ORIX CORP
Form 20-F
June 27, 2013
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

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

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

Tokyo 105-6135, Japan

Telephone: +81-3-3435-3121

Facsimile: +81-3-3435-3154

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

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

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

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

None

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

None

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

As of March 31, 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.

x Yes ¨ No

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

¨ Yes x No

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

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

x Yes ¨ No

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

x Yes ¨ No

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

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

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

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

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

¨ Item 17 ¨ Item 18

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

¨ Yes x No

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

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

¨ Yes ¨ No

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

** 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.

TABLE OF CONTENTS

Table of Contents

CERTAIN DEFINED TERMS, CONVENTIONS AND

PRESENTATION OF FINANCIAL INFORMATION

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

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

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

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

Table of Contents

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

Table of Contents

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

SELECTED FINANCIAL DATA

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

	Year ended March 31,				
	2009	2010	2011	2012	2013
	(Millions of yen)				
Income statement data[1],[2]:					
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

Table of Contents

	As of March 31, 2009	2010	2011	2012	2013
	(Millions of yen, except number of Shares)				
Balance sheet data[2]:					
Investment in direct financing leases[3]	¥ 914,444	¥ 756,481	¥ 830,853	¥ 900,886	¥ 989,380
Installment loans[3]	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[8]	922,170,670	1,102,299,480	1,102,458,460	1,102,544,220	1,248,714,760
Number of outstanding Shares[8]	894,002,200	1,074,842,470	1,074,985,020	1,075,217,210	1,221,433,050

	As of and for the Year Ended March 31, 2009	2010	2011	2012	2013
	(Yen and dollars, except ratios and number of employees)				
Key ratios (%)[4]:					
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
Per share data[8] and employees:					
ORIX Corporation shareholders equity per Share[5]	¥ 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[6]	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[7]	$ 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

2

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.

Table of Contents

EXCHANGE RATES

The following table provides the noon buying rates for Japanese yen, expressed in Japanese yen per $1.00 in New York City for cable transfers in foreign currencies. As of June 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.

	Year Ended March 31,				
	2009	2010	2011	2012	2013
	(Yen per dollar)				
Yen per dollar exchange rates:					
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
2012		
December	¥ 86.64	¥ 81.86
2013		
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

Table of Contents

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 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.

(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.

Table of Contents

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.

Table of Contents

(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 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.

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 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.

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

Table of Contents

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.

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

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

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

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

Item 4. Information on the Company

GENERAL

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

CORPORATE HISTORY

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

Table of Contents

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.

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

Table of Contents

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[(1)]	(Millions of yen)	¥ 66,021	¥ 83,509	¥ 111,909
ROE[(2)]	(%)	5.1	6.2	7.4
ROA[(3)]	(%)	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.

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

Table of Contents

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.

	Years ended March 31, 2011	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.

Table of Contents

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 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

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.

Table of Contents

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 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.

Table of Contents

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.

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.

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

Table of Contents

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 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.

Table of Contents

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[1] (Thousands of m^2)**
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	

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

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

(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.

Table of Contents

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.

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.

Table of Contents

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.

Table of Contents

Item 5. Operating and Financial Review and Prospects

Table of Contents for Item 5

OVERVIEW

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

Market Environment

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.

Table of Contents

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 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)			
Financial Assets:				
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
Total	¥ 826,764	¥ 168,729	¥ 513,158	¥ 144,877
Financial Liabilities:				
Derivative liabilities	¥ 18,037	¥ 0	¥ 18,037	¥ 0

Total	¥ 18,037	¥ 0	¥ 18,037	¥ 0

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

Table of Contents

As of March 31, 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)	Percentage of Total Assets (%)
	(Millions of yen, except percentage data)	
Level 3 Assets:		
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
Total Level 3 financial assets	¥ 144,877	2
Total assets	¥ 8,439,710	100

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.

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

34

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

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

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

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

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

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

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

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

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

Table of Contents

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.

Table of Contents

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.

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

IMPAIRMENT OF LONG-LIVED ASSETS

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

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

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

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

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

UNGUARANTEED RESIDUAL VALUE FOR DIRECT FINANCING LEASES AND OPERATING LEASES

We estimate unguaranteed residual values of leased equipment except real estate, which is explained in Impairment of Long-lived Assets described above, when we calculate unearned lease income to be recognized as income over the lease term for direct financing leases and when we calculate depreciation amounts for operating leases 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.

Table of Contents

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.

Table of Contents

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.

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

Table of Contents

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.

Year ended March 31, 2013			
Carrying amount[1]			
Balance at April 1, 2012	Change amount	Balance at March 31, 2013	Fair value at March 31, 2013[2]
(Millions of yen)			
¥912,495	¥(65,265)	¥847,230	¥857,747

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

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

Revenue and expense for investment and rental property for fiscal 2013 consisted of the following:

Year ended March 31, 2013				
Revenue[1]	Expense[1]	Operating income	Income from discontinued operations[2]	Net
(Millions of yen)				
¥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.

Table of Contents

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.

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.

Table of Contents

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[3]	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[4]	(Basic)	77.68	102.87	25.19	32
	(Diluted)	65.03	87.37	22.34	34
ROE[1]		6.2	7.4	1.2	
ROA[2]		0.99	1.33	0.34	

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

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

Table of Contents

(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[1]	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[2]	1,284.15	1,345.63	61.48	5
ORIX Corporation Shareholders Equity ratio[3]	16.6%	19.5%	2.9%	
Adjusted ORIX Corporation Shareholders equity ratio[4]	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[4]	2.8x	2.3x	(0.5)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)) effective April 1, 2012.

