment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded*1:		¥ 52,798	¥ 52,768	¥ 0
Consumer borrowers	Housing loans	1,003	989	0
	Card loans	0	0	0
	Other	0	0	0
Corporate borrowers		51,795	51,779	0
Non-recourse loans	Japan	21,409	21,407	0
	U.S.	5,825	5,825	0
Other	Real estate companies	7,063	7,060	0
	Entertainment companies	6,148	6,147	0
	Other	11,350	11,340	0
Purchased loans		0	0	0
With an allowance recorded*2:		159,942	158,798	65,151
Consumer borrowers	Housing loans	7,496	7,471	2,565
	Card loans	1,858	1,854	547
	Other	504	503	78
Corporate borrowers		120,977	119,863	48,826
Non-recourse loans	Japan	2,006	2,004	1,021
	U.S.	31,810	31,706	13,599
Other	Real estate companies	40,063	39,896	15,862
	Entertainment companies	5,889	5,843	2,118
	Other	41,209	40,414	16,226
Purchased loans		29,107	29,107	13,135
<b>Total:</b>		<b>¥ 212,740</b>	<b>¥ 211,566</b>	<b>¥ 65,151</b>
Consumer borrowers	Housing loans	8,499	8,460	2,565
	Card loans	1,858	1,854	547
	Other	504	503	78
Corporate borrowers		172,772	171,642	48,826
Non-recourse loans	Japan	23,415	23,411	1,021
	U.S.	37,635	37,531	13,599
Other	Real estate companies	47,126	46,956	15,862
	Entertainment companies	12,037	11,990	2,118

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	Other	52,559	51,754	16,226
Purchased loans		29,107	29,107	13,135

- \*1 With no related allowance recorded represents impaired loans with no allowance for credit losses as all amounts are considered to be collectible.
- \*2 With an allowance recorded represents impaired loans with the allowance for credit losses as all or a part of the amounts are not considered to be collectible.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**ORIX Corporation and Subsidiaries**

The Company and its subsidiaries recognize installment loans other than purchased loans and loans to consumer borrowers as impaired loans when principal or interest is past-due 90 days or more, or it is probable that the Company and its subsidiaries will be unable to collect all amounts due according to the contractual terms of the loan agreements due to various debtor conditions, including insolvency filings, suspension of bank transactions, dishonored bills and deterioration of businesses. For non-recourse loans, in addition to these conditions, the Company and its subsidiaries perform an impairment review using financial covenants, acceleration clauses, loan-to-value ratios, and other relevant available information.

For purchased loans, the Company and its subsidiaries recognize them as impaired loans when it is probable that the Company and its subsidiaries will be unable to collect book values of the remaining investment due to factors such as a decline in the real estate collateral value and debtors' creditworthiness since the acquisition of these loans.

The Company and its subsidiaries consider that loans to consumer borrowers, including housing loans, card loans and other, are impaired when terms of these loans are modified as troubled debt restructurings.

Interest payments received on impaired loans other than purchased loans are recorded as interest income unless the collection of the remaining investment is doubtful at which time payments received are recorded as reductions of principal. For purchased loans, although the acquired assets may remain loans in legal form, collections on these loans often do not reflect the normal historical experience of collecting delinquent accounts, and the need to tailor individual collateral-realization strategies often makes it difficult to reliably estimate the amount, timing, or nature of collections. Accordingly, the Company and its subsidiaries use the cost recovery method of income recognition for such purchased loans regardless of whether impairment is recognized or not.

In common with all classes, 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 the fair value of the collateral securing the loans if the loans are collateral-dependent. For non-recourse loans, in principle, the estimated collectible amount is determined based on the fair value of the collateral securing the loans as they are collateral-dependent. Further for certain non-recourse loans, the estimated collectible amount is determined based on the present value of expected future cash flows. The fair value of the 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 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. Non-recourse loans in the U.S. consist mainly of commercial mortgage loans held by the newly consolidated VIEs resulting from the application of the accounting standards in the fiscal year ended March 31, 2011 relating to the consolidation of VIEs (see Note 1 (af)). For impaired purchased loans, the Company and its subsidiaries develop the allowance for credit losses based on the difference between the book value and the estimated collectible amount of such loans.

The average recorded investments in impaired loans for fiscal 2011 was ¥368,539 million. The Company and its subsidiaries recognized interest income on impaired loans of ¥4,225 million, and collected in cash interest on impaired loans of ¥3,592 million in fiscal 2011.





**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

The following table provides information about the average recorded investments in impaired loans and interest income on impaired loans for fiscal 2012 and 2013:

		March 31, 2012		
		Millions of yen		
Portfolio segment	Class	Average Recorded Investments		Interest on Impaired Loans Collected in Cash
		in Impaired Loans*1	Interest Income on Impaired Loans	
Consumer borrowers	Housing loans	¥ 8,933	¥ 226	¥ 204
	Other	0	0	0
Corporate borrowers		252,683	4,506	3,976
Non-recourse loans	Japan	30,021	367	311
	U.S.	41,399	794	695
Other	Real estate companies	84,121	1,243	1,102
	Entertainment companies	25,796	724	711
	Other	71,346	1,378	1,157
Purchased loans		34,063	0	0
Total		¥ 295,679	¥ 4,732	¥ 4,180

		March 31, 2013		
		Millions of yen		
Portfolio segment	Class	Average Recorded Investments		Interest on Impaired Loans Collected in Cash
		in Impaired Loans*1	Interest Income on Impaired Loans	
Consumer borrowers	Housing loans	¥ 8,635	¥ 188	¥ 152
	Card loans	771	16	12
	Other	180	5	4
Corporate borrowers		221,136	4,259	3,968
Non-recourse loans	Japan	37,282	216	211
	U.S.	41,903	1,726	1,726
Other	Real estate companies	62,265	889	804
	Entertainment companies	16,443	364	322
	Other	63,243	1,064	905
Purchased loans		29,217	0	0
Total		¥ 259,939	¥ 4,468	¥ 4,136

\*1 Average balances are calculated on the basis of fiscal beginning and quarter-end balances.

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The following table provides information about the credit quality indicators as of March 31, 2012 and 2013:

Portfolio segment	Class	March 31, 2012					Subtotal	Total
		Performing	Loans individually evaluated for impairment	Loans individually evaluated for impairment	Millions of yen Non-performing 90+ days past-due loans not individually evaluated for impairment			
Consumer borrowers	Housing loans	¥ 849,303	¥ 9,021	¥ 8,603	¥ 17,624	¥ 866,927		
	Card loans	236	0	0	0	236		
	Other	14,319	0	1	1	14,320		
Corporate borrowers		1,520,865	249,846	0	249,846	1,770,711		
Non-recourse loans	Japan	181,991	44,148	0	44,148	226,139		
	U.S.	510,517	38,809	0	38,809	549,326		
Other	Real estate companies	267,294	74,008	0	74,008	341,302		
	Entertainment companies	115,484	21,760	0	21,760	137,244		
	Other	445,579	71,121	0	71,121	516,700		
Purchased loans		62,652	34,907	0	34,907	97,559		
Direct financing leases	Japan	658,277	0	14,406	14,406	672,683		
	Overseas	225,168	0	3,035	3,035	228,203		
<b>Total</b>		<b>¥ 3,330,820</b>	<b>¥ 293,774</b>	<b>¥ 26,045</b>	<b>¥ 319,819</b>	<b>¥ 3,650,639</b>		

Portfolio segment	Class	March 31, 2013					Subtotal	Total
		Performing	Loans individually evaluated for impairment	Loans individually evaluated for impairment	Millions of yen Non-performing 90+ days past-due loans not individually evaluated for impairment			
Consumer borrowers	Housing loans	¥ 901,895	¥ 8,499	¥ 6,397	¥ 14,896	¥ 916,791		
	Card loans	223,130	1,858	719	2,577	225,707		
	Other	27,511	504	629	1,133	28,644		
Corporate borrowers		1,258,517	172,772	0	172,772	1,431,289		
Non-recourse loans	Japan	111,025	23,415	0	23,415	134,440		
	U.S.	396,882	37,635	0	37,635	434,517		
Other	Real estate companies	229,555	47,126	0	47,126	276,681		

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	Entertainment companies	109,222	12,037	0	12,037	121,259
	Other	411,833	52,559	0	52,559	464,392
Purchased loans		41,694	29,107	0	29,107	70,801
Direct financing leases	Japan	680,351	0	12,234	12,234	692,585
	Overseas	293,223	0	3,572	3,572	296,795
Total		¥ 3,426,321	¥ 212,740	¥ 23,551	¥ 236,291	¥ 3,662,612

Note: Loans held for sale are not included in the table above.

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

In common with all classes, the Company and its subsidiaries monitor the credit quality indicators as performing and non-performing assets. The category of non-performing assets includes financing receivables for debtors who have filed for insolvency proceedings, whose bank transactions are suspended, whose bills are dishonored, whose businesses have deteriorated, or whose repayment is past-due 90 days or more, and financing receivables modified as troubled debt restructurings, and performing assets include all other financing receivables. Regarding purchased loans, they are classified as non-performing assets when considered impaired, while all the other loans are included in the category of performing assets.

Out of non-performing assets presented above, the Company and its subsidiaries consider smaller balance homogeneous loans, including housing loans and card loans which are not restructured and direct financing leases, as 90 days or more past-due financing receivables not individually evaluated for impairment, and consider the others as loans individually evaluated for impairment. After the Company and its subsidiaries have set aside provision for those non-performing assets, the Company and its subsidiaries continue to monitor at least on a quarterly basis the quality of any underlying collateral, the status of management of the debtors and other important factors in order to report to management and develop additional provision as necessary.

The following table provides information about the non-accrual and past-due financing receivables as of March 31, 2012 and 2013:

		March 31, 2012				
		Millions of yen				
		Past-Due Financing Receivables			Total	Non-Accrual
		30-89	90 Days	Total	Financing	
Portfolio segment	Class	Days Past-Due	or More Past-Due	Past-Due	Receivables	
Consumer borrowers	Housing loans	¥ 3,518	¥ 12,942	¥ 16,460	¥ 866,927	¥ 12,942
	Card loans	0	0	0	236	0
	Other	33	1	34	14,320	1
Corporate borrowers		83,316	112,537	195,853	1,770,711	112,537
Non-recourse loans	Japan	10,306	14,134	24,440	226,139	14,134
	U.S.	71,042	14,689	85,731	549,326	14,689
Other	Real estate companies	809	42,831	43,640	341,302	42,831
	Entertainment companies	2	2,362	2,364	137,244	2,362
	Other	1,157	38,521	39,678	516,700	38,521
Direct financing leases	Japan	2,724	14,406	17,130	672,683	14,406
	Overseas	2,007	3,035	5,042	228,203	3,035
Total		¥ 91,598	¥ 142,921	¥ 234,519	¥ 3,553,080	¥ 142,921

**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

		March 31, 2013						
		Millions of yen						
		Past-Due Financing Receivables						
Portfolio segment	Class	30-89	90 Days	Total	Total			
		Days	or More	Past-Due	Financing	Non-Accrual	Non-Accrual	
		Past-Due	Past-Due	Past-Due	Receivables			
Consumer borrowers	Housing loans	¥ 3,650	¥ 10,422	¥ 14,072	¥ 916,791	¥	10,422	
	Card loans	738	1,078	1,816	225,707		1,078	
	Other	311	670	981	28,644		670	
Corporate borrowers		64,539	73,876	138,415	1,431,289		73,876	
Non-recourse loans	Japan	0	15,211	15,211	134,440		15,211	
	U.S	59,532	7,516	67,048	434,517		7,516	
Other	Real estate companies	1,324	23,921	25,245	276,681		23,921	
	Entertainment companies	437	1,542	1,979	121,259		1,542	
	Other	3,246	25,686	28,932	464,392		25,686	
Direct financing leases	Japan	1,467	12,234	13,701	692,585		12,234	
	Overseas	4,013	3,572	7,585	296,795		3,572	
Total		¥ 74,718	¥ 101,852	¥ 176,570	¥ 3,591,811	¥	101,852	

Note: Loans held for sale and purchases loans are not included in the table above.

In common with all classes, the Company and its subsidiaries consider financing receivables as past-due financing receivables when principal or interest is past-due 30 days or more. Loans whose terms have been modified are not classified as past-due financing receivables if the principals and interests are not past-due 30 days or more in accordance with the modified terms.

The Company and its subsidiaries suspend accruing revenues on past-due installment loans and direct financing leases when principal or interest is past-due 90 days or more, or earlier, if management determines that their collections are doubtful based on factors such as the individual debtor's creditworthiness, historical loss experience, current delinquencies and delinquency trends. Cash repayments received on non-accrual loans are applied first against past due interest and then any surpluses are applied to principal in view of the conditions of the contract and obligors. The Company and its subsidiaries return to accrual status non-accrual loans and lease receivables when it becomes probable that the Company and its subsidiaries will be able to collect all amounts due according to the contractual terms of these loans and lease receivables, as evidenced by continual payments from the debtors. The period of such continual payments before returning to accrual status varies depending on factors that we consider are relevant in assessing the debtor's creditworthiness, such as the debtor's business characteristics and financial conditions as well as relevant economic conditions and trends.

**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

The following table provides information about troubled debt restructurings of financing receivables that occurred during fiscal 2012 and 2013:

Portfolio segment	Class	March 31, 2012	
		Millions of yen	
		Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Consumer borrowers	Housing loans	¥ 1,867	¥ 1,690
Corporate borrowers		27,471	26,112
Non-recourse loans	Japan	943	943
	U.S.	7,783	7,518
Other	Real estate companies	6,436	5,636
	Other	12,309	12,015
<b>Total</b>		<b>¥ 29,338</b>	<b>¥ 27,802</b>

Portfolio segment	Class	March 31, 2013	
		Millions of yen	
		Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Consumer borrowers	Housing loans	¥ 1,290	¥ 894
	Card loans	1,649	1,081
	Other	641	421
Corporate borrowers		17,970	17,544
Non-recourse loans	Japan	5,180	5,180
	U.S.	10,036	10,036
Other	Real estate companies	967	861
	Other	1,787	1,467
<b>Total</b>		<b>¥ 21,550</b>	<b>¥ 19,940</b>

A troubled debt restructuring is defined as a restructuring of a financing receivable in which the creditor grants a concession to the debtor for economic or other reasons related to the debtor's financial difficulties.

The Company and its subsidiaries offer various types of concessions to our debtors to protect as much of our investment as possible in troubled debt restructurings. For the debtors of non-recourse loans, the Company and its subsidiaries offer concessions including an extension of the maturity date at an interest rate lower than the current market rate for a debt with similar risk characteristics. For the debtors of all financing receivables other than non-recourse loans, the Company and its subsidiaries offer concessions such as a reduction of the loan principal, a



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temporary reduction in the interest payments, or an extension of the maturity date at an interest rate lower than the current market rate for a debt with similar risk characteristics. In addition, the Company and its subsidiaries may acquire collateral assets from the debtors in troubled debt restructurings to satisfy fully or partially the loan principal or past due interest.

In common with all portfolio segments, financing receivables modified as troubled debt restructurings are recognized as impaired and are individually evaluated for a valuation allowance. In most cases, these financing receivables have already been considered impaired and individually evaluated for allowance for credit losses prior to the restructurings. However, as a result of the restructuring, the Company and its subsidiaries may recognize additional provision for the restructured receivables.

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

The following table provides information about financing receivables modified as troubled debt restructurings within the previous 12 months from March 31, 2012 and for which there was a payment default during the fiscal 2012:

Portfolio segment	Class	March 31, 2012	
		Millions of yen	
		Recorded Investment	
Consumer borrowers	Housing loans	¥	392
Corporate borrowers			2,331
Non-recourse loans	U.S.		409
Other	Other		1,922
Total		¥	2,723

The following table provides information about financing receivables modified as troubled debt restructurings within the previous 12 months from March 31, 2013 and for which there was a payment default during the fiscal 2013:

Portfolio segment	Class	March 31, 2013	
		Millions of yen	
		Recorded Investment	
Consumer borrowers	Housing loans	¥	369
	Card loans		12
	Other		2
Corporate borrowers			92
Other	Other		92
Total		¥	475

The Company and its subsidiaries consider financing receivables whose terms have been modified in a restructuring as defaulted receivables when principal or interest is past-due 90 days or more in accordance with the modified terms.

In common with all portfolio segments, the Company and its subsidiaries suspend accruing revenues and may recognize additional provision as necessary for the defaulted financing receivables.

**9. Investment in Securities**

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Investment in securities at March 31, 2012 and 2013 consists of the following:

	Millions of yen	
	2012	2013
Trading securities	¥ 12,817	¥ 33,041
Available-for-sale securities	886,487	757,299
Held-to-maturity securities	43,830	89,451
Other securities	204,256	213,877
Total	¥ 1,147,390	¥ 1,093,668

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Gains and losses realized from the sale of trading securities and net unrealized holding gains (losses) on trading securities are included in net gains on investment securities. For further information, see Note 22 Brokerage Commissions and Net Gains on Investment Securities .

For fiscal 2011, 2012 and 2013, net unrealized holding gains and losses on trading securities were gains of ¥2,065 million, gains of ¥4,730 million and gains of ¥1,662 million, respectively.

During fiscal 2011 and 2012, the Company and its subsidiaries sold available-for-sale securities for aggregate proceeds of ¥340,634 million and ¥279,367 million, respectively, resulting in gross realized gains of ¥5,579 million and ¥9,882 million, respectively, and gross realized losses of ¥712 million and ¥963 million, respectively. During fiscal 2013, the Company and its subsidiaries sold available-for-sale securities for aggregate proceeds of ¥417,534 million, resulting in gross realized gains of ¥17,830 million and gross realized losses of ¥577 million. The cost of the securities sold was based on the average cost of each such security held at the time of the sale.

During fiscal 2011, 2012 and 2013, respectively, the Company and its subsidiaries charged losses on securities of ¥21,747 million, ¥16,470 million and ¥22,838 million, respectively, to the accompanying consolidated statements of income for declines in market value of securities where the decline was considered as other than temporary.

Other securities consist mainly of non-marketable equity securities, preferred capital shares carried at cost and investment funds carried at an amount that reflects equity income and loss based on the investor's share.

The aggregate carrying amount of other securities accounted for under the cost method totaled ¥84,431 million and ¥86,406 million at March 31, 2012 and 2013, respectively. Investments with an aggregate cost of ¥74,716 million and ¥83,591 million, respectively, were not evaluated for impairment because the Company and its subsidiaries did not identify any events or changes in circumstances that might have had significant adverse effect on the fair value of those investments and it was not practicable to estimate the fair value of the investments.

Since April 1, 2012, a subsidiary elected the fair value option under ASC 825-10 ( Financial Instruments Fair Value Option ) for certain funds purchased at a discount on the secondary market and an investment in a drug royalty trust. Due to the illiquid nature of these investments, the net asset value from the funds/royalty trust does not appear to be indicative of the fair value. The election of the fair value option enables the subsidiary to use more appropriate assumptions for internal cash flow modeling and reflect the fair value of these investments more properly on the financial statements. As of March 31, 2013, there were ¥5,800 million of investments measured at fair value by electing the fair value option included in other securities.

