

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 20-F**

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR  
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended March 31, 2015  
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)*

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

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
(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, 2015, 1,323,644,528 Shares were outstanding, including Shares that were represented by 3,329,773 ADSs.

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

Yes  No

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

Yes  No

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

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

Yes  No

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

Yes  No

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

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

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

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

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

Item 17  Item 18

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

Yes  No

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

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

Yes  No

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

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## **CERTAIN DEFINED TERMS, CONVENTIONS AND PRESENTATION OF FINANCIAL INFORMATION**

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

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

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

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

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

The Company’s fiscal year ends on March 31. The fiscal year ended March 31, 2015 is referred to throughout this annual report as “fiscal 2015,” and other fiscal years are referred to in a corresponding manner. References to years not specified as being fiscal years are to calendar years.

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

### **FORWARD-LOOKING STATEMENTS**

This annual report contains statements that constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. When included in this annual report, the words “will,” “should,” “expects,” “intends,” “anticipates,” “estimates” and similar expressions, among others, identify forward looking statements. Such statements, which include, but are not limited to, statements contained in “Item 3. Key Information—Risk Factors,” “Item 5. Operating and Financial Review and Prospects” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk,” inherently are subject to a variety of

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

## 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,				
	2011	2012	2013	2014	2015
	(Millions of yen)				
<b>Income statement data<sup>(1)(2)</sup>:</b>					
Total revenues	¥938,258	¥963,721	¥1,052,477	¥1,375,292	¥2,174,283
Total expenses	865,992	841,506	901,624	1,172,244	1,917,454
Operating income	72,266	122,215	150,853	203,048	256,829
Equity in net income of affiliates	16,806	1,983	13,836	18,368	30,531
Gains on sales of subsidiaries and affiliates and liquidation losses, net	1,199	3,317	7,883	64,923	20,575
Bargain purchase gain	0	0	0	0	36,082
Income before income taxes and discontinued operations	90,271	127,515	172,572	286,339	344,017
Income from continuing operations	65,437	82,907	118,890	187,786	254,960
Net income (loss) attributable to the noncontrolling interests	2,373	(332)	3,164	3,815	15,339
Net income attributable to the redeemable noncontrolling interests	2,959	2,724	3,985	4,108	4,970
Net income attributable to ORIX Corporation shareholders	66,021	83,509	111,909	187,364	234,948

	As of March 31,				
	2011	2012	2013	2014	2015
	(Millions of yen, except number of Shares)				
<b>Balance sheet data<sup>(2)</sup>:</b>					
Investment in Direct Financing					
Leases <sup>(3)</sup> . . . . .	¥ 830,853	¥ 900,886	¥ 989,380	¥ 1,094,073	¥ 1,216,454
Installment Loans <sup>(3)</sup> . . . . .	2,983,164	2,769,898	2,691,171	2,315,555	2,478,054
Allowance for Doubtful Receivables on Direct Financing Leases and					
Probable Loan Losses . . . . .	(154,150)	(136,588)	(104,264)	(84,796)	(72,326)
Investment in Operating Leases . . . . .	1,270,295	1,309,998	1,395,533	1,379,741	1,296,220
Investment in Securities . . . . .	1,175,381	1,147,390	1,093,668	1,214,452	2,846,257
Property under Facility Operations . . . . .	207,480	194,576	218,697	295,863	278,100
Others . . . . .	2,248,887	2,146,670	2,155,525	2,852,073	3,400,869
Total assets . . . . .	¥ 8,561,910	¥ 8,332,830	¥ 8,439,710	¥ 9,066,961	¥ 11,443,628
Short-Term Debt, Long-Term Debt and Deposits . . . . .					
Policy Liabilities and Policy Account Balances . . . . .	¥ 6,075,076	¥ 5,828,967	¥ 5,560,847	¥ 5,367,412	¥ 5,705,110
Common stock . . . . .	398,596	405,017	426,007	454,436	2,073,650
Additional paid-in capital . . . . .	143,995	144,026	194,039	219,546	220,056
ORIX Corporation shareholders' equity . . . . .	179,137	179,223	229,600	255,449	255,595
Number of issued Shares . . . . .	1,306,582	1,380,736	1,643,596	1,919,346	2,152,198
Number of outstanding Shares <sup>(4)</sup> . . . . .	1,102,458,460	1,102,544,220	1,248,714,760	1,322,777,628	1,323,644,528
	1,074,985,020	1,075,217,210	1,221,433,050	1,309,444,294	1,308,642,971

	As of and for the Year Ended March 31,				
	2011	2012	2013	2014	2015
	(Yen and dollars, except ratios and number of employees)				
<b>Key ratios (%)<sup>(5)</sup>:</b>					
Return on ORIX Corporation shareholders' equity ("ROE") . . . . .	5.1	6.2	7.4	10.5	11.5
Return on assets ("ROA") . . . . .	0.81	0.99	1.33	2.14	2.29
ORIX Corporation shareholders' equity ratio . . . . .	15.3	16.6	19.5	21.2	18.8
Allowance/investment in direct financing leases and installment loans . . . . .	4.0	3.7	2.8	2.5	2.0

<b>Per Share data and employees:</b>					
ORIX Corporation shareholders' equity per Share <sup>(6)</sup> . . . . .	¥1,215.44	¥1,284.15	¥1,345.63	¥1,465.77	¥1,644.60
Basic earnings per Share for income attributable to ORIX					
Corporation shareholders from continuing operations <sup>(7)</sup> . . . . .	55.91	74.24	103.09	142.00	179.24
Basic earnings per Share for net income attributable to ORIX					
Corporation shareholders . . . . .	61.42	77.68	102.87	147.75	179.47
Diluted earnings per Share for net income attributable to ORIX					
Corporation shareholders . . . . .	51.83	65.03	87.37	143.20	179.21
Dividends applicable to fiscal year per Share . . . . .	8	9	13	23	36
Dividends applicable to fiscal year per Share <sup>(8)</sup> . . . . .	\$ 0.10	\$ 0.12	\$ 0.13	\$ 0.22	\$ 0.29
Number of employees . . . . .	17,578	17,488	19,043	25,977	31,035

(1) Certain line items presented in the consolidated statements of income have been changed starting from fiscal 2015. The amounts that had been previously reported have been reclassified for this change. For further information about the reclassifications, see Note 1 (ai) of "Item 18. Financial Statements."

(2) Prior-year amounts have been adjusted retrospectively to eliminate a lag period that previously existed between DAIKYO INCORPORATED (DAIKYO) and ORIX in fiscal 2015. For further information, see Note 1 (ah) of "Item 18. Financial Statements."

(3) The sum of assets considered 90 days or more past due and loans individually evaluated for impairment amounted to ¥344,855 million, ¥319,819 million, ¥236,291 million, ¥155,860 million and ¥123,042 million as of March 31, 2011, 2012, 2013, 2014 and 2015, respectively. These sums included: (i) investment in

direct financing leases considered 90 days or more past due of ¥22,787 million, ¥17,441 million, ¥15,806 million, ¥13,887 million and ¥15,373 million as of March 31, 2011, 2012, 2013, 2014 and 2015, respectively, (ii) installment loans (excluding loans individually evaluated for impairment) considered 90 days or more past due of ¥10,037 million, ¥8,604 million, ¥7,745 million, ¥6,149 million and ¥6,635 million as of March 31, 2011, 2012, 2013, 2014 and 2015, respectively, and (iii) installment loans individually evaluated for impairment of ¥312,031 million, ¥293,774 million, ¥212,740 million, ¥135,824 million and ¥101,034 million as of March 31, 2011, 2012, 2013, 2014 and 2015, respectively. See “Item 5. Operating and Financial Review and Prospects—Results of Operations—Year Ended March 31, 2015 Compared to Year Ended March 31, 2014—Details of Operating Results—Revenues, New Business Volumes and Investments—Asset quality.”

- (4) The Company’s shares held through the Board Incentive Plan Trust, which was established in July 2014 to provide shares at the time of retirement as compensation, are included in the number of treasury stock shares and excluded from the number of outstanding shares. As of March 31, 2015, the trust holds 2,153,800 shares.
- (5) 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.
- (6) ORIX Corporation shareholders’ equity per Share is the amount derived by dividing ORIX Corporation shareholders’ equity by the number of outstanding shares.
- (7) 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.
- (8) 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.

## 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 19, 2015, the noon buying rate for Japanese yen was ¥122.70 = \$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,				
	2011	2012	2013	2014	2015
	(Yen per dollar)				
<b>Yen per dollar exchange rates:</b>					
High .....	¥94.68	¥85.26	¥96.16	¥105.25	¥121.50
Low .....	78.74	75.72	77.41	92.96	101.26
Average of the last days of the months .....	85.00	78.86	83.26	100.46	110.78
At period-end .....	82.76	82.41	94.16	102.98	119.96

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

	High	Low
<b>2014</b>		
December .....	¥121.38	¥117.28
<b>2015</b>		
January .....	¥120.20	¥116.78
February .....	120.38	117.33
March .....	121.50	119.01
April .....	120.36	118.80
May .....	124.18	119.09

## RISK FACTORS

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

### 1. Risks Related to our External Environment

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

Our business is affected by general economic conditions and financial conditions in Japan and in foreign countries. While the world economy is now on the course of recovery, thanks to steady economic growth in the United States and certain other countries, protracted low growth rate of European economies, economic deterioration of resource-exporting countries due to the sharp decline of oil prices, and downward revision of China’s economic growth rate target are continuing to create uneven economic landscapes among different economies. In Japan, as the trend of weakening yen stabilizes, we are seeing companies improve their revenues, adopt business plans that incorporate more active capital expenditures, and raise base salaries of employees.



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

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

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

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

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

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

We conduct business operations in Japan as well as in the United States, Asia, Oceania, the Middle East and Europe. Our operations in the United States, Asia, Oceania and Europe are especially large. 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 infectious diseases. If any such event occurs, it may, among other things, cause unexpectedly large market price movements or an unexpected deterioration of economic conditions in a country or region. If such a sudden and unpredictable event occurs, our business activities, financial condition and results of operations may be adversely affected as a result.

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

As of June 23, 2015, five of our shareholders have filed large shareholder reports pursuant to the Financial Instruments and Exchange Act (“FIEA”) indicating at the time of its filing beneficial ownership, as that term is used in the FIEA, by the relevant shareholder of more than five percent of the total number of our outstanding Shares. Our shareholders may, for strategic, investment or other reasons, decide to reduce their shareholdings in ORIX. Dispositions of Shares, particularly dispositions of large numbers of Shares by major shareholders, may adversely affect market prices for our Shares. For information on major shareholders, see “Item 7. Major Shareholders and Related Party Transactions.”

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

## **2. Credit Risk**

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

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

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

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

## **3. Business Risk**

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

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

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

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

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

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

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

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

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

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

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

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

***(3) Risks related to our other businesses***

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

**4. Market Risk**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **6. Legal Risk**

***(1) 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.

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

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

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

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

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

## **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 results of operations***

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

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

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

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

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

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

We have established and assessed our internal control 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 control over financial reporting, and such finding may cause us or our accountants to disclose that our internal control over financial reporting are ineffective, which could cause a loss of investor confidence in the reliability of our financial statements and cause our share price to fall. In any such case, our business activities, financial condition and results of operations may be adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

In July 2014, we acquired Hartford Life Insurance K.K. (“HLIKK”) through our wholly-owned subsidiary ORIX Life Insurance (“ORIX Life Insurance”). In December 2014, we acquired Yayoi Co., Ltd. (“Yayoi”), a software service provider targeting small businesses.

## **STRATEGY**

### **Target Performance Indicators**

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

ROA to indicate asset efficiency. ORIX aims to achieve a mid-term net income target of ¥300 billion for the fiscal year ending March 31, 2018, and ROE around 11% to 12% 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 businesses.

Three-year trends in performance indicators are as follows.

		As of March 31,		
		2013	2014	2015
Net income attributable to ORIX Corporation				
shareholders	(Millions of yen)	¥111,909	¥187,364	¥234,948
ROE <sup>(1)</sup>	(%)	7.4	10.5	11.5
ROA <sup>(2)</sup>	(%)	1.33	2.14	2.29

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

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

### Medium- Term Management Targets

ORIX Group continues to provide innovative and flexible solutions to address changes in the market environment and needs. ORIX Group's diversified business portfolio consists of six business segments: Corporate Financial Services, Maintenance Leasing, Real Estate, Investment and Operation, Retail, and Overseas Business. These business segments are closely integrated with each other to create greater value through sharing know-how and expertise.

ORIX Group, using its diversified business portfolio as basis, intends to capitalize on its business foundation, client base, industry know-how and accumulated expertise, to continuously improve profitability by providing high value-added services to the market. Furthermore, under our mid-term strategy of "Expansion in Non-Finance Business," ORIX Group aims to achieve sustainable profit growth.

Our strategy of "Expansion in Non-Finance Business" consists of "Organic growth" and "Investment in key areas." With these principles, we will pursue new business opportunities arising from the changing business environment.

- "Organic growth": Deepen our strength and expertise to further expand our automobile-related business in Japan and abroad, to develop new peripheral businesses based on Yayoi's business platform, further diversify our overseas business portfolios, and expand our life insurance business.
- "Investment in key areas": Position asset turnover as an important strategy and continue to pursue new investment opportunities in key areas identified as environment and energy-related business, network in Asia, asset management, and principal investment. In conjunction with the new investments, we will also pursue divestments of low-profitability and low-growth assets.

### Corporate Challenges to be Addressed

It is vital for ORIX Group to continue to maintain and develop a business structure that flexibly and swiftly adapts to the changing business environment. ORIX will take the following three steps in order to achieve the aforementioned Medium-Term Management Targets."

1. *Further advancement of risk management.* Fortify ORIX Group's growth-supporting risk management foundation by enhancing the expertise necessary to manage risk, and further refining the ability to discern good risks from bad ones.

2. *Pursue transactions that are both socially responsible and economically viable.* Pursue transactions that are socially and environmentally responsible while providing products and services that are valued by clients and improve ORIX Group's profitability.
3. *Create a fulfilling workplace.* Focus on ORIX Group's strengths as a global organization to create a fulfilling work environment for all employees regardless of nationality, age, gender, background or type of employment.

## PROFILE OF BUSINESS BY SEGMENT

Our reportable segments are based on ASC 280 ("Segment Reporting"). For a discussion of the basis for the breakdown of segments, see Note 32 in "Item 18. Financial Statements." The following table shows a breakdown of profits by segment for the years ended March 31, 2013, 2014 and 2015.

	Years ended March 31,		
	2013	2014	2015
	(Millions of yen)		
Corporate Financial Services .....	¥ 25,932	¥ 24,874	¥ 25,519
Maintenance Leasing .....	34,913	37,062	40,366
Real Estate .....	5,582	17,956	3,484
Investment and Operation .....	34,937	95,786	42,414
Retail .....	43,209	49,871	120,616
Overseas Business .....	52,756	69,688	104,143
Total segment profits .....	197,329	295,237	336,542
Difference between segment total and consolidated amounts .....	(24,757)	(8,898)	7,475
Total Consolidated Amounts .....	¥172,572	¥286,339	¥344,017

Each of our segments is briefly described below.

## BUSINESS SEGMENTS

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

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

### Corporate Financial Services

#### *Overview of Operation*

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

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

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

### ***Operating Environment***

Despite concerns over the impact of the April 2014 consumption tax hike on the economy, the Japanese economy remains on a modest recovery trajectory, and there are signs of improvement in corporate earnings. As such, the Japanese economy continues to gradually recover. Improved corporate earnings have improved corporate sentiment, and we continue to see moderate gains in capital spending. In addition, the yen remains weak and share prices continue to rise, supported by the Bank of Japan's monetary easing measures introduced in 2013. We have also seen an increase in lending by financial institutions to SMEs in addition to large corporations. Going forward we anticipate an increase in capital expenditures by corporations capitalizing on the favorable financing environment.

The number of corporate bankruptcies in fiscal 2015 decreased for the sixth year in a row. We attribute this to continued support from financial institutions even after the expiration of the SME Financing Facilitation Act, as well as advance orders for public works as an economic stimulus measure intended to offset the impact of the consumption tax hike.

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

- Expand the customer base through strengthened cooperation with group companies
- Increase fee income by addressing customers' diverse needs
- Accumulate prime assets with an emphasis on profitability

### ***Operating Strategy***

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

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

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

## **Maintenance Leasing**

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

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

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

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

### ***Operating Environment***

Despite concerns over the impact of the April 2014 consumption tax hike would on the economy, the Japanese economy remains on a modest recovery trajectory, and there are signs of improvement in corporate earnings. We are seeing a steady increase in capital expenditures as corporate sentiment grew positive due to improvement in corporate revenues. Furthermore, demand for automobile leasing and truck rentals is expected to rise due to the government's plan for a large-scale public investment program. The weakening of the yen has helped increase tourism in Japan, resulting in greater demand for automobile rentals.

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

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

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

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

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

### ***Operating Strategy***

The automobile business aims to increase its leased assets to reinforce and expand its customer base. In Japan, while the leasing rate of vehicle fleets for enterprises that own more than 30 vehicles is relatively high, it is very low for enterprises and individuals that own 30 vehicles or fewer. On the other hand, these smaller enterprises and individuals account for a large proportion of the vehicles owned in Japan. Therefore, the automobile business will strive to increase the proportion of the customer base consisting of smaller enterprises and individuals while continuing to grow the large-enterprises customer base. Moreover, we will strive to reinforce relationships with customers through cross-functional marketing activities with corporate sales departments in Japan that cut across the Group.

The automobile business is strengthening the provision of high value-added services. Seeking to ensure a stable revenue stream and differentiate itself from competitors, the automobile business leverages its consulting capabilities to select and offer optimum services to the customer from a wide range of vehicle management services. While continually reviewing the line-up of products and services in response to changes in the business environment and evolving customer needs, the automobile business develops new products and services to create new market segments. In addition, to promote the retail business, we will propose a wide range of approaches to car use, such as car rental and car sharing, to meet individual customer's diverse needs and provide elaborate services.

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

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

## **Real Estate**

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

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

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

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

### ***Operating Environment***

Since the introduction of Bank of Japan's monetary easing measures, which rippled out to the actual economy, the real estate market has been energized and financial institutions have increased overall lending. Japan's winning bid as the host of the 2020 Tokyo Olympics and Paralympics has attracted renewed attention on Japan's real estate market, and foreign investors are resuming investments in this market, partly because of the weakening of the yen.

In the office building market, the glut of new office buildings has weakened somewhat, and the vacancy rate has been falling. The rise in rental prices is spreading from the Tokyo metropolitan area to some other major cities. In the J-REIT market, property acquisitions have been increasing through initial public offerings, and public offerings by existing J-REITs. The market has shown rising sales prices with increased competition to acquire properties, and has produced several large-scale real estate deals.

In the condominium market, the contract completion rate in each of the Tokyo and Osaka metropolitan areas remains above the key benchmark level of 70%. Despite the temporary negative impact of the April 2014 consumption tax hike, condominium sales are expected to remain robust.

We expect the facilities operation business to remain solid, supported by a favorable business environment, and characterized by higher consumer spending as a result of the economic recovery and the upturn in foreign visitors to Japan.

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

- Turn over assets while taking advantage of the favorable business environment, and promote attractive new investments
- Strengthen the facilities operation business
- Expand fee business by enhancing the asset management business

### ***Operating Strategy***

In the real estate development and rental business, we aim to promote fee revenues, attractive new investments, including co-investments, and capture capital gains on disposal of assets. To expand fee business, we will leverage the strength of the Real Estate segment's comprehensive value chain, including leasing, asset management, finance and ORIX Group's customer base. For example, not only will joint investments 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 endeavor to review our portfolio while further strengthening our robust facilities operation business to improve profitability. At the same time, we will improve service to ensure that ORIX delivers customer satisfaction to generate customer loyalty. In order to add value unique to ORIX facilities, we will promote personnel training and development.

Through these measures, we will turn this business into a business generating high and stable revenue.

## **Investment and Operation**

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

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

For more than ten years, ORIX has been actively involved in the environment and energy-related business through the collection and disposal of waste generated from end-of-lease assets. Moreover, we aim to expand the environment and energy-related business, as with the joint establishment in fiscal 2015 of a private equity fund with the Asian Development Bank and Robeco for the purpose of making environment-related investments in Asia.

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

The loan servicing business invests in non-performing loans and engages in joint operations of business rehabilitation support companies through capital alliances with financial institutions.

### ***Operating Environment***

In Japan, in the environment and energy-related business, despite signs that the feed-in tariff program for renewable energy may be revamped, renewable energy will be important in the medium to long term, and the

scope of our domestic environment and energy-related business continues to expand to areas outside of solar power, including wind power and geothermal power generation. Other industries are entering into this field ahead of the full deregulation of the retail electricity market, which is scheduled to be implemented in April 2016 under the Amended Electricity Business Act, and there has been a sharp rise in power producers and suppliers (PPS) in the past few years. Overseas, especially in Asia, economic growth is accelerating demand for energy. We expect this increase to continue.

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

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

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

- Expand investment in environment and energy-related business and further promote of renewable energy power generation business
- Expand principal investment both domestically and overseas
- Pursue new profit opportunities capitalizing on loan servicing expertise

### ***Operating Strategy***

In our environment and energy-related business, we will increase investment in renewable energy. In Japan, we will focus on the development of energy sources other than solar power, such as wind power, geothermal power and biomass, and will work together with our domestic sales and marketing divisions. We aim to become one of Japan's leading renewable energy power companies. We also seek to expand the business ahead of the deregulation of the electricity retail market.

Overseas, we will focus on power generation businesses in Asia. We also aim to expand our investment in the environment and energy-related business through the private equity fund that was launched in fiscal 2015 with the Asian Development Bank and Robeco.

In the principal investment business, we will leverage our track record to carefully select and actively invest in foreign and domestic business operations. After investing, we will provide hands-on support backed by specialists, use our business platform of the Group to develop a base of customers and business partners and implement other measures to improve the corporate value of investees in a manner unique to ORIX. We will seek opportunistic investments without limiting the industries we invest in. In Japan, we emphasize domestic investment in medical-related fields, IT services and the food industry. Overseas, we are focused on a wide range of industries, primarily financial services, while also considering regions we have not yet entered, primarily in Asia and the Middle East.

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



## **Retail**

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

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

ORIX Life Insurance was founded in 1991 and operates mainly through agencies and mail order sales. On July 1, 2014, ORIX Life Insurance acquired HLIKK, and the two companies will merge on July 1, 2015. HLIKK discontinued selling insurance products in June 2009 and has focused on policy management including asset management in special accounts and customer services. 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. ORIX Bank began card loan operations in March 2012.

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

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

### ***Operating Environment***

In the domestic life insurance market, the size of each insurance contract on average is becoming smaller, and although the number of contracts increased, the balance of contracts was relatively flat over the previous year. While demand for death benefits is showing little growth, demand for so-called third-sector insurance—medical insurance and cancer insurance, among others—is increasing. Meanwhile, the sales channels for insurance products continue to diversify to include bank, internet and direct shop sales. In the investment environment, buoyant stock prices have eliminated the negative spreads of major life insurance companies, prompting moves by some of these life insurance companies to pay out policyholder dividends and reduce premiums.

In the banking industry, loan balances and the types of borrowers are increasing. Meanwhile, loan interest rates are declining due to intensified competition. Furthermore, financing demand by individual investors investing in rental condominiums continues to grow.

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 under the Money Lending Business Act, there has been a rapid decrease in loan balances and the number of loan providers. However, there are signs that the reduction in loan balances has bottomed out, and that banks are beginning to expand their individual unsecured loan lending activities.

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

- Develop distinctive new products and enhance the agency network in life insurance business
- Expand card loan business via the consolidated management of ORIX Bank and ORIX Credit

### ***Operating Strategy***

In this segment, as an overall strategy, we will continue to provide products with a high level of customer satisfaction and develop a new market aimed at individual 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 insurance such as cancer and medical treatment insurance, the company launched a whole life insurance product called “Rise” in August 2014, and will focus on first-sector insurance such as life insurance and increasing the number of contracts. In addition, it will seek to widen its sales channels by expanding its network of agents and using mail order sales. It will also seek to improve its financial strength by improving business efficiency.

ORIX Bank operates efficiently with a high loan-deposit ratio to flexibly raise funds. These funds are primarily from corporate deposits and “e-Direct Deposits,” an internet-only fixed deposit service for individual customers. In the housing loan business, ORIX Bank will increase its housing loan balance by leveraging its know-how and network that it has developed over the years.

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

## **Overseas Business**

### *Overview of Operation*

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

Since first expanding into Hong Kong in 1971, ORIX Group has established an overseas network spanning 554 bases in 35 countries and regions. Underpinned by a leasing, automobile leasing and corporate finance operating base that is aligned with the conditions of each country, the Overseas Business segment engages in real estate-related investments, principal investment and non-performing loan investment activities, as well as aircraft and shipping businesses that includes leasing, management, investment, intermediary and sales activities.

Furthermore, the Overseas Business segment conducts asset management operations for individual and corporate clients through Robeco, a Dutch asset manager that became a consolidated subsidiary of ORIX Group in July 2013. In 2014, ORIX launched a private equity fund with Robeco and the Asian Development Bank for the purpose of investing in environment and energy-related projects and low-carbon projects in Asia. We are steadily pursuing collaboration within the Group to expand this business.

### *Operating Environment*

In the United States, although the Federal Reserve ended the quantitative easing program and attention is now focused on when it will raise rates, the United States economy continues to show steady growth, supported by a recovery in the job market, solid housing demand and higher personal spending. Going forward, we expect the United States economy to drive the global economy.

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

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

In the shipping industry, there are still no signs of recovery.

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

- Continue to strengthen non-finance business based on high level of expertise in the United States
- Expand leasing business and new investment centered on Asia
- Accumulate quality assets in the ship- and aircraft-related business
- Expand asset management business, primarily with Robeco

### ***Operating Strategy***

In the United States, in addition to maintaining a stable presence in our traditional business of investing in municipal bonds, CMBS and other fixed-income securities and providing corporate finance services, we seek to enhance our fee business by leveraging the high-level of expertise of Houlihan Lokey's M&A advisory and business evaluation services, Red Capital Group's loan structuring and servicing services and Mariner Investment Group's fund management services. In addition, we endeavor to invest in the field of healthcare and using our local subsidiary in Brazil as base to expand into fields such as asset management, structured finance and investment banking through M&A and capital participation in South America.

In Asia, Oceania, the Middle East and Europe, while seeking to maintain stable profits from the financial services business platform of our existing local subsidiaries, which offer locally based lending and leasing, we plan to diversify our business into related fields. We will promote 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.