Table of Contents

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

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

Table of Contents

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

Table of Contents

Operating leases

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

47

Table of Contents

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

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

In Japan, the balance of installment loans increased as a result of consolidation of ORIX Credit 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.

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.

Table of Contents

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

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

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

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

The balance of loans to consumer borrowers in Japan as of March 31, 2013 increased 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.

49

Table of Contents

Asset quality

Direct financing leases

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

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

The balance of 90+ days past-due direct financing leases decreased 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	As of March 31, 2013
	(Millions of yen, except percentage data)	

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

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

Table of Contents

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)	
90+ days past-due loans not individually evaluated for impairment:		
Consumer borrowers in Japan		
Housing loans	¥ 8,557	¥ 6,367
Card loans		719
Other		629
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)	
Loans individually evaluated for impairment:		
Impaired loans	¥ 293,774	¥ 212,740
Effect of the application of the accounting standards for the consolidation of VIEs(1)	58,029	44,646
Impaired loans requiring an allowance	218,938	159,942
Effect of the application of the accounting standards for the consolidation of VIEs(1)	34,494	29,880
Allowance for loans individually evaluated for impairment(2)	91,407	65,151
	15,267	12,970

Effect of the application of the accounting standards for the consolidation of VIEs[1]

[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.

Table of Contents

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)	
Impaired loans:		
Consumer borrowers in Japan		
Housing loans	¥ 8,979	¥ 8,494
Card loans		1,858
Other		504
Subtotal	8,979	10,856
Corporate borrowers in Japan		
Real estate companies	72,038	47,126
Non-recourse loans	44,148	23,415
Commercial, industrial and other companies	77,277	50,680
Subtotal	193,463	121,221
Overseas		
Non-recourse loans	38,809	37,635
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)			
Provision for doubtful receivables on direct financing leases and probable loan losses:				
Beginning balance	¥ 154,150	¥ 136,588	¥ (17,562)	(11)
Direct financing leases	21,201	16,852	(4,349)	(21)
Loans not individually evaluated for impairment	35,626	28,329	(7,297)	(20)
Loans individually evaluated for impairment	97,323	91,407	(5,916)	(6)
Provision charged to income	19,186	10,016	(9,170)	(48)
Direct financing leases	2,568	2,423	(145)	(6)
Loans not individually evaluated for impairment	(4,978)	(3,055)	1,923	(39)
Loans individually evaluated for impairment	21,596	10,648	(10,948)	(51)
Charge-offs (net)	(36,259)	(43,188)	(6,929)	19
Direct financing leases	(6,783)	(4,046)	2,737	(40)
Loans not individually evaluated for impairment	(2,190)	(3,457)	(1,267)	58
Loans individually evaluated for impairment	(27,286)	(35,685)	(8,399)	31
Other[(1)]	(489)	848	1,337	
Direct financing leases	(134)	601	735	
Loans not individually evaluated for impairment	(129)	1,466	1,595	
Loans individually evaluated for impairment	(226)	(1,219)	(993)	439
Ending balance	136,588	104,264	(32,324)	(24)
Direct financing leases	16,852	15,830	(1,022)	(6)
Loans not individually evaluated for impairment	28,329	23,283	(5,046)	(18)
Loans individually evaluated for impairment	91,407	65,151	(26,256)	(29)

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

(1) The balance of investment in securities related to our life insurance operations are included in investment in securities in 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.

Table of Contents

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)			
Investment in securities by security type:				
Trading securities	¥ 12,817	¥ 33,041	¥ 20,224	158
Available-for-sale securities	886,487	757,299	(129,188)	(15)
Held-to-maturity securities	43,830	89,451	45,621	104
Other securities	204,256	213,877	9,621	5
Total	¥ 1,147,390	¥ 1,093,668	¥ (53,722)	(5)

Investments in trading securities increased 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)			
Brokerage commissions and net gains on investment securities:				
Brokerage commissions	¥ 24	¥ 122	¥ 98	408
Net gains on investment securities(1)	24,894	28,805	3,911	16
Dividend income(1)	4,419	5,887	1,468	33

Total	¥ 29,337	¥ 34,814	¥ 5,477	19

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

Table of Contents

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)			
Life insurance premiums and related investment income and life insurance costs:				
Life insurance premiums	¥ 116,836	¥ 130,187	¥ 13,351	11
Life insurance-related investment income	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)			
Breakdown of life insurance-related investment income:				
Net income on investment securities	¥ 5,786	¥ 5,350	¥ (436)	(8)
Interest on loans, income on real estate under operating leases, and others	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.

Table of Contents

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

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

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

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

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

Real estate sales

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

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

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

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)			
Gains on sales of real estate under operating leases:				
Gains on sales of real estate under operating leases	¥ 2,215	¥ 5,800	¥ 3,585	162

Table of Contents

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 March 31,		Change	
	2012	2013	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Other operations:				
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.

Table of Contents

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)			
Selling, general and administrative expenses:				
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

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.

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 or these joint ventures.

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

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

Gains on sales of subsidiaries and affiliates and liquidation losses, net increased to ¥7,883 million in fiscal 2013 as compared to ¥3,317 million in fiscal 2012. A gain on sales of an equity-method affiliate that owns real estate such as rental condominiums was recorded in fiscal 2012 and a gain 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

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.

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[1]:				
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

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

Table of Contents

	Year ended March 31, 2012	2013	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Profits[1]:				
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, 2012	2013	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Assets:				
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.

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.

Table of Contents

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.