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The amortized cost basis amounts, gross unrealized holding gains, gross unrealized holding losses and fair values of available-for-sale securities and held-to-maturity securities in each major security type at March 31, 2012 and 2013 are as follows:

**March 31, 2012**

	Millions of yen			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
<b>Available-for-sale:</b>				
Japanese and foreign government bond securities	¥ 219,729	¥ 1,191	¥ (5)	¥ 220,915
Japanese prefectural and foreign municipal bond securities	56,108	1,358	(107)	57,359
Corporate debt securities	280,540	2,325	(2,643)	280,222
Specified bonds issued by SPEs in Japan	140,054	192	(1,094)	139,152
CMBS and RMBS in the U.S., and other asset-backed securities	95,788	3,078	(3,538)	95,328
Other debt securities	7,961	449	0	8,410
Equity securities	61,773	26,853	(3,525)	85,101
	861,953	35,446	(10,912)	886,487
<b>Held-to-maturity:</b>				
Japanese government bond securities and other	43,830	2,819	0	46,649
	¥ 905,783	¥ 38,265	¥ (10,912)	¥ 933,136

**March 31, 2013**

	Millions of yen			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
<b>Available-for-sale:</b>				
Japanese and foreign government bond securities	¥ 276,832	¥ 1,906	¥ (21)	¥ 278,717
Japanese prefectural and foreign municipal bond securities	58,571	2,519	0	61,090
Corporate debt securities	193,973	3,809	(947)	196,835
Specified bonds issued by SPEs in Japan	64,159	116	(1,031)	63,244
CMBS and RMBS in the U.S., and other asset-backed securities	59,419	3,480	(2,208)	60,691
Other debt securities	7,367	944	0	8,311
Equity securities	53,869	34,703	(161)	88,411

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	714,190	47,477	(4,368)	757,299
Held-to-maturity:				
Japanese government bond securities and other	89,451	9,020	0	98,471
	¥ 803,641	¥ 56,497	¥ (4,368)	¥ 855,770

The unrealized losses of ¥857 million and ¥435 million of debt securities for which an other-than-temporary impairment related to the credit loss had been recognized in earnings according to ASC 320-10-35-34

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( Investments Debt and Equity Securities Recognition of Other-Than-Temporary Impairments ) were included in the gross unrealized losses of CMBS and RMBS in the U.S., and other asset-backed securities (before taxes) at March 31, 2012 and March 31, 2013, respectively. The unrealized losses are other-than-temporary impairment related to the non-credit losses and recorded as accumulated other comprehensive income.

The following table provides information about available-for-sale securities with gross unrealized losses and the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2012 and 2013, respectively:

**March 31, 2012**

	Less than 12 months		Millions of yen 12 months or more		Total	
	Fair value	Gross	Fair value	Gross	Fair value	Gross
		unrealized losses		unrealized losses		unrealized losses
Available-for-sale:						
Japanese and foreign government bond securities	¥ 74,978	¥ (5)	¥ 0	¥ 0	¥ 74,978	¥ (5)
Japanese prefectural and foreign municipal bond securities	11,316	(107)	0	0	11,316	(107)
Corporate debt securities	23,568	(208)	24,982	(2,435)	48,550	(2,643)
Specified bonds issued by SPEs in Japan	32,139	(499)	29,826	(595)	61,965	(1,094)
CMBS and RMBS in the U.S., and other asset-backed securities	29,586	(198)	11,316	(3,340)	40,902	(3,538)
Equity securities	14,097	(2,092)	11,239	(1,433)	25,336	(3,525)
	¥ 185,684	¥ (3,109)	¥ 77,363	¥ (7,803)	¥ 263,047	¥ (10,912)

**March 31, 2013**

	Less than 12 months		Millions of yen 12 months or more		Total	
	Fair value	Gross	Fair value	Gross	Fair value	Gross
		unrealized losses		unrealized losses		unrealized losses
Available-for-sale:						
Japanese and foreign government bond securities	¥ 85,842	¥ (21)	¥ 0	¥ 0	¥ 85,842	¥ (21)
Japanese prefectural and foreign municipal bond securities	10,118	0	0	0	10,118	0
Corporate debt securities	4,490	(69)	16,329	(878)	20,819	(947)
Specified bonds issued by SPEs in Japan	3,929	(106)	34,226	(925)	38,155	(1,031)
CMBS and RMBS in the U.S., and other asset-backed securities	2,142	(44)	8,141	(2,164)	10,283	(2,208)

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Equity securities	1,315	(142)	318	(19)	1,633	(161)
	¥ 107,836	¥ (382)	¥ 59,014	¥ (3,986)	¥ 166,850	¥ (4,368)

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**ORIX Corporation and Subsidiaries**

Approximately 225 and 132 investment securities were in an unrealized loss position as of March 31, 2012 and 2013, respectively. The gross unrealized losses on these securities are attributable to a number of factors including changes in interest rates, credit spreads and market trends.

For debt securities, in the case of the fair value being below the amortized cost, the Company and its subsidiaries consider whether those securities are other-than-temporarily impaired using all available information about the collectibility. The Company and its subsidiaries consider that an other-than-temporary impairment has occurred if (1) the Company and its subsidiaries intend to sell the debt security; (2) it is more likely than not that the Company and its subsidiaries will be required to sell the debt security before recovery of its amortized cost basis, or (3) the Company and its subsidiaries do not expect to recover the entire amortized cost of the security (that is, a credit loss exists). In assessing whether a credit loss exists, the Company and its subsidiaries compare the present value of the expected cash flows to the security's amortized cost basis at the balance sheet date.

Debt securities with unrealized loss position mainly include corporate debt securities in Japan, specified bonds issued by special purpose entities in Japan and CMBS and RMBS.

The unrealized loss associated with corporate debt securities is primarily due to changes in the market interest rate and risk premium. Considering all available information to assess the collectibility of those investments (such as the financial condition of and business prospects for the issuers), the Company and its subsidiaries believe that the Company and its subsidiaries are able to recover the entire amortized cost basis of those investments. Because the Company and its subsidiaries do not intend to sell the investments and it is not more likely than not that the Company and its subsidiaries will be required to sell the investments before recovery of their amortized cost basis, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired at March 31, 2013.

The unrealized loss associated with specified bonds is primarily due to changes in the market interest rate and risk premium because of deterioration in the real estate market in Japan and the credit crunch in the capital and financial markets. Considering all available information to assess the collectibility of those investments (such as performance and value of the underlying real estate, and seniority of the bonds), the Company and its subsidiaries believe that the Company and its subsidiaries are able to recover the entire amortized cost basis of those investments. Because the Company and its subsidiaries do not intend to sell the investments and it is not more likely than not that the Company and its subsidiaries will be required to sell the investments before recovery of their amortized cost basis, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired at March 31, 2013.

The unrealized loss associated with CMBS and RMBS is primarily caused by changes in credit spreads and interest rates. In order to determine whether a credit loss exists, the Company and its subsidiaries estimate the present value of anticipated cash flows, discounted at the current yield to accrete the security. 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. Then, a credit loss is assessed by comparing the present value of the expected cash flows to the security's amortized cost basis. Based on that assessment, the Company and its subsidiaries expect to recover the entire amortized cost basis. Because the Company and its subsidiaries do not intend to sell the investments and it is not more likely than not that the Company and its subsidiaries will be required to sell the investments before recovery of their amortized cost basis, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired at March 31, 2013.

For equity securities with unrealized losses, the Company and its subsidiaries consider various factors to determine whether the decline is other-than-temporary, including the length of time and the extent to which the fair value has been less than the carrying value and the issuer's specific economic conditions as well as the

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

ability and intent to hold these securities for a period of time sufficient to recover the securities carrying amounts. Based on our ongoing monitoring process, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired at March 31, 2013.

The total other-than-temporary impairment with an offset for the amount of the total other-than-temporary impairment recognized in other comprehensive income (loss) for fiscal 2011, 2012 and 2013 are as follows:

	Millions of yen		
	2011	2012	2013
Total other-than-temporary impairment losses	¥ 22,210	¥ 17,100	¥ 23,180
Portion of loss recognized in other comprehensive income (before taxes)	(463)	(630)	(342)
<b>Net impairment losses recognized in earnings</b>	<b>¥ 21,747</b>	<b>¥ 16,470</b>	<b>¥ 22,838</b>

Other-than-temporary impairment losses related to debt securities are recognized mainly on certain specified bonds, which have experienced credit losses due to significant decline in the value of the underlying assets, as well as on certain mortgage-backed and other asset-backed securities, which have experienced credit losses due to a decrease in cash flows attributable to significant default and bankruptcies on the underlying loans. Because the Company and its subsidiaries do not intend to sell these securities and it is not more likely than not that the Company and its subsidiaries will be required to sell these securities before recovery of their amortized cost basis, the Company and its subsidiaries charged only the credit loss component of the total impairment to earnings with the remaining non-credit component recognized in other comprehensive income (loss). The credit loss assessment was made by comparing the securities amortized cost basis with the portion of the estimated fair value of the underlying assets available to repay the specified bonds, or with the present value of the expected cash flows from the mortgage-backed and other asset-backed securities, that were estimated based on a number of assumptions such as default rate and prepayment speed, as well as seniority of the security.

Roll-forwards of the amount related to credit losses on other-than-temporarily impaired debt securities recognized in earnings for fiscal 2011, 2012 and 2013 are as follows:

	Millions of yen		
	2011	2012	2013
Beginning	¥ 5,016	¥ 9,022	¥ 8,199
Reduction to the beginning balance*	(1,810)	0	0
Beginning after reduction	3,206	9,022	8,199
Addition during the period:			
Credit loss for which an other-than-temporary impairment was not previously recognized	7,292	3,524	110
Credit loss for which an other-than-temporary impairment was previously recognized	736	320	1,171
Reduction during the period:			

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For securities sold or redeemed	(307)	(3,530)	(1,049)
Due to change in intent to sell or requirement to sell	(1,905)	(1,137)	(622)
Ending	¥ 9,022	¥ 8,199	¥ 7,809

\* Cumulative effects of adopting Accounting Standards Update 2009-16 (ASC 860 ( Transfers and Servicing )), and Accounting Standards Update 2009-17 (ASC 810 ( Consolidation )) have been deducted from the beginning balance.

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The Company and its subsidiaries adopted Accounting Standards Update 2009-12 ( Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) ASC 820 ( Fair Value Measurements and Disclosures ) ). Under ASC 820, the information about the fund investments the Company and its subsidiaries hold at March 31, 2012 is as follows, and there were no such fund investments at March 31, 2013.

**March 31, 2012**

Type of Fund Investment	Millions of yen	Redemption Frequency (If Currently Eligible)		Redemption Notice Period	
		Monthly	Quarterly	5 days	60 days
Hedge Fund*	¥ 5,178				
Total	¥ 5,178				

\* This category includes several hedge funds that seek short-term profits using investment strategies such as managed futures, global macro and relative value. The fair value of the investments in this category is calculated based on the net asset value of the investees.

The following is a summary of the contractual maturities of debt securities classified as available-for-sale securities and held-to-maturity securities held at March 31, 2013:

**Available-for-sale securities held at March 31, 2013:**

	Millions of yen	
	Amortized cost	Fair value
Due within one year	¥ 198,549	¥ 198,202
Due after one to five years	253,017	256,084
Due after five to ten years	114,823	116,388
Due after ten years	93,932	98,214
	¥ 660,321	¥ 668,888

**Held-to-maturity securities held at March 31, 2013:**

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	Millions of yen	
	Amortized cost	Fair value
Due within one year	¥ 620	¥ 620
Due after one to five years	7	7
Due after ten years	88,824	97,844
	¥ 89,451	¥ 98,471

Securities not due at a single maturity date, such as mortgage-backed securities, are included in the above table based on their final maturities.

Certain borrowers may have the right to call or prepay obligations. This right may cause actual maturities to differ from the contractual maturities summarized above.

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

Included in interest on loans and investment securities in the consolidated statements of income is interest income on investment securities of ¥17,690 million, ¥15,169 million and ¥11,505 million for fiscal 2011, 2012 and 2013, respectively.

The Company and a certain foreign subsidiary acquired debt securities with evidence of deterioration of credit quality at the time of acquisition, and it was not probable those debt securities were able to recover all contractual amounts. In accordance with the provision of ASC 310-30 (Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality), the Company and the subsidiary determined the expected future cash flows taking into account historical cash collections for debt securities with similar characteristics as well as expected prepayments and the amount and the timing of undiscounted expected principal, interest and other cash flows for each pool of debt securities. Accretable yield represents the excess of expected future cash flows over carrying value of the debt securities, which is recognized as interest income over the remaining life of the debt securities. For a debt security for which the fair value is less than the amortized cost basis, the subsidiary estimates the present value of cash flows expected to be collected from the security and compares it with the amortized cost basis of the security to determine whether a credit loss exists. If, based on current information and events, the Company and the subsidiary determines a credit loss exists for that security, an other-than-temporary impairment is considered to have occurred. The Company and the subsidiary writes down that security to fair value with the credit loss component of the impairment recognized in earnings and the noncredit component recorded in other comprehensive income (loss), unless the Company and the subsidiary intends to sell that security or more likely than not will be required to sell that security before recovery, in which case the entire impairment loss would be charged to earnings. As of March 31, 2012 and 2013, the carrying amount and the nominal value of debt securities acquired with evidence of deterioration of credit quality were ¥5,906 million and ¥5,556 million, and ¥13,125 million and ¥14,951 million, and the outstanding balance of accretable yield was ¥4,057 million and ¥4,994 million, respectively.

**10. Securitization Transactions**

The Company and its subsidiaries have securitized various financial assets such as direct financing lease receivables, installment loans (commercial mortgage loans, housing loans and other) and investment in securities.

In the securitization process, these financial assets are transferred to various vehicles (the SPEs), such as trusts and special-purpose companies that issue beneficial interests of the securitization trusts and securities backed by the financial assets to investors. The cash flows collected from these assets transferred to the SPEs are then used to repay these asset-backed beneficial interests and securities. As the transferred assets are isolated from the Company and its subsidiaries, the investors and the SPEs have no recourse to other assets of the Company and its subsidiaries in cases where the debtors or the issuers of the transferred financial assets fail to perform under the original terms of those financial assets. The Company and its subsidiaries often retain interests in the SPEs in the form of the beneficial interest of the securitization trusts. Those interests that continue to be held include interests in the transferred assets and are often subordinate to other tranche(s) of the securitization. Those beneficial interests that continue to be held by the Company and its subsidiaries are subject to credit risk, interest rate risk and prepayment risk on the securitized financial assets. With regards to these subordinated interests that the Company and its subsidiaries retain, they are subordinated to the senior investments and are exposed to different credit and prepayment risks, since they first absorb the risk of the decline in the cash flows from the financial assets transferred to the SPEs for defaults and prepayment of the transferred assets. If there is any excess cash remaining in the SPEs after payment to investors in the securitization of the contractual rate of returns, most of such excess cash is distributed to the Company and its subsidiaries for payments of the subordinated interests.





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Until March 31, 2010, the Company and its subsidiaries did not consolidate qualified special-purpose entities ( QSPEs ) meeting certain requirements and the Company and its subsidiaries accounted for the transfer of financial assets to QSPEs as a sale when control over the financial assets was surrendered.

From April 1, 2010, the Company and its subsidiaries apply Accounting Standards Update 2009-16 (ASC 860 ( Transfers and Servicing )). This Update removes the concept of a QSPE and removes the exception from applying ASC 810-10 ( Consolidation Variable Interest Entities ) to variable interest entities that are QSPEs. This Update also modifies the financial-components approach used in former ASC 860 ( Transfers and Servicing ) and limits the circumstances in which a transferor derecognizes a portion or component of a financial asset. As a result, many SPEs for securitization which had not been consolidated because they met QSPE criteria have been consolidated in accordance with Accounting Standards Update 2009-17 (ASC 810 ( Consolidation )).

During fiscal 2011, 2012 and 2013, there was no securitization transaction accounted for as a sale.

Quantitative information about delinquencies, impaired loans and components of financial assets sold on securitization and other assets managed together as of March 31, 2012 and 2013, and quantitative information about net credit loss for the fiscal years ended March 31, 2011, 2012 and 2013 are as follows:

	<b>Total principal amount of receivables</b>	
	<b>Millions of yen</b>	
	<b>March 31, 2012</b>	<b>March 31, 2013</b>
Direct financing leases	¥ 900,886	¥ 989,380
Installment loans	2,769,898	2,691,171
Assets recorded on the balance sheet	3,670,784	3,680,551
Direct financing leases sold on securitization	3,969	1,698
Total assets managed together or sold on securitization	¥ 3,674,753	¥ 3,682,249

	<b>Principal amount of receivables more than 90 days past-due and impaired loans</b>	
	<b>Millions of yen</b>	
	<b>March 31, 2012</b>	<b>March 31, 2013</b>
Direct financing leases	¥ 17,441	¥ 15,806
Installment loans	302,378	220,485
Assets recorded on the balance sheet	319,819	236,291
Direct financing leases sold on securitization	0	0

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Total assets managed together or sold on securitization	¥	319,819	¥	236,291
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	Credit loss Millions of yen		
	2011	2012	2013
Direct financing leases	¥ 7,505	¥ 6,783	¥ 4,046
Installment loans	54,149	29,476	39,142
Assets recorded on the balance sheet	61,654	36,259	43,188
Direct financing leases sold on securitization	0	0	0
Total assets managed together or sold on securitization	¥ 61,654	¥ 36,259	¥ 43,188

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

A certain subsidiary originates and sells loans into the secondary market while retaining the obligation to service those loans. In addition, it undertakes obligations to service loans originated by others. The servicing assets related to those servicing activities are included in other operating assets and the balances of these servicing assets as of March 31, 2012 and March 31, 2013 were ¥11,533 million and ¥14,562 million, respectively. During the fiscal year ended March 31, 2012 and March 31, 2013, the servicing assets were increased by ¥2,505 million and ¥4,224 million, respectively, mainly from loans sold with servicing retained and decreased by ¥2,416 million and ¥3,045 million, respectively, mainly from amortization and decreased by ¥133 million and increased by ¥1,850 million, respectively, from the effects of changes in foreign exchange rates. The fair value of the servicing assets as of March 31, 2012 and 2013 were ¥13,826 million and ¥19,376 million, respectively.

**11. Variable Interest Entities**

The Company and its subsidiaries use special purpose companies, partnerships and trusts (hereinafter referred to as SPEs) in the ordinary course of business.

These SPEs are not always controlled by voting rights, and there are cases where voting rights do not exist for those SPEs. ASC 810-10 ( Consolidation Variable Interest Entities ) addresses consolidation by business enterprises of SPEs within the scope of ASC 810-10. Generally these SPEs are entities where (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support provided by any parties, including the equity holders or (b) as a group, the holders of the equity investment at risk do not have (1) the ability to make decisions about an entity's activities that most significantly impact the entity's economic performance through voting rights or similar rights, (2) the obligation to absorb the expected losses of the entity or (3) the right to receive the expected residual returns of the entity. Entities within the scope of ASC 810-10 are called variable interest entities ( VIEs ).

According to ASC 810-10, the Company and its subsidiaries are required to perform a qualitative analysis to identify the primary beneficiary of VIEs. An enterprise that has both of the following characteristics is considered to be the primary beneficiary and therefore shall consolidate a VIE:

The power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance

The obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE

All facts and circumstances are taken into consideration when determining whether the Company and its subsidiaries have variable interests that would deem it the primary beneficiary and therefore require consolidation of the VIE. The Company and its subsidiaries make ongoing reassessment of whether they are the primary beneficiaries of a VIE.