In addition to the sustained growth of Robeco, we will endeavor to expand the asset management business and also consider new investments.

## **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 various 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.

	As of March 31, 2015	
	Book Value (Millions of yen)	Land Space <sup>(1)</sup> (Thousands of m <sup>2</sup> )
Office building (Tachikawa, Tokyo) . . . . .	¥14,166	3
Office building (Shiba, Minato-ku, Tokyo) . . . . .	30,924	2
Office building (Osaka, Osaka) . . . . .	12,217	2
Office building (Roppongi, Minato-ku, Tokyo) . . . . .	11,172	1

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

We plan to make capital expenditures totaling approximately ¥563,000 million to support the growth and development of our operating lease business and power generation business during fiscal 2016. The following table shows a breakdown of planned capital expenditures and includes the estimated investment amounts and expected methods of financing the expenditures.

	During fiscal 2016	
	Estimated investment amounts (Millions of yen)	Expected methods of financing
Operating lease equipment and property . . . . .	¥500,000	Funds on hand, bank borrowings, etc.
Power generation equipment . . . . .	63,000	Funds on hand, bank borrowings, etc.
Total . . . . .	¥563,000	—

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

We own office buildings, apartment buildings and recreational facilities for our employees and others with an aggregate book value of ¥131,556 million as of March 31, 2015.

As of March 31, 2015, the acquisition cost of equipment we held for operating leases amounted to ¥1,781,507 million, consisting of ¥934,430 million of transportation equipment, ¥236,922 million of measuring and information-related equipment, ¥590,388 million of real estate and ¥19,767 million of others, before accumulated depreciation. Accumulated depreciation on equipment held for operating leases was ¥506,801 million as of the same date.

#### SEASONALITY

Our business is not materially affected by seasonality.

#### RAW MATERIALS

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

#### PATENTS, LICENSES AND CONTRACTS

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

## **BUSINESS REGULATION**

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

The next section describes the laws and regulations of our business in Japan, the United States and Europe, our major 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 Act Regulating the Receipt of Contributions, the Receipt of Deposits and Interest Rates 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 and DAIKYO INCORPORATED (DAIKYO), 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. DAIKYO has the Construction Business License from MoLIT.

Inns and hotels operated by ORIX Real Estate Corporation have the license from relevant prefectural governors under the Inns and Hotels Act.

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

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

### ***Insurance Business***

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

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

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

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

ORIX Whole Sale Securities Corporation (“ORIX Whole Sale”) is registered with the Prime Minister under the Financial Instruments and Exchange Act. In addition, under the Financial Instruments and Exchange Act, any entity possessing voting rights in a securities company (first class financial instruments trader) or its parent company at or above a specified threshold is considered a major shareholder and must report its shareholding to the Prime Minister. ORIX has filed such a report as a major shareholder of ORIX Whole Sale.

#### ***(2) Second Class Financial Instruments Exchange Business***

ORIX and certain of our group companies are registered with the Prime Minister under the Financial Instruments and Exchange Act to conduct the second class financial instruments exchange business.

#### ***(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, Mariner Japan Ltd., a subsidiary of Mariner Investment Group LLC, and Robeco Japan Company Ltd., a subsidiary of Robeco, are registered with the Prime Minister under the Financial Instruments and Exchange Act to engage in the investment advisory and agency business and regulated by the FSA.

#### *(5) Financial Instruments Intermediary Business*

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

#### ***Banking and Trust Business***

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

#### ***Debt Management and Collection Business***

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

#### ***Waste Management***

ORIX Environmental Resources Management Corporation and ORIX Eco Services Corporation provide waste management services regulated by the Waste Management and Public Cleansing Act and have the permission from the relevant prefectural governors.

#### ***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.”

To conduct such activities under the Foreign Exchange Regulations, notices or reports are required to be filed with the Minister of Finance through the Bank of Japan.

#### **OUTSIDE JAPAN**

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

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

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

In May 2010 ORIX USA acquired RED Capital Group, LLC, 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 Group, LLC, and its subsidiaries must comply with rules and regulations administered by the Government National Mortgage Association, the Federal National Mortgage Association, the Department of Housing and Urban Development and the Federal Housing Administration. RED Mortgage Capital, LLC, is a licensed California Finance Lender, there is also an application pending with California to approve Red Capital Partners, LLC, as a licensed Finance Lender.

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. In addition, Mariner is registered as a commodity pool operator with the U.S. Commodity Futures Trading Commission and a member of the National Futures Association.

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 Conduct 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 FCA and as such is subject to minimum regulatory capital requirements. Mariner Europe Ltd. is categorized as a limited license firm by the FCA for capital purposes. It is an investment management firm. Other majority-owned subsidiaries include Houlihan Lokey (China) Limited, which is licensed to conduct regulated activities by the Securities and Futures Commission in Hong Kong, and Mariner Investment Group, LLC, which has a Korean representative office registered with the Korean Ministry of Strategy and Finance.

On July 1, 2013, ORIX acquired approximately 90.01% (90% plus one share) of the total voting shares (equity interests) of Robeco Group N.V. (“Robeco”), the ultimate holding company of the Robeco Group. The Robeco Group consists of the following regulated entities:

Robeco Institutional Asset Management B.V. (“RIAM”), a subsidiary of Robeco, is authorized and regulated by *The Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten (“AFM”))* and *The Dutch Central Bank (De Nederlandsche Bank (“DNB”))* in the Netherlands, *inter alia*, to offer certain investment services. RIAM has branches and representative offices worldwide, including in China, Dubai, Germany, Korea, Spain and the United Kingdom, each of which either benefits from RIAM’s European passport or is subject to local regulatory supervision.

Transtrend B.V., a subsidiary of Robeco that offers asset management and commodity trading advisory services, is authorized and regulated by AFM and DNB, and is also registered with the National Futures Association in the United States (“NFA”) and regulated by the NFA and the Commodity Futures Trading Commission in the United States (“CFTC”).

Harbor Capital Advisors, Inc., Robeco Investment Management, Inc., RobecoSAM US, Inc. and Robeco Institutional Asset Management US, Inc. are registered with and regulated by the SEC to provide investment advisory services in the United States. Robeco Securities L.L.C. and Harbor Funds Distributors Inc. are investment advisors (broker-dealers) registered with the SEC and members of the FINRA.

RobecoSAM AG, a subsidiary of Robeco, is authorized and regulated by the *Swiss Financial Market Supervisory Authority (“FINMA”)*.

Robeco Luxembourg S.A., a subsidiary of Robeco, is authorized and regulated by the *Commission de Surveillance du Secteur Financier* in Luxembourg (“CSSF”).

Robeco Hong Kong Ltd. (“RHK”), a subsidiary of Robeco, is licensed by the *Securities & Futures Commission of Hong Kong (“SFC”)* to offer asset management and investment advisory services. RHK has a branch in Australia which has been approved by the *Australian Securities and Investments Commission (“ASIC”)*.

## 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.

## Item 5. Operating and Financial Review and Prospects

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### OVERVIEW

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

#### Market Environment

While the world economy is now on the course of recovery, thanks to solid economic growth in the United States and other countries, protracted low growth rate of European economies, economic deterioration of resource exporting countries due to the sharp decline of oil prices, and downward revision of China’s economic growth rate target are continuing to create uneven economic landscapes among different economies.

In Japan, as the trend of weakening yen stabilizes, we are seeing companies improve their revenues, adopt business plans that incorporate more active capital expenditures, and raise base salaries of employees.

#### Results Overview

Net Income Attributable to ORIX Corporation Shareholders for fiscal 2015 increased 25% to ¥234,948 million compared to fiscal 2014, primarily due to a significant increase in profits from the Retail and Overseas Business segments, and to robust performance by the Maintenance Leasing and Corporate Financial Services segments.

The main factors underlying our performance in fiscal 2015 are outlined below.

The Corporate Financial Services segment’s profits increased due to increases in sales of goods and services income.

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

The Real Estate segment's profits decreased due to decreases in rental revenues and sales of real estate.

The Investment and Operation segment's profits decreased due to revaluation gain recognized from consolidation of DAIKYO during fiscal 2014.

The Retail segment's profits increased due to a bargain purchase gain resulting from the acquisition of HLIKK and a gain on sale of shares of Monex Group Inc.

The Overseas Business segment's profits increased due to an increase in services income and a gain on sale of partial shares of STX Energy Co., Ltd. (presently GS E&R Corp., hereinafter, "STX Energy").

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

- Level 1—Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2—Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3—Unobservable inputs for the assets or liabilities.

ASC 820 differentiates between those assets and liabilities required to be carried at fair value at every reporting period (recurring) and those assets and liabilities that are only required to be adjusted to fair value

under certain circumstances (nonrecurring). We measure mainly loans held for sale, trading securities, available-for-sale securities, other securities, derivatives, reinsurance recoverables in other assets, contingent consideration in accounts payable and variable annuity and variable life insurance contracts in policy liabilities and policy account balances at fair value on a recurring basis. Certain subsidiaries measure certain loans held for sale, certain equity securities in available-for-sale securities, certain fund investments in other securities, certain reinsurance recoverables, and variable annuity and variable life insurance contracts at fair value on a recurring basis as they elected the fair value option under ASC 825 (“Financial Instruments”).

The following table presents recorded amounts of major financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2015:

	March 31, 2015			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Millions of yen)			
<b>Financial Assets:</b>				
Loans held for sale	¥ 15,361	¥ 0	¥ 15,361	¥ 0
Trading securities	1,190,131	50,902	1,139,229	0
Available-for-sale securities	1,356,840	130,519	1,129,270	97,051
Other securities	8,723	0	0	8,723
Derivative assets	25,123	6	13,247	11,870
Other assets	36,038	0	0	36,038
Total	<u>¥2,632,216</u>	<u>¥181,427</u>	<u>¥2,297,107</u>	<u>¥ 153,682</u>
<b>Financial Liabilities:</b>				
Derivative liabilities	¥ 29,619	¥ 762	¥ 28,857	¥ 0
Accounts Payable	5,533	0	0	5,533
Policy Liabilities and Policy Account Balances	1,254,483	0	0	1,254,483
Total	<u>¥1,289,635</u>	<u>¥ 762</u>	<u>¥ 28,857</u>	<u>¥1,260,016</u>

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

As of March 31, 2015, 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, 2015	
	Significant Unobservable Inputs (Level 3)	Percentage of Total Assets (%)
	(Millions of yen, except percentage data)	
<b>Level 3 Assets:</b>		
Available-for-sale securities . . . . .	¥ 97,051	1
Specified bonds issued by SPEs in Japan . . . . .	7,280	0
CMBS and RMBS in the Americas . . . . .	22,658	0
Other asset-backed securities . . . . .	64,252	1
Other debt securities . . . . .	2,000	0
Equity securities . . . . .	861	0
Other securities . . . . .	8,723	0
Investment funds . . . . .	8,723	0
Derivative assets . . . . .	11,870	0
Options held/written and other . . . . .	11,870	0
Other assets . . . . .	36,038	0
Reinsurance recoverables . . . . .	36,038	0
Total Level 3 financial assets . . . . .	¥ 153,682	1
Total assets . . . . .	¥11,443,628	100

As of March 31, 2015, the amount of financial assets classified as Level 3 was ¥153,682 million, among financial assets and liabilities (net) that we measured at fair value on a recurring basis. Level 3 assets represent 1% of our total assets.

Available-for-sale securities classified as Level 3 are mainly specified bonds issued by special purpose entities (“SPEs”) in Japan, CMBS and RMBS in the Americas, and other asset-backed securities. Specified bonds issued by SPEs classified as Level 3 available-for-sale securities were ¥7,280 million as of March 31, 2015, which is 8% of total Level 3 available-for-sale securities. CMBS and RMBS in the Americas and other asset-backed securities classified as Level 3 available-for-sale securities were ¥22,658 million and ¥64,252 million as of March 31, 2015, which are 23% and 66% of total Level 3 available-for-sale securities, respectively. We classified the specified bonds as Level 3 because we measure their fair value using unobservable inputs. Since the specified bonds have not been traded 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 Americas, we determined that due to the lack of observable trades for older vintage and below investment grade securities we continue to limit the reliance on independent pricing service vendors and brokers. As a result, we established internally developed pricing models (Level 3 inputs) using valuation techniques such as discounted cash flow methodologies in order to estimate fair value of these securities and classified them as Level 3. Under the models, we use anticipated cash flows of the security discounted at a risk-adjusted discount rate that incorporates our estimate of credit risk and liquidity risk that a market participant would consider. The cash flows are estimated based on a number of assumptions such as default rate and prepayment speed, as well as seniority of the security. An increase (decrease) in the discount rate or default rate would result in a decrease (increase) in the fair value of CMBS and RMBS in the Americas.

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 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 that may materially affect its fair value. For impaired purchased loans, we develop the allowance for credit losses based on the difference between the book value and the estimated collectible amount of such loans.

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

## **IMPAIRMENT OF INVESTMENT IN SECURITIES**

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

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

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

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

- duration and the extent to which the fair value has been less than the amortized cost basis;
- continuing analysis of the underlying collateral, age of the collateral, business climate, economic conditions and geographical considerations;
- historical loss rates and past performance of similar assets;
- trends in delinquencies and charge-offs;
- payment structure and subordination levels of the debt security;
- changes to the rating of the security by a rating agency; and
- subsequent changes in the fair value of the security after the balance sheet date.

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

Determinations of whether a decline in value is other than temporary often involve estimating the outcome of future events that are highly uncertain at the time the estimates are made. Management's judgment is required

in determining whether factors exist that indicate that an impairment loss should be recognized at any balance sheet date, mainly based on objective factors. In view of the diversity and volume of our shareholdings, the highly volatile equity markets make it difficult to determine whether the declines are other than temporary.

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

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

## **IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS THAT HAVE INDEFINITE USEFUL LIVES**

We test for impairment of goodwill and any intangible assets that have indefinite useful lives at least annually. Additionally, if events or changes in circumstances indicate that the asset might be impaired, we test for impairment when such events or changes occur.

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

The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying value, including goodwill. If the carrying value of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss. The second step of the goodwill impairment test compares implied fair value of the goodwill with the carrying value of that goodwill. If the carrying value of the 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 have indefinite useful lives is determined using a quantitative impairment test. Before a quantitative impairment test, we may make a qualitative assessment to determine whether it is more likely than not that the intangible asset is impaired. If we conclude that it is not more likely than not that the fair value of an intangible asset is less than its carrying amount, we do not perform the quantitative impairment test for that intangible asset. However, if we conclude that it is more likely than not that the fair value of an intangible asset is less than its carrying amount or if we cannot make any conclusion, we perform the quantitative impairment test. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

The fair value of a reporting unit under the first step and the second step is determined by estimating the outcome of future events and assumptions made by management. Similarly, estimates and assumptions are used in determining the fair value of any intangible asset that have indefinite useful lives. 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 have indefinite useful lives could affect all segments.

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

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

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

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

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

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

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

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

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

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

Certain ORIX subsidiaries write 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, medical insurance and individual annuity insurance contracts. For policies other than individual annuity insurance contracts, 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 subsidiaries continually evaluate the potential for changes in the estimates and assumptions applied in determining policy liabilities, both positive and negative, and use 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.

The insurance contracts sold by one of the life insurance subsidiaries consist of variable annuity, variable life and fixed annuity insurance contracts. The subsidiary elected the fair value option for the entire variable annuity and variable life insurance contracts in accordance with ASC 825 (“Financial Instruments”) and changes in the fair value are recognized in life insurance costs.

The subsidiary provides minimum guarantees to its variable annuity and variable life policyholders where it is exposed to the risk of compensating losses incurred by the policyholders to the extent required by the contracts. To avoid the risk, a portion of the minimum guarantee risk related to variable annuity and variable life insurance contracts is ceded to the reinsurance companies and the remaining risk is economically hedged by entering into derivative contracts. The reinsurance contracts do not relieve the subsidiary from the obligation as the primary obligor to compensate certain losses incurred by the policyholders, and the default of the reinsurance companies may impose additional losses on the subsidiary.

Policy liabilities and policy account balances for fixed annuity insurance contracts are measured based on the accumulation of account deposits plus interest based on expected rate and fair value adjustments relating to the acquisition of a subsidiary, less withdrawals, expenses and other charges. The credited interest is recorded in life insurance costs in the consolidated statements of income.

ASC 944 (“Financial Services—Insurance”) requires insurance companies to defer certain costs related directly to the successful acquisition of new or renewal insurance contracts, or deferred policy acquisition costs, and amortize them over the respective policy periods in proportion to anticipated premium revenue. These deferred policy acquisition costs consist primarily of first-year commissions in excess of recurring policy maintenance costs and expenses for underwriting policies. 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, 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 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 primarily Overseas Business segment.

## **PENSION PLANS**

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

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

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

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

We use March 31 as a measurement date for our pension assets and projected benefit obligation balances under all of our material plans. If we were to assume a 1% increase or decrease in the expected long-term rate of return, holding the discount rate and other actuarial assumptions constant, pension expense for fiscal 2015 would decrease or increase, respectively, by approximately ¥2,029 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 2015 would decrease by approximately ¥1,698 million. If we were to assume a 1% decrease in the discount rate, and keep other assumptions constant, pension expense for fiscal 2015 would increase by approximately ¥2,919 million.

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

## INCOME TAXES

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

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

## DISCUSSION WITH AND REVIEW BY THE AUDIT COMMITTEE

Our management discussed the development and selection of each critical accounting estimate with our Audit Committee in June 2015.

## 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 2015, as well as the fair value as of the end of fiscal 2015.

Year ended March 31, 2015			
Carrying amount <sup>(1)</sup>			
Balance at April 1, 2014	Change amount	Balance at March 31, 2015	Fair value at March 31, 2015 <sup>(2)</sup>
	(Millions of yen)		
<u>¥732,639</u>	<u>¥(159,462)</u>	<u>¥573,177</u>	<u>¥628,110</u>

(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 2015 consisted of the following:

Year ended March 31, 2015				
Revenue <sup>(1)</sup>	Expense <sup>(2)</sup>	Operating income (Millions of yen)	Income from discontinued operations <sup>(3)</sup>	Net
<u>¥84,672</u>	<u>¥83,418</u>	<u>¥1,254</u>	<u>¥22</u>	<u>¥1,276</u>

- (1) Revenue consists of revenue from leases and gains on sales of real estate under operating leases. Revenue from leases is composed of real estate-related revenues from “Operating leases” and “Life insurance premiums and related investment income.”
- (2) Expense consists of costs related to the above revenue such as depreciation expense, repair cost, insurance cost, tax and duty which are included in “Costs of operating leases,” and “Write-downs of long-lived assets.”
- (3) Income from discontinued operations is income such as the results of operations of subsidiaries, which were classified as held for sale at March 31, 2014.

## RESULTS OF OPERATIONS

### GUIDE TO OUR CONSOLIDATED STATEMENT OF INCOME

The following discussion and analysis provide 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 adding 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 into businesses, such as banking, life insurance, real estate and asset management. 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 finance revenues, gains on investment securities and dividends, operating leases, life insurance premiums and related investment income, sales of goods and real estate and services income, 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:

Finance revenues include primarily direct financing leases, interest on loans and interest on investment securities 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 certain group companies, including our subsidiaries operating in the Americas. As a result, gains on investment securities and dividends have grown and become one of our major revenue sources.

Services income consist of revenues derived from our various operations which are considered a part of our recurring operating activities, such as asset management and servicing, real estate management and contract work, facilities management related business, commissions for advisory services, automobile related business, and environment and energy related business.

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 goods and real estate sold, services expense and selling, general and administrative expenses.

"Services expense" is directly associated with the sales and revenues separately reported within services income. 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, 2015 Compared to Year Ended March 31, 2014" and "Year Ended March 31, 2014 Compared to Year Ended March 31, 2013."

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

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

## YEAR ENDED MARCH 31, 2015 COMPARED TO YEAR ENDED MARCH 31, 2014

### Performance Summary

#### Financial Results

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except ratios, per Share data and percentages)			
Total revenues	¥1,375,292	¥2,174,283	¥798,991	58
Total expenses	1,172,244	1,917,454	745,210	64
Income before Income Taxes and Discontinued Operations				
Operations	286,339	344,017	57,678	20
Net Income Attributable to ORIX Corporation Shareholders				
Shareholders	187,364	234,948	47,584	25
Earnings per Share (Basic)	147.75	179.47	31.72	21
(Diluted)	143.20	179.21	36.01	25
ROE <sup>(1)</sup>	10.5	11.5	1.0	—
ROA <sup>(2)</sup>	2.14	2.29	0.15	—

(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.

Total revenues for fiscal 2015 increased 58% to ¥2,174,283 million compared to ¥1,375,292 million during fiscal 2014. Life insurance premiums and related investment income increased as a result of the recognition of investment income from underlying investments related to variable annuity and variable life insurance contracts in connection with the consolidation of HLIKK, which we acquired on July 1, 2014. In addition, services income increased due to contributions from DAIKYO, which became a consolidated subsidiary on February 27, 2014, from Robeco, which was acquired on July 1, 2013, and from other newly consolidated subsidiaries acquired, as well as expansion of our environment and energy-related business. Sales of goods and real estate increased primarily due to contributions from newly acquired and consolidated subsidiaries and DAIKYO.

Total expenses for fiscal 2015 increased 64% to ¥1,917,454 million compared to ¥1,172,244 million during fiscal 2014. In line with the abovementioned revenue increases, life insurance costs, services expense, and costs of goods and real estate sold also increased. Selling, general and administrative expenses also increased due in part to an increase in the number of consolidated subsidiaries and strong performance of fee business in the Americas.

Meanwhile, HLIKK consolidation resulted in a bargain purchase gain in fiscal 2015 in an amount representing the excess of fair value of the net assets acquired over the fair value of the consideration transferred.

As a result of the foregoing, income before income taxes and discontinued operations for fiscal 2015 increased 20% to ¥344,017 million compared to ¥286,339 million during fiscal 2014, and net income attributable to ORIX Corporation shareholders during fiscal 2015 increased 25% to ¥234,948 million compared to ¥187,364 million during fiscal 2014.

Starting from fiscal 2015 we made changes to line items presented in the consolidated balance sheets, the consolidated statements of income, and the consolidated statements of cash flows. These changes aim to reflect fairly the changing revenues structure of ORIX Group, namely the increasing proportion of revenues from non-finance businesses, which has resulted from continued diversification of our business activities and also an increase in the number of subsidiaries acquired and consolidated in recent years. For instance, in the consolidated statements of income, revenues from transactions previously classified under "other operating revenues" and "revenues from asset management and servicing" have been reclassified into "services income," a new line item that reflects actual business

transactions more accurately. In the consolidated balance sheets, while there are no major changes, “other operating assets” has been changed to “property under facility operations.” The consolidated financial statements in fiscal 2014 have been adjusted retrospectively to reflect these changes. For details of the changes made to the consolidated financial statements, refer to Note 1 of “Item 18. Financial Statements.”

Since its acquisition on February 27, 2014, the Company had been consolidating DAIKYO on a lag basis. In order to reflect DAIKYO’s financial position and results of operations and cash flows in the Company’s consolidated financial statements in a concurrent manner, the Company eliminated the lag period and has aligned DAIKYO’s fiscal year end with the Company’s fiscal year end of March 31 during fiscal 2015. Because the elimination of a lag period represents a change in accounting principle, the Company retrospectively adjusted the consolidated financial statements of fiscal 2014.

***Balance Sheet data***

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen except ratios, per share and percentages)			
Total Assets . . . . .	¥9,066,961	¥11,443,628	¥2,376,667	26
(Segment assets) . . . . .	7,267,798	9,170,249	1,902,451	26
Total Liabilities . . . . .	6,917,419	9,058,656	2,141,237	31
(Long- and short-term debt) . . . . .	4,160,999	4,417,730	256,731	6
(Deposits) . . . . .	1,206,413	1,287,380	80,967	7
ORIX Corporation Shareholders’ Equity . . . . .	1,919,346	2,152,198	232,852	12
ORIX Corporation Shareholders’ Equity per share . . . . .	1,465.77	1,644.60	178.83	12
ORIX Corporation Shareholders’ Equity ratio <sup>(1)</sup> . . . . .	21.2%	18.8%	(2.4)%	—
Adjusted ORIX Corporation Shareholders’ equity ratio <sup>(2)</sup> . . . . .	21.8%	19.3%	(2.5)%	—
D/E ratio (Debt-to-equity ratio) (Long- and short-term debt (excluding deposits) / ORIX Corporation Shareholders’ equity) . . . . .	2.2x	2.1x	(0.1)x	—
Adjusted D/E ratio <sup>(2)</sup> . . . . .	2.0x	1.9x	(0.1)x	—

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

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

Total assets as of March 31, 2015 increased 26% to ¥11,443,628 million compared to ¥9,066,961 million on March 31, 2014. Investment in securities and other assets increased primarily in conjunction with the acquisition of HLIKK. In addition, installment loans increased primarily in the Americas. Meanwhile, investment in operating leases decreased due to sales of rental properties and aircraft. Segment assets increased 26% compared to March 31, 2014, to ¥9,170,249 million.

We manage the balance of interest-bearing liabilities at an appropriate level taking into account the condition of assets and liquidity on-hand as well as the domestic and overseas financial environments. As a result, short-term debt decreased, and long-term debt and deposits increased compared to fiscal 2014. In addition, policy liabilities and policy account balances for variable annuity and variable life insurance contracts increased in connection with the consolidation of HLIKK.



ORIX Corporation Shareholders' Equity as of March 31, 2015 increased 12% to ¥2,152,198 million compared to March 31, 2014, primarily due to an increase in retained earnings.

## Details of Operating Results

The following is a discussion of certain items in the consolidated statements of income, operating assets in the consolidated balance sheets and other selected financial information, including on a segment by segment basis.

### Segment Information

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

Financial information about our operating segments reported below is separately available to, and evaluated regularly by, management in deciding how to allocate resources and in assessing performance. We evaluate the performance of these 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.

Historically, when presenting operating results of segments, revenues from inter-segment transactions have not been included in the revenues of each segment. However, due to the increasing number of inter-segment transactions, we decided to include revenues from inter-segment transactions into the revenues of each segment starting from fiscal 2015. As a result of this change, segment revenues for fiscal 2014 have been adjusted accordingly. Nevertheless, the impact of this change on segment revenues was insignificant in amount for all periods presented.

In addition, during fiscal 2015, the closing date of the accounting period of DAIKYO, which is included in Investment and Operation segment has been changed in order to eliminate a lag period that previously existed between DAIKYO and ORIX. Based on this change, the financial statements for fiscal 2014 have been adjusted retrospectively.