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The following are the items that the Company and its subsidiaries are considering in a qualitative assessment:

Which activities most significantly impact the economic performance of the VIE and who has the power to direct such activities

Characteristics of the Company and its subsidiaries variable interest or interests and other involvements (including involvement of related parties and de facto agents)

Involvement of other variable interest holders

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The entity's purpose and design, including the risks that the entity was designed to create and pass through to its variable interest holders

The Company and its subsidiaries generally consider the following types of involvement to be significant when determining the primary beneficiary:

Designing the structuring of a transaction

Providing an equity investment and debt financing

Being the investment manager, asset manager or servicer and receiving variable fees

Providing liquidity and other financial support

The Company and its subsidiaries do not have the power to direct activities of the VIEs that most significantly impact the VIEs' economic performance if that power is shared among multiple unrelated parties, and accordingly do not consolidate such VIEs.

Information about VIEs (consolidated and non-consolidated) for the Company and its subsidiaries are as follows:

1. Consolidated VIEs

**March 31, 2012**

Types of VIEs	Millions of yen			
	Total assets*1	Total liabilities*1	Assets which are pledged as collateral*2	Commitments*3
(a) VIEs for liquidating customer assets	¥ 5,094	¥ 3,719	¥ 5,094	¥ 0
(b) VIEs for acquisition of real estate and real estate development projects for customers	49,781	28,848	35,486	0
(c) VIEs for acquisition of real estate for the Company and its subsidiaries' real estate-related business	341,421	124,227	245,994	0

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(d) VIEs for corporate rehabilitation support business	14,302	205	0	0
(e) VIEs for investment in securities	61,713	7,050	18,365	15
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable	465,376	303,784	465,376	0
(g) VIEs for securitization of commercial mortgage loans originated by third parties	569,272	575,712	569,263	0
(h) Other VIEs	145,958	62,640	128,950	5,687
<b>Total</b>	<b>¥ 1,652,917</b>	<b>¥ 1,106,185</b>	<b>¥ 1,468,528</b>	<b>¥ 5,702</b>

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries****March 31, 2013**

Types of VIEs	Millions of yen			
	Total assets*1	Total liabilities*1	Assets which are pledged as collateral*2	Commitments*3
(a) VIEs for liquidating customer assets	¥ 6,191	¥ 3,880	¥ 6,191	¥ 0
(b) VIEs for acquisition of real estate and real estate development projects for customers	20,081	2,112	0	0
(c) VIEs for acquisition of real estate for the Company and its subsidiaries - real estate-related business	334,179	96,758	197,143	0
(d) VIEs for corporate rehabilitation support business	10,205	192	0	0
(e) VIEs for investment in securities	34,091	8,075	19,133	0
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable	467,348	250,374	391,664	0
(g) VIEs for securitization of commercial mortgage loans originated by third parties	425,017	434,273	425,017	0
(h) Other VIEs	103,345	49,604	85,763	0
<b>Total</b>	<b>¥ 1,400,457</b>	<b>¥ 845,268</b>	<b>¥ 1,124,911</b>	<b>¥ 0</b>

\*1 The assets of most VIEs are used only to repay the liabilities of the VIEs, and the creditors of the liabilities of the VIEs have no recourse to other assets of the Company and its subsidiaries.

\*2 The assets are pledged as collateral by VIE for financing of the VIE.

\*3 This item represents remaining balance of commitments that could require the Company and its subsidiaries to provide investments or loans to the VIE.

## 2. Non-consolidated VIEs

**March 31, 2012**

Types of VIEs	Total assets	Millions of yen Carrying amount of the variable interests in the VIEs held by the Company and its subsidiaries		Maximum exposure to loss*
		Specified bonds and non-recourse loans	Investments	

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(a) VIEs for liquidating customer asset	¥ 53,300	¥ 8,542	¥ 4,326	¥ 12,868
(b) VIEs for acquisition of real estate and real estate development projects for customers	958,965	125,746	59,144	224,707
(c) VIEs for acquisition of real estate for the Company and its subsidiaries real estate-related business	0	0	0	0
(d) VIEs for corporate rehabilitation support business	0	0	0	0
(e) VIEs for investment in securities	1,290,243	0	24,371	37,960
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable	0	0	0	0
(g) VIEs for securitization of commercial mortgage loans originated by third parties	2,277,844	0	43,792	44,427
(h) Other VIEs	42,283	4,380	3,304	7,684
<b>Total</b>	<b>¥ 4,622,635</b>	<b>¥ 138,668</b>	<b>¥ 134,937</b>	<b>¥ 327,646</b>

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries****March 31, 2013**

Types of VIEs	Millions of yen			
	Total assets	Specified bonds and non-recourse loans	Investments	Maximum exposure to loss*
(a) VIEs for liquidating customer assets	¥ 41,929	¥ 3,428	¥ 4,119	¥ 7,547
(b) VIEs for acquisition of real estate and real estate development projects for customers	872,189	106,861	51,345	201,145
(c) VIEs for acquisition of real estate for the Company and its subsidiaries real estate-related business	0	0	0	0
(d) VIEs for corporate rehabilitation support business	0	0	0	0
(e) VIEs for investment in securities	1,327,751	0	24,822	40,501
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable	0	0	0	0
(g) VIEs for securitization of commercial mortgage loans originated by third parties	2,236,389	0	23,257	23,798
(h) Other VIEs	40,806	97	4,079	4,176
<b>Total</b>	<b>¥ 4,519,064</b>	<b>¥ 110,386</b>	<b>¥ 107,622</b>	<b>¥ 277,167</b>

\* Maximum exposure to loss includes remaining balance of commitments that could require the Company and its subsidiaries to provide investments or loans to the VIE.

**(a) VIEs for liquidating customer assets**

The Company and its subsidiaries may use VIEs in structuring financing for customers to liquidate specific customer assets. The VIEs are typically used to provide a structure that is bankruptcy remote with respect to the customer and the use of VIE structure is requested by such customer. Such VIEs typically acquire assets to be liquidated from the customer, borrow non-recourse loans from financial institutions and have an equity investment made by the customer. By using cash flows from the liquidated assets, these VIEs repay the loan and pay dividends to equity investors if sufficient funds exist.

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The Company and its subsidiaries provide non-recourse loans to such VIEs and occasionally make investments in them. The Company and its subsidiaries have consolidated certain VIEs because the Company or a subsidiary effectively controls the VIEs by acting as the asset manager of the VIEs. In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in investment in operating leases, and liabilities of the consolidated VIEs are mainly included in long-term debt.

With respect to the variable interests of non-consolidated VIEs, non-recourse loans are included in installment loans, and investments are mainly included in other operating assets in the Company's consolidated balance sheets.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**ORIX Corporation and Subsidiaries**

**(b) VIEs for acquisition of real estate and real estate development projects for customers**

Customers and the Company and its subsidiaries are involved with VIEs formed to acquire real estate and/or develop real estate projects. In each case, a customer establishes and makes an equity investment in a VIE that is designed to be bankruptcy remote from the customer. The VIEs acquire real estate and/or develop real estate projects.

The Company and its subsidiaries provide non-recourse loans to such VIEs and hold specified bonds issued by them and/or make investments in them. The Company and its subsidiaries have consolidated certain VIEs because the Company or its subsidiary effectively controls the VIEs by acting as the asset manager of the VIEs.

The Company and its subsidiaries contributed additional funding to certain non-consolidated VIEs to support their repayment obligations, since those VIEs had difficulty repaying debt and accounts payable. The amount of those additional fundings for fiscal 2013 was ¥2,000 million. As a result, the Company and its subsidiaries performed a reassessment and consolidated those VIEs.

In the Company's consolidated balance sheets, assets of consolidated VIEs are mainly included in cash and cash equivalents, investment in operating leases and other operating assets, and liabilities of those consolidated VIEs are mainly included in long-term debt as of March 31, 2012, and in short-term debt, trade notes, accounts payable and other liabilities as of March 31, 2013.

With respect to the variable interests of non-consolidated VIEs, specified bonds are included in investment in securities, non-recourse loans are included in installment loans, and investments are mainly included in other operating assets and investment in securities in the Company's consolidated balance sheets. The Company and its subsidiaries have commitment agreements by which the Company and its subsidiaries may be required to provide additional investment in certain non-consolidated VIEs as long as the agreed-upon terms are met. Under these agreements, the Company and its subsidiaries are committed to invest in these VIEs with the other investors based on their respective ownership percentages. The Company and its subsidiaries concluded that the VIEs are not consolidated because the power to direct these VIEs is held by unrelated parties. In some cases, the Company and its subsidiaries concluded that the VIEs are not consolidated because the power to direct these VIEs is shared among multiple unrelated parties.

**(c) VIEs for acquisition of real estate for the Company and its subsidiaries – real estate-related business**

The Company and its subsidiaries establish VIEs and acquire real estate to borrow non-recourse loans from financial institutions and simplify the administration activities necessary for the real estate. The Company and its subsidiaries consolidate such VIEs even though the Company and its subsidiaries may not have voting rights if substantially all of such VIEs' subordinated interests are issued to the Company and its subsidiaries, and therefore the VIEs are controlled by and for the benefit of the Company and its subsidiaries.

The Company and its subsidiaries contributed additional funding to certain non-consolidated VIEs and acquired subordinated interests to support their repayment obligations, since those VIEs had difficulty repaying debt and accounts payable. The amount of those additional fundings for fiscal 2012 was ¥497 million. As a result, the Company and its subsidiaries performed a reassessment and consolidated those VIEs. There was no additional funding or acquisition of subordinated interests during fiscal 2013.

The Company and its subsidiaries contributed additional funding to certain consolidated VIEs, since those VIEs had difficulty repaying debt and accounts payable. The amount of those additional fundings for fiscal 2013 was ¥646 million.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**ORIX Corporation and Subsidiaries**

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in investment in operating leases, office facilities, cash and cash equivalents and other assets, and liabilities of those consolidated VIEs are mainly included in long-term debts.

**(d) VIEs for corporate rehabilitation support business**

Financial institutions, the Company and its subsidiary are involved with VIEs established for the corporate rehabilitation support business. VIEs receive the funds from investors including the financial institutions, the Company and the subsidiary, and purchase loan receivables due from borrowers which have financial problems, but are deemed to have the potential to recover in the future. The servicing operations for the VIEs are conducted by the subsidiary.

The Company and its subsidiary consolidated such VIEs since the Company and the subsidiary have the majority of the investment share of such VIEs, and have the power to direct the activities of the VIEs that most significantly impact the entities' economic performance through the servicing operations.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in installment loans, and liabilities of those consolidated VIEs are mainly included in trade notes, accounts payable and other liabilities.

**(e) VIEs for investment in securities**

The Company and its subsidiaries have interests in VIEs that are investment funds and mainly invest in equity and debt securities. Such VIEs are mainly managed by fund management companies that are independent of the Company and its subsidiaries.

The Company's consolidated certain such VIEs since the Company has the majority of the investment share of them, and has the power to direct the activities of those VIEs that most significantly impact the entities' economic performance through involvement with the design of the VIEs or other means.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in investment in securities, investment in affiliates, installment loans, cash and cash equivalents, and liabilities of those consolidated VIEs are mainly included in short-term debt and long-term debt. The Company has commitment agreements by which the Company may be required to make additional investments in certain such consolidated VIEs.

Variable interests of non-consolidated VIEs, which the Company and its subsidiaries have, are included in investment in securities. The Company and its subsidiaries have a commitment agreement by which the Company may be required to make additional investments in certain such non-consolidated VIEs.

**(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable**

The Company and its subsidiaries use VIEs to securitize financial assets such as direct financing lease receivables and loan receivables. In the securitization process, these financial assets are transferred to SPEs, and the SPEs issue beneficial interests or securities backed by the transferred financial assets to investors. After the securitization, the Company and its subsidiaries continue to hold a subordinated part of the securities and act as a servicer.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**ORIX Corporation and Subsidiaries**

The Company and its subsidiaries consolidated such VIEs since the Company and its subsidiaries have the power to direct the activities that most significantly impact the entity's economic performance by designing the securitization scheme and conducting servicing activities and have a responsibility to absorb losses of the VIEs that could potentially be significant to the entities by retaining the subordinated part of the securities.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in investment in direct financing leases and installment loans, and liabilities of those consolidated VIEs are mainly included in long-term debt.

**(g) VIEs for securitization of commercial mortgage loans originated by third parties**

The Company and its subsidiaries invest in CMBS and RMBS originated by third parties. In some cases of such securitization, the Company's subsidiaries hold the subordinated portion of CMBS and the subsidiaries act as a special-servicer of the securitization transaction. As the special servicer, the Company's subsidiaries have rights to dispose of real estate collateral related to the securitized commercial mortgage loans.

The subsidiaries consolidate certain of these VIEs when the subsidiaries have the power to direct the activities of the VIEs that most significantly impact the entities' economic performance through its role as special-servicer, including the right to dispose of the collateral, and have responsibility to absorb losses of the VIEs that could potentially be significant to the entities by holding the subordinated part of the securities.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in installment loans and investment in securities, and liabilities of those consolidated VIEs are mainly included in long-term debt.

Variable interests of non-consolidated VIEs are included in investment in securities.

**(h) Other VIEs**

The Company and its subsidiaries are involved with other types of VIEs for various purposes. Consolidated and non-consolidated VIEs of this category are mainly kumiai structures. In addition, a subsidiary has consolidated a VIE that is not included in the categories (a) through (g) above, because the subsidiary holds the subordinated portion of the VIE and the VIE is effectively controlled by the subsidiary.

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In Japan, certain subsidiaries provide investment products to their customers that employ a contractual mechanism known as a kumiai, which in part result in the subsidiaries forming a type of SPE. As a means to finance the purchase of aircraft or other large-ticket items to be leased to third parties, the Company and its subsidiaries arrange and market kumiai products to investors, who invest a portion of the funds necessary into the kumiai structure. The remainder of the purchase funds is borrowed by the kumiai structure in the form of a non-recourse loan from one or more financial institutions. The kumiai investors (and any lenders to the kumiai structure) retain all of the economic risks and rewards in connection with purchasing and leasing activities of the kumiai structure, and all related gains or losses are recorded on the financial statements of the investors in the kumiai. The Company and its subsidiaries are responsible for the arrangement and marketing of these products and may act as servicer or administrator in kumiai transactions. The fee income for the arrangement and administration of these transactions is recognized in the Company's consolidated statements of income. In some cases, the Company and its subsidiaries make investments in the kumiai or its related SPE, and these VIEs are consolidated because the Company and its subsidiaries have a responsibility to absorb any significant potential loss through the investments and have the power to direct the activities that most significantly impact their economic performance. In other cases, the Company and its subsidiaries are not considered to be the primary

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

beneficiary of the VIEs or kumiais because the Company and its subsidiaries did not make significant investments or guarantee or otherwise undertake any significant financial commitments or have exposure with respect to the kumiai or its related SPE.

The Company and its subsidiaries may use VIEs to finance. The Company and its subsidiaries transfer their own held assets to SPEs, which borrow non-recourse loan from financial institutions and effectively pledge such assets as collateral. The Company guarantees the performance of obligation of the SPEs. The Company and its subsidiaries continually hold subordinated interests in the SPEs and perform administrative work of such assets. The Company and its subsidiaries consolidate such SPEs because the Company and its subsidiaries have a right to direct the activities of them that most significantly impact their economic performance by setting up the scheme and performing administrative work of the assets and have the obligation to absorb losses expected of them by holding the subordinated interests.

Assets of the consolidated SPEs are mainly included in investment in operating leases, installment loans and other assets, and liabilities are mainly included in long-term debt in the Company's consolidated balance sheets.

**12. Investment in Affiliates**

Investment in affiliates at March 31, 2012 and 2013 consists of the following:

	Millions of yen	
	2012	2013
Shares	¥ 296,228	¥ 316,790
Loans	35,489	9,942
	¥ 331,717	¥ 326,732

Certain affiliates are listed on stock exchanges. The aggregate investment in and quoted market value of those affiliates amounted to ¥48,569 million and ¥58,213 million, respectively, as of March 31, 2012 and ¥67,835 million and ¥99,758 million, respectively, as of March 31, 2013.

In fiscal 2011, 2012 and 2013, the Company and its subsidiaries received dividends from affiliates of ¥2,875 million, ¥8,653 million and ¥10,221 million, respectively.

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The balance of excess of cost over the underlying equity at acquisition dates of investment in affiliates amounted to ¥16,884 million and ¥25,556 million as of March 31, 2012 and 2013, respectively.

ORIX JREIT Inc. ( ORIX JREIT ), an equity method affiliate, entered into an asset management agreement with one of the Company's subsidiaries and paid management fees of ¥1,555 million, ¥1,691 million and ¥1,743 million for fiscal 2011, 2012 and 2013, respectively.

In fiscal 2011, 2012 and 2013, certain subsidiaries sold to ORIX JREIT, office buildings and condominiums mainly under operating leases. As a result of the sales, the subsidiaries recognized gains of ¥3,905 million in earnings as gains on sales of real estate under operating leases for fiscal 2011. In fiscal 2012, the subsidiaries recognized gains of ¥989 million in earnings as gains on sales of real estate under operating leases and gains of ¥1,995 million as life insurance premiums and related investment income. In fiscal 2013, the subsidiaries recognized gains of ¥3,119 million in earnings as gains on sales of real estate under operating leases. The related intercompany profits have been eliminated based on the Company's proportionate share.

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During fiscal 2011, Monex Group issued 140,000 shares to a third party at ¥22,765 per share, amounting to ¥3,187 million. Monex Group also issued 65,685 shares for the purpose of the acquisition of Boom Group. As a result of these issuances, the ownership interest of the Company in Monex Group decreased from 22% to 21%. Because the issuance price per share issued by Monex Group was less than the average carrying amount per share of the Company, the Company was required to adjust the carrying amount of its investment by ¥710 million and recognized the loss in earnings as gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net.

During fiscal 2012, Monex Group acquired its shares from the market and canceled its own shares. As a result, the ownership interest of the Company in Monex Group increased from 21% to 22%. Additionally, the Company recognized ¥12,713 million of impairment losses because it was judged that the downward stock price movement of the Monex Group was other than temporary.

During fiscal 2013, the Company acquired 51% of the total number of outstanding shares of ORIX Credit, an equity method affiliate that operates a card loan business, from Sumitomo Mitsui Banking Corporation ( SMBC ), and ORIX Credit became a wholly-owned domestic subsidiary. As a result of this step acquisition of the interest in ORIX Credit, the Company remeasured its previously held equity interest to fair value, and recognized gains of ¥3,132 million in earnings as gains on sales of subsidiaries and affiliates and liquidation losses, net, based on ASC 805-10 (Business Combinations) for fiscal 2013. The remeasured fair value was calculated by reflecting the premium in the valuation that was based on the acquisition price paid to SMBC.

Companies comprising a significant portion of investment in affiliates were DAIKYO (31% of equity share), ORIX Credit (49% of equity share) and Monex Group (21% of equity share) as of March 31, 2011, DAIKYO (31% of equity share), ORIX Credit (49% of equity share) and Monex Group (22% of equity share) as of March 31, 2012 and DAIKYO (31% of equity share) as of March 31, 2013.

Combined and condensed information relating to the affiliates for fiscal 2011, 2012 and 2013 are as follows (some operation data for entities reflect only the period since the Company and its subsidiaries made the investment and on a lag basis):

	Millions of yen		
	2011	2012	2013
<b>Operations:</b>			
Total revenues	¥ 850,947	¥ 945,635	¥ 827,740
Income before income taxes	108,175	74,223	97,301
Net income	92,763	51,940	64,699
<b>Financial position:</b>			
Total assets	¥ 4,237,580	¥ 4,561,537	¥ 5,237,184
Total liabilities	3,174,222	3,508,038	4,031,673
Total equity	1,063,358	1,053,499	1,205,511

The Company and its subsidiaries had no significant transactions with these companies except as described above.