For a description of the business activities of our segments, see "Item 4. Information on the Company—Business Segments." 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	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
<b>Segment Revenues<sup>(1)</sup>:</b>				
Corporate Financial Services . . . . .	¥ 78,825	¥ 85,502	¥ 6,677	8
Maintenance Leasing . . . . .	251,328	263,499	12,171	5
Real Estate . . . . .	203,382	182,321	(21,061)	(10)
Investment and Operation . . . . .	236,879	666,120	429,241	181
Retail . . . . .	211,612	425,977	214,365	101
Overseas Business . . . . .	412,157	561,893	149,736	36
Segment Total . . . . .	<u>1,394,183</u>	<u>2,185,312</u>	<u>791,129</u>	57
Difference between Segment Total and Consolidated				
Amounts . . . . .	<u>(18,891)</u>	<u>(11,029)</u>	<u>7,862</u>	—
Consolidated Amounts . . . . .	<u>¥1,375,292</u>	<u>¥2,174,283</u>	<u>¥798,991</u>	58

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

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Segment Profits<sup>(1)</sup>:</b>				
Corporate Financial Services . . . . .	¥ 24,874	¥ 25,519	¥ 645	3
Maintenance Leasing . . . . .	37,062	40,366	3,304	9
Real Estate . . . . .	17,956	3,484	(14,472)	(81)
Investment and Operation . . . . .	95,786	42,414	(53,372)	(56)
Retail . . . . .	49,871	120,616	70,745	142
Overseas Business . . . . .	69,688	104,143	34,455	49
Segment Total . . . . .	295,237	336,542	41,305	14
Difference between Segment Total and Consolidated				
Amounts . . . . .	(8,898)	7,475	16,373	—
Consolidated Amounts . . . . .	¥286,339	¥344,017	¥ 57,678	20

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

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Segment Assets:</b>				
Corporate Financial Services . . . . .	¥ 992,078	¥ 1,132,468	¥ 140,390	14
Maintenance Leasing . . . . .	622,009	662,851	40,842	7
Real Estate . . . . .	962,404	835,386	(127,018)	(13)
Investment and Operation . . . . .	552,183	660,014	107,831	20
Retail . . . . .	2,166,986	3,700,635	1,533,649	71
Overseas Business . . . . .	1,972,138	2,178,895	206,757	10
Segment Total . . . . .	7,267,798	9,170,249	1,902,451	26
Difference between Segment Total and Consolidated				
Amounts . . . . .	1,799,163	2,273,379	474,216	26
Consolidated Amounts . . . . .	¥9,066,961	¥11,443,628	¥2,376,667	26

### ***Corporate Financial Services Segment***

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

In Japan, despite the negative impact on consumer spending and housing investment from the consumption tax hike that went into effect in April 2014, capital expenditures are expected to increase due to continued improvement in corporate revenues. We are also seeing an increase in lending by financial institutions to SMEs in addition to large corporations, while the competition in the lending business continues to intensify.

Segment revenues increased 8% to ¥85,502 million compared to ¥78,825 million during fiscal 2014 due to an increase in sales of goods and services income resulting primarily from revenue contribution from Yayoi, which we acquired on December 22, 2014, and robust fee business including solar panel and life insurance sales to domestic SMEs, offsetting a decrease in finance revenues in line with the decreased average installment loan balances.

Segment expenses increased compared to fiscal 2014, but overall, segment profits increased 3% to ¥25,519 million during fiscal 2015 compared to ¥24,874 million during fiscal 2014.

Segment assets increased 14% to ¥1,132,468 million as of March 31, 2015 compared to March 31, 2014 due primarily to the inclusion of goodwill and other intangible assets recorded following the consolidation of Yayoi, offsetting a decrease in installment loans.

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
Finance revenues	¥ 37,235	¥ 35,624	¥ (1,611)	(4)
Operating leases	25,627	24,473	(1,154)	(5)
Services income	14,858	21,997	7,139	48
Sales of goods and real estate, and other	1,105	3,408	2,303	208
<b>Total Segment Revenues</b>	<b>78,825</b>	<b>85,502</b>	<b>6,677</b>	<b>8</b>
Interest expense	8,594	8,627	33	0
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	(822)	1,252	2,074	—
Other than the above	46,814	50,691	3,877	8
<b>Total Segment Expenses</b>	<b>54,586</b>	<b>60,570</b>	<b>5,984</b>	<b>11</b>
<b>Segment Operating Income</b>	<b>24,239</b>	<b>24,932</b>	<b>693</b>	<b>3</b>
Equity in Net income (Loss) of Affiliates, and others	635	587	(48)	(8)
<b>Segment Profits</b>	<b>¥ 24,874</b>	<b>¥ 25,519</b>	<b>¥ 645</b>	<b>3</b>

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
Investment in direct financing leases	¥450,295	¥ 461,704	¥ 11,409	3
Installment loans	470,684	461,277	(9,407)	(2)
Investment in operating leases	26,184	30,329	4,145	16
Investment in securities	21,337	45,415	24,078	113
Property under facility operations	2,524	5,930	3,406	135
Inventories	667	55	(612)	(92)
Advances for investment in operating leases	41	202	161	393
Investment in affiliates	18,909	20,875	1,966	10
Advances for property under facility operations	40	772	732	—
Goodwill and other intangible assets acquired in business combinations	1,397	105,909	104,512	—
<b>Total Segment Assets</b>	<b>¥992,078</b>	<b>¥1,132,468</b>	<b>¥140,390</b>	<b>14</b>

### *Maintenance Leasing Segment*

This segment consists of automobile leasing and rentals, car sharing and test and measurement instruments and IT-related equipment rentals and leasing.

The Japanese automobile leasing industry has been experiencing steady recovery in the number of new auto leases in line with Japan's gradual economic recovery, despite the temporary negative impact of the consumption tax hike that went into effect in April 2014.

Segment revenues increased 5% to ¥263,499 million during fiscal 2015 from ¥251,328 million during fiscal 2014 due primarily to an increase in operating leases revenues and finance revenues resulting from the steady expansion of assets in the automobile-related business, and an increase in services income derived from value-added services.

Meanwhile segment expenses increased due primarily to an increase in the costs of operating leases which was in line with revenues growth. As a result of the foregoing, segment profits increased 9% to ¥40,366 million during fiscal 2015 compared to ¥37,062 million during fiscal 2014.

Segment assets increased 7% to ¥662,851 million as of March 31, 2015 compared to March 31, 2014 due primarily to steady increases in investment in operating leases and investment in direct financing leases.

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues . . . . .	¥ 9,472	¥ 11,103	¥ 1,631	17
Operating leases . . . . .	177,103	185,699	8,596	5
Services income . . . . .	60,275	62,535	2,260	4
Sales of goods and real estate, and other . . . . .	4,478	4,162	(316)	(7)
Total Segment Revenues . . . . .	251,328	263,499	12,171	5
Interest expense . . . . .	3,687	3,690	3	0
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities . . . . .	1,654	374	(1,280)	(77)
Other than the above . . . . .	208,982	218,982	10,000	5
Total Segment Expenses . . . . .	214,323	223,046	8,723	4
Segment Operating Income . . . . .	37,005	40,453	3,448	9
Equity in Net income (Loss) of Affiliates, and others . . . . .	57	(87)	(144)	—
Segment Profits . . . . .	¥ 37,062	¥ 40,366	¥ 3,304	9

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases . . . . .	¥149,965	¥184,907	¥34,942	23
Investment in operating leases . . . . .	467,983	473,035	5,052	1
Investment in securities . . . . .	892	1,130	238	27
Property under facility operations . . . . .	443	576	133	30
Inventories . . . . .	340	463	123	36
Advances for investment in operating leases . . . . .	383	241	(142)	(37)
Investment in affiliates . . . . .	1,718	2,074	356	21
Goodwill and other intangible assets acquired in business combinations . . . . .	285	425	140	49
Total Segment Assets . . . . .	¥622,009	¥662,851	¥40,842	7

### *Real Estate Segment*

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

Office rents and vacancy rates in the Japanese office building market are continuing to show signs of improvement. J-REIT and foreign investors are becoming more active in property acquisitions, and we are also seeing increased sales of large-scale real estate and rising sales prices due to increased competition among buyers. Furthermore, with increasing number of tourists from abroad, we are seeing improvement in the occupancy rate and average daily rate of hotels and Japanese inns. In the condominium market, we are seeing signs of weakening sales of new condominium units following the consumption tax hike that went into effect in April 2014.

Segment revenues decreased 10% to ¥182,321 million in fiscal 2015 compared to ¥203,382 million in fiscal 2014 due primarily to decrease in rental revenues, which are included in operating leases revenues and finance revenues. The revenue decrease is in line with the decreased asset balance and decrease in sales of real estate due to fewer condominiums sold. On the other hand, gains on sales of real estate under operating leases, which are included in operating leases revenues, and services income both increased. The increase in services income was due primarily to solid performance by the facility operation business and increased fees from asset management.

Segment expenses remained at almost the same level compared to fiscal 2014 with a decrease in the cost of real estate sold offset by an increase in write-downs of long-lived assets.

As a result of the foregoing, segment profits decreased 81% to ¥3,484 million during fiscal 2015 compared to ¥17,956 million during fiscal 2014.

Segment assets decreased 13% to ¥835,386 million as of March 31, 2015 compared to March 31, 2014 due primarily to a decrease in investment in operating leases which resulted from sales of rental properties.

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 6,132	¥ 4,057	¥ (2,075)	(34)
Operating leases	66,624	63,765	(2,859)	(4)
Services income	101,836	104,115	2,279	2
Sales of goods and real estate, and other	28,790	10,384	(18,406)	(64)
Total Segment Revenues	<u>203,382</u>	<u>182,321</u>	<u>(21,061)</u>	(10)
Interest expense	9,018	6,968	(2,050)	(23)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	21,819	29,714	7,895	36
Other than the above	159,483	151,385	(8,098)	(5)
Total Segment Expenses	<u>190,320</u>	<u>188,067</u>	<u>(2,253)</u>	(1)
Segment Operating Income	<u>13,062</u>	<u>(5,746)</u>	<u>(18,808)</u>	—
Equity in Net income (Loss) of Affiliates, and others	4,894	9,230	4,336	89
Segment Profits	<u>¥ 17,956</u>	<u>¥ 3,484</u>	<u>¥(14,472)</u>	(81)

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
Investment in direct financing leases . . . . .	¥ 17,541	¥ 22,277	¥ 4,736	27
Installment loans . . . . .	42,757	22,811	(19,946)	(47)
Investment in operating leases . . . . .	527,065	423,825	(103,240)	(20)
Investment in securities . . . . .	25,074	21,718	(3,356)	(13)
Property under facility operations . . . . .	166,646	172,207	5,561	3
Inventories . . . . .	19,418	12,484	(6,934)	(36)
Advances for investment in operating leases . . . . .	61,575	44,666	(16,909)	(27)
Investment in affiliates . . . . .	62,504	91,275	28,771	46
Advances for property under facility operations . . . . .	18,732	12,055	(6,677)	(36)
Goodwill and other intangible assets acquired in business combinations . . . . .	21,092	12,068	(9,024)	(43)
Total Segment Assets . . . . .	<u>¥962,404</u>	<u>¥835,386</u>	<u>¥(127,018)</u>	(13)

### ***Investment and Operation Segment***

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

In the Japanese environment and energy-related business, even though the government is reassessing the feed-in tariff program for renewable energy, the significance of renewable energy in the mid-long term is on the rise, with investment targets expanding beyond solar power generation projects to include wind and geothermal power generation projects. In the capital markets, the fiscal year ended March 31, 2015 marked the fifth consecutive year of increase in the number of initial public offerings. This favorable capital markets environment has continued into fiscal 2015.

Segment revenues increased 181% to ¥666,120 million during fiscal 2015 compared to ¥236,879 million during fiscal 2014 due to increases in services income and sales of goods and real estate contributed by newly acquired subsidiaries, environment and energy-related business, and consolidation of DAIKYO.

Segment expenses also increased compared to fiscal 2014 due to increase in expenses in connection with newly acquired subsidiaries, DAIKYO, and the environment and energy-related business.

Meanwhile, because we recognized a valuation gain in connection with DAIKYO becoming a consolidated subsidiary from an equity method affiliate during fiscal 2014, segment profits decreased 56% to ¥42,414 million during fiscal 2015 from ¥95,786 million during fiscal 2014.

Segment assets increased 20% to ¥660,014 million as of March 31, 2015 compared to March 31, 2014 due primarily to an increase in property under facility operations contributed by the newly acquired subsidiaries and environment and energy-related business, and an increase in inventories of DAIKYO, which offset a decrease in installment loans in the loan servicing business.

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 18,350	¥ 15,650	¥ (2,700)	(15)
Gains on investment securities and dividends	9,732	9,309	(423)	(4)
Sales of goods and real estate	120,596	371,402	250,806	208
Services income	86,062	260,360	174,298	203
Operating leases, and other	2,139	9,399	7,260	339
Total Segment Revenues	236,879	666,120	429,241	181
Interest expense	4,077	3,609	(468)	(11)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	4,402	1,297	(3,105)	(71)
Other than the above	200,428	627,411	426,983	213
Total Segment Expenses	208,907	632,317	423,410	203
Segment Operating Income	27,972	33,803	5,831	21
Equity in Net income (Loss) of Affiliates, and others	67,814	8,611	(59,203)	(87)
Segment Profits	¥ 95,786	¥ 42,414	¥ (53,372)	(56)

  

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 14,702	¥ 15,092	¥ 390	3
Installment loans	118,848	93,196	(25,652)	(22)
Investment in operating leases	16,811	23,388	6,577	39
Investment in securities	95,072	112,896	17,824	19
Property under facility operations	53,589	90,895	37,306	70
Inventories	81,661	116,549	34,888	43
Advances for investment in operating leases	378	16	(362)	(96)
Investment in affiliates	59,759	51,108	(8,651)	(14)
Advances for property under facility operations	4,693	30,861	26,168	558
Goodwill and other intangible assets acquired in business combinations	106,670	126,013	19,343	18
Total Segment Assets	¥552,183	¥660,014	¥107,831	20

### ***Retail Segment***

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

Although the life insurance business is being affected by macroeconomic factors such as domestic population decline, we are seeing increasing numbers of companies developing new products in response to the rising demand for medical insurance. In the consumer finance sector, loan demand is increasing due to improved consumer confidence resulting from Japan's economic recovery, and consumer finance providers are enhancing their marketing activities accordingly.

Segment revenues increased 101% to ¥425,977 million during fiscal 2015 compared to ¥211,612 million during fiscal 2014 due to recognition of a gain on sale of shares of Monex Group Inc. and an increase in revenues resulting from the acquisition of HLIKK on July 1, 2014. In addition, an increase in finance revenues in the banking business and an increase in revenues driven by growth in the number of policies in force in the life insurance business also contributed to higher segment revenues.

Segment expenses increased compared to fiscal 2014 due primarily to an increase in insurance related expenses in connection with the consolidation of HLIKK, in addition to an increase in selling, general, and administrative expenses.

In addition to the foregoing, with a bargain purchase gain resulting from the acquisition of HLIKK, segment profits increased 142% to ¥120,616 million compared to ¥49,871 million during fiscal 2014.

Segment assets increased 71% to ¥3,700,635 million compared to March 31, 2014 as a result of an increase in investment in securities being held by HLIKK, in addition to an increase in assets in the banking business.

HLIKK has discontinued selling insurance products since June 2009. ORIX Life Insurance plans to merge with HLIKK on July 1, 2015.

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
Finance revenues	¥ 50,406	¥ 52,510	¥ 2,104	4
Life insurance premiums and related investment income	155,822	352,537	196,715	126
Gains on investment securities and dividends, and other	5,384	20,930	15,546	289
Total Segment Revenues	211,612	425,977	214,365	101
Interest expense	5,593	5,669	76	1
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	3,485	3,975	490	14
Other than the above	156,582	332,432	175,850	112
Total Segment Expenses	165,660	342,076	176,416	106
Segment Operating Income	45,952	83,901	37,949	83
Bargain Purchase Gain, and others	3,919	36,715	32,796	837
Segment Profits	¥ 49,871	¥120,616	¥ 70,745	142
As of March 31,				
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
Investment in direct financing leases	¥ 4,679	¥ 2,740	¥ (1,939)	(41)
Installment loans	1,276,837	1,376,710	99,873	8
Investment in operating leases	76,873	50,587	(26,286)	(34)
Investment in securities	776,091	2,246,912	1,470,821	190
Investment in affiliates	10,971	3,785	(7,186)	(65)
Goodwill and other intangible assets acquired in business combinations	21,535	19,901	(1,634)	(8)
Total Segment Assets	¥2,166,986	¥3,700,635	¥1,533,649	71

### ***Overseas Business Segment***

This segment consists of leasing, lending, investment in bonds, investment banking, asset management and ship- and aircraft-related operations.

While the world economy is now on the course of recovery, thanks to solid economic growth in the Americas and other countries, protracted low growth rate of European economies, economic deterioration of resource exporting countries due to the sharp decline of oil prices, and downward revision of China's economic growth rate target are continuing to create uneven economic landscapes among different economies.



Segment revenues increased 36% to ¥561,893 million during fiscal 2015 compared to ¥412,157 million during fiscal 2014 due primarily to an increase in services income resulting from greater fee revenues contributed by business operations in the United States and by the asset management business of Robeco, which we acquired on July 1, 2013.

Segment expenses increased compared to fiscal 2014 due primarily to an increase in expenses from asset management business of Robeco, in addition to an increase in selling, general, and administrative expenses.

In addition to the foregoing, we recognized a gain on partial sale of shares of STX Energy, which as a result of the sale changed from a consolidated subsidiary to an equity method affiliate. Segment profits increased 49% to ¥104,143 million compared to ¥69,688 million during fiscal 2014.

Segment assets increased 10% to ¥2,178,895 million compared to March 31, 2014 due primarily to increases in installment loans and investment in securities in the Americas offsetting a decrease in property under facility operations due to sale of partial shares of STX Energy.

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
Finance revenues	¥ 57,328	¥ 63,259	¥ 5,931	10
Gains on investment securities and dividends	15,813	30,466	14,653	93
Operating leases	76,591	82,113	5,522	7
Services income	228,827	321,527	92,700	41
Sales of goods and real estate, and other	33,598	64,528	30,930	92
Total Segment Revenues	412,157	561,893	149,736	36
Interest expense	28,087	29,989	1,902	7
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	13,132	19,921	6,789	52
Other than the above	296,640	413,180	116,540	39
Total Segment Expenses	337,859	463,090	125,231	37
Segment Operating Income	74,298	98,803	24,505	33
Equity in Net income (Loss) of Affiliates, and others	(4,610)	5,340	9,950	—
Segment Profits	¥ 69,688	¥ 104,143	¥ 34,455	49

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
Investment in direct financing leases	¥ 332,635	¥ 386,567	¥ 53,932	16
Installment loans	246,845	344,108	97,263	39
Investment in operating leases	263,978	278,665	14,687	6
Investment in securities	323,288	404,322	81,034	25
Property under facility operations	89,570	26,867	(62,703)	(70)
Inventories	3,888	35,925	32,037	824
Advances for investment in operating leases	17,541	4,434	(13,107)	(75)
Investment in affiliates	143,454	209,027	65,573	46
Advances for property under facility operations	27,066	0	(27,066)	(100)
Goodwill and other intangible assets acquired in business combinations	523,873	488,980	(34,893)	(7)
Total Segment Assets	¥1,972,138	¥2,178,895	¥206,757	10

## Revenues, New Business Volumes and Investments

### Finance revenues

	For the year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Finance revenues:</b>				
Finance revenues .....	¥191,700	¥186,883	¥(4,817)	(3)

Finance revenues decreased 3% from fiscal 2014 to ¥186,883 million for fiscal 2015 primarily due to a decrease in the average balance of installment loans of VIEs in the Americas.

### Direct financing leases

	As of and for the year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Direct financing leases:</b>				
New equipment acquisitions .....	¥ 560,665	¥ 595,351	¥ 34,686	6
Japan .....	366,177	376,249	10,072	3
Overseas .....	194,488	219,102	24,614	13
Investment in direct financing leases .....	1,094,073	1,216,454	122,381	11

The balance of direct financing leases increased in fiscal 2015 compared to fiscal 2014 primarily due to an increase in new equipment acquisitions overseas, particularly in Asia.

New equipment acquisitions related to direct financing leases increased 6% to ¥595,351 million compared to fiscal 2014. New equipment acquisitions for operations in Japan increased 3% in fiscal 2015, and new equipment acquisition for overseas operations increased 13% in fiscal 2015 compared to fiscal 2014.

Investment in direct financing leases as of March 31, 2015 increased 11% to ¥1,216,454 million compared to March 31, 2014 due to the effect of yen depreciation and the increases in new equipment described above.

As of March 31, 2015, no single lessee represented more than 2% of our total portfolio of direct financing leases. As of March 31, 2015, 68% of our direct financing leases were to lessees in Japan, while 32% were to overseas lessees. Approximately 8% of our direct financing leases were to lessees in Malaysia and approximately 5% 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	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Investment in direct financing leases by category:</b>				
Transportation equipment .....	¥ 386,913	¥ 432,313	¥ 45,400	12
Industrial equipment .....	199,731	245,032	45,301	23
Electronics .....	151,885	158,289	6,404	4
Information-related and office equipment .....	95,719	103,580	7,861	8
Commercial services equipment .....	70,781	67,805	(2,976)	(4)
Other .....	189,044	209,435	20,391	11
Total .....	<u>¥1,094,073</u>	<u>¥1,216,454</u>	<u>¥122,381</u>	11

## Installment loans

	As of and for the year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Installment loans<sup>(1)</sup>:</b>				
New loans added .....	¥1,034,726	¥1,110,054	¥ 75,328	7
Japan .....	813,327	843,149	29,822	4
Overseas .....	221,399	266,905	45,506	21
Installment loans .....	2,315,555	2,478,054	162,499	7

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

New loans added increased 7% to ¥1,110,054 million compared to fiscal 2014. In Japan, new loans added increased 4% to ¥843,149 million in fiscal 2015 as compared to fiscal 2014 due to an increase in housing loans in Japan, and overseas, new loans added increased 21% to ¥266,905 million compared to fiscal 2014 due to increased lending activity in the Americas and Asia.

The balance of installment loans as of March 31, 2015 increased 7% to ¥2,478,054 million compared to March 31, 2014 due to the effect of yen depreciation and increased lending activity in the Americas and Asia.

The following table sets forth the balance of our installment loans to borrowers in Japan and overseas as of March 31, 2014 and 2015, further categorized by the type of borrower (i.e., consumer or corporate) for borrowers in Japan. As of March 31, 2015, ¥13,933 million, or 1%, 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	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Installment loans:</b>				
<b>Consumer borrowers in Japan</b>				
Housing loans .....	¥ 973,439	¥1,048,216	¥ 74,777	8
Card loans .....	228,868	243,225	14,357	6
Other .....	24,875	22,866	(2,009)	(8)
Subtotal .....	1,227,182	1,314,307	87,125	7
<b>Corporate borrowers in Japan</b>				
Real estate companies .....	228,062	227,568	(494)	(0)
Non-recourse loans .....	72,625	41,535	(31,090)	(43)
Commercial, industrial and other companies .....	409,846	401,718	(8,128)	(2)
Subtotal .....	710,533	670,821	(39,712)	(6)
<b>Overseas</b>				
Non-recourse loans .....	101,579	83,233	(18,346)	(18)
Commercial, industrial companies and other .....	222,920	367,401	144,481	65
Subtotal .....	324,499	450,634	126,135	39
Purchased loans <sup>(1)</sup> .....	53,341	42,292	(11,049)	(21)
Total .....	¥2,315,555	¥2,478,054	¥162,499	7

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

As of March 31, 2015, ¥271,966 million, or 11%, of all installment loans were outstanding to real estate companies in Japan and overseas. Of this amount, ¥21,107 million, or 0.9% of all installment loans, were loans individually evaluated for impairment. We recognized an allowance of ¥5,099 million on these impaired loans. As of March 31, 2015, we had installment loans outstanding in the amount of ¥106,173 million, or 4% of all installment loans, to companies in the entertainment industry. Of this amount, ¥4,472 million, or 0.2% of all installment loans, were loans individually evaluated for impairment. We recognized an allowance of ¥1,429 million on these impaired loans.

The balance of loans to consumer borrowers in Japan as of March 31, 2015 increased 7% to ¥1,314,307 million compared to the balance as of March 31, 2014. The balance of loans to corporate borrowers in Japan as of March 31, 2015 decreased 6%, to ¥670,821 million, compared to the balance as of March 31, 2014, primarily due to a decrease in the balance of non-recourse loans. The balance of loans overseas, excluding purchased loans, as of March 31, 2015 increased 39%, to ¥450,634 million, compared to the balance as of March 31, 2014, primarily due to increased lending activity in the Americas.

### *Asset quality*

#### *Direct financing leases*

	<u>As of March 31,</u>	
	<u>2014</u>	<u>2015</u>
	(Millions of yen, except percentage data)	
<b>90+ days past-due direct financing leases and allowances for direct financing leases:</b>		
90+ days past-due direct financing leases . . . . .	¥13,887	¥15,373
90+ days past-due direct financing leases as a percentage of the balance of investment in direct financing leases . . . . .	1.27%	1.26%
Provision as a percentage of average balance of investment in direct financing leases <sup>(1)</sup> . . .	0.35%	0.27%
Allowance for direct financing leases . . . . .	¥15,384	¥15,204
Allowance for direct financing leases as a percentage of the balance of investment in direct financing leases . . . . .	1.41%	1.25%
The ratio of charge-offs as a percentage of the average balance of investment in direct financing leases . . . . .	0.42%	0.33%

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

The balance of 90+ days past-due direct financing leases increased ¥1,486 million to ¥15,373 million compared to March 31, 2014. As a result, the ratio of 90+ days past-due direct financing leases decreased 0.01% from March 31, 2014 to 1.26%.

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, 2015 for the following reasons:

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

*Loans not individually evaluated for impairment*

	<u>As of March 31,</u>	
	<u>2014</u>	<u>2015</u>
	(Millions of yen, except percentage data)	
<b>90+ days past-due loans and allowance for installment loans:</b>		
90+ days past-due loans not individually evaluated for impairment	¥ 6,149	¥ 6,635
90+ days past-due loans not individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.28%	0.28%
Provision as a percentage of average balance of installment loans not individually evaluated for impairment <sup>(1)</sup>	0.10%	0.36%
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment	¥20,257	¥22,743
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.93%	0.96%
The ratio of charge-offs as a percentage of the average balance of loans not individually evaluated for impairment	0.24%	0.29%

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

The balance of 90+ days past-due loans not individually evaluated for impairment that are not individually significant and accordingly are evaluated for impairment as a homogeneous group increased 8% to ¥6,635 million as of March 31, 2015 compared to March 31, 2014.