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Changes in goodwill by reportable segment for fiscal 2011, 2012 and 2013 are as follows:

	Millions of yen						
	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment and Operation	Retail	Overseas	Total
Balance at March 31, 2010							
Goodwill	¥1,202	¥282	¥18,536	¥7,329	¥4,452	¥44,683	¥76,484
Accumulated impairment losses	(912)	0	0	(4,498)	0	0	(5,410)
	290	282	18,536	2,831	4,452	44,683	71,074
Acquired	0	0	148	0	0	29,099	29,247
Impairment	(173)	0	0	0	0	0	(173)
Other (net)*	0	0	363	(1,334)	0	(4,387)	(5,358)
Balance at March 31, 2011							
Goodwill	547	282	19,047	3,674	4,452	69,395	97,397
Accumulated impairment losses	(430)	0	0	(2,177)	0	0	(2,607)
	117	282	19,047	1,497	4,452	69,395	94,790
Acquired	380	0	44	14	0	3,586	4,024
Impairment	0	0	0	0	0	0	0
Other (net)*	0	0	(28)	(1,238)	0	(1,737)	(3,003)
Balance at March 31, 2012							
Goodwill	754	282	19,063	312	4,452	71,244	96,107
Accumulated impairment losses	(257)	0	0	(39)	0	0	(296)
	497	282	19,063	273	4,452	71,244	95,811
Acquired	0	0	199	21,754	10,972	1,504	34,429
Impairment	0	0	0	0	0	0	0
Other (net)*	0	0	67	0	0	6,337	6,404
Balance at March 31, 2013							
Goodwill	754	282	19,329	22,066	15,424	79,085	136,940
Accumulated impairment losses	(257)	0	0	(39)	0	0	(296)
	¥497	¥282	¥19,329	¥22,027	¥15,424	¥79,085	¥136,644

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\* Other includes foreign currency translation adjustments and certain other reclassifications.

As a result of the impairment test, the Company and its subsidiaries recognized impairment loss on goodwill of ¥173 million on the Corporate Financial Services segment during fiscal 2011 and the Company and its subsidiaries recognized no impairment losses on goodwill during fiscal 2012 and 2013.

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Other intangible assets at March 31, 2012 and 2013 consist of the following:

	Millions of yen	
	2012	2013
Intangible assets not subject to amortization:		
Trade names	¥ 18,062	¥ 21,714
Others	521	605
	18,583	22,319
Intangible assets subject to amortization:		
Software	69,261	82,425
Customer relationships	5,552	17,054
Others	7,981	12,304
	82,794	111,783
Accumulated amortization	(49,017)	(58,384)
Net	33,777	53,399
	¥ 52,360	¥ 75,718

The aggregate amortization expenses for intangible assets are ¥7,244 million, ¥7,066 million and ¥9,680 million in fiscal 2011, 2012 and 2013, respectively.

The estimated amortization expenses for each of five succeeding fiscal years are ¥10,206 million in fiscal 2014, ¥8,759 million in fiscal 2015, ¥7,962 million in fiscal 2016, ¥5,814 million in fiscal 2017 and ¥3,599 million in fiscal 2018, respectively.

Intangible assets subject to amortization acquired during fiscal 2013 are ¥27,997 million. They mainly consist of software (¥12,291 million) and customer relationships due to acquisitions (¥12,107 million). The weighted average amortization period for the software and the customer relationships due to acquisitions are seven years and eight years, respectively.

As a result of the impairment test, the Company and its subsidiaries recognized no impairment losses on intangible assets during fiscal 2011, 2012 and 2013.

**14. Short-Term and Long-Term Debt**

Short-term debt consists of notes payable to banks, bank overdrafts, commercial paper and notes.

The composition of short-term debt and the weighted average contract interest rate on short-term debt at March 31, 2012 and 2013 are as follows:

**March 31, 2012**

	<b>Millions of yen</b>	<b>Weighted average rate</b>
Short-term debt in Japan, mainly from banks	¥ 168,012	0.7%
Short-term debt outside Japan, mainly from banks	107,568	4.2
Commercial paper in Japan	176,415	0.2
Commercial paper outside Japan	4,023	4.0
Notes outside Japan	1,955	5.3
	¥ 457,973	1.4



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	Millions of yen	Weighted average rate
Short-term debt in Japan, mainly from banks	¥ 164,046	0.4%
Short-term debt outside Japan, mainly from banks	104,542	3.3
Commercial paper in Japan	146,944	0.2
Commercial paper outside Japan	4,560	3.8
Notes in Japan	40	0.9
Notes outside Japan	594	4.3
	¥ 420,726	1.1

The composition of long-term debt, the weighted average contract interest rate on long-term debt and the repayment due dates at March 31, 2012 and 2013 are as follows:

**March 31, 2012**

	Due (Fiscal Year)	Millions of yen	Weighted average rate
<b>Banks:</b>			
Fixed rate	2013~2025	¥ 248,452	2.7%
Floating rate	2013~2027	1,223,127	1.3
<b>Insurance companies and others:</b>			
Fixed rate	2013~2020	289,871	1.8
Floating rate	2013~2028	240,277	1.1
Unsecured bonds	2013~2021	1,144,539	2.1
Unsecured convertible bonds with stock acquisition rights	2014	149,968	1.0
Unsecured bond with stock acquisition rights	2023	35,630	0.0
Unsecured notes under medium-term note program	2013~2018	60,911	2.0
Payables under securitized lease receivables	2013~2018	172,917	1.1
Payables under securitized loan receivables and investment in securities	2013~2039	701,788	4.5
		¥ 4,267,480	2.1

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	<b>Due (Fiscal Year)</b>	<b>Millions of yen</b>	<b>Weighted average rate</b>
<b>Banks:</b>			
Fixed rate	2014~2025	¥ 339,565	2.6%
Floating rate	2014~2027	1,233,059	1.1
<b>Insurance companies and others:</b>			
Fixed rate	2014~2023	280,729	1.6
Floating rate	2014~2028	246,055	0.9
Unsecured bonds	2014~2021	1,173,902	1.8
Unsecured convertible bonds with stock acquisition rights	2014	50,289	1.0
Unsecured notes under medium-term note program	2014~2018	58,169	2.9
Payables under securitized lease receivables	2014~2019	160,163	0.9
Payables under securitized loan receivables and investment in securities	2014~2039	519,603	4.9
		¥ 4,061,534	2.0

The repayment schedule for the next five years and thereafter for long-term debt at March 31, 2013 is as follows:

<b>Years ending March 31,</b>	<b>Millions of yen</b>
2014	¥ 1,110,847
2015	621,174
2016	783,508
2017	614,374
2018	576,471
Thereafter	355,160
<b>Total</b>	<b>¥ 4,061,534</b>

For borrowings from banks, insurance companies and other financial institutions, and for bonds, interest payments are usually paid semi-annually and principal repayments are made upon maturity of the loan contracts or bonds. For medium-term notes, interest payments are mainly made semi-annually and principal is repaid upon maturity of the notes.

For unsecured convertible bond with stock acquisition rights, the Company issued series three unsecured convertible bond with stock acquisition rights of ¥150,000 million in December 2008. As of March 31, 2013, the bond had stock acquisition rights that were convertible into 73,492,910 shares of common stock at a conversion price of ¥684.27 per share. The conversion price shall be adjusted mainly in a situation where the Company issues new shares at less than the current market price of the shares.

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On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. The number of shares and the conversion price have been adjusted retrospectively to reflect the stock split.

For unsecured bond with stock acquisition rights, the Company issued Liquid Yield Option Notes of \$400 million, net of unamortized discount of \$622 million, in June 2002. Liquid Yield Option Notes, which have the original maturity date on June 14, 2022, was completely redeemed during fiscal 2013.

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During fiscal 2011, 2012 and 2013, the Company and certain subsidiaries recognized net amortization expenses of bond premiums and discounts, and deferred issuance costs of bonds and medium-term notes in the amount of ¥3,996 million, ¥3,999 million and ¥1,002 million, respectively.

Total committed credit lines for the Company and its subsidiaries were ¥463,969 million and ¥481,096 million at March 31, 2012 and 2013, respectively, and, of these lines, ¥427,435 million and ¥439,530 million were available at March 31, 2012 and 2013, respectively. Of the available committed credit lines, ¥210,139 million and ¥230,586 million were long-term committed credit lines at March 31, 2012 and 2013, respectively.

Some of the debt and commitment contracts contain covenant clauses, and some of these include financial restrictions, such as maintenance of certain ORIX Corporation shareholders' equity ratios. As of March 31, 2013, the Company and its subsidiaries were in compliance with such objective covenant requirements.

The agreements related to debt payable to banks provide that the banks under certain circumstances may request additional security for loans and have the right to offset cash deposited against any short-term or long-term debt that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks.

Other than the assets of the consolidated VIEs pledged as collateral for financing described in Note 11 ( Variable Interest Entities ), the Company and certain subsidiaries provide the following assets as collateral for the short-term and long-term debt payables to financial institutions as of March 31, 2013:

	<b>Millions of yen</b>
Minimum lease payments, loans and investment in operating leases	¥ 88,956
Investment in securities	110,492
Other operating assets	8,736
Other assets	9,916
	¥ 218,100

As of March 31, 2013, investment in securities of ¥24,079 million was pledged for primarily collateral deposits.

Under loan agreements relating to short-term and long-term debt from commercial banks and certain insurance companies, the Company and certain subsidiaries are required to provide collateral against these debts at any time if requested by the lenders. The Company and the

subsidiaries did not receive any such requests from the lenders as of March 31, 2013.

**15. Deposits**

Deposits at March 31, 2012 and 2013 consist of the following:

	<b>Millions of yen</b>	
	<b>2012</b>	<b>2013</b>
Time deposits	¥ 894,169	¥ 885,482
Other deposits	209,345	193,105
<b>Total</b>	<b>¥ 1,103,514</b>	<b>¥ 1,078,587</b>

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The balances of time deposits and certificates of deposit issued in amounts of ¥10 million or more were ¥588,550 million and ¥561,449 million at March 31, 2012 and 2013, respectively.

The maturity schedule of time deposits at March 31, 2013 is as follows:

Years ending March 31,	Millions of yen
2014	¥ 515,347
2015	177,935
2016	104,776
2017	57,090
2018	30,334
Total	¥ 885,482

**16. Income Taxes**

Income before income taxes and discontinued operations, and the provision for income taxes in fiscal 2011, 2012 and 2013 are as follows:

	2011	2012	2013
Income before income taxes and discontinued operations:			
Japan	¥ 35,027	¥ 73,564	¥ 109,166
Overseas	54,605	56,192	63,352
	¥ 89,632	¥ 129,756	¥ 172,518
Provision for income taxes:			
Current			
Japan	¥ 25,950	¥ 12,688	¥ 7,326
Overseas	18,347	16,425	13,675
	44,297	29,113	21,001
Deferred			
Japan	(16,004)	18,216	27,400
Overseas	(3,620)	(1,854)	5,255

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	(19,624)	16,362	32,655
Provision for income taxes	¥ 24,673	¥ 45,475	¥ 53,656

In fiscal 2011 and 2012, the Company and its subsidiaries in Japan are subject to a National Corporate tax of 30%, an Inhabitant tax of approximately 6% and a deductible Enterprise tax of approximately 8%, which in the aggregate result in a statutory income tax rate of approximately 40.9%. In fiscal 2013, as a result of the tax reforms, the National Corporation tax was reduced from 30% to approximately 28% and accordingly, the statutory income tax rate was reduced to approximately 38.3%.

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Reconciliation of the differences between the tax provision computed at the statutory rate and the consolidated provision for income taxes in fiscal 2011, 2012 and 2013 are as follows:

	Millions of yen		
	2011	2012	2013
Income before income taxes and discontinued operations	¥ 89,632	¥ 129,756	¥ 172,518
Tax provision computed at statutory rate	¥ 36,660	¥ 53,070	¥ 66,074
Increases (reductions) in taxes due to:			
Change in valuation allowance	(5,647)	3,921	(3,371)
Non-deductible expenses for tax purposes	1,023	1,335	1,538
Non-taxable income for tax purposes	(2,697)	(2,852)	(2,128)
Effect of lower tax rates on foreign subsidiaries and a domestic life insurance subsidiary	(4,206)	(6,871)	(4,720)
Effect of the new Japanese tax law	0	(7,137)	0
Other, net	(460)	4,009	(3,737)
Provision for income taxes	¥ 24,673	¥ 45,475	¥ 53,656

The effective income tax rate is different from the statutory tax rate primarily because of certain non-deductible expenses for tax purposes, non-taxable income for tax purposes, a change in valuation allowance, the effect of lower income tax rates on foreign subsidiaries and a domestic life insurance subsidiary and the effect of the tax reforms as discussed in the following paragraph.

On November 30, 2011, the bill for reconstruction funding after the March 11, 2011 Great East Japan Earthquake and the bill for the 2011 tax reform were approved by the National Diet of Japan. From fiscal years beginning on or after April 1, 2012, the Japanese corporation tax rate is reduced, and as a result, the statutory income tax rate for fiscal years beginning between April 1, 2012 and March 31, 2015 is reduced to approximately 38.3%. The rate for fiscal years beginning on or after April 1, 2015 will be reduced to approximately 35.9%. In addition, tax loss carry-forward rules are amended. The carry-forward period is extended to nine years, compared to seven years under the pre-amendment rules. Further, the deductible amount is limited to 80% of taxable income for the year, while total amount of taxable income for the year was available for the deduction under the pre-amendment rules. The amendment to the carry-forward period is applicable for tax losses incurred in fiscal years ending on or after April 1, 2008 and the amendment to the deductible amount is applicable for fiscal years beginning on or after April 1, 2012. Increase and decrease of the deferred tax assets and liabilities due to these tax reforms resulted in a decrease of provision for income taxes by ¥6,641 million in the accompanying consolidated statements of income in fiscal 2012.

Total income taxes recognized in fiscal 2011, 2012 and 2013 are as follows:

	Millions of yen		
	2011	2012	2013
Provision for income taxes	¥ 24,673	¥ 45,475	¥ 53,656



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Income taxes on discontinued operations	7,530	(2,086)	(321)
Income taxes on other comprehensive income (loss):			
Net unrealized gains (losses) on investment in securities	3,403	1,357	5,936
Defined benefit pension plans	(1,427)	(1,774)	2,727
Foreign currency translation adjustments	(214)	335	7,225
Net unrealized gains (losses) on derivative instruments	(338)	(648)	42
Total income taxes	¥ 33,627	¥ 42,659	¥ 69,265

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The tax effects of temporary differences giving rise to the deferred tax assets and liabilities at March 31, 2012 and 2013 are as follows:

	Millions of yen	
	2012	2013
<b>Assets:</b>		
Net operating loss carryforwards	¥ 41,288	¥ 39,762
Allowance for doubtful receivables on direct financing leases and probable loan losses	50,016	25,891
Investment in securities	5,325	7,129
Other operating assets	7,049	11,369
Accrued expenses	7,294	10,456
Installment loans	22,970	16,432
Other	37,328	50,913
	171,270	161,952
Less: valuation allowance	(24,138)	(18,831)
	147,132	143,121
<b>Liabilities:</b>		
Investment in direct financing leases	12,535	14,617
Investment in operating leases	63,372	72,925
Deferred insurance policy acquisition costs	15,370	19,311
Policy liabilities	31,437	38,831
Undistributed earnings	19,792	32,723
Prepaid benefit cost	8,860	13,475
Other	60,271	63,840
	211,637	255,722
Net deferred tax liability	¥ 64,505	¥ 112,601

The valuation allowance is mainly recognized for deferred tax assets of consolidated subsidiaries with net operating loss carryforwards for tax purposes. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax loss carryforwards are utilizable. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company and its subsidiaries will realize the benefits of these deductible temporary differences and tax loss carryforwards, net of the existing valuation allowances at March 31, 2013. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. The net changes in the total valuation allowance were decreases of ¥16,052 million in fiscal 2011 and decreases of ¥2,656 million in fiscal 2012, and decreases of ¥5,307 million in fiscal 2013, respectively.



**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

The Company and certain subsidiaries have net operating loss carryforwards of ¥199,092 million at March 31, 2013, which expire as follows:

<b>Year ending March 31,</b>	<b>Millions of yen</b>
2014	¥ 2,103
2015	6,236
2018	28,185
Thereafter	162,568
<b>Total</b>	<b>¥ 199,092</b>

Note: No net operating loss carryforwards are scheduled to expire in fiscal 2016 and 2017.

Net deferred tax assets and liabilities at March 31, 2012 and 2013 are reflected in the accompanying consolidated balance sheets under the following captions:

	<b>Millions of yen</b>	
	<b>2012</b>	<b>2013</b>
Other assets	¥ 25,773	¥ 18,805
Income taxes: Deferred	90,278	131,406
<b>Net deferred tax liability</b>	<b>¥ 64,505</b>	<b>¥ 112,601</b>

The unrecognized tax benefits as of March 31, 2012 and March 31, 2013 were not material. The Company and its subsidiaries believe that it is not reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of March 31, 2013.

The total amounts of penalties and interest expense related to income taxes recognized in the consolidated balance sheets as of March 31, 2012 and March 31, 2013, and in the consolidated statements of income for the years ended March 31, 2011, 2012 and 2013 were not material.

The Company and its subsidiaries file tax returns in Japan and certain foreign tax jurisdictions. The Company is no longer subject to ordinary tax examination for the tax years prior to fiscal 2011, and its major domestic subsidiaries are no longer subject to ordinary tax examination for the tax years prior to fiscal 2009, respectively.

Subsidiaries in the United States remain subject to a tax examination for the tax years after fiscal 2003.

**17. Pension Plans**

The Company and certain subsidiaries have contributory and non-contributory pension plans covering substantially all of their employees. Those 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 pension payments. Defined benefit pension plans consist of a plan of which the amounts of such payments are determined on the basis of length of service and remuneration at the time of termination and a cash balance plan.

The Company and its subsidiaries' funding policy is to contribute annually the amounts actuarially determined. Assets of the plans are invested primarily in interest-bearing securities and marketable equity securities.

**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

The funded status of the defined benefit pension plans, a substantial portion of which consists of domestic pension plans, as of March 31, 2012 and 2013 is as follows:

	Millions of yen	
	2012	2013
Change in benefit obligation:		
Benefit obligation at beginning of year	¥ 58,589	¥ 63,719
Service cost	3,049	3,214
Interest cost	1,339	1,252
Actuarial loss	3,170	15
Foreign currency exchange rate change	(35)	656
Benefits paid	(2,195)	(2,493)
Business combinations	0	3,117
Other	(198)	0
Benefit obligation at end of year	63,719	69,480
Change in plan assets:		
Fair value of plan assets at beginning of year	85,396	85,945
Actual return on plan assets	108	9,289
Employer contribution	2,542	2,591
Benefits paid	(2,090)	(2,337)
Business combinations	0	1,005
Foreign currency exchange rate change	(11)	476
Fair value of plan assets at end of year	85,945	96,969
The funded status of the plans	¥ 22,226	¥ 27,489
Amount recognized in the consolidated balance sheets consists of:		
Prepaid benefit cost included in prepaid expenses	¥ 24,459	¥ 32,005
Accrued benefit liability included in accrued expenses	(2,233)	(4,516)
Net amount recognized	¥ 22,226	¥ 27,489

Amount recognized in accumulated other comprehensive income (loss), pre-tax, at March 31, 2012 and 2013 consisted of:

	Millions of yen	
	2012	2013
Net prior service credit	¥ 7,697	¥ 6,530
Net actuarial loss	(31,120)	(22,523)

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Net transition obligation	(325)	(272)
Total recognized in accumulated other comprehensive income (loss), pre-tax	¥ (23,748)	¥ (16,265)

The estimated portions of the net prior service credit, net actuarial loss and net transition obligation above that will be recognized as a component of net pension cost (gain) in 2014 are ¥(1,131) million, ¥831 million and ¥54 million, respectively.