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

	<u>As of March 31,</u>	
	<u>2014</u>	<u>2015</u>
	(Millions of yen)	
<b>90+ days past-due loans not individually evaluated for impairment:</b>		
Consumer borrowers in Japan		
Housing loans	¥4,148	¥3,877
Card loans	720	824
Other	1,218	1,913
Subtotal	<u>6,086</u>	<u>6,614</u>
Overseas		
Housing loans	63	21
Total	<u>¥6,149</u>	<u>¥6,635</u>

We make allowance for housing loans, card loans and other loans in Japan after careful evaluation of the value of collateral underlying the loans, past loss experience and any economic conditions that we believe may affect the default rate. We determine the allowance for our other items on the basis of past loss experience, general economic conditions and the current portfolio composition.

*Loans individually evaluated for impairment*

	As of March 31,	
	2014	2015
(Millions of yen)		
<b>Loans individually evaluated for impairment:</b>		
Impaired loans	¥135,824	¥101,034
Effect of the application of the accounting standards for the consolidation of VIEs <sup>(1)</sup>	15,776	11,877
Impaired loans requiring an allowance	110,775	82,630
Effect of the application of the accounting standards for the consolidation of VIEs <sup>(1)</sup>	12,718	11,877
Allowance for loans individually evaluated for impairment <sup>(2)</sup>	49,155	34,379
Effect of the application of the accounting standards for the consolidation of VIEs <sup>(1)</sup>	6,827	6,930

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

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

New provision for probable loan losses was ¥7,839 million in fiscal 2014 and ¥258 million in fiscal 2015, and charge-off of impaired loans was ¥18,296 million in fiscal 2014 and ¥15,346 million in fiscal 2015. New provision for probable loan losses decreased ¥7,581 million compared to fiscal 2014 due to a decrease in the amount of non-performing loans. Charge-off of impaired loans decreased ¥2,950 million compared to fiscal 2014.

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

	As of March 31,	
	2014	2015
(Millions of yen)		
<b>Impaired loans:</b>		
Consumer borrowers in Japan		
Housing loans	¥ 7,312	¥ 5,354
Card loans	2,950	3,741
Other	1,529	2,895
Subtotal	11,791	11,990
Corporate borrowers in Japan		
Real estate companies	28,869	15,951
Non-recourse loans	7,868	5,285
Commercial, industrial and other companies	35,810	23,475
Subtotal	72,547	44,711
Overseas		
Non-recourse loans	17,034	16,747
Commercial, industrial companies and other	11,377	12,370
Subtotal	28,411	29,117
Purchased loans	23,075	15,216
Total	¥135,824	¥101,034

### *Provision for doubtful receivables and probable loan losses*

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

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Provision for doubtful receivables on direct financing leases and probable loan losses:</b>				
Beginning balance	¥104,264	¥ 84,796	¥(19,468)	(19)
Direct financing leases	15,830	15,384	(446)	(3)
Loans not individually evaluated for impairment	23,283	20,257	(3,026)	(13)
Loans individually evaluated for impairment	65,151	49,155	(15,996)	(25)
Provision	13,838	11,631	(2,207)	(16)
Direct financing leases	3,651	3,145	(506)	(14)
Loans not individually evaluated for impairment	2,348	8,228	5,880	250
Loans individually evaluated for impairment	7,839	258	(7,581)	(97)
Charge-offs (net)	(28,116)	(25,793)	2,323	(8)
Direct financing leases	(4,351)	(3,774)	577	(13)
Loans not individually evaluated for impairment	(5,469)	(6,673)	(1,204)	22
Loans individually evaluated for impairment	(18,296)	(15,346)	2,950	(16)
Other <sup>(1)</sup>	(5,190)	1,692	6,882	—
Direct financing leases	254	449	195	77
Loans not individually evaluated for impairment	95	931	836	880
Loans individually evaluated for impairment	(5,539)	312	5,851	—
Ending balance	84,796	72,326	(12,470)	(15)
Direct financing leases	15,384	15,204	(180)	(1)
Loans not individually evaluated for impairment	20,257	22,743	2,486	12
Loans individually evaluated for impairment	49,155	34,379	(14,776)	(30)

<sup>(1)</sup> Other mainly includes foreign currency translation adjustments and others.

### *Investment in Securities*

	As of and for the year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Investment in securities<sup>(1)</sup>:</b>				
New securities added	¥ 930,526	¥1,030,426	¥ 99,900	11
Japan	855,100	899,144	44,044	5
Overseas	75,426	131,282	55,856	74
Investment in securities	1,214,452	2,846,257	1,631,805	134

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

New securities added increased 11% to ¥1,030,426 million in fiscal 2015 compared to fiscal 2014. New securities added in Japan increased 5% in fiscal 2015 compared to fiscal 2014 primarily due to an increase in investments in municipal bonds and corporate debt securities. New securities added overseas increased 74% in fiscal 2015 compared to fiscal 2014 primarily due to an increase in investments in CMBS and RMBS in the Americas.

The balance of our investment in securities as of March 31, 2015 increased 134% to ¥2,846,257 million compared to March 31, 2014.

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Investment in securities by security type:</b>				
Trading securities	¥ 16,079	¥1,190,131	¥1,174,052	—
Available-for-sale securities	881,493	1,356,840	475,347	54
Held-to-maturity securities	96,731	115,599	18,868	20
Other securities	220,149	183,687	(36,462)	(17)
Total	<u>¥1,214,452</u>	<u>¥2,846,257</u>	<u>¥1,631,805</u>	134

Investments in trading securities increased to ¥1,190,131 million in March 31, 2015 compared to March 31, 2014 primarily due to the consolidation of HLIKK. Investments in available-for-sale securities increased 54% to ¥1,356,840 million in March 31, 2015 compared to March 31, 2014 primarily due to increased balances of municipal bonds and corporate debt securities. Held-to-maturity securities increased mainly as a result of our life insurance business's investment in Japanese government bonds. Other securities decreased 17% to ¥183,687 million in March 31, 2015 compared to March 31, 2014 mainly due to sale of non-marketable equity securities.

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

#### *Gains on investment securities and dividends*

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Gains on investment securities and dividends:</b>				
Net gains on investment securities <sup>(1)</sup>	¥19,412	¥50,617	¥31,205	161
Dividends income, other <sup>(1)</sup>	7,769	5,778	(1,991)	(26)
Total	<u>¥27,181</u>	<u>¥56,395</u>	<u>¥29,214</u>	107

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

Gains on investment securities and dividends increased 107% to ¥56,395 million in fiscal 2015 compared to fiscal 2014 due to increase net gains on investment securities. Net gains on investment securities increased 161% to ¥50,617 million in fiscal 2015 compared to fiscal 2014 primarily due to the gain on the sale of shares in Monex Group Inc., recorded in fiscal 2015. Dividend income, other decreased 26% to ¥5,778 million in fiscal 2015 compared to fiscal 2014.

As of March 31, 2015, gross unrealized gains on available-for-sale securities, including those held in connection with our life insurance operations, were ¥76,643 million, compared to ¥62,522 million as of March 31, 2014. As of March 31, 2015, gross unrealized losses on available-for-sale securities, including those held in connection with our life insurance operations, were ¥2,815 million, compared to ¥2,466 million as of March 31, 2014.



## Operating leases

	As of and for the year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Operating leases:</b>				
Operating lease revenues	¥ 330,606	¥ 363,095	¥ 32,489	10
Costs of operating leases	216,568	238,157	21,589	10
New equipment acquisitions	326,329	313,996	(12,333)	(4)
Japan	223,952	210,703	(13,249)	(6)
Overseas	102,377	103,293	916	1
Investment in operating leases	1,379,741	1,296,220	(83,521)	(6)

Revenues from operating leases in fiscal 2015 increased 10% to ¥363,095 million compared to fiscal 2014 mainly due to an increase in revenue from automobile operations and rental operations such as measuring and information-related equipment in Japan and other Asian markets, and the contribution of revenues by the consolidation of DAIKYO. In fiscal 2014 and 2015, gains from the disposition of operating lease assets that were included in operating lease revenues, were ¥23,692 million and ¥34,425 million, respectively.

Costs of operating leases increased 10% to ¥238,157 million in fiscal 2015 compared to fiscal 2014 mainly due to an increase in depreciation expenses resulting from a year on year increase in the average balance of investment in transportation equipment operating leases and the consolidation of DAIKYO.

New equipment acquisitions related to operating leases decreased 4% to ¥313,996 million in fiscal 2015 compared to fiscal 2014 mainly due to a decrease in purchases of measuring and information-related equipment in Japan.

Investment in operating leases as of March 31, 2015 decreased 6% to ¥1,296,220 million compared to March 31, 2014 due to continuous sales of large amounts of real estate.

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Investment in operating leases by category:</b>				
Transportation equipment	¥ 605,064	¥ 644,840	¥ 39,776	7
Measuring and information-related equipment	96,914	95,652	(1,262)	(1)
Real estate	653,422	528,159	(125,263)	(19)
Other	4,053	6,055	2,002	49
Accrued rental receivables	20,288	21,514	1,226	6
Total	¥1,379,741	¥1,296,220	¥ (83,521)	(6)

Investment in operating leases as of March 31, 2015 decreased 6% compared to March 31, 2014, mainly due to the effect of sales of large amounts of real estate, despite an increase in investment in automobile operations and the effect of yen depreciation. Investment in transportation equipment operating leases as of March 31, 2015 increased 7% compared to March 31, 2014 mainly due to an increase in new equipment acquisitions in Japan and other Asian markets. Investment in real estate operating leases as of March 31, 2015 decreased 19% compared to March 31, 2014, mainly due to continuous sales of real estate in Japan.

### *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	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Life insurance premiums and related investment income and life insurance costs:</b>				
Life insurance premiums . . . . .	¥145,464	¥186,547	¥ 41,083	28
Life insurance-related investment income . . . . .	9,942	164,946	155,004	—
Total . . . . .	<u>¥155,406</u>	<u>¥351,493</u>	<u>¥196,087</u>	126
Life insurance costs . . . . .	<u>¥108,343</u>	<u>¥271,948</u>	<u>¥163,605</u>	151

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Breakdown of life insurance-related investment income:</b>				
Net income on investment securities . . . . .	¥ 6,421	¥184,681	¥178,260	—
Gains (losses) recognized in income on derivative . . . . .	0	(28,227)	(28,227)	—
Interest on loans, income on real estate under operating leases, and others . . . . .	3,521	8,492	4,971	141
Total . . . . .	<u>¥ 9,942</u>	<u>¥164,946</u>	<u>¥155,004</u>	—

Life insurance premiums and related investment income increased 126% to ¥351,493 million in fiscal 2015 compared to fiscal 2014.

Life insurance premiums increased 28% to ¥186,547 million in fiscal 2015 compared to fiscal 2014 due to an increase in the number of policies in force and the consolidation of HLIKK.

With respect to life insurance-related investment income, net income on investment securities increased due to the consolidation of investment assets for variable annuity and variable life insurance contracts managed by HLIKK. On the other hand, losses recognized in income on derivative were recorded due to economic hedging a portion of the minimum guarantee risk relating to these variable annuity and variable life insurance contracts. As a result, life insurance-related investment income increased to ¥164,946 million in fiscal 2015 compared to fiscal 2014.

Life insurance costs increased 151% to ¥271,948 million in fiscal 2015 compared to fiscal 2014 due to the consolidation of HLIKK along with the increase in life insurance-related investment income described above.

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Investments by life insurance operations:</b>				
Trading securities	¥ 0	¥1,165,347	¥1,165,347	—
Available-for-sale debt securities	363,108	617,094	253,986	70
Available-for-sale equity securities	7,612	12,232	4,620	61
Held-to-maturity securities	95,304	115,160	19,856	21
Other securities	6	6	0	0
Total investment in securities	466,030	1,909,839	1,443,809	310
Installment loans, real estate under operating leases and other investments	116,175	68,139	(48,036)	(41)
Total	¥582,205	¥1,977,978	¥1,395,773	240

Investment in securities as of March 31, 2015 increased 310% to ¥1,909,839 million compared to March 31, 2014 as a result of increases in trading securities and available-for-sale debt securities due to the consolidation of HLIKK.

Installment loans, real estate under operating leases and other investments as of March 31, 2015 decreased 41% to ¥68,139 million compared to March 31, 2014 as a result of sales of real estate under operating leases and increased principal collected on installment loans.

#### *Sales of goods and real estate*

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Sales of goods and real estate:</b>				
Sales of goods and real estate	¥179,884	¥ 450,869	¥ 270,985	151
Costs of goods and real estate sold	162,989	402,021	239,032	147
Inventories	¥106,031	¥ 165,540	¥ 59,509	56

Sales of goods and real estate increased 151% to ¥450,869 million compared to fiscal 2014 due to contributions from newly acquired subsidiaries and an increase in the number of condominium units delivered in Japan by consolidation of DAIKYO.

Costs of goods and real estate sold increased 147% to ¥402,021 million compared to fiscal 2014 due to contributions from newly acquired subsidiaries and an increase in the number of condominium units delivered as described above, despite a decrease in write-downs recorded on some projects under development. We recorded ¥5,650 million and ¥5,241 million of write-downs for fiscal 2014 and 2015, respectively. Costs of goods and real estate sold include the upfront costs associated with advertising and creating model rooms.

Inventories as of March 31, 2015 increased 56% to ¥165,540 million compared to March 31, 2014.

#### *Services, Property under Facility Operations*

	As of and for the year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Services, Property under Facility Operations:</b>				
Services income	¥490,515	¥ 765,548	¥ 275,033	56
Services expense	260,278	425,676	165,398	64
New assets added	50,455	148,071	97,616	193
Japan	41,792	147,348	105,556	253
Overseas	8,663	723	(7,940)	(92)
Property under Facility Operations	295,863	278,100	(17,763)	(6)

Services income increased 56% to ¥765,548 million compared to fiscal 2014 due to solid contributions from the newly acquired subsidiaries, the environment and energy-related business, consolidation of DAIKYO and fee revenues contributed by business operations in the Americas and by the asset management business of Robeco.

Services expense increased 64% to ¥425,676 million compared to fiscal 2014 resulting from the recognition of expenses from the newly acquired subsidiaries, the environment and energy-related business, consolidation of DAIKYO and the recognition of fee expenses from the asset management business of Robeco, along with the increase in services income.

New assets added for other operating transactions include property under facility operations and real estate for sale, such as residential condominiums. New assets added for other operating transactions were up 193% to ¥148,071 million in fiscal 2015 as compared to fiscal 2014 due to purchases of electric power facilities and our consolidation of DAIKYO.

Property under facility operations as of March 31, 2015 decreased 6% to ¥278,100 million compared to March 31, 2014 due to deconsolidation of STX Energy, which changed from a consolidated subsidiary to an equity method affiliate as a result of partial sale of shares.

## ***Expenses***

### ***Interest expense***

Interest expense decreased 12% to ¥72,647 million in fiscal 2015 compared to fiscal 2014. Our total outstanding short-term debt, long-term debt and deposits as of March 31, 2015 increased 6% to ¥5,705,110 million in fiscal 2015 compared to March 31, 2014.

The average interest rate on our short-term debt, long-term debt and deposits in domestic currency, calculated on the basis of average monthly balances, decreased to 0.8% in fiscal 2015, compared to 0.9% in fiscal 2014. 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 2.9% in fiscal 2015, compared to 3.4% in fiscal 2014. For more information regarding our interest rate risk, see “Item 3. Key Information—Risk Factors.” For more information regarding our outstanding debt, see “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Short-term and long-term debt and deposits.”

### ***Other (income) and expense, net***

Other (income) and expense, net included a net income of ¥21,001 million during fiscal 2014 and a net expense of ¥23,674 million during fiscal 2015. Foreign currency transaction losses included in other (income) and expense, net increased to ¥6,129 million in fiscal 2015 as compared to ¥747 million in fiscal 2014. We recognized impairment losses on goodwill included in other (income) and expense, net in the amount of ¥9,845 million due to reduction in the estimated future cash flow in fiscal 2015 compared to no impairment losses on goodwill during fiscal 2014. For further information on our goodwill, see Note 13 of “Item 18. Financial Statements.”

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

	<b>Year ended March 31,</b>		<b>Change</b>	
	<b>2014</b>	<b>2015</b>	<b>Amount</b>	<b>Percent (%)</b>
	(Millions of yen, except percentage data)			
<b>Selling, general and administrative expenses:</b>				
Personnel expenses . . . . .	¥198,290	¥265,159	¥ 66,869	34
Selling expenses . . . . .	44,731	62,997	18,266	41
Administrative expenses . . . . .	70,306	94,949	24,643	35
Depreciation of office facilities . . . . .	3,524	4,711	1,187	34
Total . . . . .	<u>¥316,851</u>	<u>¥427,816</u>	<u>¥110,965</u>	<u>35</u>

Employee salaries and other personnel expenses accounted for 62% of selling, general and administrative expenses in fiscal 2015, and the remaining portion consists of other expenses, such as rent for office space, communication expenses and travel expenses. Selling, general and administrative expenses in fiscal 2015 increased 35% year on year mainly due to an increase in the number of consolidated subsidiaries and strong performance of fee business in the Americas.

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

As a result of impairment reviews we performed in fiscal 2015 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 30% to ¥34,887 million in fiscal 2015 compared to fiscal 2014. These write-downs are reflected as write-downs of long-lived assets. These write-downs consist of impairment losses of ¥13,977 million on nine office buildings, ¥3,832 million on three commercial facilities other than office buildings, ¥621 million on one condominium, ¥3,383 million on eight parcels of lands undeveloped or under construction, and ¥13,074 million on other long-lived assets, because the assets were classified as held for sale or the carrying amount exceeded the estimated undiscounted future cash flows. In addition, write-downs of other long-lived assets in fiscal 2015 includes write-downs of ¥7,737 million of four golf courses.

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 in fiscal 2015 mainly resulted from non-marketable equity securities. In fiscal 2015, write-downs of securities increased 13% from ¥7,989 million in fiscal 2014 to ¥8,997 million in fiscal 2015. 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.”

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

Equity in net income of affiliates increased in fiscal 2015 to ¥30,531 million compared to ¥18,368 million in fiscal 2014 mainly due to contributions from real estate joint ventures in Japan.

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

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

Gains on sales of subsidiaries and affiliates and liquidation losses, net decreased to ¥20,575 million in fiscal 2015 as compared to ¥64,923 million in fiscal 2014 due to gain of ¥58,435 million in earnings recorded in fiscal 2014 from the remeasurement to fair value of the previously held equity interest as a result of our consolidation of DAIKYO.

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

Provision for income taxes in fiscal 2015 was ¥89,057 million, compared to ¥98,553 million in fiscal 2014. The decrease of ¥9,496 million was primarily due to effect of the new Japanese tax law.

For discussion of income taxes and the details of the new Japanese tax law, see Note 16 in “Item 18. Financial Statements.”

#### ***Discontinued operations***

Discontinued operations, net of applicable tax effect, was ¥297 million in fiscal 2015.

For discussion of discontinued operations, see Note 25 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 2015, net income attributable to the noncontrolling interests was ¥15,339 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 2015, net income attributable to the redeemable noncontrolling interests increased 21% year on year to ¥4,970 million.

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

### **Performance Summary**

#### *Financial Results*

	Year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
(Millions of yen, except ratios, per share data and percentages)				
Total revenues	¥1,052,477	¥1,375,292	¥322,815	31
Total expenses	901,624	1,172,244	270,620	30
Income before Income Taxes and Discontinued Operations				
Operations	172,572	286,339	113,767	66
Net Income Attributable to ORIX Corporation Shareholders				
Shareholders	111,909	187,364	75,455	67
Earnings per share (Basic)	102.87	147.75	44.88	44
(Diluted)	87.37	143.20	55.83	64
ROE <sup>(1)</sup>	7.4	10.5	3.1	—
ROA <sup>(2)</sup>	1.33	2.14	0.81	—

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

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

Total revenues for fiscal 2014 increased 31% to ¥1,375,292 million compared to ¥1,052,477 million during fiscal 2013. Compared to fiscal 2013, services income increased due to the consolidation of Robeco, an asset management company we acquired on July 1, 2013, and growth in the environment and energy-related business. In addition, sales of goods and real estate increased mainly due to revenue contribution from companies acquired during fiscal 2013, and operating lease revenues increased due to growth in auto leasing in Japan and aircraft leasing overseas. On the other hand, finance revenues decreased compared to fiscal 2013 due to a decrease in average balance of installment loans of VIEs in the Americas.

Total expenses for fiscal 2014 increased 30% to ¥1,172,244 million compared to ¥901,624 million during fiscal 2013. Services expense increased due to our acquisition of Robeco on July 1, 2013; costs of goods and real estate sold and costs of operating leases increased in line with an increase in revenues; and selling, general and administrative expenses increased mainly due to corporate acquisitions during fiscal 2014. Meanwhile, interest expense decreased due to a decrease in the average balance of borrowings outstanding, and write-downs of securities decreased mainly due to a decrease in write-downs recorded for non-marketable securities compared to fiscal 2013.

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

As a result of the foregoing, income before income taxes and discontinued operations during fiscal 2014 increased 66% to ¥286,339 million compared to ¥172,572 million during fiscal 2013, and net income attributable to ORIX Corporation shareholders during fiscal 2014 increased 67% to ¥187,364 million compared to ¥111,909 million during fiscal 2013.

Starting from fiscal 2015 we made changes to line items presented in the consolidated balance sheets, the consolidated statements of income, and the consolidated statements of cash flows. These changes aim to reflect fairly the changing revenues structure of ORIX Group, namely the increasing proportion of revenues from non-finance businesses, which has resulted from continued diversification of our business activities and also an increase in the number of subsidiaries acquired and consolidated in recent years. For instance, in the consolidated statements of income, revenues from transactions previously classified under “other operating revenues” and “revenues from asset management and servicing” have been reclassified into “services income,” a new line item that reflects actual business transactions more accurately. In the consolidated balance sheets, while there are no major changes, “other operating assets” has been changed to “property under facility operations.” The consolidated financial statements in fiscal 2013 and 2014 have been adjusted retrospectively to reflect these changes. For details of the changes made to the consolidated financial statements, refer to Note 1 of “Item 18. Financial Statements.”

Since its acquisition on February 27, 2014, the Company had been consolidating DAIKYO on a lag basis. In order to reflect DAIKYO’s financial position and results of operations and cash flows in the Company’s consolidated financial statements in a concurrent manner, the Company eliminated the lag period and has aligned DAIKYO’s fiscal year end with the Company’s fiscal year end of March 31 during fiscal 2015. Because the elimination of a lag period represents a change in accounting principle, the Company retrospectively adjusted the consolidated financial statements of fiscal 2014.

### ***Balance Sheet data***

	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen except ratios, per share and percentages)			
Total Assets <sup>(1)(2)</sup> . . . . .	¥8,439,710	¥9,066,961	¥ 627,251	7
(Segment assets) . . . . .	6,382,654	7,267,798	885,144	14
Total Liabilities <sup>(1)(2)</sup> . . . . .	6,710,516	6,917,419	206,903	3
(Long- and short-term debt) . . . . .	4,482,260	4,160,999	(321,261)	(7)
(Deposits) . . . . .	1,078,587	1,206,413	127,826	12
ORIX Corporation Shareholders’ Equity . . . . .	1,643,596	1,919,346	275,750	17
ORIX Corporation Shareholders’ Equity per share . . . . .	1,345.63	1,465.77	120.14	9
ORIX Corporation Shareholders’ Equity ratio <sup>(3)</sup> . . . . .	19.5%	21.2%	1.7%	—
Adjusted ORIX Corporation Shareholders’ equity ratio <sup>(4)</sup> . . . . .	21.4%	21.8%	0.4%	—
D/E ratio (Debt-to-equity ratio) (Long- and short-term debt (excluding deposits) / ORIX Corporation Shareholders’ equity) . . . . .	2.7x	2.2x	(0.5)x	—
Adjusted D/E ratio <sup>(4)</sup> . . . . .	2.3x	2.0x	(0.3)x	—

(1) Certain line items presented in the consolidated balance sheets have been changed starting from fiscal 2015. The amounts in fiscal 2014 have been reclassified for this change.

(2) Fiscal 2014 amounts have been adjusted for the retrospective elimination of a lag period that previously existed between DAIKYO and ORIX in fiscal 2015.

(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 that excludes the effect of consolidating certain VIEs on our assets

or liabilities and reverses the cumulative effect on our retained earnings of such consolidation, which resulted from applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010. For a discussion of these and other non-GAAP financial measures, including a quantitative reconciliation to the most directly comparable GAAP financial measures, please see “Non-GAAP Financial Measures” in this Item 5.

Total assets as of March 31, 2014 increased 7% to ¥9,066,961 million compared to ¥8,439,710 million on March 31, 2013. Investment in direct financing leases increased due to an increase of new transactions in Japan and other Asian markets. Investment in securities increased primarily due to an increase in purchase of government bond securities and municipal bond securities in Japan. Property under facility operations increased primarily due to the new acquisitions. In addition, inventories increased due to the consolidation of DAIKYO on February 27, 2014 and other assets increased primarily due to the recognition of goodwill and other intangible assets from the acquisition of Robeco on July 1, 2013 and DAIKYO on February 27, 2014. On the other hand, installment loans decreased as of March 31, 2014 due to an increase in collections. Segment assets increased 14% compared to March 31, 2013, to ¥7,267,798 million.

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

ORIX Corporation Shareholders’ Equity as of March 31, 2014 increased 17% compared to March 31, 2013 to ¥1,919,346 million due to a decrease in treasury stock at cost that was paid as part of the consideration for the Robeco acquisition, and an increase in common stock and additional paid-in capital as a result of the conversion of convertible bonds with stock acquisition rights and the exercise of rights on stock acquisition rights, in addition to an increase in retained earnings.

## **Details of Operating Results**

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

### ***Segment Information***

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

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

From July 1, 2013, in conjunction with the acquisition of Robeco, goodwill and other intangible assets have been allocated to the relevant segments. In addition, from November 1, 2013, ORIX’s Information and Communication Technology Department which was previously included in the Maintenance Leasing Segment, is disclosed as part of the Corporate Financial Services Segment due to reorganization of operation management. Due to these changes, the reclassified figures are shown for the year ended March 31, 2013.