The accumulated benefit obligations for all defined benefit pension plans were ¥56,766 million and ¥61,992 million, respectively, at March 31, 2012 and 2013.

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

The aggregate projected benefit obligations, aggregate accumulated benefit obligations and aggregate fair values of plan assets for the plans with the accumulated benefit obligations in excess of plan assets were ¥5,210 million, ¥4,898 million and ¥3,019 million, respectively, at March 31, 2012 and ¥9,341 million, ¥8,844 million and ¥4,833 million, respectively, at March 31, 2013.

Net pension cost of the plans for fiscal 2011, 2012 and 2013 consists of the following:

	Millions of yen		
	2011	2012	2013
Service cost	¥ 3,104	¥ 3,049	¥ 3,214
Interest cost	1,355	1,339	1,252
Expected return on plan assets	(2,025)	(2,019)	(2,049)
Amortization of transition obligation	(4)	56	56
Amortization of net actuarial loss	1,036	1,218	1,496
Amortization of prior service credit	(1,193)	(1,193)	(1,168)
<b>Net periodic pension cost</b>	<b>¥ 2,273</b>	<b>¥ 2,450</b>	<b>¥ 2,801</b>

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for fiscal 2011, 2012 and 2013 are summarized as follows:

	Millions of yen		
	2011	2012	2013
Current year actuarial gain (loss)	¥ (3,446)	¥ (5,144)	¥ 7,312
Amortization of net actuarial loss	1,036	1,218	1,496
Prior service credit due to amendments	8	7	0
Amortization of prior service credit	(1,193)	(1,193)	(1,168)
Amortization of transition obligation	(4)	56	56
Plan curtailments and settlements	0	18	0
Foreign currency exchange rate change	166	19	(213)
<b>Total recognized in other comprehensive income (loss), pre-tax</b>	<b>¥ (3,433)</b>	<b>¥ (5,019)</b>	<b>¥ 7,483</b>

The Company and certain subsidiaries use March 31 as a measurement date for all of our material plans.

Significant assumptions of domestic and overseas pension plans used to determine these amounts are as follows:



<b>Domestic</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Weighted-average assumptions used to determine benefit obligations at March 31:			
Discount rate	2.1%	1.8%	1.8%
Rate of increase in compensation levels	6.1%	6.1%	6.0%
Weighted-average assumptions used to determine net periodic pension cost for years ended March 31:			
Discount rate	2.1%	2.1%	1.8%
Rate of increase in compensation levels	5.9%	6.1%	6.1%
Expected long-term rate of return on plan assets	2.2%	2.2%	2.2%

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<b>Overseas</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Weighted-average assumptions used to determine benefit obligations at March 31:			
Discount rate	5.5%	4.5%	4.3%
Rate of increase in compensation levels	0.8%	0.7%	0.6%
Weighted-average assumptions used to determine net periodic pension cost for years ended March 31:			
Discount rate	6.0%	5.5%	4.5%
Rate of increase in compensation levels	0.8%	0.8%	0.7%
Expected long-term rate of return on plan assets	8.1%	7.2%	7.2%

The Company and certain subsidiaries 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. The Company and certain subsidiaries use a number of factors to determine 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.

The Company and certain subsidiaries' investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. The Company and certain subsidiaries formulate a policy portfolio appropriate to produce the expected long-term rate of return on plan assets and to ensure that plan assets are allocated under this policy portfolio. The Company and certain subsidiaries periodically have an external consulting firm monitor the results of actual return and revise the policy portfolio if necessary.

The three levels of input used to measure fair value are described in Note 2.

**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

The fair value of pension plan assets at March 31, 2012 and 2013, by asset category, are as follows:

	Millions of yen 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)
Equity securities:				
Japan				
Pooled funds*1	¥ 9,360	¥ 0	¥ 9,360	¥ 0
Other than Japan				
Pooled funds*2	11,826	0	11,826	0
Debt securities:				
Japan				
Pooled funds*3	25,182	0	25,182	0
Other than Japan				
Municipal bonds	2,791	0	2,791	0
Pooled funds*4	12,894	0	12,894	0
Other assets:				
Life insurance company general accounts*5	17,280	0	17,280	0
Others*6	6,612	0	6,612	0
	¥ 85,945	¥ 0	¥ 85,945	¥ 0

\*1 Equity securities of Japanese companies in which the Company and certain subsidiaries invest as pension plan assets include units of ORIX JREIT Inc. in the amounts of ¥89 million at March 31, 2012.

\*2 These funds invest in listing shares.

\*3 These funds invest approximately 70% in Japanese government bonds, approximately 10% in Japanese municipal bonds, and approximately 20% in Japanese corporate bonds.

\*4 These funds invest approximately 80% in foreign government bonds, and approximately 20% in foreign municipal bonds.

\*5 Life insurance company general accounts are accounts with guaranteed capital and minimum interest rate, in which life insurance companies manage funds on several contracts.

\*6 Others include derivative instruments held for hedging change in the fair value of equity securities, and short-term instruments.

At March 31, 2012, our policy for the portfolio of plans consists of three major components: approximately 20% is invested in equity securities, approximately 50% is invested in debt securities and approximately 30% is invested in other investment vehicles, primarily consisting of investments in life insurance company general accounts.



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	Millions of yen March 31, 2013			
	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)
Equity securities:				
Japan				
Pooled funds*1	¥ 12,458	¥ 0	¥ 12,458	¥ 0
Other than Japan				
Pooled funds*2	14,670	0	14,670	0
Debt securities:				
Japan				
Pooled funds*3	26,208	0	26,208	0
Other than Japan				
Municipal bonds	3,332	0	3,332	0
Pooled funds*4	14,641	0	14,641	0
Other assets:				
Life insurance company general accounts*5	17,880	0	17,880	0
Others*6	7,780	0	7,780	0
	¥ 96,969	¥ 0	¥ 96,969	¥ 0

\*1 These funds invest in listing shares include shares of ORIX Corporation in the amounts of ¥12 million and units of ORIX JREIT Inc. in the amounts of ¥179 million at March 31, 2013.

\*2 These funds invest in listing shares.

\*3 These funds invest approximately 70% in Japanese government bonds, approximately 10% in Japanese municipal bonds, and approximately 20% in Japanese corporate bonds. These funds include corporate bonds of ORIX Corporation in the amounts of ¥107 million and investment corporation bonds of ORIX JREIT Inc. in the amounts of ¥41 million at March 31, 2013.

\*4 These funds invest approximately 90% in foreign government bonds and approximately 10% in foreign corporate bonds.

\*5 Life insurance company general accounts are accounts with guaranteed capital and minimum interest rate, in which life insurance companies manage funds on several contracts.

\*6 Others include derivative instruments held for hedging change in the fair value of equity securities, and short-term instruments.

At March 31, 2013, our policy for the portfolio of plans consists of three major components: approximately 30% is invested in equity securities, approximately 50% is invested in debt securities and approximately 20% is invested in other investment vehicles, primarily consisting of investments in life insurance company general accounts.

Each level into which assets are categorized is based on inputs used to measure the fair value of the assets.

Level 2 assets are comprised principally of pooled funds that invest in equity, debt securities and hedge funds and investments in life insurance company general accounts. Pooled funds are valued at the net asset value per share at the measurement date. They are not redeemable at the net asset value per share at the measurement date but they are redeemable at the net asset value per share in the near term after the measurement date. Investments in life insurance company general accounts are valued at conversion value.

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

The Company and certain subsidiaries expect to contribute ¥3,008 million to pension plans during the year ending March 31, 2014.

At March 31, 2013, the benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five years thereafter are as follows:

Years ending March 31,	Millions of yen
2014	¥ 2,013
2015	1,715
2016	1,871
2017	2,042
2018	2,236
2019-2023	13,464
<b>Total</b>	<b>¥ 23,341</b>

The cost recognized for the defined contribution pension plans of the Company and certain of its subsidiaries for the years ended March 31, 2011, 2012 and 2013 were ¥1,578 million, ¥1,409 million and ¥1,500 million, respectively.

**18. Redeemable Noncontrolling Interests**

Changes in redeemable noncontrolling interests in fiscal 2011, 2012 and 2013 are as follows:

	Millions of yen		
	2011	2012	2013
Beginning Balance	¥ 28,095	¥ 33,902	¥ 37,633
Contribution to subsidiary	10,219	0	0
Adjustment of redeemable noncontrolling interests to redemption value	(73)	1,188	(400)
Transaction with noncontrolling interests	1,063	1,213	942
Comprehensive income (loss)			
Net Income	2,959	2,724	3,985
Other comprehensive income (loss)			
Net change of foreign currency translation adjustments	(2,353)	(315)	5,224
Total other comprehensive income (loss)	(2,353)	(315)	5,224
Comprehensive income (loss)	606	2,409	9,209
Cash dividends	(6,008)	(1,079)	(5,763)

Ending Balance	¥ 33,902	¥ 37,633	¥ 41,621
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### **19. Stock-Based Compensation**

The Company has a number of stock-based compensation plans as incentive plans for directors, executive officers, corporate auditors and selected employees.

#### **Stock-option program**

Since fiscal 2003, the Company has granted stock acquisition rights with a vesting period between 1.67 and 1.92 years and an exercise period between 9.67 and 9.92 years. The acquisition rights were to purchase the

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Company's common stock at a specified exercise price and were distributed to directors, executive officers, corporate auditors and certain employees of the Company, subsidiaries and capital tie-up companies such as affiliated companies. The Company did not grant stock options in fiscal 2011, 2012 or 2013.

A summary of the Company's stock acquisition rights is as follows:

Years ended March 31,	Exercise period	Number of shares granted*	Exercise price* Yen
2003	From June 27, 2004 to June 26, 2012	4,533,000	¥ 721
2004	From June 26, 2005 to June 25, 2013	5,160,000	700
2005	From June 24, 2006 to June 23, 2014	5,289,000	1,172
2006	From June 22, 2007 to June 21, 2015	4,774,000	1,891
2007	From June 21, 2008 to June 20, 2016	1,942,000	2,962
2008	From July 5, 2009 to June 22, 2017	1,449,800	3,101
2009	From July 18, 2010 to June 24, 2018	1,479,000	1,689

\* The number of shares and exercise price of the granted options were adjusted for the 10-for-1 stock split implemented on April 1, 2013.

For the stock-option programs, the exercise prices, which are determined by a formula linked to the price of the Company's common stock on the Tokyo Stock Exchange, are equal or greater than the fair market value of the Company's common stock at the grant dates.

The following table summarizes information about the activity of these stock options for the year ended 2013:

	Number of shares*2	Weighted average exercise price*1*2 Yen	Weighted average remaining contractual life Years	Aggregate intrinsic value Millions of yen
Outstanding at beginning of the year	10,478,200	¥ 1,901		
Exercised	(499,000)	700		
Forfeited or expired	(928,200)	1,465		
Outstanding at end of year	9,051,000	2,011	2.78	¥ 187
Exercisable at end of year	9,051,000	¥ 2,011	2.78	¥ 187

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- \*1 The exercise prices of the granted options were adjusted in July 2009 for the issuance of new 18 million shares.
- \*2 The number of shares and exercise price of the granted options were adjusted for the 10-for-1 stock split implemented on April 1, 2013.

The Company received ¥98 million, ¥55 million and ¥345 million in cash from the exercise of stock options during fiscal 2011, 2012 and 2013, respectively.

The total intrinsic value of options exercised during fiscal 2011, 2012 and 2013 was ¥19 million, ¥5 million and ¥136 million, respectively.

The Company recognized incremental stock-based compensation costs of its stock-option program in the amount of ¥142 million for fiscal 2011. In fiscal 2012 and 2013, the Company did not recognize any incremental stock-based compensation costs of its stock-option program. As of March 31, 2013, the Company had no unrecognized compensation costs.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**ORIX Corporation and Subsidiaries**

**Stock compensation program**

The Company maintains a stock compensation program, under which points are granted annually to directors, executive officers and group executives of the Company based upon the prescribed standards of the Company. Upon retirement, eligible directors, executive officers and group executives receive a certain number of the Company's common shares calculated by translating each point earned by that retiree to one common share adjusted for applicable withholding tax effect. The Company's common shares are provided either from the Company's treasury stock or by issuing new shares as necessary. In fiscal 2013, the Company granted 383,250 points, and 72,250 points were settled for individuals who retired during fiscal 2013. Total points outstanding under the stock compensation program as of March 31, 2013 were 1,737,792 points. The points were adjusted for the 10-for-1 stock split implemented on April 1, 2013.

During fiscal 2011, 2012 and 2013, the Company recognized incremental stock-based compensation costs of its stock compensation program in the amount of ¥255 million, ¥288 million and ¥410 million, respectively.

**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries****20. Accumulated Other Comprehensive Income (Loss)**

Changes in each component of accumulated other comprehensive income (loss) attributable to ORIX Corporation Shareholders in fiscal 2011, 2012 and 2013 are as follows:

	Millions of yen				
	Net unrealized gains (losses) on investment in securities	Defined benefit pension plans	Foreign currency translation adjustments	Net unrealized gains (losses) on derivative instruments	Accumulated other comprehensive income (loss)
Balance at March 31, 2010	¥ 7,495	¥ (9,092)	¥ (77,651)	¥ (211)	¥ (79,459)
Cumulative effect of applying new accounting standards for the consolidation of variable interest entities, net of tax of ¥2,265 million	(3,597)		191		(3,406)
Balance at April 1, 2010	3,898	(9,092)	(77,460)	(211)	(82,865)
Net unrealized gains on investment in securities, net of tax of ¥(2,379) million	3,292				3,292
Reclassification adjustment included in net income, net of tax of ¥(3,289) million	4,313				4,313
Defined benefit pension plans, net of tax of ¥1,339 million		(1,934)			(1,934)
Reclassification adjustment included in net income, net of tax of ¥88 million		(72)			(72)
Foreign currency translation adjustments, net of tax of ¥245 million			(18,158)		(18,158)
Reclassification adjustment included in net income, net of tax of ¥(31) million			44		44
Net unrealized losses on derivative instruments, net of tax of ¥488 million				(1,011)	(1,011)
Reclassification adjustment included in net income, net of tax of ¥(150) million				211	211
Change during year	7,605	(2,006)	(18,114)	(800)	(13,315)
Balance at March 31, 2011	11,503	(11,098)	(95,574)	(1,011)	(96,180)
Net unrealized gains on investment in securities, net of tax of ¥(2,820) million	6,963				6,963
Reclassification adjustment included in net income, net of tax of ¥1,463 million	(2,321)				(2,321)
Defined benefit pension plans, net of tax of ¥1,807 million		(3,292)			(3,292)
		47			47

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Reclassification adjustment included in net income, net of tax of ¥(33) million					
Foreign currency translation adjustments, net of tax of ¥(335) million			(118)		(118)
Reclassification adjustment included in net income, net of tax of ¥0 million			0		0
Net unrealized losses on derivative instruments, net of tax of ¥450 million				(974)	(974)
Reclassification adjustment included in net income, net of tax of ¥198 million				(181)	(181)
Change during year	4,642	(3,245)	(118)	(1,155)	124

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

	Millions of yen				
	Net unrealized gains (losses) on investment in securities	Defined benefit pension plans	Foreign currency translation adjustments	Net unrealized gains (losses) on derivative instruments	Accumulated other comprehensive income (loss)
Balance at March 31, 2012	¥ 16,145	¥ (14,343)	¥ (95,692)	¥ (2,166)	¥ (96,056)
Net unrealized gains on investment in securities, net of tax of ¥(7,933) million	17,454				17,454
Reclassification adjustment included in net income, net of tax of ¥1,997 million	(4,625)				(4,625)
Defined benefit pension plans, net of tax of ¥(2,589) million		4,508			4,508
Reclassification adjustment included in net income, net of tax of ¥(138) million		248			248
Foreign currency translation adjustments, net of tax of ¥(5,254) million			38,382		38,382
Reclassification adjustment included in net income, net of tax of ¥(1,971) million			3,551		3,551
Net unrealized losses on derivative instruments, net of tax of ¥286 million				(549)	(549)
Reclassification adjustment included in net income, net of tax of ¥(328) million				824	824
Change during year	12,829	4,756	41,933	275	59,793
Balance at March 31, 2013	¥ 28,974	¥ (9,587)	¥ (53,759)	¥ (1,891)	¥ (36,263)

Comprehensive income (loss) and its components attributable to ORIX Corporation and noncontrolling interests have been reported, net of tax, in the consolidated statements of changes in equity, and information about comprehensive income (loss) and its components attributable to redeemable noncontrolling interests is provided in Note 18 ( Redeemable Noncontrolling Interests ). Total comprehensive income (loss) and its components have been reported, net of tax, in the consolidated statements of comprehensive income.

**21. ORIX Corporation Shareholders Equity**

Changes in the number of shares issued in fiscal 2011, 2012 and 2013 are as follows:

	Number of shares		
	2011	2012	2013

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Beginning balance	1,102,299,480	1,102,458,460	1,102,544,220
Exercise of stock options	140,000	77,000	499,000
Conversion of convertible bonds	18,980	8,760	145,671,540
Ending balance	1,102,458,460	1,102,544,220	1,248,714,760

On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. Changes in the number of shares issued have been adjusted retrospectively to reflect the stock split for all periods presented.

The Japanese Companies Act (the Act), which became effective on May 1, 2006, provides that an amount equivalent to 10% of any dividends resulting from appropriation of retained earnings be appropriated to the legal

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reserve until the aggregate amount of the additional paid-in capital and the legal reserve equals 25% of the issued capital. The Act also provides that both additional paid-in capital and the legal reserve are not available for dividends but may be capitalized or may be reduced by resolution of the general meeting of shareholders. However, if specified in the Company's articles of incorporation, dividends can be declared by the Board of Directors instead of the general meeting of shareholders. In accordance with this, the Board of Directors of the Company resolved in May 2013 that a total of ¥15,878 million dividends shall be distributed to the shareholders of record as of March 31, 2013. The liability for declared dividends and related impact on total equity is accounted for in the period of such Board of Directors' resolution.

The Act provides that at least one-half of amounts paid for new shares are included in common stock when they are issued. In conformity therewith, the Company has divided the principal amount of bonds converted into common stock and proceeds received from the issuance of common stock, including the exercise of warrants and stock acquisition rights, equally between common stock and additional paid-in capital, and set off expenses related to the issuance from the additional paid-in capital.

The amount available for dividends under the Act is calculated based on the amount recorded in the Company's non-consolidated financial statements prepared in accordance with accounting principles generally accepted in Japan. As a result, the amount available for dividends is ¥258,000 million as of March 31, 2013.

Retained earnings at March 31, 2013 include ¥40,063 million relating to equity in undistributed earnings of the companies accounted for by the equity method.

As of March 31, 2013, the restricted net assets of certain subsidiaries, which include regulatory capital requirements mainly for banking operations and life insurance of ¥40,738 million, do not exceed 25% of consolidated net assets.