Historically, when presenting operating results of segments, revenues from inter-segment transactions have not been included in the revenues of each segment. However, due to the increasing number of inter-segment



transactions, we decided to include revenues from inter-segment transactions into the revenues of each segment starting the fiscal 2015. As a result of this change, segment revenues for both fiscal 2013 and 2014 have been adjusted accordingly. Nevertheless, the impact of this change on segment revenues was insignificant in amount for all periods presented.

In addition, during fiscal 2015, the closing date of the accounting period of DAIKYO, which is grouped under Investment and Operation segment has been changed in order to eliminate a lag period that previously existed between DAIKYO and ORIX. Based on this change, the financial statements for fiscal 2014 have been adjusted retrospectively.

For a description of the business activities of our segments, see “Item 4. Information on the Company—Business Segments.” 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	
	2013	2014	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Segment Revenues<sup>(1)</sup>:</b>				
Corporate Financial Services . . . . .	¥ 78,448	¥ 78,825	¥ 377	0
Maintenance Leasing . . . . .	234,696	251,328	16,632	7
Real Estate . . . . .	219,562	203,382	(16,180)	(7)
Investment and Operation . . . . .	123,692	236,879	113,187	92
Retail . . . . .	188,838	211,612	22,774	12
Overseas Business . . . . .	203,519	412,157	208,638	103
Segment Total . . . . .	<u>1,048,755</u>	<u>1,394,183</u>	<u>345,428</u>	33
Difference between Segment Total and Consolidated Amounts . . . . .	<u>3,722</u>	<u>(18,891)</u>	<u>(22,613)</u>	—
Consolidated Amounts . . . . .	<u>¥1,052,477</u>	<u>¥1,375,292</u>	<u>¥322,815</u>	31

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

	Year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Segment Profits<sup>(1)</sup>:</b>				
Corporate Financial Services . . . . .	¥ 25,932	¥ 24,874	¥ (1,058)	(4)
Maintenance Leasing . . . . .	34,913	37,062	2,149	6
Real Estate . . . . .	5,582	17,956	12,374	222
Investment and Operation . . . . .	34,937	95,786	60,849	174
Retail . . . . .	43,209	49,871	6,662	15
Overseas Business . . . . .	52,756	69,688	16,932	32
Segment Total . . . . .	<u>197,329</u>	<u>295,237</u>	<u>97,908</u>	50
Difference between Segment Total and Consolidated Amounts . . . . .	<u>(24,757)</u>	<u>(8,898)</u>	<u>15,859</u>	—
Consolidated Amounts . . . . .	<u>¥ 172,572</u>	<u>¥ 286,339</u>	<u>¥113,767</u>	66

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

	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Segment Assets:</b>				
Corporate Financial Services .....	¥ 943,295	¥ 992,078	¥ 48,783	5
Maintenance Leasing .....	549,300	622,009	72,709	13
Real Estate .....	1,133,170	962,404	(170,766)	(15)
Investment and Operation .....	444,315	552,183	107,868	24
Retail .....	1,994,140	2,166,986	172,846	9
Overseas Business .....	1,318,434	1,972,138	653,704	50
Segment Total .....	6,382,654	7,267,798	885,144	14
Difference between Segment Total and Consolidated				
Amounts .....	2,057,056	1,799,163	(257,893)	(13)
Consolidated Amounts .....	¥8,439,710	¥9,066,961	¥ 627,251	7

### *Corporate Financial Services Segment*

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

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

Segment assets increased 5% compared to March 31, 2013, to ¥992,078 million as of March 31, 2014, due to an increase in investment in direct financing leases despite a decrease in installment loans.

Finance revenues decreased in line with a decrease in average balance of installment loans. On the other hand, operating leases revenues increased, and services income increased due to robust fee business including solar panel and life insurance sales to domestic SMEs. As a result, segment revenues remained relatively flat compared to fiscal 2013 at ¥78,825 million.

Meanwhile, because segment expenses increased compared to fiscal 2013, segment profits decreased 4% to ¥24,874 million compared to ¥25,932 million during fiscal 2013.

	Year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥39,556	¥37,235	¥(2,321)	(6)
Operating leases	24,515	25,627	1,112	5
Services income	13,912	14,858	946	7
Sales of goods and real estate, and other	465	1,105	640	138
Total Segment Revenues	78,448	78,825	377	0
Interest expense	10,411	8,594	(1,817)	(17)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	413	(822)	(1,235)	—
Other than the above	42,702	46,814	4,112	10
Total Segment Expenses	53,526	54,586	1,060	2
Segment Operating Income	24,922	24,239	(683)	(3)
Equity in Net income (Loss) of Affiliates, and others	1,010	635	(375)	(37)
Segment Profits	¥25,932	¥24,874	¥(1,058)	(4)
	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥366,838	¥450,295	¥ 83,457	23
Installment loans	508,595	470,684	(37,911)	(7)
Investment in operating leases	29,227	26,184	(3,043)	(10)
Investment in securities	18,400	21,337	2,937	16
Property under facility operations	578	2,524	1,946	337
Inventories	53	667	614	—
Advances for investment in operating leases	1,087	41	(1,046)	(96)
Investment in affiliates	18,020	18,909	889	5
Advances for property under facility operations	0	40	40	—
Goodwill and other intangible assets acquired in business combinations	497	1,397	900	181
Total Segment Assets	¥943,295	¥992,078	¥ 48,783	5

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

This segment consists of automobile leasing and rentals, and car sharing and test and measurement instruments and IT-related equipment rentals and leasing.

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

Segment revenues increased 7% to ¥251,328 million compared to ¥234,696 million during fiscal 2013 due to an increase in operating leases revenues as a result of an increase in outstanding operating leases. On the other hand, segment expenses increased compared to fiscal 2013 due to an increase in the costs of operating leases in line with an increase in investment in operating leases.

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

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

	Year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
(Millions of yen, except percentage data)				
Finance revenues	¥ 9,139	¥ 9,472	¥ 333	4
Operating leases	161,795	177,103	15,308	9
Services income	58,380	60,275	1,895	3
Sales of goods and real estate, and other	5,382	4,478	(904)	(17)
<b>Total Segment Revenues</b>	<b>234,696</b>	<b>251,328</b>	<b>16,632</b>	<b>7</b>
Interest expense	3,624	3,687	63	2
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	(75)	1,654	1,729	—
Other than the above	196,367	208,982	12,615	6
<b>Total Segment Expenses</b>	<b>199,916</b>	<b>214,323</b>	<b>14,407</b>	<b>7</b>
<b>Segment Operating Income</b>	<b>34,780</b>	<b>37,005</b>	<b>2,225</b>	<b>6</b>
Equity in Net income (Loss) of Affiliates, and others	133	57	(76)	(57)
<b>Segment Profits</b>	<b>¥ 34,913</b>	<b>¥ 37,062</b>	<b>¥ 2,149</b>	<b>6</b>

  

	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
(Millions of yen, except percentage data)				
Investment in direct financing leases	¥126,699	¥149,965	¥23,266	18
Investment in operating leases	418,774	467,983	49,209	12
Investment in securities	860	892	32	4
Property under facility operations	281	443	162	58
Inventories	733	340	(393)	(54)
Advances for investment in operating leases	209	383	174	83
Investment in affiliates	1,459	1,718	259	18
Goodwill and other intangible assets acquired in business combinations	285	285	0	0
<b>Total Segment Assets</b>	<b>¥549,300</b>	<b>¥622,009</b>	<b>¥72,709</b>	<b>13</b>

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

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

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

Segment revenues decreased 7% to ¥203,382 million compared to ¥219,562 million during fiscal 2013 due to a decrease in sales of goods and real estate and other resulting from a decrease in the number of condominium units delivered, and a decrease in finance revenues due to a decrease in installment loans.

Segment expenses decreased compared to fiscal 2013 due to decreases in costs of goods and real estate sold and write-downs of securities despite increases in services expense and write-downs of long-lived assets.

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

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

	Year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 11,334	¥ 6,132	¥ (5,202)	(46)
Operating leases	69,405	66,624	(2,781)	(4)
Services income	94,927	101,836	6,909	7
Sales of goods and real estate, and other	43,896	28,790	(15,106)	(34)
Total Segment Revenues	219,562	203,382	(16,180)	(7)
Interest expense	12,834	9,018	(3,816)	(30)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	29,944	21,819	(8,125)	(27)
Other than the above	169,961	159,483	(10,478)	(6)
Total Segment Expenses	212,739	190,320	(22,419)	(11)
Segment Operating Income	6,823	13,062	6,239	91
Equity in Net income (Loss) of Affiliates, and others	(1,241)	4,894	6,135	—
Segment Profits	¥ 5,582	¥ 17,956	¥ 12,374	222
	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 8,058	¥ 17,541	¥ 9,483	118
Installment loans	81,377	42,757	(38,620)	(47)
Investment in operating leases	592,017	527,065	(64,952)	(11)
Investment in securities	48,411	25,074	(23,337)	(48)
Property under facility operations	172,314	166,646	(5,668)	(3)
Inventories	35,005	19,418	(15,587)	(45)
Advances for investment in operating leases	85,573	61,575	(23,998)	(28)
Investment in affiliates	73,141	62,504	(10,637)	(15)
Advances for property under facility operations	15,914	18,732	2,818	18
Goodwill and other intangible assets acquired in business combinations	21,360	21,092	(268)	(1)
Total Segment Assets	¥1,133,170	¥962,404	¥(170,766)	(15)

### ***Investment and Operation Segment***

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

In the environment and energy-related business in Japan, there has been ongoing, active investment in the power generation business, such as megasolar projects. In addition, investment targets are expanding beyond solar power generation projects to include wind and geothermal power generation projects. In the capital markets, there has been an increase in the number of initial public offerings for the fourth consecutive year for fiscal 2014 and a spate of initial public offerings is expected to follow. In addition, M&A activities are increasing on the back of recovery in corporate profitability.

Segment revenues increased 92% to ¥236,879 million compared to ¥123,692 million during fiscal 2013 due to increases in sales of goods and real estate and services income contributed by consolidated subsidiaries acquired during fiscal 2013, despite the absence of revenues from large collections in the loan servicing business that were recorded during fiscal 2013 and gains on sale of shares in Aozora Bank that were recorded during fiscal 2013.

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

In addition, due to gains of ¥58,435 million associated with the consolidation of DAIKYO on February 27, 2014, which was previously an equity method affiliate, segment profits increased 174% to ¥95,786 million compared to ¥34,937 million during fiscal 2013.

Segment assets increased 24% compared to March 31, 2013, to ¥552,183 million due to an increase in inventories, etc. as a result of the consolidation of DAIKYO on February 27, 2014, despite decreases in investment in securities and installment loans mainly in the loan servicing business.

	<u>Year ended March 31,</u>		<u>Change</u>	
	<u>2013</u>	<u>2014</u>	<u>Amount</u>	<u>Percent (%)</u>
	(Millions of yen, except percentage data)			
Finance revenues . . . . .	¥ 23,927	¥ 18,350	¥ (5,577)	(23)
Gains on investment securities and dividends . . . . .	18,848	9,732	(9,116)	(48)
Sales of goods and real estate . . . . .	36,329	120,596	84,267	232
Services income . . . . .	43,100	86,062	42,962	100
Operating leases, and other . . . . .	1,488	2,139	651	44
Total Segment Revenues . . . . .	<u>123,692</u>	<u>236,879</u>	<u>113,187</u>	92
Interest expense . . . . .	5,400	4,077	(1,323)	(25)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities . . . . .	12,045	4,402	(7,643)	(63)
Other than the above . . . . .	78,599	200,428	121,829	155
Total Segment Expenses . . . . .	<u>96,044</u>	<u>208,907</u>	<u>112,863</u>	118
Segment Operating Income . . . . .	<u>27,648</u>	<u>27,972</u>	<u>324</u>	1
Equity in Net income (Loss) of Affiliates, and others . . . . .	7,289	67,814	60,525	830
Segment Profits . . . . .	<u>¥ 34,937</u>	<u>¥ 95,786</u>	<u>¥ 60,849</u>	174

	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases . . . . .	¥ 12,671	¥ 14,702	¥ 2,031	16
Installment loans . . . . .	157,591	118,848	(38,743)	(25)
Investment in operating leases . . . . .	10,554	16,811	6,257	59
Investment in securities . . . . .	128,235	95,072	(33,163)	(26)
Property under facility operations . . . . .	38,128	53,589	15,461	41
Inventories . . . . .	2,900	81,661	78,761	—
Advances for investment in operating leases . . . . .	122	378	256	210
Investment in affiliates . . . . .	65,713	59,759	(5,954)	(9)
Advances for property under facility operations . . . . .	655	4,693	4,038	616
Goodwill and other intangible assets acquired in business combinations . . . . .	27,746	106,670	78,924	284
Total Segment Assets . . . . .	<u>¥444,315</u>	<u>¥552,183</u>	<u>¥107,868</u>	24

### ***Retail Segment***

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

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

Segment revenues increased 12% to ¥211,612 million compared to ¥188,838 million during fiscal 2013 due to an increase in finance revenues, an increase in insurance premium income as a result of growth in the number of policies in force in the life insurance business and an increase in insurance-related investment income.

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

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

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

	Year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
(Millions of yen, except percentage data)				
Finance revenues . . . . .	¥ 45,841	¥ 50,406	¥ 4,565	10
Life insurance premiums and related investment income . . . . .	139,526	155,822	16,296	12
Gains on investment securities and dividends, and other . . . . .	3,471	5,384	1,913	55
<b>Total Segment Revenues . . . . .</b>	<b>188,838</b>	<b>211,612</b>	<b>22,774</b>	<b>12</b>
Interest expense . . . . .	6,901	5,593	(1,308)	(19)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities . . . . .	2,612	3,485	873	33
Other than the above . . . . .	140,796	156,582	15,786	11
<b>Total Segment Expenses . . . . .</b>	<b>150,309</b>	<b>165,660</b>	<b>15,351</b>	<b>10</b>
<b>Segment Operating Income . . . . .</b>	<b>38,529</b>	<b>45,952</b>	<b>7,423</b>	<b>19</b>
Equity in Net income (Loss) of Affiliates, and others . . . . .	4,680	3,919	(761)	(16)
<b>Segment Profits . . . . .</b>	<b>¥ 43,209</b>	<b>¥ 49,871</b>	<b>¥ 6,662</b>	<b>15</b>

	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
(Millions of yen, except percentage data)				
Investment in direct financing leases . . . . .	¥ 9,763	¥ 4,679	¥ (5,084)	(52)
Installment loans . . . . .	1,206,100	1,276,837	70,737	6
Investment in operating leases . . . . .	93,248	76,873	(16,375)	(18)
Investment in securities . . . . .	636,656	776,091	139,435	22
Investment in affiliates . . . . .	25,205	10,971	(14,234)	(56)
Goodwill and other intangible assets acquired in business combinations . . . . .	23,168	21,535	(1,633)	(7)
<b>Total Segment Assets . . . . .</b>	<b>¥1,994,140</b>	<b>¥2,166,986</b>	<b>¥172,846</b>	<b>9</b>

### ***Overseas Business Segment***

This segment consists of leasing, lending, investment in bonds, investment banking, asset management, and ship- and aircraft-related operations.

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

Segment revenues increased 103% to ¥412,157 million compared to ¥203,519 million during fiscal 2013 due to an increase in services income from the asset management business, resulting primarily from the acquisition of Robeco on July 1, 2013, and an increase in sales of goods and real estate and other as a result of consolidation of STX Energy.



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

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

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

	Year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
(Millions of yen, except percentage data)				
Finance revenues . . . . .	¥ 55,022	¥ 57,328	¥ 2,306	4
Gains on investment securities and dividends . . . . .	13,665	15,813	2,148	16
Operating leases . . . . .	61,491	76,591	15,100	25
Services income . . . . .	72,661	228,827	156,166	215
Sales of goods and real estate, and other . . . . .	680	33,598	32,918	—
<b>Total Segment Revenues . . . . .</b>	<b>203,519</b>	<b>412,157</b>	<b>208,638</b>	<b>103</b>
Interest expense . . . . .	19,464	28,087	8,623	44
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities . . . . .	4,015	13,132	9,117	227
Other than the above . . . . .	127,040	296,640	169,600	134
<b>Total Segment Expenses . . . . .</b>	<b>150,519</b>	<b>337,859</b>	<b>187,340</b>	<b>124</b>
<b>Segment Operating Income . . . . .</b>	<b>53,000</b>	<b>74,298</b>	<b>21,298</b>	<b>40</b>
Equity in Net income (Loss) of Affiliates, and others . . . . .	(244)	(4,610)	(4,366)	—
<b>Segment Profits . . . . .</b>	<b>¥ 52,756</b>	<b>¥ 69,688</b>	<b>¥ 16,932</b>	<b>32</b>
(Millions of yen, except percentage data)				
	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
Investment in direct financing leases . . . . .	¥ 296,804	¥ 332,635	¥ 35,831	12
Installment loans . . . . .	216,744	246,845	30,101	14
Investment in operating leases . . . . .	244,287	263,978	19,691	8
Investment in securities . . . . .	271,170	323,288	52,118	19
Property under facility operations . . . . .	21,958	89,570	67,612	308
Inventories . . . . .	2,746	3,888	1,142	42
Advances for investment in operating leases . . . . .	14,772	17,541	2,769	19
Investment in affiliates . . . . .	143,019	143,454	435	0
Advances for property under facility operations . . . . .	0	27,066	27,066	—
Goodwill and other intangible assets acquired in business combinations . . . . .	106,934	523,873	416,939	390
<b>Total Segment Assets . . . . .</b>	<b>¥1,318,434</b>	<b>¥1,972,138</b>	<b>¥653,704</b>	<b>50</b>

## Revenues, New Business Volumes and Investments

### Finance revenues

	For the year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
<b>Finance revenues:</b>				
Finance revenues .....	¥213,706	¥191,700	¥(22,006)	(10)

Finance revenues decreased 10% from fiscal 2013 to ¥191,700 million for fiscal 2014 primarily due to a decrease in the average balance of installment loans of VIEs in the Americas.

### Direct financing leases

	As of and for the year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
<b>Direct financing leases:</b>				
New equipment acquisitions .....	¥455,433	¥ 560,665	¥105,232	23
Japan .....	298,461	366,177	67,716	23
Overseas .....	156,972	194,488	37,516	24
Investment in direct financing leases .....	989,380	1,094,073	104,693	11

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

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

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

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

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

## Installment loans

	As of and for the year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
<b>Installment loans<sup>(1)</sup>:</b>				
New loans added	918,579	1,034,726	116,147	13
Japan	704,797	813,327	108,530	15
Overseas	213,782	221,399	7,617	4
Installment loans	2,691,171	2,315,555	(375,616)	(14)

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

The balance of installment loans decreased as a result of collection of loans to real estate companies, collection of non-recourse loans and recovery of loans of VIEs.

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

The balance of installment loans as of March 31, 2014 decreased 14% to ¥2,315,555 million compared to March 31, 2013.

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

	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
	(Millions of yen, except percentage data)			
<b>Installment loans:</b>				
<b>Consumer borrowers in Japan</b>				
Housing loans	¥ 912,651	¥ 973,439	¥ 60,788	7
Card loans	225,707	228,868	3,161	1
Other	26,967	24,875	(2,092)	(8)
Subtotal	1,165,325	1,227,182	61,857	5
<b>Corporate borrowers in Japan</b>				
Real estate companies	245,465	228,062	(17,403)	(7)
Non-recourse loans	134,440	72,625	(61,815)	(46)
Commercial, industrial and other companies	442,146	409,846	(32,300)	(7)
Subtotal	822,051	710,533	(111,518)	(14)
<b>Overseas</b>				
Non-recourse loans	434,517	101,579	(332,938)	(77)
Commercial, industrial companies and other	198,477	222,920	24,443	12
Subtotal	632,994	324,499	(308,495)	(49)
Purchased loans <sup>(1)</sup>	70,801	53,341	(17,460)	(25)
Total	¥2,691,171	¥2,315,555	¥(375,616)	(14)

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

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

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

#### *Asset quality*

##### *Direct financing leases*

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

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

The balance of 90+ days past-due direct financing leases decreased ¥1,919 million to ¥13,887 million compared to March 31, 2013. As a result, the ratio of 90+ days past-due direct financing leases decreased 0.33% from March 31, 2013 to 1.27%.

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

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

*Loans not individually evaluated for impairment*

	<u>As of March 31,</u>	
	<u>2013</u>	<u>2014</u>
	(Millions of yen, except percentage data)	
<b>90+ days past-due loans and allowance for installment loans:</b>		
90+ days past-due loans not individually evaluated for impairment	¥ 7,745	¥ 6,149
90+ days past-due loans not individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.31%	0.28%
Provision (reversal) as a percentage of average balance of installment loans not individually evaluated for impairment <sup>(1)</sup>	(0.12)%	0.10%
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment	¥23,283	¥20,257
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.94%	0.93%
The ratio of charge-offs as a percentage of the average balance of loans not individually evaluated for impairment	0.14%	0.24%

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

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

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

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

We make allowance for housing loans, card loans and other loans in Japan after careful evaluation of the value of collateral underlying the loans, past loss experience and any economic conditions that we believe may affect the default rate. We determine the allowance for our other items on the basis of past loss experience, general economic conditions and the current portfolio composition.

*Loans individually evaluated for impairment*

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

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

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

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

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

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

### *Provision for doubtful receivables and probable loan losses*

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

	As of and for the year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Provision for doubtful receivables on direct financing leases and probable loan losses:</b>				
Beginning balance	¥136,588	¥104,264	¥(32,324)	(24)
Direct financing leases	16,852	15,830	(1,022)	(6)
Loans not individually evaluated for impairment	28,329	23,283	(5,046)	(18)
Loans individually evaluated for impairment	91,407	65,151	(26,256)	(29)
Provision (Reversal)	10,016	13,838	3,822	38
Direct financing leases	2,423	3,651	1,228	51
Loans not individually evaluated for impairment	(3,055)	2,348	5,403	—
Loans individually evaluated for impairment	10,648	7,839	(2,809)	(26)
Charge-offs (net)	(43,188)	(28,116)	15,072	(35)
Direct financing leases	(4,046)	(4,351)	(305)	8
Loans not individually evaluated for impairment	(3,457)	(5,469)	(2,012)	58
Loans individually evaluated for impairment	(35,685)	(18,296)	17,389	(49)
Other <sup>(1)</sup>	848	(5,190)	(6,038)	—
Direct financing leases	601	254	(347)	(58)
Loans not individually evaluated for impairment	1,466	95	(1,371)	(94)
Loans individually evaluated for impairment	(1,219)	(5,539)	(4,320)	354
Ending balance	104,264	84,796	(19,468)	(19)
Direct financing leases	15,830	15,384	(446)	(3)
Loans not individually evaluated for impairment	23,283	20,257	(3,026)	(13)
Loans individually evaluated for impairment	65,151	49,155	(15,996)	(25)

<sup>(1)</sup> Other mainly includes foreign currency translation adjustments and others.

### *Investment in Securities*

	As of and for the year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Investment in securities<sup>(1)</sup>:</b>				
New securities added	¥ 758,292	¥ 930,526	¥172,234	23
Japan	718,864	855,100	136,236	19
Overseas	39,428	75,426	35,998	91
Investment in securities	1,093,668	1,214,452	120,784	11

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

New securities added increased 23% to ¥930,526 million in fiscal 2014 compared to fiscal 2013. New securities added in Japan increased 19% in fiscal 2014 compared to fiscal 2013 primarily due to an increase in

investments in government bonds, municipal bonds and corporate debt securities. New securities added overseas increased 91% in fiscal 2014 compared to fiscal 2013 primarily due to an increase in investments in municipal bonds and CMBS and RMBS in the Americas.

The balance of our investment in securities as of March 31, 2014 increased 11% to ¥1,214,452 million compared to fiscal 2013.

	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Investment in securities by security type:</b>				
Trading securities	¥ 33,041	¥ 16,079	¥(16,962)	(51)
Available-for-sale securities	757,299	881,493	124,194	16
Held-to-maturity securities	89,451	96,731	7,280	8
Other securities	213,877	220,149	6,272	3
Total	<u>¥1,093,668</u>	<u>¥1,214,452</u>	<u>¥120,784</u>	11

Investments in trading securities decreased 51% to ¥16,079 million as of March 31, 2014 compared to March 31, 2013 primarily due to sales of municipal bonds in the Americas. Investments in available-for-sale securities increased 16% to ¥881,493 million as of March 31, 2014 compared to March 31, 2013 primarily due to increased balances of government and municipal bonds while balances of debt securities such as specified bonds issued by SPEs in Japan decreased. Held-to-maturity securities increased mainly as a result of our life insurance business's investment in Japanese government bonds. Other securities increased 3% to ¥220,149 million in fiscal 2014 compared to fiscal 2013 mainly due to increasing balances of fund investments in the Americas.

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

#### *Gains on investment securities and dividends*

	Year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Gains on investment securities and dividends:</b>				
Net gains on investment securities <sup>(1)</sup>	¥ 28,805	¥ 19,412	¥ (9,393)	(33)
Dividends income, other <sup>(1)</sup>	6,009	7,769	1,760	29
Total	<u>¥ 34,814</u>	<u>¥ 27,181</u>	<u>¥ (7,633)</u>	(22)

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

Gains on investment securities and dividends decreased 22% to ¥27,181 million in fiscal 2014 compared to fiscal 2013 due to a decrease in net gains on investment securities. Net gains on investment securities decreased 33% to ¥19,412 million in fiscal 2014 compared to fiscal 2013 primarily due to the gain on the sale of shares in Aozora Bank, Ltd., recorded in fiscal 2013. Dividend income, other increased 29% to ¥7,769 million in fiscal 2014 compared to fiscal 2013.

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



## Operating leases

	As of and for the year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Operating leases:</b>				
Operating lease revenues	¥ 302,145	¥ 330,606	¥ 28,461	9
Costs of operating leases	194,429	216,568	22,139	11
New equipment acquisitions	295,765	326,329	30,564	10
Japan	191,450	223,952	32,502	17
Overseas	104,315	102,377	(1,938)	(2)
Investment in operating leases	1,395,533	1,379,741	(15,792)	(1)

Revenues from operating leases in fiscal 2014 increased 9% to ¥330,606 million compared to fiscal 2013 mainly due to an increase in revenue from automobile operations and rental operations such as measuring and information-related equipment in Japan, and an increase in aircraft leasing overseas. In fiscal 2013 and 2014, gains from the disposition of operating lease assets that were included in operating lease revenues, were ¥19,848 million and ¥23,692 million, respectively.

Costs of operating leases increased 11% to ¥216,568 million in fiscal 2014 compared to fiscal 2013 due to an increase in depreciation expenses resulting from a year on year increase in the average balance of investment in operating leases.

New equipment acquisitions related to operating leases increased 10% to ¥326,329 million in fiscal 2014 compared to fiscal 2013 due to an increase in purchases of transportation equipment such as automobiles, and measuring and information-related equipment, and the purchase of real estate in Japan.

Investment in operating leases as of March 31, 2014 decreased 1% to ¥1,379,741 million compared to March 31, 2013 due to sales of large amounts of real estate, despite an increase in new equipment acquisitions as described above.

	As of March 31,		Change	
	2013	2014	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Investment in operating leases by category:</b>				
Transportation equipment	¥ 527,521	¥ 605,064	¥ 77,543	15
Measuring and information-related equipment	90,022	96,914	6,892	8
Real estate	750,956	653,422	(97,534)	(13)
Other	3,568	4,053	485	14
Accrued rental receivables	23,466	20,288	(3,178)	(14)
Total	<u>¥1,395,533</u>	<u>¥1,379,741</u>	<u>¥(15,792)</u>	(1)

Investment in operating leases as of March 31, 2014 decreased 1% compared to March 31, 2013, mainly due to the effect of sales of large amounts of real estate, despite an increase in investment in automobile operations in Japan. Investment in transportation equipment operating leases as of March 31, 2014 increased 15% compared to March 31, 2013 due to an increase in new equipment acquisitions in Japan. Investment in real estate operating leases as of March 31, 2014 decreased 13% compared to March 31, 2013, mainly due to sales of real estate in Japan.

## Life insurance

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

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

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

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

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

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

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

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

Investment in securities as of March 31, 2014 increased 20% to ¥466,030 million compared to March 31, 2013 as a result of an increase in available-for-sale debt securities.

Installment loans, real estate under operating leases and other investments as of March 31, 2014 decreased 24% to ¥116,175 million compared to March 31, 2013 as a result of decreased installment loans and decreased real estate under operating leases.

### *Sales of goods and real estate*

	Year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Sales of goods and real estate:</b>				
Sales of goods and real estate .....	¥80,885	¥179,884	¥98,999	122
Costs of goods and real estate sold .....	72,633	162,989	90,356	124
Inventories .....	41,489	106,031	64,542	156

Sales of goods and real estate increased 122% to ¥179,884 million compared to fiscal 2013 due to an increase in the number of condominium units delivered in Japan and an increase in earnings of private equity investment-related business.

Costs of goods and real estate sold increased 124% to ¥162,989 million compared to fiscal 2013 due to an increase in the number of condominium units delivered as described above and an increase in write-downs recorded on some projects under development. We recorded ¥3,377 million and ¥5,650 million of write-downs for fiscal 2013 and 2014, respectively. Costs of goods and real estate sold include the upfront costs associated with advertising and creating model rooms.

Inventories as of March 31, 2014 increased 156% to ¥106,031 million compared to March 31, 2013.

### *Services, Property under Facility Operations*

	As of and for the year ended March 31,		Change	
	2013	2014	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Services, Property under Facility Operations:</b>				
Services income .....	¥282,201	¥490,515	¥208,314	74
Services expense .....	159,867	260,278	100,411	63
New assets added .....	12,931	50,455	37,524	290
Japan .....	12,479	41,792	29,313	235
Overseas .....	452	8,663	8,211	—
Property under Facility Operations .....	218,697	295,863	77,166	35

Services income increased 74% to ¥490,515 million compared to fiscal 2013 due to solid contributions from newly acquired subsidiaries, the environment and energy-related business, consolidation of DAIKYO and fee revenues contributed by consolidation of Robeco.

Services expense increased 63% to ¥260,278 million compared to fiscal 2013 resulting from the recognition of expenses from the newly acquired subsidiaries, environment and energy-related business, consolidation of DAIKYO and the recognition of fee expenses from consolidation of Robeco, along with the increase in services income.

New assets added for other operating transactions include property under facility operations and real estate for sale, such as residential condominiums. New assets added for other operating transactions were up 290% to ¥50,455 million in fiscal 2014 due to purchases of electric power facilities and our consolidation of DAIKYO.

Property under facility operations as of March 31, 2014 increased 35% to ¥295,863 million compared to March 31, 2013 due to consolidation of STX Energy.

### *Expenses*

#### *Interest expense*

Interest expense decreased 18% to ¥82,968 million in fiscal 2014 compared to fiscal 2013. Our total outstanding short-term debt, long-term debt and deposits as of March 31, 2014 decreased 3% to ¥5,367,412 million compared to March 31, 2013.

The average interest rate on our short-term debt, long-term debt and deposits in domestic currency, calculated on the basis of average monthly balances, decreased to 0.9% in fiscal 2014, compared to 1.1% in fiscal 2013. The average interest rate on our short-term debt, long-term debt and deposits in foreign currency, calculated on the basis of average monthly balances, decreased to 3.4% in fiscal 2014, compared to 4.3% in fiscal 2013 due to a higher proportion of Euro-denominated debts with lower average interest rates. 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.”

#### ***Other (income) and expense, net***

Other (income) and expense, net increased 978% to a net income of ¥21,001 million compared to fiscal 2013 due to deconsolidation of VIEs. Foreign currency transaction losses included in other (income) and expense, net increased to ¥747 million in fiscal 2014 as compared to ¥503 million in fiscal 2013. We recognized no impairment losses on goodwill during fiscal 2013 and 2014. For further information on our goodwill, see Note 13 of “Item 18. Financial Statements.”

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

	<u>Year ended March 31,</u>		<u>Change</u>	
	<u>2013</u>	<u>2014</u>	<u>Amount</u>	<u>Percent (%)</u>
	(Millions of yen, except percentage data)			
<b>Selling, general and administrative expenses:</b>				
Personnel expenses . . . . .	¥138,238	¥198,290	¥60,052	43
Selling expenses . . . . .	29,414	44,731	15,317	52
Administrative expenses . . . . .	55,683	70,306	14,623	26
Depreciation of office facilities . . . . .	2,994	3,524	530	18
Total . . . . .	<u>¥226,329</u>	<u>¥316,851</u>	<u>¥90,522</u>	40

Employee salaries and other personnel expenses account for 63% of selling, general and administrative expenses in fiscal 2014, and the remaining portion consists of selling and other general and administrative expenses, such as rent for office space, communication expenses and travel expenses. Selling, general and administrative expenses in fiscal 2014 increased 40% year on year mainly due to the consolidation of the asset management company Robeco, acquired on July 1, 2013.

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

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

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

### ***Write-downs of securities***

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

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

Equity in net income of affiliates increased in fiscal 2014 to ¥18,368 million compared to ¥13,836 million in fiscal 2013 mainly due to contributions from real estate joint ventures in Japan.

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

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

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

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

Provision for income taxes in fiscal 2014 was ¥98,553 million, compared to ¥53,682 million in fiscal 2013. The increase of ¥44,871 million was primarily due to higher income before income taxes and discontinued operations.

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

### ***Discontinued operations***

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

For discussion of discontinued operations, see Note 25 of “Item 18. Financial Statements.”

### ***Net income attributable to the noncontrolling interests***

Net income attributable to the noncontrolling interests was recorded as a result of the noncontrolling interests in earnings of certain of our subsidiaries. In fiscal 2014, net income attributable to the noncontrolling interests was ¥3,815 million.

### ***Net income attributable to the redeemable noncontrolling interests***

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

## LIQUIDITY AND CAPITAL RESOURCES

### Funding Activities

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

In our funding activities during fiscal 2015, we have tried to reinforce our funding structure by diversifying our funding resources, promoting longer maturities, staggering redemption dates and maintaining sufficient liquidity. In fiscal 2015, we also implemented various international funding activities, such as international bond offerings outside Japan. We also have enhanced our use of longer maturities, employed staggered interest and principal repayment dates and endeavored to reduce risk in refinancing by leveling out annual redemption amounts both in borrowing from financial institutions and bonds. As of March 31, 2015, the total balance of cash and cash equivalents and unused committed credit facilities was ¥1,246,874 million. We maintain adequate levels of liquidity and monitor liquidity risk to minimize the effect on us of sudden market deteriorations and to enable us sustain our operations.

As a result of these initiatives our ratio of long-term debt to total debt (excluding deposits) reached 93% as of March 31, 2014 and 94% as of March 31, 2015. On an adjusted basis, our ratio of long-term debt to total debt (excluding deposits) was 92% as of March 31, 2014 and 93% as of March 31, 2015. This ratio is a non-GAAP financial measure presented on an adjusted basis, which excludes payables under securitized leases, loan receivables and other assets. For a discussion of this and other non-GAAP financial measures, including a quantitative reconciliation to the most directly comparable GAAP measure, see “Non-GAAP Financial Measures” under this Item 5.

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

### Group Liquidity Management

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

ORIX Bank, ORIX Life Insurance and HLIKK are our main regulated subsidiaries in terms of liquidity controls, although several other subsidiaries also operate under such regulations. ORIX Bank, ORIX Life Insurance and HLIKK are regulated by Japanese financial authorities. Under relevant regulations, each of them employs prescribed measures to monitor liquidity risk at the entity level and maintains internal policies to manage its portfolios and capital resources on a standalone basis. Each of these subsidiaries met the relevant regulatory threshold relating to measures for monitoring its liquidity risk as of March 31, 2015.

ORIX Bank obtains most of the funds it needs to operate its business through deposit taking. Although ORIX Bank provides loans to several of our domestic subsidiaries in the ordinary course of its business, such

loans are subject to a maximum limit set by the Japanese Banking Act. Under such regulations, ORIX Bank may not make loans to other members of ORIX Group in an aggregate amount exceeding a regulatory limit. ORIX Life Insurance and HLIKK underwrite insurance, receive insurance premiums from policyholders, and conduct financing and investment activities, including lending. Lending from ORIX Life Insurance and HLIKK to other members of ORIX Group is subject to regulation, including under the Japanese Insurance Business Act. For these reasons, ORIX Group manages its liquidity separately from ORIX Bank, ORIX Life Insurance and HLIKK.

## **Ratings**

As of the date of this filing, Standard & Poor's has assigned an "A-" as our counterparty credit rating, Fitch has assigned a "A-" as our long-term issuer rating, Moody's has assigned a "Baa1" as our long-term issuer rating, and Rating and Investment Information, Inc. (R&I) has assigned an "A+" as our issuer rating.

## **Sources of Liquidity**

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

ORIX Group borrows from a variety of sources, including major banks, regional banks, foreign banks, life insurance companies, casualty insurance companies and financial institutions associated with agricultural cooperatives. As of March 31, 2015, the number of our lenders exceeded 200. We have promoted regular face-to-face communications and established positive working relationships with financial institutions in Japan and overseas. The majority of our loan balances consists of borrowings from Japanese financial institutions. As of March 31, 2014 and March 31, 2015, short-term debt from Japanese and foreign financial institutions was ¥207,338 million and ¥195,164 million, respectively, while long-term debt from financial institutions was ¥2,424,019 million and ¥2,687,434 million, respectively.

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

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

We regularly enter into committed credit facilities agreements, including syndicated agreements, with financial institutions to secure liquidity. The maturity dates of these committed credit facilities are staggered to prevent an overlap of contract renewal periods. The total amount of our committed credit facilities as of March 31, 2014 and March 31, 2015 was ¥469,747 million and ¥475,553 million, respectively. Of these figures, the unused amount as of March 31, 2014 and March 31, 2015 was ¥427,225 million and ¥419,356 million, respectively. A part of the facilities are arranged to be drawn down in foreign currencies by ORIX and certain of our subsidiaries.

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

Some of these committed credit facility agreements include financial covenants, such as the maintenance of a minimum ORIX Corporation shareholders' equity ratio. In addition, the majority of our committed credit facilities require the relevant obligor to represent and warrant that there has been, among other things, no material negative change in its financial condition since the date of the agreement. As of March 31, 2015, we were in compliance with all of our financial covenants and have been able to make the necessary representations and warranties concerning our financial condition.

### ***Debt from the Capital Markets***

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

#### ***Bonds and MTNs***

We regularly issue straight bonds and MTNs domestically and internationally to diversify our funding sources and maintain longer liability maturities. In fiscal 2015, we issued ¥160,000 million of domestic straight bonds in Japan, KRW60,000 million of notes outside Japan. Domestic straight bond issuances are divided mainly into bonds for institutional investors and bonds for individual investors. As of March 31, 2014 and March 31, 2015, the balance of straight bonds issued by ORIX for domestic institutional investors was ¥343,100 million and ¥323,100 million, respectively, while the balance of straight bonds issued by ORIX for individual investors was ¥519,487 million and ¥534,943 million, respectively. The balance of straight bonds issued outside Japan, which includes SEC-registered U.S. dollar-denominated straight bonds, was ¥198,016 million and ¥229,340 million as of March 31, 2014 and March 31, 2015, respectively. The balance of bonds issued by subsidiaries as of March 31, 2014 and March 31, 2015 was ¥68,185 million and ¥31,383 million, respectively.

ORIX has established a Euro MTN program (the EMTN program) with a maximum issuance limit of \$4,000 million. In addition to the EMTN program, ORIX Group has established other MTN programs in several countries and issues MTNs to meet funding necessities. The total balance of MTNs issued as of March 31, 2014 and March 31, 2015 was ¥46,034 million and ¥35,110 million, respectively, of which MTNs amounting to ¥9,898 million and ¥9,386 million, respectively, were issued by foreign subsidiaries.

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

#### ***CP***

We offer CP (direct paper) as a direct financing source, and have successfully obtained a diverse range of investors such as investment trusts, life insurance companies, casualty insurance companies and other financial institutions, as well as private corporations. We consider our liquidity levels and stagger the dates of issuance and the maturity over time so as to avoid significant overlap. The balance of outstanding CP as of March 31, 2014 and March 31, 2015 was ¥100,993 million and ¥89,621 million, respectively.

#### ***Securitization***

We securitize leases, loan receivables and other assets, primarily in Japan. We also invest in CMBS in the United States and elsewhere while acting as a servicer or asset manager for the underlying assets. We recognize liabilities consolidated with such investments as our liabilities when required under applicable accounting standards. The total amount of payables under securitized lease, loan receivables and other assets as of March 31, 2014 and March 31, 2015 was ¥253,827 million and ¥291,635 million, respectively.

#### ***Deposits***

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

The majority of deposits are attributable to ORIX Bank, which attracts both corporate and retail deposits, and which has seen sustained growth in deposits outstanding. Deposit balances of ORIX Bank as of March 31, 2014 and March 31, 2015 were ¥1,206,183 million and ¥1,287,057 million, respectively.



## Short-term and long-term debt and deposits

### Short-term Debt

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Short-term debt<sup>(1)</sup>:</b>				
Borrowings from financial institutions . . . . .	¥ 207,338	¥ 195,164	¥ (12,174)	(6)
Commercial paper . . . . .	100,993	89,621	(11,372)	(11)
Total short-term debt . . . . .	¥ 308,331	¥ 284,785	¥ (23,546)	(8)

(1) The above table includes the following liabilities of consolidated VIEs as of March 31, 2014 and 2015, for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries.

	As of March 31,	
	2014	2015
(Millions of yen)		
<b>Short-term debt<sup>(1)</sup>:</b>		
Borrowings from financial institutions . . . . .	¥2,180	¥0

Short-term debt as of March 31, 2015 was ¥284,785 million, representing 6% of total debt (excluding deposits) as of March 31, 2015, while the ratio was 7% of total debt as of March 31, 2014. As of March 31, 2015, 69% of short-term debt was borrowings from financial institutions.

### Long-term debt

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Long-term debt<sup>(2)</sup>:</b>				
Borrowings from financial institutions . . . . .	¥2,424,019	¥2,687,434	¥263,415	11
Bonds . . . . .	1,128,788	1,118,766	(10,022)	(1)
Medium-term notes . . . . .	46,034	35,110	(10,924)	(24)
Payable under securitized lease, loan receivables and investment in securities . . . . .	253,827	291,635	37,808	15
Total long-term debt . . . . .	¥3,852,668	¥4,132,945	¥280,277	7

(2) The above table includes the following liabilities of consolidated VIEs as of March 31, 2014 and 2015 for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries.

	As of March 31,	
	2014	2015
(Millions of yen)		
<b>Long-term debt<sup>(2)</sup>:</b>		
Borrowings from financial institutions . . . . .	¥140,809	¥160,594
Bonds . . . . .	100	1,985
Payable under securitized lease, loan receivables and investment in securities . . . . .	253,827	291,637

Long-term debt as of March 31, 2015 was ¥4,132,945 million, representing 94% of total debt (excluding deposits) as of March 31, 2015, while the ratio was 93% of total debt as of March 31, 2014. Borrowings from financial institutions comprised 65% of the long-term debt as of March 31, 2015.

Approximately 53% of interest paid on long-term debt in fiscal 2015 was fixed rate interest, with the remainder being floating rate interest based mainly on TIBOR or LIBOR.

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

We have entered into interest rate swaps and other derivative contracts to manage risk associated with fluctuations in interest rates. For information with respect to derivative financial instruments and hedging, see Note 27 of “Item 18. Financial Statements.”

### *Deposits*

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Deposits <sup>(3)</sup> .....	¥1,206,413	¥1,287,380	¥80,967	7

<sup>(3)</sup> VIEs did not have any deposits as of March 31, 2014 and 2015.

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

## CASH FLOWS

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

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

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

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

### **Year Ended March 31, 2015 Compared to Year Ended March 31, 2014**

Cash and cash equivalents increased by ¥9,479 million to ¥827,518 million compared to March 31, 2014.

Cash flows provided by operating activities were ¥257,611 million during fiscal 2015, down from ¥478,006 million during fiscal 2014 due primarily to a net decrease in policy liabilities and policy account balances resulting from the consolidation of HLIKK, which was partially offset by a higher net income recorded in fiscal 2015 compared to fiscal 2014.

Cash flows used in investing activities were ¥467,801 million during fiscal 2015, up from ¥215,314 million during fiscal 2014. This change was primarily due to an increase in installment loans made to customers, purchases of property under facility operations, and a decrease in principal collected on installment loans.

Cash flows provided by financing activities were ¥213,432 million during fiscal 2015 compared to the outflow of ¥277,704 million during fiscal 2014. This change was primarily due to an increase in long-term debt funding which also resulted in a decrease in debt repayment.

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

Cash and cash equivalents decreased by ¥8,257 million to ¥818,039 million compared to March 31, 2013.

Cash flows provided by operating activities were ¥478,006 million during fiscal 2014, up from ¥391,304 million during fiscal 2013, primarily resulting from an increase in net income, an increase in trade notes, accounts and other payable, a decrease in trading securities, and a smaller decrease in restricted cash and inventories, each as compared to fiscal 2013. In addition, adjustments were made for non-cash revenue and expense items such as depreciation and amortization and write-downs of securities, and for gains on sales of subsidiaries and affiliates and liquidation losses, net as compared to fiscal 2013.

Cash flows used in investing activities were ¥215,314 million during fiscal 2014, while having provided ¥105,657 million during fiscal 2013. This change was primarily due to increases in acquisitions of subsidiaries, net of cash acquired, installment loans made to customers, purchases of available-for-sale securities and purchases of lease equipment, but partially offset by increases in principal collected on installment loans and proceeds from sales of operating lease assets.

Cash flows used in financing activities were ¥277,704 million during fiscal 2014, decreased from ¥467,193 million during fiscal 2013. This change was primarily due to a decrease in repayment of debt with maturities longer than three months and an increase in deposits due to customers, partially offset by decrease in proceeds from debt with maturities longer than three months.

## **COMMITMENTS FOR CAPITAL EXPENDITURES**

As of March 31, 2015, we had commitments for the purchase of equipment to be leased in the amount of ¥22,500 million. For information on commitments, guarantees and contingent liabilities, see Note 31 of “Item 18. Financial Statements.”

## **OFF-BALANCE SHEET ARRANGEMENTS**

### **USE OF SPECIAL PURPOSE ENTITIES**

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

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

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

### **Investment Products**

We provide investment products to our customers that employ a contractual mechanism known in Japan as a *kumiai*, which is in effect a type of SPE. We arrange and market *kumiai* products to investors as a means to

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

### Other Financial Transactions

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

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

### RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Not applicable.

### TREND INFORMATION

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

### COMMITMENTS

The table below sets forth the maturities of guarantees and other commitments as of March 31, 2015.

	Amount of commitment expiration per period				
	Total	Within 1 year	1-3 years	3-5 years	After 5 years
	(Millions of yen)				
<b>Commitments:</b>					
Guarantees . . . . .	¥484,724	¥ 83,544	¥108,307	¥133,684	¥159,189
Committed credit lines and other . . . . .	459,878	103,700	57,700	13,534	284,944
Total commercial commitments . . . . .	<u>¥944,602</u>	<u>¥187,244</u>	<u>¥166,007</u>	<u>¥147,218</u>	<u>¥444,133</u>

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

In return for this delegated authority, the subsidiary guarantees the performance of certain housing loans transferred to Fannie Mae and has the payment or performance risks of the guarantees to absorb some of the losses when losses arise from the transferred loans. The amount attributable to the guarantee included in the table above is ¥213,099 million as of March 31, 2015.

The subsidiary makes certain representations and warranties in connection with the sale of loans through Fannie Mae, including among others, that: the mortgage meets Fannie Mae requirements; there is a valid lien on the property; the relevant transaction documents are valid and enforceable; and title insurance is maintained on the property. If it is determined that a representation and warranty was breached, the subsidiary may be required to repurchase the related loans or indemnify Fannie Mae for any related losses incurred. The subsidiary had no such repurchase claims during fiscal 2015.

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

## TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The table below sets forth the maturities of contractual cash obligations as of March 31, 2015.

	Total	Payments due by period			
		Within 1 year	1-3 years	3-5 years	After 5 years
(Millions of yen)					
<b>Contractual cash obligations:</b>					
Deposits . . . . .	¥1,287,380	¥ 896,891	¥ 276,933	¥ 113,556	—
Long-term debt . . . . .	4,132,945	881,008	1,584,095	907,758	760,084
Operating leases . . . . .	85,908	18,774	15,734	11,285	40,115
Unconditional purchase obligations of lease equipment . . . . .	22,500	20,686	638	440	736
Unconditional noncancelable contracts for computer systems . . . . .	10,503	3,933	3,984	2,527	59
<b>Interest rate swaps:</b>					
Notional amount (floating to fixed) . . . . .	178,041	20,950	26,178	85,780	45,133
Notional amount (fixed to floating) . . . . .	121,423	118,423	3,000	—	—
Total contractual cash obligations . . . . .	<u>¥5,838,700</u>	<u>¥1,960,665</u>	<u>¥1,910,562</u>	<u>¥1,121,346</u>	<u>¥846,127</u>

Items excluded from the above table include short-term debt, trade notes, accounts and other payable and policy liabilities and policy account balances. The amounts of such items were ¥284,785 million, ¥335,936 million and ¥2,073,650 million, respectively, as of March 31, 2015. For information on pension plans and derivatives, see Notes 17 and 27 of “Item 18. Financial Statements.” We expect to fund commitments and contractual obligations from one, some or all of our diversified funding sources depending on the amount to be funded, the time to maturity and other characteristics of the commitments and contractual obligations.

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

## RECENT DEVELOPMENTS

### NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In January 2014, Accounting Standards Update 2014-04 (“Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure”—ASC 310-40 (“Receivables—Troubled Debt Restructurings by Creditors”)) was issued. This Update clarifies when a creditor is considered to have received physical possession resulting from an in substance repossession or foreclosure of residential real estate property collateralizing a consumer mortgage loan. Additionally, this Update requires an entity to disclose the amount of foreclosed residential real estate property and the recorded investment in consumer mortgage loans collateralized

by residential real estate property that are in the process of foreclosure. This Update is effective for fiscal years, and interim periods within those annual periods beginning after December 15, 2014. The amendments should be applied on either a prospective basis or a modified retrospective basis. Early adoption is permitted. The adoption is not expected to have a material effect on the Company and its subsidiaries' results of operations or financial position.

In May 2014, Accounting Standards Update 2014-09 ("Revenue from Contracts with Customers"—ASC 606 ("Revenue from Contracts with Customers")) was issued. The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply a five-step model to determine when to recognize revenue, and in what amount. The five steps to apply the model are:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

This Update requires an entity to disclose more information about contracts with customers than under the current disclosure requirements. The Update is effective for fiscal years, and interim periods within those years beginning after December 15, 2016. Early adoption is prohibited. An entity should apply the amendments in this Update using either a retrospective method or a cumulative-effect method. The entity using the retrospective method may elect some optional expedients to simplify a full retrospective basis. The entity using the cumulative-effect method would recognize the cumulative effect of initially applying this Update as an adjustment to the opening balance of retained earnings or net assets at the date of initial application. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position.

In June 2014, Accounting Standards Update 2014-12 ("Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period"—ASC 718 ("Compensation—Stock Compensation")) was issued. This Update requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. This Update is effective for fiscal years, and interim periods within those annual periods beginning after December 15, 2015. The amendments in this Update should be applied on either a prospective basis or a modified retrospective basis. Early adoption is permitted. The adoption is not expected to have a material effect on the Company and its subsidiaries' results of operations or financial position.

In August 2014, Accounting Standards Update 2014-13 ("Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity"—ASC 810 ("Consolidation")) was issued. This Update permits the parent of the consolidated collateralized financing entity ("CFE") within the scope of this Update to measure the CFE's financial assets and liabilities based on either the fair value of the financial assets or financial liabilities, whichever has the more observable inputs. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. Early adoption is permitted as of the beginning of a fiscal year. An entity should apply the amendments in this Update using either a modified retrospective approach or a full retrospective approach. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position.

In August 2014, Accounting Standards Update 2014-14 ("Classification of Certain Government - Guaranteed Mortgage Loans Upon Foreclosure"—ASC 310-40 ("Receivables—Troubled Debt Restructurings by

Creditors’)) was issued. This Update requires creditors to classify certain foreclosed government guaranteed mortgage loans as a receivable from the guarantor that is measured at the amount expected to be recovered under the guarantee, without treating the guarantee as a separate unit of account. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2014. An entity should apply the amendments in this Update using either a prospective transition method or a modified retrospective transition method. The transition method must be consistent with that applied by the entity for Accounting Standards Update 2014-04 (“Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure”—ASC 310-40 (“Receivables—Troubled Debt Restructurings by Creditors’’)). Early adoption is permitted only if the entity has already adopted Accounting Standards Update 2014-04. The adoption is not expected to have a material effect on the Company and its subsidiaries’ results of operations or financial position.