**22. Brokerage Commissions and Net Gains on Investment Securities**

Brokerage commissions and net gains on investment securities in fiscal 2011, 2012 and 2013 consist of the following:

	Millions of yen		
	2011	2012	2013
Brokerage commissions	¥ 119	¥ 24	¥ 122
Net gains on investment securities	15,116	24,894	28,805
Dividends income	4,344	4,419	5,887
	¥ 19,579	¥ 29,337	¥ 34,814



**Trading activities** Net gains on investment securities include net trading gains of ¥4,607 million, net trading gains of ¥9,324 million and net trading gains of ¥3,435 million for fiscal 2011, 2012 and 2013, respectively. Gains on derivative trading instruments are included in income from discontinued operations. For further information, see Note 26 Discontinued Operations.

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Life insurance premiums and related investment income in fiscal 2011, 2012 and 2013 consist of the following:

	Millions of yen		
	2011	2012	2013
Life insurance premiums	¥ 107,860	¥ 116,836	¥ 130,187
Life insurance related investment income	10,343	11,375	8,539
	¥ 118,203	¥ 128,211	¥ 138,726

The benefits and expenses of life insurance operations included in life insurance costs in the consolidated statements of income are recognized so as to associate with earned premiums over the life of contracts. This association is accomplished by means of the provision for future policy benefits and the deferral and subsequent amortization of policy acquisition costs (principally commissions and certain other expenses relating to policy issuance and underwriting). These policy acquisition costs are amortized over the respective policy periods in proportion to premium revenue recognized. Amortization charged to income for fiscal 2011, 2012 and 2013 amounted to ¥7,541 million, ¥7,307 million and ¥7,196 million, respectively. The amounts for fiscal 2011 and 2012 are adjusted retrospectively due to the adoption of Accounting Standards Update 2010-26.

**24. Other Operations**

Other operating revenues and other operating expenses in fiscal 2011, 2012 and 2013 consist of the following:

	Millions of yen		
	2011	2012	2013
<b>Other operating revenues:</b>			
Revenues from the vehicle maintenance and management services	¥ 40,760	¥ 40,168	¥ 40,472
Revenues from commissions for M&A advisory services, financing advice, financial restructuring advisory services and related services	50,319	46,165	54,374
Revenues from private equity investment			37,970
Revenues from environment and energy related business	19,563	21,202	29,812
Revenues from facilities management of golf courses	23,163	23,061	23,479
Revenues from facilities management of hotels and Japanese inns	27,966	29,355	31,093
Other	90,673	104,054	119,310
	¥ 252,444	¥ 264,005	¥ 336,510

	Millions of yen		
<b>Other operating expenses:</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Expenses from the vehicle maintenance and management services	¥ 33,790	¥ 31,752	¥ 29,669
Expenses from private equity investment			33,714
Expenses from environment and energy related business	17,254	18,056	23,142
Expenses from facilities management of golf courses	21,012	20,418	21,130
Expenses from facilities management of hotels and Japanese inns	26,690	26,038	26,959
Other	48,303	56,563	65,532
	¥ 147,049	¥ 152,827	¥ 200,146

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

Other items consist of revenues and expenses from training facilities and senior housing, operating results from real estate related and aquarium businesses, commissions for the sale of insurance and other financial products, and revenues and expenses from other operations, of which there were no items exceeding 10% of total other operating revenues and expenses in fiscal 2011, 2012 and 2013, respectively.

Gains and losses from the disposition of operating facilities included in other operating assets are not significant for fiscal 2011, 2012 and 2013.

**25. Write-downs of Long-Lived Assets**

In accordance with ASC 360-10 ( *Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets* ), the Company and its subsidiaries perform tests for recoverability on assets for which events or changes in circumstances indicated that the assets might be impaired. The Company and its subsidiaries consider an asset's carrying amount as not recoverable when such carrying amount exceeds the undiscounted future cash flows estimated to result from the use and eventual disposition of the asset. The net carrying amount of assets not recoverable is reduced to fair value if lower than the carrying amount. We determine the fair value using appraisals prepared by independent third party appraisers or our own staff of qualified appraisers, based on recent transactions involving sales of similar assets or other valuation techniques such as discounted cash flow methodologies using future cash flows estimated to be generated from operation of existing assets or completion of development projects, as appropriate.

During fiscal 2011, 2012 and 2013, the Company and certain subsidiaries recognized impairment losses for the difference between carrying amounts and fair values in the amount of ¥20,310 million, ¥20,246 million and ¥21,053 million, respectively, which are reflected as write-downs of long-lived assets and income from discontinued operations. Of these amounts, ¥17,400 million, ¥15,167 million and ¥19,117 million are reflected as write-downs of long-lived assets in the accompanying consolidated statements of income for fiscal 2011, 2012 and 2013, respectively. Breakdowns of these amounts by segment are provided in Note 32 ( *Segment Information* ).

The details of significant write-downs are as follows.

**Office Buildings** During fiscal 2011, write-downs of ¥2,464 million were recorded in relation to seven office buildings mainly due to a decline in estimated cash flows of each unit. During fiscal 2012, write-downs of ¥1,055 million were recorded for 17 office buildings held for sale, and write-downs of ¥605 million were recorded in relation to three office buildings due to a decline in estimated cash flows of each unit. During fiscal 2013, write-downs of ¥1,055 million were recorded for 14 office buildings held for sale, and write-downs of ¥923 million were recorded in relation to two office buildings due to a decline in estimated cash flows of each unit.

**Condominiums** During fiscal 2011, write-downs of ¥1,353 million were recorded for 26 condominiums held for sale, and write-downs of ¥2,758 million were recorded in relation to 18 condominiums due to a decline in estimated cash flows of each unit. During fiscal 2012,

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write-downs of ¥1,108 million were recorded for 25 condominiums held for sale, and write-downs of ¥269 million were recorded in relation to five condominiums due to a decline in estimated cash flows of each unit. During fiscal 2013, write-downs of ¥1,142 million were recorded for 13 condominiums held for sale, and write-downs of ¥3,853 million were recorded in relation to four condominiums due to a decline in estimated cash flows of each unit or property.

***Commercial Facilities Other Than Office Buildings*** During fiscal 2011, write-downs of ¥5,284 million were recorded in relation to 12 buildings mainly due to a decline in estimated cash flows of each unit. During

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fiscal 2012, write-downs of ¥385 million were recorded for seven buildings held for sale. During fiscal 2013, write-downs of ¥442 million were recorded for four buildings held for sale, and write-downs of ¥1,582 million were recorded in relation to two buildings due to a decline in estimated cash flows of each unit.

**Land undeveloped or under construction** During fiscal 2011, there was no impairment. During fiscal 2012, write-downs of ¥2,220 million were recorded for land undeveloped or under construction held for sale, and write-downs of ¥6,983 million were recorded in relation to land undeveloped or under construction due to a decline in estimated cash flows of each unit. During fiscal 2013, write-downs of ¥608 million were recorded for land undeveloped or under construction held for sale, and write-downs of ¥6,818 million were recorded in relation to land undeveloped or under construction due to a decline in estimated cash flows of each unit.

**Others** During fiscal 2011, 2012 and 2013, write-downs of ¥8,451 million, ¥7,621 million and ¥4,630 million, respectively, for long-lived assets other than the above were recorded, mainly because the carrying amounts exceeded the estimated undiscounted future cash flows, which decreased due to deterioration in operating performance.

**26. Discontinued Operations**

ASC 205-20 ( Presentation of Financial Statements Discontinued Operations ) requires that the Company and its subsidiaries reclassify the operations sold or to be disposed of by sale without significant continuing involvement in the operations to discontinued operations. Under this Codification Section, the Company and its subsidiaries report the gains on sales and the results of these operations of subsidiaries, business units, and certain properties, which have been sold or are to be disposed of by sale, as income from discontinued operations in the accompanying consolidated statements of income. Revenues and expenses generated by the operations of such subsidiaries, business units and properties recognized in fiscal 2011 and 2012 have also been reclassified as income from discontinued operations in the accompanying consolidated statements of income.

During fiscal 2011, the Company and its subsidiary completed the liquidation procedure for a subsidiary in Japan which operated PFI ( Private Finance Initiative ) business for hospital management, and the Company wound up a subsidiary in Japan that was established in order to enter into derivative business. The Company sold a subsidiary which operated hairdressing business, and also sold a subsidiary which operated internet related business. In addition, a subsidiary sold its subsidiary in Japan, which operated consulting business in medical and nursing care field. As a result, ¥6,895 million of aggregated gain was recognized during fiscal 2011. Furthermore, the Company has determined to wind up a subsidiary in Japan, which operated asbestos removal business during fiscal 2011 and completed the liquidation procedure for the subsidiary in fiscal 2012.

During fiscal 2012, the Company and its subsidiaries sold a subsidiary which operated real-estate rental business, a subsidiary that operated a Japanese inn and hotel, a subsidiary that operated a golf course, a subsidiary that operated ski resorts, a subsidiary that operated a property management business and a subsidiary that operated a spa facility. In addition, the Company liquidated a *kumiai*, which was effectively a type of SPE, seeking for rent revenue. As a result of the sales and the liquidation, a loss of ¥361 million was recognized during fiscal 2012.

During fiscal 2013, the Company and its subsidiaries completed the liquidation procedure for a kumiai in Japan which was effectively a type of SPE, operating private-equity investment and management, and the Company wound up a subsidiary overseas which operated reinsurance business. As a result, a loss of ¥13 million was recognized during fiscal 2013. Furthermore, the Company has determined to wind up a subsidiary that operates M&A advisory services business in Japan and a subsidiary that operates alternative investment business in Japan during fiscal 2013. There were no significant assets or liabilities of the subsidiaries in the accompanying

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consolidated balance sheets at March 31, 2013. Net gains of ¥1,977 million, net losses of ¥1,188 million and net losses of ¥370 million on derivative trading instruments are included in income from discontinued operations for the subsidiary that operates alternative investment business in Japan for fiscal 2011, 2012 and 2013, respectively.

The Company and its subsidiaries own various real estate properties, including commercial and office buildings, for rental operations. In fiscal 2011, 2012 and 2013, the Company and its subsidiaries recognized ¥7,498 million, ¥4,531 million and ¥6,818 million of aggregated gains on sales of such real estate properties, respectively. In addition, the Company and its subsidiaries determined to dispose by sale of rental properties of ¥33,933 million and ¥39,459 million which are mainly included in investment in operating leases at March 31, 2012 and 2013, respectively.

Discontinued operations in fiscal 2011, 2012 and 2013 consist of the following:

	Millions of yen		
	2011	2012	2013
Revenues	¥ 52,144	¥ 24,211	¥ 10,825
Income from discontinued operations, net*	13,924	(466)	(125)
Provision for income taxes	(7,530)	2,086	321
Discontinued operations, net of applicable tax effect	¥ 6,394	¥ 1,620	¥ 196

\* Income from discontinued operations, net includes aggregate gains on sales of subsidiaries, business units, and rental properties in the amount of ¥14,393 million, ¥4,170 million and ¥6,805 million in fiscal 2011, 2012 and 2013, respectively.

**27. Per Share Data**

Reconciliation of the differences between basic and diluted earnings per share (EPS) in fiscal 2011, 2012 and 2013 is as follows:

In fiscal 2011, the diluted EPS calculation excludes stock options for 11,391 thousand shares, as they were antidilutive. In fiscal 2012, the diluted EPS calculation excludes stock options for 9,820 thousand shares, as they were antidilutive. In fiscal 2013, the diluted EPS calculation excludes stock options for 9,010 thousand shares, as they were antidilutive.

Millions of yen



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	2011	2012	2013
Income attributable to ORIX Corporation shareholders from continuing operations	¥ 59,567	¥ 81,154	¥ 112,116
Effect of dilutive securities			
Expense related to convertible bond	2,392	2,364	1,329
Income from continuing operations for diluted EPS computation	¥ 61,959	¥ 83,518	¥ 113,445

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

	Thousands of shares		
	2011	2012	2013
Weighted-average shares	1,074,890	1,075,095	1,087,883
Effect of dilutive securities			
Conversion of convertible bond	244,119	244,104	206,635
Exercise of stock options	1,068	1,228	1,546
Weighted-average shares for diluted EPS computation	1,320,077	1,320,427	1,296,064

	Yen		
	2011	2012	2013
Earnings per share for income attributable to ORIX Corporation shareholders from continuing operations:			
Basic	¥ 55.42	¥ 75.49	¥ 103.06
Diluted	46.94	63.25	87.53

On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. The number of shares and per share data have been adjusted retrospectively to reflect the stock split for all periods presented.

**28. Derivative Financial Instruments and Hedging****Risk management policy**

The Company and its subsidiaries manage interest rate risk through asset and liability management systems. The Company and its subsidiaries use derivative financial instruments to hedge interest rate risk and avoid changes in interest rates that could have a significant adverse effect on the Company's results of operations. As a result of interest rate changes, the fair value and/or cash flow of interest sensitive assets and liabilities will fluctuate. However, such fluctuation will generally be offset by using derivative financial instruments as hedging instruments. Derivative financial instruments that the Company and its subsidiaries use as part of the interest risk management include interest rate swaps.

The Company and its subsidiaries utilize foreign currency borrowings, foreign exchange contracts and foreign currency swap agreements to hedge exchange rate risk associated with certain transactions and investments denominated in foreign currencies. Similarly, overseas subsidiaries generally structure their liabilities to match the currency-denomination of assets in each region.

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By using derivative instruments, the Company and its subsidiaries are exposed to credit risk in the event of nonperformance by counterparties. The Company and its subsidiaries attempt to manage the credit risk by carefully evaluating the content of transactions and the quality of counterparties in advance and regularly monitoring the amount of notional principal, fair value, type of transaction and other factors pertaining to each counterparty.

### **(a) Cash flow hedges**

The Company and its subsidiaries designate interest rate swap agreements, foreign currency swap agreements and foreign exchange contracts as cash flow hedges for variability of cash flows originating from floating rate borrowings and forecasted transactions and for exchange fluctuations. Net gains (losses) before deducting applicable taxes on derivative contracts were reclassified from accumulated other comprehensive income (loss) into earnings when earnings were affected by the variability in cash flows of the designated hedged

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item. The amounts of these net gains (losses) after deducting applicable taxes were net losses of ¥211 million, net gains of ¥181 million and net losses of ¥824 million during fiscal 2011, 2012 and 2013, respectively. No amount of net gains (losses), which represent the ineffectiveness of cash flow hedges, was recorded in earnings for fiscal 2011 and 2012, and ¥69 million of loss was recorded in earnings for fiscal 2013. Approximately ¥936 million of net derivative losses included in accumulated other comprehensive income (loss), net of applicable income taxes at March 31, 2013 will be reclassified into earnings within fiscal 2014.

**(b) Fair value hedges**

The Company and its subsidiaries use financial instruments designated as fair value hedges to hedge their exposure to interest rate risk and foreign currency exchange risk. The Company and its subsidiaries designate foreign currency swap agreements and foreign exchange contracts to minimize foreign currency exposures on lease receivables, loan receivables and borrowings, denominated in foreign currency. The Company and its subsidiaries designate interest rate swap to hedge interest rate exposure of the fair values of loan receivables. The Company and certain overseas subsidiaries, which issued medium-term notes or bonds with fixed interest rates, use interest rate swap contracts to hedge interest rate exposure of the fair values of these medium-term notes. In cases where the medium-term notes were denominated in other than the subsidiaries local currencies, foreign currency swap agreements are used to hedge foreign exchange rate exposure. A certain overseas subsidiary uses foreign currency long-term-debt to hedge foreign exchange rate exposure from unrecognized firm commitment. For fiscal 2011, 2012 and 2013, net losses of ¥231 million, ¥265 million and ¥47 million of hedge ineffectiveness associated with instruments designated as fair value hedges were recorded in earnings.

**(c) Hedges of net investment in foreign operations**

The Company uses foreign exchange contracts, borrowings and bonds denominated in the subsidiaries' local currencies to hedge the foreign currency exposure of the net investment in overseas subsidiaries. The gains and losses of these hedging instruments were recorded in foreign currency translation adjustments, which is a part of other comprehensive income (loss).

**(d) Trading derivatives or derivatives not designated as hedging instruments**

The Company and its subsidiaries engage in trading activities involving various future contracts. Therefore the Company and the subsidiaries are at various risks such as share price fluctuation risk, interest rate risk and foreign currency exchange risk. The Company and the subsidiaries check that these risks are below a certain level by using internal indicators and determine whether such contracts should be continued or not. The Company and certain subsidiaries entered into certain interest rate swap agreements, foreign currency swap agreements and foreign exchange contracts for risk management purposes which are not qualified for hedge accounting under ASC 815 ( Derivatives and Hedging ).

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ASC 815-10-50 ( Derivatives and Hedging Disclosures ) requires companies to disclose the fair value of derivative instruments and their gains (losses) in tabular format, as well as information about credit-risk-related contingent features in derivative agreements.

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

The effect of derivative instruments on the consolidated statements of income, pre-tax, for fiscal 2011 is as follows.

**(1) Cash flow hedges**

	Gains (losses) recognized in other comprehensive income on derivative (effective portion)	Gains (losses) reclassified from accumulated other comprehensive income (loss) into income  (effective portion) Consolidated	Gains (losses) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)  Consolidated
	Millions of yen	income location statements of	Millions of yen income location statements of
Interest rate swap agreements	¥ 598	Interest on loans and investment securities/Interest expense	¥ 313
Foreign exchange contracts	526	Foreign currency transaction loss	(291)
Foreign currency swap agreements	(2,623)	Interest on loans and investment securities/Interest expense/Foreign currency transaction loss	(383)
			0
			0
			0

**(2) Fair value hedges**

	Gains (losses) recognized in income on derivative and other Consolidated	Gains (losses) recognized in income on hedged item Consolidated
	Millions of yen income location statements of	Millions of yen income location statements of
Interest rate swap agreements	¥ 1,986	¥ (2,217)
Foreign exchange contracts	8,765	(8,765)
Foreign currency swap agreements	4,297	(4,297)
Foreign currency long-term debt	1,193	(1,193)

**(3) Hedges of net investment in foreign operations**

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	Gains (losses) recognized in other comprehensive income on derivative and others (effective portion)	Gains (losses) reclassified from accumulated other comprehensive income (loss) into income  (effective portion) Consolidated  statements of  income location	Gains (losses) recognized in income on derivative and others (ineffective portion and amount excluded from effectiveness testing)  Consolidated statements of income location	Millions of yen
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Foreign exchange contracts	¥ 4,468	¥ 39	¥ 0	
Borrowings and bonds in local currency	3,711	0	0	

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	Millions of yen	Gains (losses) recognized in income on derivative	
		Consolidated statements of income location	
Interest rate swap agreements	¥ 34	Other operating revenues/expenses	
Foreign currency swap agreements	(10)	Other operating revenues/expenses	
Futures	1,897	Brokerage commissions and net gains on investment securities	
Foreign exchange contracts	(245)	Brokerage commissions and net gains on investment securities	
Credit derivatives held/written	(675)	Other operating revenues/expenses	
Options held/written, Caps held and other	660	Other operating revenues/expenses	

The effect of derivative instruments on the consolidated statements of income, pre-tax, for fiscal 2012 is as follows.