In August 2014, Accounting Standards Update 2014-15 (“Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”—ASC 205-40 (“Presentation of Financial Statements—Going Concern’’)) was issued. This Update requires an entity to perform a going concern assessment by evaluating their ability to meet obligations for a look-forward period of one year from the financial statement issuance date (or date the financial statements are available to be issued). Disclosures are required if it is probable an entity will be unable to meet its obligations within the look-forward period. Incremental substantial doubt disclosure is required if the probability is not mitigated by management’s plans. This Update is effective for the first fiscal years ending after December 15, 2016 and interim periods thereafter. Early adoption is permitted. The Update only relates to certain disclosure requirements and the adoption will have no effect on the Company and its subsidiaries’ results of operations or financial position.

In November 2014, Accounting Standards Update 2014-16 (“Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity”—ASC 815 (“Derivatives and Hedging’’)) was issued. This Update requires an issuer or an investor of hybrid financial instruments issued in the form of a share to determine whether the nature of the host contract is more akin to debt or to equity by considering the economic characteristics and risks of the entire hybrid financial instrument, including the embedded derivative feature that is being evaluated for separate accounting from the host contract. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. Early adoption, including adoption in an interim period, is permitted. The amendments in this Update should be applied on a modified retrospective basis to all existing hybrid financial instruments in the form of a share as of the beginning of the fiscal year of adoption. Retrospective application is permitted to all relevant prior periods. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries’ results of operations or financial position.

In January 2015, Accounting Standards Update 2015-01 (“Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items”—ASC 225-20 (“Income Statement—Extraordinary and Unusual Items’’)) was issued. This Update eliminates the concept of extraordinary items from U.S. GAAP, but does not change the current presentation and disclosure requirements for material events or transactions that are unusual in nature or infrequent in occurrence. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. The amendments in this Update should be applied on either a prospective basis or a retrospective basis. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. Generally, the effect of adopting this Update on the Company and its subsidiaries’ results of operations will depend on future transactions.

In February 2015, Accounting Standards Update 2015-02 (“Amendments to the Consolidation Analysis”—ASC 810 (“Consolidation’’)) was issued. This Update requires an entity to change the way to evaluate whether reporting entities should consolidate limited partnerships and similar legal entities, fees paid to a decision maker or service provider are variable interest in a VIE, and variable interests in a VIE held by related parties of the reporting entity require the reporting entity to consolidate the VIE. Additionally, the amendments in this Update rescind the indefinite deferral of FASB Statement No.167(“Amendments to FASB Interpretation No.46(R)’’(“FIN46R’’)), included in Accounting Standard Update 2010-10 (ASC 810(“Consolidation’’)) for

certain investment companies and similar entities. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. A reporting entity is permitted to apply the amendments in this Update using either a modified retrospective approach or a full retrospective approach. Early adoption is permitted. If an entity adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position.

In April 2015, Accounting Standards Update 2015-03 ("Simplifying the Presentation of Debt Issuance Costs"—ASC 835-30 ("Interest—Imputation of Interest")) was issued. This Update requires that debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, similar to the presentation of debt discounts or premiums. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. Retrospective application is required to all relevant prior periods. Early adoption is permitted for financial statements that have not been previously issued. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position.

### **NON-GAAP FINANCIAL MEASURES**

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

Our management believes these non-GAAP financial measures provide investors with additional meaningful comparisons between our financial condition as of March 31, 2015, as compared to prior periods. Effective April 1, 2010, we adopted ASU 2009-16 and ASU 2009-17, which changed the circumstances under which we are required to consolidate certain VIEs. Our adoption of these accounting standards caused a significant increase in our consolidated assets and liabilities and a decrease in our retained earnings without affecting the net cash flow and economic effects of our investments in such consolidated VIEs. Accordingly, our management believes that providing certain financial measures that exclude the impact of consolidating certain VIEs on our assets and liabilities as a supplement to financial information calculated in accordance with U.S. GAAP enhances understanding of the overall picture of our current financial position and enables investors to evaluate our historical financial and business trends without the large balance sheet fluctuation caused by our adoption of these accounting standards.

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



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

		As of March 31,		
		2013	2014	2015
		(Millions of yen, except ratios and percentage data)		
<b>Total assets</b> . . . . .	(a)	¥8,439,710	¥9,066,961	¥11,443,628
Deduct: Payables under securitized leases, loan receivables and others* . . . . .		679,766	253,827	291,635
<b>Adjusted total assets</b> . . . . .	(b)	7,759,944	8,813,134	11,151,993
<b>Short-term debt</b> . . . . .	(c)	420,726	308,331	284,785
<b>Long-term debt</b> . . . . .	(d)	4,061,534	3,852,668	4,132,945
Deduct: Payables under securitized leases, loan receivables and others* . . . . .		679,766	253,827	291,635
<b>Adjusted long-term debt</b> . . . . .	(e)	3,381,768	3,598,841	3,841,310
<b>Long- and short-term debt (excluding deposits)</b> . . . .	(f) = (c) + (d)	4,482,260	4,160,999	4,417,730
<b>Adjusted long- and short-term debt (excluding deposits)</b> . . . . .	(g) = (c) + (e)	3,802,494	3,907,172	4,126,095
<b>ORIX Corporation Shareholders' Equity</b> . . . . .	(h)	1,643,596	1,919,346	2,152,198
Deduct: The cumulative effect on retained earnings of applying the accounting standards for the consolidation of VIEs under ASU 2009- 16 and ASU 2009-17, effective April 1, 2010 . . . . .		(16,593)	(5,195)	(3,060)
<b>Adjusted ORIX Corporation Shareholders' Equity</b> . . . . .	(i)	1,660,189	1,924,541	2,155,258
<b>ORIX Corporation Shareholders' Equity Ratio</b> . . . .	(h) / (a)	19.5%	21.2%	18.8%
<b>Adjusted ORIX Corporation Shareholders' Equity Ratio</b> . . . . .	(i) / (b)	21.4%	21.8%	19.3%
<b>D/E ratio</b> . . . . .	(f) / (h)	2.7x	2.2x	2.1x
<b>Adjusted D/E ratio</b> . . . . .	(g) / (i)	2.3x	2.0x	1.9x
<b>Long-term debt ratio</b> . . . . .	(d) / (f)	91%	93%	94%
<b>Adjusted long-term debt ratio</b> . . . . .	(e) / (g)	89%	92%	93%

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

## RISK MANAGEMENT

### Group-Wide Risk Management System

#### *Risk Management System*

ORIX Group monitors and manages the risks relating to the Group businesses through its risk management system. In addition to the credit department, which primarily monitors risks related to individual transactions, and the corporate planning department, which monitors risks at the corporate level, each business unit has designated staff responsible for managing risks at the business unit level. The credit department, the corporate planning department and individual business units analyze and monitor various risks in collaboration with each other. The results are reported to the Investment and Credit Committee at meetings held three times a month, to the Group Executive Officer Committee at meetings held on a monthly basis and to the board of directors at meetings held on a regular basis for evaluation, and the relevant executive officers take measures deemed appropriate to address identified risks.

### ***Risk Control***

ORIX Group allocates management resources by taking into account Group-wide risk preference based on management strategies as well as the strategy of individual business units. Our board of directors and executive officers evaluate the performance and profitability of each business unit, and the executive officers take the responsive measures they deem necessary. This process enables us to control the balance sheet and allocate more management resources to business units viewed as having greater growth potential.

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

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

In analyzing a portfolio, the credit department monitors the following characteristics from a Group-wide perspective: business type, region, transaction type, risk type, asset quality status and concentration status of major debtors. The corporate planning department monitors risks at the corporate level, including market risk and risk related to fund procurement, in cooperation with the treasury department and the credit department.

### **Main Risk Management**

We recognize that credit risk, business risk, market risk, liquidity risk (risk relating to funding), legal risk and other operational risk are the main risks we face, and we manage each of these risks according to its characteristics.

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

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

To analyze credit risk, we evaluate the adequacy of collateral and guarantees, the liquidation of debt and the concentration of debtors and their business types. We conduct a comprehensive customer credit evaluation based on the customer's financial position, cash flow, underlying security interests, profitability and other factors of individual credit transactions.

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

We recognize certain assets that require extra monitoring, including credit extended to debtors who have petitioned for bankruptcy or civil rehabilitation, or other insolvency proceedings; whose bank transactions have been suspended, bills have been dishonored, or debts have not been collected for three months or more. The relevant business units, in cooperation with the credit department, take steps to secure collateral or other guarantees and to begin the collection process. The accumulated collection knowhow from sending an initial reminder to actively seizing collateral is consolidated in the credit department and is reflected in our evaluation criteria for individual credit transactions and portfolio analysis.

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

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

Against uncertainties related to new business areas, we monitor business plans and operations using scenario analyses and stress tests, and we also evaluate and verify the cost of withdrawal from a business.

For products and services we offer, in addition to monitoring quality, we review the content of our lineup of products and services in response to changes in the business environment and evolving customer needs and endeavor to maintain or improve their quality.

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

We endeavor to reduce the risk related to fluctuation in market prices for real estate by strengthening our cash flow.

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

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

We establish Group-wide ALM policies, and we endeavor to comprehensively verify and understand market risks.

Interest rate risk is comprehensively evaluated factoring in the expected impact of interest rate changes on periodic profit and loss and/or the balance sheet, the assets and liabilities positions, and the funding environment. These exact analysis methods are modified, as required, depending on the situation.

We generally manage exchange rate risk by using foreign currency-denominated loans, foreign exchange contracts and currency swaps to hedge exchange rate volatility in our business transactions in foreign currencies and overseas investments. We monitor and manage exchange rate risk of unhedged foreign currency denominated assets using appropriate indicators such as the VaR (value at risk).

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

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

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

### ***Liquidity Risk Management (Risk Management Relating to Funding)***

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

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

The effect on the business of each subsidiary is monitored by ascertaining liquidity risk in each subsidiary and in every country in which ORIX operates. We take appropriate measures to manage liquidity risk, such as parent-to-subsidary lending.

ORIX Bank, ORIX Life Insurance and HLIKK are engaged in retail financial activities for individual customers and are regulated by Japanese financial authorities. They are required to manage liquidity risk independently from other ORIX Group companies based on internal regulations formulated according to the relevant regulations.

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

ORIX Life Insurance and HLIKK conduct stress tests on insured events and ensure the necessary liquidity by holding assets with high liquidity such as cash and cash equivalents and securities above a certain ratio against the balance of a liability reserve and setting maximum limits for holding held-to-maturity securities.

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

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

To avoid, prevent and mitigate transactional legal risk in Japan, we generally require that the credit department, the legal department and the compliance department be involved in evaluating and/or executing transactions. In addition to establishing and maintaining internal rules designed to facilitate compliance with applicable laws that are currently in effect, we take steps to ensure that we will be in compliance with revisions to laws as they take effect.

For business transactional agreements, we have established an approval process involving the credit department in accordance with our prescribed internal rules. In addition, depending on the size and importance of a given transaction, we might also utilize the expertise of outside lawyers. To ensure that proper legal procedures are followed in connection with potential disputes and litigation, we require that the legal department, the compliance department and the credit department be involved in the management of such disputes and litigation, including lawsuits that have been, or are expected to be, brought against us and lawsuits that we bring, or expect to bring, against third parties.

The administration department conducts monitoring to prevent the violation of intellectual property rights of others and takes necessary measures promptly, if and when potential violations are discovered.

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

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

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

Each ORIX department conducts a compliance assessment to address material risks at the Group level. The internal audit department conducts monitoring activities based on an annual internal audit plan that focuses on material risks. The department endeavors to prevent the occurrence of events that could negatively affect Group management and seeks to strengthen the risk management function through monitoring activities.

The compliance department supports the implementation of compliance assessments in each division and also aims to increase awareness of corporate compliance within the ORIX Group through the implementation of compliance rules designed to ensure that all executives and employees act in conforming with applicable laws and regulations.

IT planning department and ORIX Computer Systems Corporation endeavor to reduce operational risk through the maintenance and operational administration of internal systems.

We have established internal rules to manage risks associated with natural disasters, which are designed to protect management resources and minimize losses, while giving priority to the safety of our executives and employees.

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

We engage in a broad spectrum of businesses, including financial service operations. We perform complete and transparent monitoring and risk management according to the characteristics of each business segment.

#### ***Corporate Financial Services Segment***

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

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

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

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

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

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

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

Cost fluctuation is the main risk of providing various services such as outsourcing. In response to this, we analyze initial cost planning and performance, monitor future forecasts and control costs at an appropriate level.

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

We also conduct credit examinations of individual transactions to manage credit risk.

#### *Real Estate Segment*

In the Real Estate segment, the main risk for business involving real estate development, rental and operation is business risk.

With respect to real estate investment, before making an investment decision we evaluate the actual cash flow performance of the target as against the initial plan and forecasts, and monitor investment strategies and schedules after execution. Upon a major divergence from the initial forecast, we reevaluate our strategy. We invest mainly in small properties and diversify risk by investing in large properties through joint ventures with partners.

For development and leasing properties, we monitor development and retention schedules and NOI yield. We capitalize on the Group's network to improve occupancy rates and promote sales.

In our facility operation business, we monitor performance indicators such as occupancy, utilization rates and profitability. We conduct market analysis and take initiatives to improve the desirability of our facilities, such as renovations. To improve quality of our services and facilities, we strive to take into consideration customers' feedback and also implement training programs for our employees.

#### *Investment and Operation Segment*

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

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

When making investment decisions in the principal investment business, we conduct a credit evaluation, analyzing the investee's credit risk and assessing its cash flow, as is done for credit examinations. In addition, we perform a multi-faceted evaluation on the characteristics of the business operation and investment scheme, in which administrative departments such as the accounting and legal departments are also involved. After the origination of an investment, individual transactions are monitored for divergence from the initial scenario.

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

In the loan servicing business, we seek to reduce credit and operational risks by conducting periodic internal auditing and monitoring and by implementing business operations based on work procedures in accordance with the applicable supervision and guidance from regulatory authorities. In addition, OAMLS has designated an

outside lawyer as a company director and has streamlined its organization to place legal and compliance-related affairs under the control of its legal and compliance department to cope with diversified legal issues, which could occur with any stakeholders, from a professional and multi-faceted viewpoint.

#### *Retail Segment*

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

When underwriting insurance contracts, while implementing strict assessment standards based on documents such as statements of health condition and medical examination reports, ORIX life Insurance cultivates employees with expert knowledge and hires sufficient staff, checks the status of insurance solicitation and takes rigorous measures to prevent the underwriting of fraudulent contracts. In addition, ORIX Life Insurance educates and instructs representative branch staff and agents to enhance compliance with applicable laws and regulations regarding the privacy of personal information, as well as insurance sales practices, and regularly checks whether these measures are carried out.

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

Regarding each housing loan we extend for the purchase of condominiums and apartments for investment purposes, we conduct screenings, which consist of a comprehensive evaluation including not only the client's ability to repay but also the cash flows that can be derived from the property and its collateral value.

Decision making for corporate loans is based on an investigation of the client's performance, business plan, the purpose of the loan, the expected source of repayment and industry trends. We also reduce risks by diversifying the business types and products in our portfolio.

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

#### *Overseas Business Segment*

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

Individual transactions in this segment are conducted in a manner similar to those in the domestic business segments. The credit department monitors the portfolio according to country risk. Information regarding the portfolio of the respective local subsidiaries, the business condition of major clients, the condition of those assets requiring extra monitoring and the clients of particular concern is shared internally.

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

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

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

Regarding credit risk, at the time of origination, we assign an internal credit rating to each investment or loan taking into consideration the credit status and the collateral status and continuously monitor the credit status. For any investments and/or loans of which the rating has reached or exceeded the caution level, our policy requires management to determine the necessity of a provision for doubtful receivables and probable loan losses or an impairment.

Regarding market risk, we monitor market values while referring to credit risk information and manage risk by pursuing early sales as appropriate to secure profits or minimize losses.

Operational risk is the main risk for the loan servicing business in the United States. We arrange loans and conduct servicing operations thereof under public financing schemes such as the Federal National Mortgage Association and the Federal Housing Administration. We conduct our operations based on the designated operating procedures set forth by these public financial institutions, and monitor and manage service quality through internal auditing.

Business risk and operational risk are the main risks for the asset management business and the advisory business.

Regarding business risk, in addition to monitoring to maintain and ensure satisfactory quality levels, we review the content of our products and services to constantly maintain and improve quality in response to changes in the business environment and evolving customer needs.

In the asset management business, we have established an internal compliance system to manage operational risk and manage our operations to abide by the compliance standards established by the supervisory authority.

Regarding operational risk in the advisory business, we maintain and ensure quality and operational procedures that meet the operating standards set forth by authorities through an internal quality control committee and other oversight so that high-quality advice and/or evaluation services can be supplied to customers according to proper operating procedures.

## **GOVERNMENTAL AND POLITICAL POLICIES AND FACTORS**

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

In January 2014, the Financial Stability Board (“FSB”)—an international standard-setting authority—proposed a methodology for assessing and designating non-bank non-insurer global systematically important financial institutions (“NBNI G-SIFIs”). Though the proposal was revised in March 2015, it is still unclear when this framework will be finalized, what form a final framework may take, what policy measures will be recommended to apply to NBNI G-SIFIs, and whether ORIX or any of its affiliates would be designated as a NBNI G-SIFI.

### **Item 6. Directors, Senior Management and Employees**

#### **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

##### **CORPORATE GOVERNANCE SYSTEM**

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



ORIX's corporate governance system is characterized by:

- separation of operation and oversight through a "Company with Nominating Committee, etc." board model;
- Nominating, Audit and Compensation Committee each is formed entirely by non-executive directors and the Audit Committee is formed entirely by outside directors;
- all outside directors satisfy strict conditions for independence; and
- outside directors highly qualified in their respective fields.

### **Rationale behind adopting ORIX's Corporate Governance System and history of the system**

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

Based on these principles, our board of directors possesses oversight function, and under the Company with Nominating Committee etc. board model, which we adopted in June 2003, delegates certain responsibilities to three committees to carry out the role of effective governance. Please see the history of ORIX's corporate governance system below.

Oversight by directors is separated from the execution of operations with the three committees (Nominating, Audit and Compensation Committees) that form the heart of the board of directors. Each committee is formed entirely by non-executive directors to help avoid conflicts of interest with our shareholders.

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

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

June 1997	Established Advisory Board
June 1998	Introduced Corporate Executive Officer System
June 1999	Introduced Outside Directors
June 2003	Adopted the "Company with Committees" board model
May 2006	Adopted the new "Company with Committees" board model in line with the enactment of the Companies Act of Japan
May 2015	Adopted the new "Company with Nominating Committees, etc." board model in line with the amendment of the Companies Act of Japan

The "Company with Nominating Committees, etc." board model, as stipulated under the Companies Act of Japan, requires the establishment of three board of director committees: the Nominating, Audit and Compensation Committees. Each committee is required to consist of three or more directors, a majority of whom must be outside directors. Directors may serve on more than one committee. The term of office of committee members is not stipulated under the Companies Act of Japan. However, as a committee member must be a director of the Company, the term expires at the close of the first annual general meeting of shareholders after his or her election. Under the Companies Act of Japan, an outside director is defined as a director who does not have a role in executing the Company's business, meaning those who have not assumed in the past ten years the position of a representative director or a director with the role of executing the business, executive officer (*shikkou-yaku*), manager or any other employee of the Company or its subsidiaries, and who does not currently assume such position of such company or subsidiaries. (See Item 16G "Corporate Governance.")

## Board of Directors

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

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

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

From April 1, 2014 through March 31, 2015, the board of directors met seven times. The attendance rate of directors for these meetings was 99%.

The board of directors as of June 25, 2015 includes 13 members, six of whom are outside directors.

### *Composition and size of Board of Directors*

The board of directors is composed of directors, including outside directors, that possess broad knowledge and experience. The number of directors on the board is also maintained at the level we consider to be appropriate for effective and efficient board discussion.

## Structure and Activities of the Three Committees

As of June 25, 2015, all three committees (Nominating, Audit and Compensation Committees) consisted of non-executive directors, and the Audit Committee consisted entirely of outside directors. The members of each committee along with the number of committee meetings and attendance rates are shown below.

	<u>Nominating Committee</u>	<u>Audit Committee</u>	<u>Compensation Committee</u>
Members as of June 25, 2015	6 Members (Outside Directors: 5) Nobuaki Usui (Chairperson) Robert Feldman Takeshi Niinami Ryuji Yasuda Hideaki Takahashi Heizo Takenaka	4 Members (Outside Directors: 4) Eiko Tsujiyama (Chairperson) Nobuaki Usui Ryuji Yasuda Heizo Takenaka	5 Members (Outside Directors: 4) Robert Feldman (Chairperson) Eiko Tsujiyama Takeshi Niinami Ryuji Yasuda Hideaki Takahashi
Number of meetings held during fiscal 2015 (Attendance rate)	Four (4) meetings (96%)	Seven (7) meetings (100%)	Nine (9) meetings (90%)

### *Nominating Committee*

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

Furthermore, the Nominating Committee ensures that composition of the board of directors overall possesses the right balance of knowledge, experience, and expertise, and the diversity of which, by setting certain criteria for the decision making process of directors' appointment. The Nominating Committee also nominates executive officer candidates to the board of directors following assessment of the candidate's past experience, knowledge, and his/her fit for the position to execute business decisions in the company's existing and new businesses.

#### (Internal Director)

- An individual with a high degree of expertise in ORIX Group's business
- An individual with excellent business judgment and business administration skills

#### (Outside Director)

- An individual with a wealth of experience as a business administrator
- An individual with professional knowledge in fields such as economics, business administration, law and accounting, as they relate to corporate management
- An individual with extensive knowledge in areas such as politics, society, culture and academics, as they relate to corporate management

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

- (1) No individual may be a principal trading partner\*, or an executive officer (including operating officers, hereinafter the same) or employee of a principal trading partner of ORIX Group. If such circumstances existed in the past, one year must have passed since that person's retirement from such office or employment.

\* A "principal trading partner" refers to an entity with a business connection with ORIX Group with a transaction amount equivalent to more than the greater of 2% of consolidated total sales (or consolidated total revenues) or one million U.S. dollars in any fiscal year of the preceding four fiscal years.

- (2) No individual may receive directly a large amount of compensation (10 million yen or higher in a fiscal year) excluding compensation as a director from ORIX Group in any fiscal year of the preceding four fiscal years. Further, any corporation or other entity in which such individual serves as consultant, account specialist or legal expert may not receive a large amount of compensation (equivalent to more than the greater of 2% of consolidated total sales (or consolidated total revenues of ORIX Group) or one million U.S. dollars) from ORIX Group. If such circumstances existed in the past, one year must have passed since that corporation or other entity received such compensation.
- (3) No individuals may be a major shareholder of ORIX (10% or higher of issued shares) or representative of the interests of a major shareholder.
- (4) No individuals may have served as an executive officer of a company having a relationship of concurrent directorship\* with ORIX in any fiscal year of the preceding four fiscal years.

\* "Concurrent directorship" refers to a relationship in which an executive officer of ORIX or its subsidiaries also serves as a director of a company in which the individual has been an executive officer and an outside director of ORIX.

- (5) No individuals may be a member of the executive board (limited to those who execute business) or be a person executing business (including an officer, corporate member or employee who executes business of the organization) of any organization (including public interest incorporated associations, public interest incorporated foundations and non-profit corporations) that have received a large amount of donation or assistance (annual average of 10 million yen or higher over the past three fiscal years) from the ORIX Group.
- (6) No individuals may have served as an accounting auditor or accounting counselors (*kaikei san-yo*), a certified public accountant (or a tax accountant) or a corporate member, a partner or an employee of an audit firm (or a tax accounting firm) who personally performed the audit work (excluding engagement as a supporting role) for ORIX Group in any fiscal year of the preceding four years.
- (7) None of the individuals' family members\* falls under any of the following:
  - i) A person who was an executive officer or important employee of the ORIX Group during the past three years.
  - ii) A person who falls under one of the criteria specified in (1) through (3), (5) and (6) above; provided, however, that criterion (1) is limited to an executive officer, criterion (2) is limited to a corporate member or a partner of the corporation or other entity and criterion (6) is limited to an executive officer or an employee who performs the audit on the ORIX Group in person.

\* Family members include a spouse, those related within the second degree by consanguinity or affinity, or other kin living with the outside director.
- (8) There must be no material conflict of interest or any possible conflict of interest that might influence the individual's judgment in performing their duties as an outside director.

#### ***Audit Committee***

The Audit Committee monitors the operational execution of the directors and executives and prepares audit reports. In addition, the Audit Committee proposes the appointment or dismissal, or the passage of resolutions refusing the reappointment of the Company's independent certified public accountants to the annual general meeting of shareholders. Eiko Tsujiyama, chairperson of the Audit Committee, is qualified as a certified public accountant and has extensive knowledge in finance and accounting as a professional accountant.

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

#### ***Compensation Committee***

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

## Policies on Auditing and Auditing System

The Audit Committee has established the following five items as its fundamental policies.

- The Committee shall always emphasize a consolidated management standpoint in auditing.
- The Committee shall monitor and evaluate the formulation and state of operations of the Group's internal control systems. In particular, it shall consider the validity and effectiveness of compliance systems, systems to ensure the credibility of financial reporting, and risk management systems.
- The Committee shall monitor and verify whether directors, executive officers, and employees under the supervision of executive officers are complying with laws, ordinances, and the provisions of the Articles of Incorporation in fulfilling their obligations of loyalty and due diligence, as well as any other legal obligations to the Group.
- The Committee shall monitor and verify whether executive officers are determining the execution of their duties and carrying out said duties appropriately and efficiently in accordance with basic management policies, medium-term management plans, and other plans and policies established by the Board of Directors.
- To ensure the fairness and credibility of audits, the Committee shall monitor and verify whether the accounting auditor is maintaining their independent position and conducting appropriate audits as professional experts.

Based on these fundamental policies, the Audit Committee verifies the status of performance of duties and the formulation and state of operations of internal control systems with representative executive officers and the heads of internal control-related and accounting departments, as well as sharing information with the executive officers responsible for the Group Internal Audit Department, the accounting auditor, and others as necessary.

The Auditing function of the Company is as follows.