**(1) Cash flow hedges**

	Gains (losses) recognized in other comprehensive income on derivative (effective portion)		Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion)		Gains (losses) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing) Consolidated statements of income location	
	Millions of yen		Consolidated statements of income location	Millions of yen	Millions of yen	
Interest rate swap agreements	¥	(489)	Interest on loans and investment securities/Interest expense	¥ 44		¥ 0
Foreign exchange contracts		(526)	Foreign currency transaction loss	(696)		0
Foreign currency swap agreements		(409)	Interest on loans and investment securities/Interest expense/Foreign currency transaction loss	1,031		0

**(2) Fair value hedges**

Gains (losses) recognized in income on derivative and other

Gains (losses) recognized in income on hedged item



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	<b>Consolidated</b>		<b>Consolidated</b>	
	<b>statements of</b>		<b>statements of</b>	
	<b>Millions</b>	<b>income location</b>	<b>Millions</b>	<b>income location</b>
	<b>of yen</b>		<b>of yen</b>	
Interest rate swap agreements	¥ 4,072	Interest on loans and investment securities/Interest expense	¥ (4,337)	Interest on loans and investment securities/Interest expense
Foreign exchange contracts	972	Foreign currency transaction loss	(972)	Foreign currency transaction loss
Foreign currency swap agreements	227	Foreign currency transaction loss	(227)	Foreign currency transaction loss
Foreign currency long-term-debt	69	Foreign currency transaction loss	(69)	Foreign currency transaction loss

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	Gains (losses) recognized in other comprehensive income on derivative and others (effective portion)	Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion) Consolidated statements of income location	Gains (losses) recognized in income on derivative and others (ineffective portion and amount excluded from effectiveness testing) Consolidated statements of income location	Millions of yen
Foreign exchange contracts	¥ (1,198)			¥ 0
Borrowings and bonds in local currency	1,348			0

**(4) Trading derivatives or derivatives not designated as hedging instruments**

	Millions of yen	Gains (losses) recognized in income on derivative Consolidated statements of income location
Interest rate swap agreements	¥ 23	Other operating revenues/expenses
Foreign currency swap agreements	24	Other operating revenues/expenses
Futures	(1,056)	Brokerage commissions and net gains on investment securities
Foreign exchange contracts	615	Brokerage commissions and net gains on investment securities
Credit derivatives held/written	(92)	Other operating revenues/expenses
Options held/written, Caps held and other	137	Other operating revenues/expenses

The effect of derivative instruments on the consolidated statements of income, pre-tax, for fiscal 2013 is as follows.

**(1) Cash flow hedges**

Gains (losses) recognized in other comprehensive income on	Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion)	Gains (losses) recognized in income on derivative
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	derivative (effective portion)		Consolidated statements of income location		(ineffective portion and amount excluded from effectiveness testing) Consolidated statements of income location		
	Millions of yen		Millions of yen		Millions of yen		
Interest rate swap agreements	¥	(249)	Interest on loans and investment securities/Interest expense	¥	6	¥	0
Foreign exchange contracts		(1,546)	Foreign currency transaction loss		73		0
Foreign currency swap agreements		960	Interest on loans and investment securities/Interest expense/Foreign currency transaction loss		(1,231)	Foreign currency transaction loss	(69)

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries****(2) Fair value hedges**

	Gains (losses) recognized in income on derivative and other Consolidated		Gains (losses) recognized in income on hedged item Consolidated	
	Millions of yen	income location	Millions of yen	income location
Interest rate swap agreements	¥ 76	Interest on loans and investment securities/Interest expense	¥ (120)	Interest on loans and investment securities/Interest expense
Foreign exchange contracts	(8,828)	Foreign currency transaction loss	8,828	Foreign currency transaction loss
Foreign currency swap agreements	(2,352)	Foreign currency transaction loss	2,349	Foreign currency transaction loss
Foreign currency long-term-debt	172	Foreign currency transaction loss	(172)	Foreign currency transaction loss

**(3) Hedges of net investment in foreign operations**

	Gains (losses) recognized in other comprehensive income on derivative and others (effective portion)	Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion) Consolidated	Gains (losses) recognized in income on derivative and others (ineffective portion and amount excluded from effectiveness testing) Consolidated	
	Millions of yen	income location	Millions of yen	Millions of yen
Foreign exchange contracts	¥ (11,524)	Gains on sales of subsidiaries and affiliates and liquidation losses, net	¥ 1,425	¥ 0
Borrowings and bonds in local currency	(19,637)	Gains on sales of subsidiaries and affiliates and liquidation losses, net	3,464	0

**(4) Trading derivatives or derivatives not designated as hedging instruments**

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	Millions of yen	Gains (losses) recognized in income on derivative
		Consolidated statements of income location
Interest rate swap agreements	¥ 8	Other operating revenues/expenses
Futures	(504)	Brokerage commissions and net gains on investment securities
Foreign exchange contracts	(236)	Brokerage commissions and net gains on investment securities
Credit derivatives held/written	344	Other operating revenues/expenses
Options held/written, Caps held and other	992	Other operating revenues/expenses

Notional amounts of derivative instruments and other, fair values of derivative instruments and other in consolidated balance sheets at March 31, 2012 and 2013 are as follows.

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	Notional amount Millions of yen	Asset derivatives		Fair value Millions of yen	Liability derivatives Consolidated balance sheets location
		Fair value Millions of yen	Consolidated balance sheets location		
Derivatives designated as hedging instruments and other:					
Interest rate swap agreements	¥ 234,523	¥ 4,624	Other receivables	¥ 1,253	Trade notes, accounts payable and other liabilities
Futures, Foreign exchange contracts	90,813	325	Other receivables	4,985	Trade notes, accounts payable and other liabilities
Foreign currency swap agreements	87,480	5,540	Other receivables	5,432	Trade notes, accounts payable and other liabilities
Foreign currency long-term-debt	152,508	0		0	
Trading derivatives or derivatives not designated as hedging instruments:					
Interest rate swap agreements	¥ 1,329	¥ 0		¥ 24	Trade notes, accounts payable and other liabilities
Options held/written, Caps held and other	157,134	5,924	Other receivables	4,430	Trade notes, accounts payable and other liabilities
Futures, Foreign exchange contracts	188,446	702	Other receivables	512	Trade notes, accounts payable and other liabilities
Credit derivatives held	9,913	97	Other receivables	23	Trade notes, accounts payable and other liabilities

**March 31, 2013**

	Notional amount Millions of yen	Asset derivatives		Fair value Millions of yen	Liability derivatives Consolidated balance sheets location
		Fair value Millions of yen	Consolidated balance sheets location		
Derivatives designated as hedging instruments and other:					
Interest rate swap agreements	¥ 264,434	¥ 4,654	Other receivables	¥ 1,451	Trade notes, accounts payable and other liabilities
Futures, Foreign exchange contracts	191,980	838	Other receivables	4,624	Trade notes, accounts payable and other liabilities
Foreign currency swap agreements	83,000	2,890	Other receivables	8,263	Trade notes, accounts payable and other liabilities
Foreign currency long-term-debt	161,379	0		0	
Trading derivatives or derivatives not designated as hedging instruments:					
Interest rate swap agreements	¥ 1,294	¥ 0		¥ 8	Trade notes, accounts payable and other liabilities
Options held/written and other	217,999	5,654	Other receivables	3,530	Trade notes, accounts payable and other liabilities
Futures, Foreign exchange contracts	41,363	192	Other receivables	61	

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Credit derivatives held/written	20,161	370	Other receivables	100	Trade notes, accounts payable and other liabilities
					Trade notes, accounts payable and other liabilities

Certain of the Company's derivative instruments contain provisions that require the Company to maintain an investment grade credit rating from each of the major credit rating agencies. If the Company's credit rating were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the

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derivative instruments could request immediate payment on derivative instruments that are in net liability positions. There are no derivative instruments with credit-risk-related contingent features that are in a liability position on March 31, 2012 and 2013.

ASC 815-10-50 ( Derivatives and Hedging Disclosures ) requires sellers of credit derivatives to disclose additional information about credit-risk-related potential payment risk.

The Company and its subsidiaries have contracted credit derivatives for the purpose of trading. Details of credit derivatives written are as follows as of March 31, 2013 and there are no credit derivatives written as of March 31, 2012.

**March 31, 2013**

<b>Types of derivatives</b>	<b>The events or circumstances that would require the seller to perform under the credit derivative</b>	<b>Maximum potential amount of future payment under the credit derivative Millions of yen</b>	<b>Approximate remaining term of the credit derivative</b>	<b>Fair value of the credit derivative Millions of yen</b>
Credit default swap	In case of credit event (bankruptcy, failure to pay, restructuring) occurring in underlying reference company*	¥ 832	Less than five years	¥ (29)

\* Underlying reference company's credit ratings are Caa1 or better rated by rating agencies as of March 31, 2013.

**29. Significant Concentrations of Credit Risk**

The Company and its subsidiaries have established various policies and procedures to manage credit exposure, including initial credit approval, credit limits, collateral and guarantee requirements, obtaining rights of offset and continuous oversight. The Company and its subsidiaries principal financial instrument portfolio consists of investment in direct financing leases which are secured by title to the leased assets and installment loans which are secured by assets specifically collateralized in relation to loan agreements. When deemed necessary, guarantees are also obtained. The value and adequacy of the collateral are continually monitored. Consequently, the risk of credit loss from counterparties failure to perform in connection with collateralized financing activities is believed to be minimal. The Company and its subsidiaries have access to collateral in case of bankruptcy and other losses. However, a significant decline in real estate markets could result in a decline in fair value of the collateral real estate below the mortgage setting amount, which would expose the Company and certain subsidiaries to unsecured credit risk.



The Company and its subsidiaries make investments in securities for various purposes. The risk of incurring significant losses during a certain period is believed to be minimal due to the diversification in the investment portfolio. However, various factors, including the issuer's credit risk and market trends, could expose the Company and its subsidiaries to a risk of unexpected loss.

At March 31, 2012 and 2013, no concentration with a single obligor exceeded 1% of the Company's consolidated total assets. With respect to the Company and its subsidiaries' credit exposures on a geographic basis, ¥4,733 billion, or 77%, at March 31, 2012 and ¥4,723 billion, or 77%, at March 31, 2013 of the credit risks

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**ORIX Corporation and Subsidiaries**

arising from all financial instruments are attributable to customers located in Japan. The largest concentration of credit risk outside of Japan is exposure attributable to obligors located in the United States of America. The gross amount of such exposure is ¥858 billion and ¥777 billion as of March 31, 2012 and 2013, respectively. Since the Company and its subsidiaries adopted ASU 2009-16 and ASU 2009-17 on April 1, 2010, which changed the circumstances under which we are required to consolidate certain VIEs, the amounts above in relation to our exposure in the U.S. mainly include the effect of such consolidated VIEs.

The Company and its subsidiaries run businesses such as development and rental of commercial real estate and office buildings, condominium development and sales, hotel, golf course, and training facility operation. Real estate in development and rental business is mainly recorded in investment in direct financing leases and operating leases. In connection with investment in direct financing leases and operating leases, the percentage of investment in real estate to consolidated total assets is 12.6% and 11.7% as of March 31, 2012 and 2013, respectively.

The Company and its subsidiaries have transportation equipment such as automobile operations and aircraft. Transportation equipment is mainly recorded in investment in direct financing leases and operating leases. In connection with investment in direct financing leases and operating leases, the percentage of investment in transportation equipment to consolidated total assets is 8.8% and 10.4% as of March 31, 2012 and 2013, respectively.

The Company and its subsidiaries provide consumers with housing loans. In connection with installment loans, the percentage of housing loans to consolidated total assets is 10.4% and 10.9% as of March 31, 2012 and 2013, respectively.

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The following information is provided to help readers gain an understanding of the relationship between amounts reported in the accompanying consolidated financial statements and the related market or fair value.

The disclosures include financial instruments and derivative financial instruments, other than investment in direct financing leases, investment in subsidiaries and affiliates, pension obligations and insurance contracts.

**March 31, 2012**

	Carrying amount	Estimated fair value	Millions of yen		
			Level 1	Level 2	Level 3
<b>Trading instruments</b>					
Trading securities	¥ 12,817	¥ 12,817	¥ 384	¥ 12,433	¥ 0
Futures, Foreign exchange contracts:					
Assets	692	692	649	43	0
Liabilities	482	482	412	70	0
Credit derivatives held:					
Assets	97	97	0	97	0
Liabilities	23	23	0	23	0
Options held/written, Caps held and other:					
Assets	5,924	5,924	0	631	5,293
Liabilities	4,430	4,430	0	4,430	0
<b>Non-trading instruments</b>					
Assets:					
Cash and cash equivalents	¥ 786,892	¥ 786,892	¥ 786,892	¥ 0	¥ 0
Restricted cash	123,295	123,295	123,295	0	0
Time deposits	24,070	24,070	0	24,070	0
Installment loans (net of allowance for probable loan losses)	2,650,162	2,669,196	0	78,934	2,590,262
Investment in securities:					
Practicable to estimate fair value	935,495	938,314	173,056	521,603	243,655
Not practicable to estimate fair value*	199,078	199,078	0	0	0
Liabilities:					
Short-term debt	¥ 457,973	¥ 457,973	¥ 0	¥ 457,973	¥ 0
Deposits	1,103,514	1,107,440	0	1,107,440	0
Long-term debt	4,267,480	4,262,612	0	1,491,620	2,770,992
Futures, Foreign exchange contracts:					
Assets	335	335	0	335	0

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Liabilities	5,015	5,015	0	5,015	0
Foreign currency swap agreements:					
Assets	5,540	5,540	0	5,540	0
Liabilities	5,432	5,432	0	5,432	0
Interest rate swap agreements:					
Assets	4,624	4,624	0	4,624	0
Liabilities	1,277	1,277	0	1,277	0

\* The fair value of investment securities of ¥199,078 million was not estimated, as it was not practical.

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	Millions of yen				
	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
<b>Trading instruments</b>					
Trading securities	¥ 33,041	¥ 33,041	¥ 2,184	¥ 30,857	¥ 0
Futures, Foreign exchange contracts:					
Assets	147	147	147	0	0
Liabilities	0	0	0	0	0
Credit derivatives held/written:					
Assets	370	370	0	370	0
Liabilities	100	100	0	100	0
Options held/written and other:					
Assets	5,654	5,654	0	3,555	2,099
Liabilities	3,530	3,530	0	3,530	0
<b>Non-trading instruments</b>					
Assets:					
Cash and cash equivalents	¥ 826,296	¥ 826,296	¥ 826,296	¥ 0	¥ 0
Restricted cash	106,919	106,919	106,919	0	0
Time deposits	8,356	8,356	0	8,356	0
Installment loans (net of allowance for probable loan losses)	2,602,737	2,625,132	0	82,125	2,543,007
Investment in securities:					
Practicable to estimate fair value	852,550	861,570	166,398	552,394	142,778
Not practicable to estimate fair value*	208,077	208,077	0	0	0
Liabilities:					
Short-term debt	¥ 420,726	¥ 420,726	¥ 0	¥ 420,726	¥ 0
Deposits	1,078,587	1,081,273	0	1,081,273	0
Long-term debt	4,061,534	4,081,912	0	1,486,219	2,595,693
Futures, Foreign exchange contracts:					
Assets	883	883	0	883	0
Liabilities	4,685	4,685	0	4,685	0
Foreign currency swap agreements:					
Assets	2,890	2,890	0	2,890	0
Liabilities	8,263	8,263	0	8,263	0
Interest rate swap agreements:					
Assets	4,654	4,654	0	4,654	0
Liabilities	1,459	1,459	0	1,459	0

\* The fair value of investment securities of ¥208,077 million was not estimated, as it was not practical.

**Input level of fair value measurement**

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If active market prices are available, fair value measurement is based on quoted active market prices and classified as Level 1. If active market prices are not available, fair value measurement is based on observable inputs other than quoted prices included within Level 1 and classified as Level 2. If market prices are not available and there are no observable inputs, then fair value is estimated by using valuation models including

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**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

discounted cash flow methodologies, commonly used option-pricing models and broker quotes and classified as Level 3, as the valuation models and broker quotes are based on inputs that are unobservable in the market.

**Estimation of fair value**

The following methods and significant assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate a value:

***Cash and cash equivalents, restricted cash, time deposits and short-term debt*** The carrying amounts recognized in the balance sheets were determined to be reasonable estimates of their fair values due to their short maturity.

***Installment loans*** The carrying amounts of floating-rate installment loans with no significant changes in credit risk and which could be repriced within a short-term period were determined to be reasonable estimates of their fair values. The carrying amounts of purchased loans were determined to be reasonable estimates of their fair values because the carrying amounts (net of allowance) are considered to properly reflect the recoverability and value of these loans. For certain homogeneous categories of medium- and long-term fixed-rate loans, such as housing loans, the estimated fair values were calculated by discounting the future cash flows using the current interest rates charged by the Company and its subsidiaries for new loans made to borrowers with similar credit ratings and remaining maturities. Concerning above, if available, estimated fair values were based on quoted market prices or quotations provided by dealers.

***Investment in securities*** For trading securities and available-for-sale securities other than specified bonds issued by SPEs and certain other mortgage-backed and asset-backed securities, the estimated fair values, which are also the carrying amounts recorded in the balance sheets, were generally based on quoted market prices or quotations provided by dealers. As for the specified bonds issued by the SPEs and certain other mortgage-backed and asset-backed securities included in available-for-sale securities, the Company and its subsidiaries estimated the fair value by using valuation models including discounted cash flow methodologies and broker quotes (see Note 2). For held-to-maturity securities, the estimated fair values were based on quoted market prices. For certain investment funds included in other securities, the fair values are estimated based on net asset value per share or discounted cash flow methodologies. With regard to other securities other than the investment funds described above, the Company and its subsidiaries have not estimated the fair value, as it is not practicable to do so. Those other securities mainly consist of non-marketable equity securities and preferred capital shares. Because there were no quoted market prices for such other securities and each security has a different nature and characteristics, reasonable estimates of fair values could not be made without incurring excessive costs.

***Deposits*** The carrying amounts of demand deposits recognized in the consolidated balance sheets were determined to be reasonable estimates of their fair values. The estimated fair values of time deposits were calculated by discounting the future cash flows. The current interest rates offered for the deposits with similar terms and remaining average maturities were used as the discount rates.

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**Long-term debt** The carrying amounts of long-term debt with floating rates which could be repriced within short-term periods were determined to be reasonable estimates of their fair values. For medium-and long-term fixed-rate debt, the estimated fair values were calculated by discounting the future cash flows. The borrowing interest rates that were currently available to the Company and its subsidiaries offered by financial institutions for debt with similar terms and remaining average maturities were used as the discount rates. Concerning above, if available, estimated fair values were based on quoted market prices or quotations provided by dealers.

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**Derivatives** For exchange-traded derivatives, fair value is based on quoted market prices. Fair value estimates for other derivatives generally reflect the estimated amounts that the Company and its subsidiaries would receive or pay to terminate the contracts at the reporting date, thereby taking into account the current unrealized gains or losses of open contracts. Discounted amounts of future cash flows using the current interest rate are used when estimating the fair values for most of the Company's and its subsidiaries' derivatives.

**31. Commitments, Guarantees and Contingent Liabilities**

**Commitments** As of March 31, 2013, the Company and its subsidiaries have commitments for the purchase of equipment to be leased, having a cost of ¥12,117 million.

The minimum future rentals on non-cancelable operating leases are as follows:

<b>Years ending March 31,</b>	<b>Millions of yen</b>
2014	¥ 4,036
2015	3,576
2016	3,300
2017	3,199
2018	2,866
Thereafter	19,283
<b>Total</b>	<b>¥ 36,260</b>

The Company and its subsidiaries lease office space under operating lease agreements, which are primarily cancelable, and made rental payments totaling ¥8,131million, ¥7,681million and ¥7,848 million in fiscal 2011, 2012 and 2013, respectively.

Certain computer systems of the Company and its subsidiaries have been operated and maintained under non-cancelable contracts with third-party service providers. For such services, the Company and its subsidiaries made payments totaling ¥759 million, ¥442 million and ¥487 million in fiscal 2011, 2012 and 2013, respectively. The longest contract of them will mature in fiscal 2016. As of March 31, 2013, the amounts due are as follows:

<b>Years ending March 31,</b>	<b>Millions of yen</b>
2014	¥ 179
2015	97

2016	36
Total	¥ 312

The Company and its subsidiaries have commitments to fund estimated construction costs to complete ongoing real estate development projects and other commitments, totaling ¥59,830 million as of March 31, 2013.

The Company and its subsidiaries have agreements to commit to execute loans for consumers, and to invest in funds, as long as the agreed-upon terms are met. As of March 31, 2013, the total unused credit and capital amount available is ¥284,090 million.

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**Guarantees** The Company and its subsidiaries apply ASC 460-10 ( Guarantees ), and at the inception of a guarantee recognize a liability in the consolidated balance sheets at fair value for the guarantee within the scope of ASC 460-10. The following table represents the summary of potential future payments, book value recorded as guarantee liabilities of the guarantee contracts outstanding and maturity of the longest guarantee contracts as of March 31, 2012 and 2013:

	2012			2013		
	Millions of yen		Fiscal year	Millions of yen		Fiscal year
	Potential future payment	Book value of guarantee liabilities	Maturity of the longest contract	Potential future payment	Book value of guarantee liabilities	Maturity of the longest contract
<b>Guarantees</b>						
Corporate loans	¥ 360,436	¥ 1,577	2026	¥ 316,650	¥ 2,587	2026
Transferred loans	162,554	3,869	2043	196,162	4,246	2044
Consumer loans	0	0		77,034	8,085	2018
Housing loans	19,511	4,536	2051	29,510	7,437	2051
Other	1,991	7	2024	2,936	126	2024
Total	¥ 544,492	¥ 9,989		¥ 622,292	¥ 22,481	

**Guarantee of corporate loans:** The Company and certain subsidiaries mainly guarantee corporate loans issued by financial institutions for customers. The Company and its subsidiaries are obliged to pay the outstanding loans when the guaranteed customers fail to pay principal and/or interest in accordance with the contract terms. In some cases, the corporate loans are secured by the guaranteed customers' assets. Once the Company and its subsidiaries assume the guaranteed customers' obligation, the Company and its subsidiaries obtain a right to claim the collateral assets. In other cases, certain contracts that guarantee corporate loans issued by financial institutions for customers include contracts that the amounts of performance guarantee are limited to a range of guarantee commissions. As of March 31, 2012 and March 31, 2013, total notional amount of the loans subject to such guarantees are ¥1,234,000 million and ¥1,239,000 million respectively, and book value of guarantee liabilities which amount is included in the table above are ¥666 million and ¥734 million, respectively. The potential future payment amounts included in the table above for these guarantees are limited to the agreed range of the guarantee commissions, which are less than the total notional amounts of the loans subject to these guarantees.

Payment or performance risk of the guarantees is considered based on the historical experience of credit events. There have been no significant changes in the payment or performance risk of the guarantees in fiscal 2013.

**Guarantee of transferred loans:** A subsidiary in the United States is authorized to underwrite, originate, fund, and service multi-family and seniors housing loans without prior approval from 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.

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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 risk of the guarantees to absorb some of the losses when losses arise from the transferred loans.

There were no significant changes in the payment or performance risk of these guarantees in fiscal 2013.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**ORIX Corporation and Subsidiaries**

**Guarantee of consumer loans:** A subsidiary guarantees consumer loans, typically card loans, issued by Japanese financial institutions. The subsidiary is obligated to pay the outstanding obligations when these loans become delinquent generally for more than a month.

Payment or performance risk of the guarantees is considered based on the historical experience of credit events.

There were no significant changes in the payment or performance risk of the guarantees in fiscal 2013.

**Guarantee of housing loans:** The Company and certain subsidiaries guarantee housing loans issued by Japanese financial institutions to third party individuals. The Company and its subsidiaries are typically obliged to pay the outstanding loans when these loans become delinquent more than three months. The housing loans are usually secured by the real properties. Once the Company and its subsidiaries assume the guaranteed parties' obligation, the Company and its subsidiaries obtain a right to claim the collateral assets.

Payment or performance risk of the guarantees is considered based on the historical experience of credit events.

There were no significant changes in the payment or performance risk of the guarantees in fiscal 2013.

**Other guarantees:** Other guarantees include the guarantees to financial institutions and the guarantees derived from collection agency agreements. Pursuant to the contracts of the guarantees to financial institutions, a subsidiary pays to the financial institutions when customers of the financial institutions become debtors and default on the debts. Pursuant to the agreements of the guarantees derived from collection agency agreements, the Company and certain subsidiaries collect third parties' debt and pay the uncovered amounts.

**Litigation** The Company and its subsidiaries are involved in legal proceedings and claims in the ordinary course of business. In the opinion of management, none of such proceedings and claims will have a significant impact on the Company's financial position or results of operations.

**32. Segment Information**

Financial information about the operating segments reported below is that which is available by segment and evaluated regularly by the management in deciding how to allocate resources and in assessing performance.

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From April 1, 2012, Accounting Standards Update 2010-26 ( Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts ASC 944 ( Financial Services Insurance )) is retrospectively applied to prior periods financial statements.

Due to this change, the reclassified figures are shown for the years ended March 31, 2011 and 2012.

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An overview of operations for each of the six segments follows below.

Corporate Financial Services	:	Lending, leasing, commission business such as the sale of financial products
Maintenance Leasing	:	Automobile leasing and rentals, car sharing, and precision measuring and IT-related equipment rentals and leasing
Real Estate	:	Real estate development, rental and financing, facility operation, REIT asset management, real estate investment and advisory services
Investment and Operation	:	Environment and energy business, loan servicing (asset recovery) and principal investment
Retail	:	Life insurance, banking, and card loan business
Overseas Business	:	Leasing, lending, investment in bonds, investment banking, and ship- and aircraft-related operations

Financial information of the segments for the years ended March 31, 2011, 2012 and 2013 is as follows:

Year ended March 31, 2011	Millions of yen							Total
	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment and Operation	Retail	Overseas Business		
Revenues	¥ 79,305	¥ 225,830	¥ 217,590	¥ 89,595	¥ 148,768	¥ 176,875	¥ 937,963	
Interest revenue	23,830	189	13,181	24,083	28,171	34,839	124,293	
Interest expense	12,877	4,998	18,098	6,639	8,980	16,931	68,523	
Depreciation and amortization	5,605	98,577	16,587	1,743	8,769	27,662	158,943	
Other significant non-cash items:								
Provision for doubtful receivables and probable loan losses	12,718	1,955	1,131	6,734	1,409	3,226	27,173	
Write-downs of long-lived assets	104	0	13,278	996	0	1,770	16,148	
Increase (Decrease) in policy liabilities	0	0	0	0	(11,615)	0	(11,615)	
Equity in net income (loss) of affiliates and gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	487	157	2,585	1,333	52	13,382	17,996	
Discontinued operations	121	0	7,845	6,849	199	76	15,090	
Segment profits	10,035	26,203	54	13,212	21,811	45,639	116,954	
Segment assets	968,327	502,738	1,539,814	506,011	1,653,704	972,224	6,142,818	
Long-lived assets	37,919	312,261	1,016,039	45,139	42,686	193,724	1,647,768	
Expenditures for long-lived assets	3,744	118,283	40,270	6,168	86	58,156	226,707	
Investment in affiliates	15,993	710	84,325	55,151	110,375	106,813	373,367	

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Year ended March 31, 2012	Millions of yen						
	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment and Operation	Retail	Overseas Business	Total
Revenues	¥ 72,449	¥ 231,951	¥ 222,631	¥ 73,293	¥ 160,071	¥ 187,240	¥ 947,635
Interest revenue	19,901	343	10,729	21,716	29,041	32,210	113,940
Interest expense	9,759	4,186	15,677	5,757	7,195	19,212	61,786
Depreciation and amortization	3,420	98,810	18,570	1,797	8,916	28,194	159,707
Other significant non-cash items:							
Provision for doubtful receivables and probable loan losses	2,278	10	2,988	7,442	1,128	3,811	17,657
Write-downs of long-lived assets	793	0	11,311	713	0	798	13,615
Increase (Decrease) in policy liabilities	0	0	0	0	6,421	0	6,421
Equity in net income (loss) of affiliates and gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	687	146	1,310	7,033	(9,996)	6,299	5,479
Discontinued operations	475	0	444	(3,331)	688	667	(1,057)
Segment profits	21,532	34,710	1,349	15,983	19,352	49,768	142,694
Segment assets	898,776	537,782	1,369,220	471,145	1,738,454	986,762	6,002,139
Long-lived assets	27,029	327,489	977,102	33,964	44,986	195,207	1,605,777
Expenditures for long-lived assets	909	126,779	22,945	507	14	63,506	214,660
Investment in affiliates	16,842	880	84,697	61,469	79,255	88,564	331,707

Year ended March 31, 2013	Millions of yen						
	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment and Operation	Retail	Overseas Business	Total
Revenues	¥ 72,463	¥ 238,316	¥ 215,212	¥ 121,933	¥ 188,695	¥ 202,516	¥ 1,039,135
Interest revenue	17,535	426	9,062	22,573	45,854	35,830	131,280
Interest expense	9,547	4,258	12,352	4,509	6,674	18,249	55,589
Depreciation and amortization	2,380	106,485	19,741	2,297	10,631	31,695	173,229
Other significant non-cash items:							
Provision for doubtful receivables and probable loan losses	131	123	(449)	5,532	2,611	2,438	10,386
Write-downs of long-lived assets	0	0	13,296	1,723	0	328	15,347
Increase (Decrease) in policy liabilities	0	0	0	0	20,990	0	20,990
Equity in net income (loss) of affiliates and gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	1,145	176	(430)	7,251	4,680	9,521	22,343
Discontinued operations	0	0	4,063	(1,045)	632	432	4,082
Segment profits	24,754	36,091	5,582	34,937	43,209	52,756	197,329
Segment assets	892,738	599,075	1,111,810	416,569	1,970,972	1,211,500	6,202,664
Long-lived assets	27,415	381,816	864,754	49,441	92,817	280,218	1,696,461
Expenditures for long-lived assets	1,943	160,420	22,276	1,200	206	109,426	295,471
Investment in affiliates	18,020	1,459	73,141	65,713	25,205	143,019	326,557



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Segment figures reported in these tables include operations classified as discontinued operations in the accompanying consolidated statements of income.

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The accounting policies of the segments are almost the same as those described in Note 1 ( Significant Accounting and Reporting Policies ) except for the treatment of income tax expenses, net income attributable to the noncontrolling interests, net income attributable to the redeemable noncontrolling interests, income from discontinued operations and the consolidation of certain variable interest entities (VIEs). Income taxes are not included in segment profits or losses because the management evaluates segments' performance on a pre-tax basis. Also, net income attributable to noncontrolling interests and redeemable noncontrolling interests are not included in segment profits or losses because the management evaluates segments' performance based on profits or losses (per-tax) attributable to ORIX Corporation Shareholders. On the other hand, income from discontinued operations is included in segment profits or losses because the management considers such disposal activities as part of the ordinary course of business. Net income attributable to the noncontrolling interests, net income attributable to the redeemable noncontrolling interests and income from discontinued operations, which are recognized net of tax in the accompanying consolidated statements of income, are adjusted to profit or loss before income taxes, when calculating segment profits or losses. Most of selling, general and administrative expenses, including compensation costs that are directly related to the revenue generating activities of each segment, have been accumulated by and charged to each segment. Gains and losses that management does not consider for evaluating the performance of the segments, such as write-downs of certain securities, write-downs of certain long-lived assets and certain foreign exchange gains or losses are excluded from the segment profits or losses, and are regarded as corporate items.

Assets attributed to each segment are investment in direct financing leases, installment loans, investment in operating leases, investment in securities, other operating assets, inventories, advances for investment in operating leases (included in other assets), advances for investment in other operating assets (included in other assets), and investment in affiliates. This has resulted in the depreciation of office facilities being included in each segment's profit or loss while the carrying amounts of corresponding assets are not allocated to each segment's assets. However, the effect resulting from this allocation is not significant.

For those VIEs that are used for securitization and are consolidated in accordance with ASC 810-10 ( Consolidations ), for which the VIE's assets can be used only to settle related obligations of those VIEs and the creditors (or beneficial interest holders) do not have recourse to other assets of the Company or its subsidiaries, segment assets are measured based on the amount of the Company and its subsidiaries' net investments in the VIEs, which is different from the amount of total assets of the VIEs, and accordingly, segment revenues are also measured at a net amount representing the revenues earned on the net investments in the VIEs.

Certain gains or losses related to assets and liabilities of consolidated VIEs, which are not ultimately attributable to the Company and its subsidiaries, are excluded from segment profits.

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The reconciliation of segment totals to consolidated financial statement amounts is as follows. Significant items to be reconciled are segment revenues, segment profits and segment assets. Other items do not have a significant difference between segment amounts and consolidated amounts.

	2011	Millions of yen 2012	2013
<b>Segment revenues:</b>			
Total revenues for segments	¥ 937,963	¥ 947,635	¥ 1,039,135
Revenues related to corporate assets	3,440	5,564	4,118
Revenues related to assets of certain VIEs	51,747	41,833	33,210
Revenues from discontinued operations	(52,144)	(24,211)	(10,825)
<b>Total consolidated revenues</b>	<b>¥ 941,006</b>	<b>¥ 970,821</b>	<b>¥ 1,065,638</b>
<b>Segment profits:</b>			
Total profits for segments	¥ 116,954	¥ 142,694	¥ 197,329
Corporate interest expenses, general and administrative expenses	(11,852)	(14,690)	(23,133)
Corporate write-downs of securities	(615)	0	0
Corporate net gains (losses) on investment securities	203	0	0
Corporate other gains (losses)	(4,875)	(3,689)	(11,784)
Gains (losses) related to assets or liabilities of certain VIEs	(1,591)	2,583	2,832
Discontinued operations, pre-tax	(13,924)	466	125
Net income attributable to the noncontrolling interests and net income attributable to the redeemable noncontrolling interests, net of applicable tax effect	5,332	2,392	7,149
<b>Total consolidated income before income taxes and discontinued operations</b>	<b>¥ 89,632</b>	<b>¥ 129,756</b>	<b>¥ 172,518</b>
<b>Segment assets:</b>			
Total assets for segments	¥ 6,142,818	¥ 6,002,139	¥ 6,202,664
Cash and cash equivalents, restricted cash and time deposits	855,340	934,257	941,571
Allowance for doubtful receivables on direct financing leases and probable loan losses	(154,150)	(136,588)	(104,264)
Other receivables	182,013	188,108	196,626
Other corporate assets	524,056	478,979	534,423
Assets of certain VIEs	1,011,833	865,935	668,690
<b>Total consolidated assets</b>	<b>¥ 8,561,910</b>	<b>¥ 8,332,830</b>	<b>¥ 8,439,710</b>

**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****ORIX Corporation and Subsidiaries**

The following information represents geographical revenues and income before income taxes, which are attributed to geographic areas, based on the country location of the Company and its subsidiaries.

	Millions of yen Year Ended March 31, 2011				
	Japan	America*2	Other*3	Difference between Geographic Total and Consolidated Amounts	Consolidated Amounts
Total Revenues	¥ 771,403	¥ 138,975	¥ 82,772	¥ (52,144)	¥ 941,006
Income before Income Taxes*1	60,512	18,411	24,633	(13,924)	89,632

	Millions of yen Year Ended March 31, 2012				
	Japan	America*2	Other*3	Difference between Geographic Total and Consolidated Amounts	Consolidated Amounts
Total Revenues	¥ 768,955	¥ 130,717	¥ 95,360	¥ (24,211)	¥ 970,821
Income before Income Taxes*1	74,966	26,894	27,430	466	129,756

	Millions of yen Year Ended March 31, 2013				
	Japan	America*2	Other*3	Difference between Geographic Total and Consolidated Amounts	Consolidated Amounts
Total Revenues	¥ 843,625	¥ 130,561	¥ 102,277	¥ (10,825)	¥ 1,065,638
Income before Income Taxes*1	116,235	27,458	28,700	125	172,518

- \*Note:
1. Results of discontinued operations (pre-tax) are included in each amount attributed to each geographic area.
  2. Mainly United States
  3. Mainly Asia, Europe, Oceania and Middle East

ASC 280-10 ( Segment Reporting ) requires disclosure of revenues from external customers for each product and service as enterprise-wide information. The consolidated statements of income in which the revenues are categorized based on the nature of the types of business conducted include the required information.

No single customer accounted for 10% or more of the Company's total revenues for the years ended March 31, 2011, 2012 and 2013.

**33. Subsequent Events**

There are no material subsequent events.

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**Table of Contents****Schedule II. Valuation and Qualifying Accounts and Reserves****ORIX Corporation and Subsidiaries**

Description	Millions of yen					
	Balance at beginning of period	Acquisitions	Addition: Charged to costs and expenses	Deduction	Translation adjustment	Balance at end of period
<b>Restructuring cost:</b>						
Closed office lease obligations	¥ 97	¥ 0	¥ 42	¥ (59)	¥ (2)	¥ 78
Severance and other benefits to terminated employees	16	0	0	(16)	0	0
Total	¥ 113	¥ 0	¥ 42	¥ (75)	¥ (2)	¥ 78

Description	Millions of yen					
	Balance at beginning of period	Acquisitions	Addition: Charged to costs and expenses	Deduction	Translation adjustment	Balance at end of period
<b>Restructuring cost:</b>						
Closed office lease obligations	¥ 78	¥ 0	¥ 0	¥ (38)	¥ (1)	¥ 39
Severance and other benefits to terminated employees	0	0	15	(15)	0	0
Total	¥ 78	¥ 0	¥ 15	¥ (53)	¥ (1)	¥ 39

Description	Millions of yen					
	Balance at beginning of period	Acquisitions	Addition: Charged to costs and expenses	Deduction	Translation adjustment	Balance at end of period
<b>Restructuring cost:</b>						
Closed office lease obligations	¥ 39	¥ 0	¥ 0	¥ (31)	¥ 1	¥ 9
Severance and other benefits to terminated employees	0	0	3	(3)	0	0
Total	¥ 39	¥ 0	¥ 3	¥ (34)	¥ 1	¥ 9

Description	Millions of yen					Balance at end of period
	Balance at beginning	Acquisitions	Addition: Charged to	Deduction*1	Other*2	

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	of period		costs and expenses				
<b>Deferred tax assets: Valuation allowance</b>							
Year ended March 31, 2011	¥ 42,846	¥ 669	¥ 6,220	¥ (22,778)	¥ (163)	¥ 26,794	
Year ended March 31, 2012	¥ 26,794	¥ 875	¥ 6,339	¥ (6,836)	¥ (3,034)	¥ 24,138	
Year ended March 31, 2013	¥ 24,138	¥ 1,085	¥ 4,973	¥ (12,116)	¥ 751	¥ 18,831	

- \*Note:
1. The amount of deduction includes benefits recognized in earnings, expiry of loss carryforwards and sales of subsidiaries.
  2. The amount of other includes translation adjustment and the effect of changes in statutory tax rate.

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**Table of Contents****EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
Exhibit 1.1	Articles of Incorporation of ORIX Corporation, as amended on April 1, 2013.
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 July 17, 2012.
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 July 20, 2012.
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 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.