Function	Number of Personnel	Responsibilities
Audit Committee	4 outside directors	Members evaluate the Company's internal control systems from the firmly independent standpoint of outside directors.
Audit Committee Secretariat	3 staff	<ul style="list-style-type: none"> <li>• In addition to providing the Audit Committee with assist regarding its general operations, the Secretariat is entrusted with aiding the execution of the Committee's duties and reporting results.</li> <li>• The appointment and evaluation of, changes to, and disciplinary action toward the staff of the Audit Committee Secretariat are carried out with the approval of the Audit Committee.</li> </ul>
Executive Officers Responsible for Group Internal Audit Department	1 executive officer	<ul style="list-style-type: none"> <li>• Support the Audit Committee in collecting information; entrusted by the Audit Committee with attending important meetings within the ORIX Group and accurately reporting information essential to auditing activities to the Audit Committee in a timely manner.</li> </ul>

Function	Number of Personnel	Responsibilities
Group Internal Audit Department Group Corporate Auditors	30 staff 15 full-time corporate auditors (as of the end of May 2015)	<ul style="list-style-type: none"> <li>• Perform internal audits of the effectiveness of internal control systems, efficiency and effectiveness of operations, compliance, and other factors pertaining to the management of the ORIX Group through a risk-based approach.</li> <li>• Jointly monitor critical risk through cooperation with full-time corporate auditors and internal audit functions at group companies.</li> <li>• Work to maintain and enhance the ORIX Group's internal auditing system.</li> </ul>

### **Executive Officers**

Under the “Company with Nominating Committees, etc.” board model, and within the scope of laws and ordinances, corporate decisions reached at the board of directors meeting are delegated to the executive officers to accelerate and achieve efficiency of the operation. The representative executive officer makes our important business execution decisions after deliberations by the Investment and Credit Committee (“ICC”) in accordance with the various regulations of the Company. The business execution duties of executive officers are decided by the board of directors and the representative executive officer and these duties are carried out based upon the various regulations of the Company. Group executives are appointed by the board of directors from among directors and executive officers of Group companies.

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

#### ***Investment and Credit Committee***

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

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

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

#### ***Monthly Strategy Meetings***

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

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

The Information Technology Management Committee includes members of the top management and the executive officer in charge of information technology (“IT”) systems, and meets once a month to deliberate and

approve important matters concerning fundamental policies for IT operations and IT systems. The committee determines the needs of and priorities for IT investment based on ORIX Group's fundamental IT strategies. This method enables ORIX to ensure that IT decisions are consistent with its business strategies. Furthermore, this enables ORIX to pursue its goal of making IT investments that contribute to business growth and help reduce risk.

### ***Disclosure Committee***

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

### **AUDITOR INDEPENDENCE**

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

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

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

In the opinion of management, the provision of non-audit services did not impair the independence of KPMG AZSA LLC.

## DIRECTORS

The directors of ORIX as of June 25, 2015 are as follows:

Name (Date of birth)	Current positions and principal outside positions <sup>(1)</sup>		Business experience	Shareholdings as of June 25, 2015
Makoto Inoue (Oct. 2, 1952)	Director, Representative Executive Officer, President and Chief Executive Officer	Apr. 1975	Joined ORIX	50,318
		Jan. 2003	Deputy Head of Investment Banking Headquarters	
		Feb. 2005	Executive Officer	
		Jan. 2006	Corporate Senior Vice President	
		Jun. 2009	Corporate Executive Vice President	
		Jun. 2010	Director Deputy President	
		Oct. 2010	Responsible for Investment Banking Headquarters	
		Jan. 2011	Representative Executive Officer, President and Chief Operating Officer	
		Jan. 2014	Co-Chief Executive Officer	
		Jun. 2014	Chief Executive Officer	
Kazuo Kojima (Jul. 5, 1956)	Director, Representative Executive Officer, Deputy President and Chief Financial Officer Head of Global Business and Alternative Investment Headquarters Outside Director, Ubiteq, INC.	Apr. 1980	Joined ORIX	32,682
		Apr. 2003	Deputy Head of Real Estate Finance Headquarters	
		Feb. 2005	Executive Officer	
		Jan. 2007	Corporate Senior Vice President	
		Jan. 2008	Corporate Executive Vice President	
		Jun. 2008	Director	
		Jan. 2010	Head of Domestic Sales Headquarters	
		Sep. 2012	Responsible for Investment and Operation Headquarters	
		Sep. 2013	Outside Director, Ubiteq, INC.	
		Jan. 2014	Responsible for Energy and Eco Services Business Headquarters Head of Global Business and Alternative Investment Headquarters	
Jun. 2015	Representative Executive Officer, Deputy President and Chief Financial Officer			



Name (Date of birth)	Current positions and principal outside positions <sup>(1)</sup>		Business experience	Shareholdings as of June 25, 2015
Yoshiyuki Yamaya (Oct. 20, 1956)	Director,	Apr. 1980	Joined ORIX	25,800
	Representative	Apr. 2001	General Manager of Office of the President	
	Executive Officer, Deputy President	Feb. 2005	Group Executive	
	Responsible for Retail Segment	Aug. 2006	Executive Officer	
	Responsible for Retail	Jan. 2008	Group Senior Vice President	
	Business Planning Office	Jan. 2009	Corporate Senior Vice President	
	Responsible for Concession Business Development Department	Jun. 2009	Director	
	President, ORIX Credit Corporation	Jan. 2014	Corporate Executive Vice President	
		Jun. 2014	Responsible for Special Investments Group	
		Jun. 2014	Responsible for Finance Department	
		Jun. 2014	Special Advisor to CEO	
		Jun. 2015	Responsible for Group Retail Business	
		Jun. 2015	Responsible for Retail Business Planning Office	
	Jun. 2015	President, ORIX Credit Corporation		
	Jun. 2015	Representative Executive Officer, Deputy President		
	Jun. 2015	Responsible for Retail Segment		
	Jun. 2015	Responsible for Concession Business Development Department		
Tamio Umaki (Jan. 16, 1948)	Director,	Apr. 1972	Joined ORIX	35,736
	Deputy President and Chief Information Officer	Mar. 1999	Head of Tohoku Area	
	Officer	Jun. 1999	Executive Officer	
	Head of Human Resources and Corporate Administration Headquarters	Jan. 2002	Group Executive	
	Responsible for Secretarial Office	Jan. 2007	Group Senior Vice President	
		Oct. 2008	Corporate Senior Vice President	
		Jan. 2009	Chief Information Officer	
		Jan. 2009	Head of Human Resources and Corporate Administration Headquarters	
		Jun. 2010	Corporate Executive Vice President	
		Jun. 2011	Director	
		Jun. 2013	Deputy President	
		Sep. 2013	Responsible for Group Legal and Compliance Department	
		Sep. 2013	Responsible for Group Internal Audit Department	
	Oct. 2013	Responsible for Group Compliance Department		
	Jan. 2014	Responsible for Secretarial Office		

Name (Date of birth)	Current positions and principal outside positions <sup>(1)</sup>	Business experience		Shareholdings as of June 25, 2015
Katsunobu Kamei (Jul. 8, 1957)	Director,	Apr. 1980	Joined ORIX	16,275
	Corporate Executive Vice President	Feb. 2005	Deputy Head of Kinki Sales Headquarters	
	Responsible for	Jan. 2008	Executive Officer	
	Corporate Financial Services Segment and Maintenance Leasing Segment	Jan. 2010	Domestic Sales Headquarters: Head of Kinki Sales	
	Jan. 2011	Group Senior Vice President		
	President, ORIX Auto Corporation	Jun. 2014	President, ORIX Auto Corporation Director	
	Jun. 2015	Corporate Executive Vice President Head of Domestic Sales Headquarters		
Yuichi Nishigori (Jan. 28, 1957)	Director,	Apr. 1980	Joined The Industrial Bank of Japan, Limited	12,833
	Corporate Senior Vice President		(currently, Mizuho Bank, Ltd.)	
	Head of Energy and Eco Services Business	Apr. 2003	Joined ORIX	
	Headquarters	Jan. 2007	Deputy Head of Alternative Investment and Development Headquarters	
	Outside Director, Ubiteq, INC.	Jan. 2009	Executive Officer	
	Apr. 2011	Deputy Head of Investment Banking Headquarters		
	Sep. 2011	Acting Head of Investment and Operation Headquarters		
	Jan. 2012	Head of Investment and Operation Headquarters		
	Sep. 2012	Outside Director, Ubiteq, INC.		
	Jan. 2014	Corporate Senior Vice President Head of Energy and Eco Services Business Headquarters		
Jun. 2015	Director			
Hideaki Takahashi (Mar. 22, 1948)	Non-Executive Director,	Aug. 1974	Joined NCR Corporation	0
	Professor, Graduate School of Media and Governance at Keio University	Mar. 1992	Deputy President and Representative Director, NCR Japan, Ltd.	
	Outside Director, Fukuoka Financial Group, Inc.	Dec. 1997	Senior Deputy President, NCR Corporation, Chairman and Representative Director, NCR Japan, Ltd.	
	Mar. 2000	Deputy President and Representative Director, Fuji Xerox Co., Ltd.		

Name (Date of birth)	Current positions and principal outside positions <sup>(1)</sup>	Business experience		Shareholdings as of June 25, 2015
		Jan. 2006	Professor, Graduate School of Media and Governance at Keio University	
		Nov. 2006	Part-time Advisor, ORIX	
		Apr. 2007	Outside Director, Fukuoka Financial Group, Inc.	
		Jun. 2014	Non-Executive Director, ORIX Special Advisor to CEO	
Eiko Tsujiyama (Dec. 11, 1947)	Outside Director	Apr. 1974	Certified Public Accountant	0
	Professor, Faculty of Commerce at Waseda University	Aug. 1980	Assistant Professor, College of Humanities at Ibaraki University	
	Corporate Auditor, Mitsubishi Corporation	Apr. 1985	Assistant Professor, School of Economics at Musashi University	
	Corporate Auditor, Lawson, Inc.	Apr. 1991	Professor, School of Economics at Musashi University	
	Audit & Supervisory Board Member, NTT DOCOMO, Inc.	Apr. 1996	Dean, School of Economics at Musashi University	
	Audit & Supervisory Board Member, Shiseido Company, Limited	Apr. 2003	Professor, School of Commerce and the Graduate School of Commerce at Waseda University	
		Sep. 2004	Professor, Faculty of Commerce at Waseda University	
		Jun. 2008	Corporate Auditor, Mitsubishi Corporation	
		Jun. 2010	Outside Director, ORIX	
		Sep. 2010	Dean, Graduate School of Commerce at Waseda University	
		May 2011	Corporate Auditor, Lawson, Inc.	
		Jun. 2011	Audit & Supervisory Board Member, NTT DOCOMO, Inc.	
		Jun. 2012	Audit & Supervisory Board Member, Shiseido Company, Limited	
Robert Feldman (Jun. 12, 1953)	Outside Director	Oct. 1983	Economist, International Monetary Fund	0
	Managing Director and Chief Economist, Morgan Stanley MUFG Securities Co., Ltd.	May 1989	Chief Economist, Salomon Brothers Inc. (currently Citigroup Global Markets Japan Inc.)	
		Feb. 1998	Joined Morgan Stanley Securities, Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.) as Managing Director and Chief Economist Japan	

Name (Date of birth)	Current positions and principal outside positions <sup>(1)</sup>	Business experience	Shareholdings as of June 25, 2015	
		Apr. 2003	Managing Director, Co-Director of Japan Research and Chief Economist, Morgan Stanley Japan Securities Co., Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.)	
		Dec. 2007	Managing Director and Head of Japan Economic Research, Morgan Stanley Japan Securities Co., Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.)	
		Jun. 2010	Outside Director, ORIX	
		Jul. 2012	Managing Director, Chief Economist and Head of Fixed Income Research, Morgan Stanley MUFG Securities Co., Ltd.	
		Mar. 2014	Managing Director and Chief Economist, Morgan Stanley MUFG Securities Co., Ltd.	
Takeshi Niinami (Jan. 30, 1959)	Outside Director President and Chief Executive Officer, Member of the Board, Representative Director, Suntory Holdings Limited. Outside Director, ACCESS, Co., Ltd. Outside Director, Mitsubishi Motors Corporation	Jun. 1995	President, Sodex Corporation (currently LEOC Co., Ltd.)	0
		Apr. 2001	Unit Manager, Lawson Business and Mitsubishi's Dining Logistical Planning team, Consumer Industry division, Mitsubishi Corporation	
		May 2002	President, Representative Director and Executive Officer, Lawson, Inc.	
		Mar. 2005	President, Representative Director and CEO, Lawson, Inc	
		Apr. 2006	Outside Director, ACCESS Co., Ltd.	
		Jun. 2010	Outside Director, ORIX	
		May 2013	Representative Director and CEO, Lawson, Inc.	
		May 2014	Chairman and Representative Director, Lawson, Inc. Chairman and Member of the Board, Lawson, Inc.	
		Jun. 2014	Outside Director, Mitsubishi Motors Corporation	
		Oct. 2014	President and Chief Executive Officer, Member of the Board, Representative Director, Suntory Holdings Limited.	

Name (Date of birth)	Current positions and principal outside positions <sup>(1)</sup>		Business experience	Shareholdings as of June 25, 2015
Nobuaki Usui (Jan. 1, 1941)	Outside Director Corporate Auditor, KONAMI CORPORATION	May 1995	Director-General of the Tax Bureau, Ministry of Finance	0
		Jan. 1998	Commissioner, National Tax Agency	
		Jul. 1999	Administrative Vice Minister, Ministry of Finance	
		Jan. 2003	Governor and CEO, National Life Finance Corporation (currently Japan Finance Corporation)	
		Dec. 2008	Chairman, The Japan Research Institute, Limited	
		Jun. 2011	Corporate Auditor of KONAMI CORPORATION	
		Jun. 2012	Outside Director, ORIX	
Ryuji Yasuda (Apr. 28, 1946)	Outside Director Outside Director, Daiwa Securities Group Inc. Outside Director, Fukuoka Financial Group, Inc. Outside Director, Yakult Honsha Co., Ltd.	Jun. 1991	Director, McKinsey & Company	0
		Jun. 1996	Chairman, A.T. Kearney, Asia	
		Jun. 2003	Chairman, J-Will Partners, Co., Ltd. Outside Director, Daiwa Securities Group Inc.	
		Apr. 2004	Professor, Graduate School of International Corporate Strategy at Hitotsubashi University	
		Apr. 2007	Outside Director, Fukuoka Financial Group, Inc.	
		Jun. 2009	Outside Director, Yakult Honsha Co., Ltd.	
		Jun. 2013	Outside Director, ORIX	
Heizo Takenaka (Mar. 3, 1951)	Outside Director Professor, Faculty of Policy Management at Keio University Chairman and Director, PASONA Group Inc. Director, Global Security Research Institute at Keio University Director, Academyhills	Apr. 1990	Assistant Professor, Faculty of Policy Management at Keio University	0
		Apr. 1996	Professor, Faculty of Policy Management at Keio University	
		Apr. 2001	Minister of State for Economic and Fiscal Policy	
		Sep. 2002	Minister of State for Financial Services and for Economic and Fiscal Policy	
		Jul. 2004	Elected to House of Councillors	
		Sep. 2004	Minister of State for Economic and Fiscal Policy and Communications and Privatization of Postal Services	

Name (Date of birth)	Current positions and principal outside positions <sup>(1)</sup>	Business experience	Shareholdings as of June 25, 2015
		Oct. 2005 Minister for Internal Affairs and Communications and Privatization of Postal Services	
		Nov. 2006 Director, Global Security Research Institute at Keio University	
		Dec. 2006 Director, Academyhills	
		Aug. 2009 Chairman and Director, PASONA Group Inc.	
		Apr. 2010 Professor, Faculty of Policy Management at Keio University	
		Jun. 2015 Outside Director, ORIX	

Note: All ORIX directors are engaged full-time except Hideaki Takahashi, Eiko Tsujiyama, Robert Feldman, Takeshi Niinami, Nobuaki Usui, Ryuji Yasuda and Heizo Takenaka.

## EXECUTIVE OFFICERS

The executive officers of the ORIX Group as of June 25, 2015, excluding those who are also directors as listed above are as follows:

Name	Title	Areas of duties	Shareholdings as of June 25, 2015
Hiroaki Nishina . . . . .	Vice Chairman	Group Kansai Representative Real Estate Segment Chairman, ORIX Real Estate Corporation President, ORIX Baseball Club Co., Ltd.	44,798
Shintaro Agata . . . . .	Corporate Executive Vice President	Treasury Headquarters	40,900
Eiji Mitani . . . . .	Corporate Senior Vice President	Kinki Sales Headquarters Group Kansai Deputy Representative	13,100
Takao Kato . . . . .	Corporate Senior Vice President	Accounting Headquarters President, ORIX Management Information Center Corporation	14,256
Kazutaka Shimoura . . . . .	Corporate Senior Vice President	Risk Management Headquarters	6,540
Hideto Nishitani . . . . .	Corporate Senior Vice President	Chairman and President, ORIX USA Corporation	20,699
Tetsuo Matsumoto . . . . .	Corporate Senior Vice President	Real Estate Headquarters Finance Department President, ORIX Real Estate Corporation	11,600
Kiyoshi Fushitani . . . . .	Corporate Senior Vice President	Global Transportation Services Headquarters East Asia Business Headquarters	1,500

Name	Title	Areas of duties	Shareholdings as of June 25, 2015
Satoru Katahira	Corporate Senior Vice President	OQL Business and Regional Business Headquarters Sales Promotion Headquarters IT Planning Office	14,253
Shigeki Seki	Executive Officer	Human Resources and Corporate Administration Headquarters	19,825
Tetsuro Masuko	Executive Officer	District Sales Headquarters	26,264
Shuji Irie	Executive Officer	Investment and Operation Headquarters	914
Satoru Matsuzaki	Executive Officer	Business Development Department I and II Tokyo Sales Headquarters	6,514
Tsukasa Kimura	Executive Officer	Energy and Eco Services Business Headquarters	7,139
Hiroshi Nishio	Executive Officer	Global Business and Alternative Investment Headquarters	1,008
Masaaki Kawano	Executive Officer	Special Assistant to CFO Corporate Planning Department Corporate Communications Department Legal and External Relations Department Robeco Group	1,902
Hiroko Yamashina	Executive Officer	Group Compliance Department Group Internal Audit Department	32,700
Ryuhei Sakamoto	Executive Officer	Treasury Headquarters	8,379
Masatoshi Kemmochi	Group Senior Vice President	Vice Chairman, ORIX Real Estate Corporation	20,137
Yasuyuki Ijiri	Group Executive	Deputy President, ORIX Auto Corporation	20,618

Note: Name on the family register of Hiroko Yamashina is Hiroko Arai.

## EMPLOYEES

As of March 31, 2015, we had 31,035 full-time employees, compared to 25,977 as of March 31, 2014 and 19,043 as of March 31, 2013. We employ 2,567 staff in the Corporate Financial Services segment, 2,642 staff in the Maintenance Leasing segment, 4,359 staff in the Real Estate segment, 11,402 staff in the Investment and Operation segment, 2,163 staff in the Retail segment, 6,727 staff in the Overseas Business segment and 1,175 staff as part of our headquarters function as of March 31, 2015. With the exception of the Overseas Business segment, all other staff are located in Japan. As of March 31, 2015, we had 24,548 temporary employees. Some of our employees are represented by a union. We consider our labor relations to be excellent.

The mandatory retirement age for our employees is 65, but for our subsidiaries and affiliates the retirement age varies. ORIX and major domestic subsidiaries introduced a system for retirement at age 65 from April 2014. By implementing the system alongside the current re-employment system at retirement age, the system will allow

employees to choose how they will work from age 60 according to their lifestyles. In April 2010, ORIX introduced an early voluntary retirement program that is available to ORIX employees who are at least 45 years old. Employees who take advantage of this program receive their accrued retirement package plus an incentive premium.

ORIX and some of its subsidiaries have established contributory and noncontributory funded pension plans covering substantially all of their employees. The contributory funded pension plans include defined benefit pension plans and defined contribution pension plans. Under the plans, employees are entitled to lump sum payments at the time of termination of their employment or, if enrollment period requirements have been met, to pension payments. Defined benefit pension plans consist of a cash balance plan and a plan in which the amount of the payments are determined on the basis of length of service and remuneration at the time of termination. Our funding policy in respect of these plans is to contribute annually the amounts actuarially determined to be required. Assets of the plans are invested primarily in interest-bearing securities and marketable equity securities. In July 2004, ORIX introduced a defined contribution pension program. In November 2004, we received permission from the Japanese Ministry of Health, Labor and Welfare to transfer the substitutional portion of benefit obligation from our employer pension fund to the government and these assets were transferred back to the government in March 2005. Total costs (termination or pension plans for both employees and directors and corporate auditors) charged to income for all benefit plans (including defined benefit plans) were ¥4,952 million, ¥6,478 million and ¥13,032 million in fiscal 2013, 2014 and 2015, respectively.

## **SHARE OWNERSHIP**

As of June 25, 2015, the directors, executive officers and group executives of the Company directly held an aggregate of 486,690 Shares, representing 0.04% of the total Shares issued as of such date.

## **COMPENSATION**

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

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



Compensation for directors, executive officers and group executives in fiscal 2015 was as follows (in millions of yen);

	Fixed compensation (Number of people)	Performance- linked compensation (Number of people)	Share component of compensation (Number of people)	Special bonus for long service and contribution (Number of people)	Total compensation
Non-Executive Director and Outside Director .....	93 (7)	— (—)	— (—)	— (—)	93
Executive Officer and Group Executive .....	895 (30)	375 (30)	1,078 (2)	4,469 (1)	6,819
Total .....	989 (37)	375 (30)	1,078 (2)	4,469 (1)	6,912

Compensation for Makoto Inoue, Representative Executive Officer, President and Chief Executive Officer of ORIX, for fiscal 2015 was ¥96 million in fixed compensation and ¥43 million in performance-linked compensation.

Compensation for Yoshihiko Miyauchi, currently Senior Chairman of ORIX, as Representative Executive Officer, Chairman and Chief Executive Officer of ORIX for fiscal 2015 was ¥38 million in fixed compensation, ¥9 million in performance-linked compensation, ¥953 million in share component of compensation and ¥4,469 million in special bonus for his long service and contribution.

Compensation for Katsutoshi Kadowaki, currently Chairman and Representative Executive Officer of DAIKYO INCORPORATED, as Corporate Executive Vice President of ORIX for fiscal 2015 was ¥9 million in fixed compensation, ¥1 million in performance-linked compensation and ¥124 million in share component of compensation.

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

*Policy of Determining Compensation of Directors and Executive Officers*

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

*Compensation Policy for Directors*

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

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

#### *Compensation Policy for Executive Officers*

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

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

\* In June 2005, we introduced the shares component of compensation, which is a program in which points are annually allocated to directors and executive officers based upon prescribed standards while in offices, and the actual number of ORIX's shares calculated based on the number of accumulated points is provided at the time of retirement. In July 2014, we started to provide these shares through "The Board Incentive Plan Trust"\*\*. Points granted to the members of each position are determined based on title and seniority in accordance with guidelines set by the Compensation Committee. The Compensation Committee has not set a fixed term in which directors and executive officers must retain the shares after their retirement. The Compensation Committee may restrict the awarding of stock-based compensation to directors and executive officers in the event that they engage in inappropriate behavior while in office that would inflict harm on the Company.

\*\* The Company entrusts money and establishes a trust (the "Board Incentive Plan Trust") and this trust acquires ORIX's shares, to provide directors and executive officers at the time of retirement, from the stock market using money contributed in advance.

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

The total number of points of the shares component of compensation granted to directors, executive officers and group executives for fiscal 2015 is equivalent to 364,500 points. Under this system, ¥1,078 million, which is equivalent to 650,000 points accumulated up to the time of retirement, was paid to executive officers who retired during fiscal 2015. As a result, the balance to directors, executive officers and group executives as of March 31, 2015 was 1,758,042 points.

Special bonus for long service and contribution is granted to those that made exceptional contribution during their terms in the office as both directors and executive officers. The payment of the special bonus is made at the time of the recipient's retirement. To whom and in what amount such special bonus is granted are decided by the compensation committee based on its prescribed standard.

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

The following table shows the names of directors, executive officers and group executives who received stock options, and the numbers of Shares for which they were granted options, under the stock option plans for each year from 2005 to 2008. No stock options were granted for each year from 2009 to 2015. Each unit of the Shares has one vote. We have not issued any preferred shares.

Titles for each individual as of June 25, 2015, unless otherwise described, are as follows:

Name	Title	2005–2008 stock option plans
Makoto Inoue	Director, President and Chief Executive Officer	59,000
Kazuo Kojima	Director, Deputy President and Chief Financial Officer	59,000
Yoshiyuki Yamaya	Director, Deputy President	55,000
Tamio Umaki	Director, Deputy President	59,000
Katsunobu Kamei	Director, Corporate Executive Vice President	37,000
Yuichi Nishigori	Director, Corporate Senior Vice President	22,400
Hideaki Takahashi	Non-Executive Director	0
Eiko Tsujiyama	Outside Director	0
Robert Feldman	Outside Director	0
Takeshi Niinami	Outside Director	0
Nobuaki Usui	Outside Director	0
Ryuji Yasuda	Outside Director	0
Heizo Takenaka	Outside Director	0
Hiroaki Nishina	Vice Chairman	110,000
Shintaro Agata	Corporate Executive Vice President	66,000
Eiji Mitani	Corporate Senior Vice President	61,000
Takao Kato	Corporate Senior Vice President	19,400
Kazutaka Shimoura	Corporate Senior Vice President	19,800
Hideto Nishitani	Corporate Senior Vice President	11,200
Tetsuo Matsumoto	Corporate Senior Vice President	59,000
Kiyoshi Fushitani	Corporate Senior Vice President	0
Satoru Katahira	Corporate Senior Vice President	14,000
Shigeki Seki	Executive Officer	13,200
Tetsuro Masuko	Executive Officer	13,600
Shuji Irie	Executive Officer	0
Satoru Matsuzaki	Executive Officer	11,600
Tsukasa Kimura	Executive Officer	23,800
Hiroshi Nishio	Executive Officer	9,200
Masaaki Kawano	Executive Officer	9,200
Hiroko Yamashina	Executive Officer	11,600
Ryuhei Sakamoto	Executive Officer	10,400
Masatoshi Kemmochi	Group Senior Vice President	32,000
Yasuyuki Ijiri	Group Executive	9,200

## STOCK OPTION PLAN

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

Our shareholders approved stock option plans at the annual general meetings of shareholders in the years from 1997 to 2000 inclusive, under which Shares were purchased from the open market and were held by ORIX for transfer to directors and executive officers and some employees of ORIX upon the exercise of their options. Shareholders also approved a stock subscription rights plan in 2001 and stock acquisition rights plans from 2002 to 2005. From 2006 to 2008, the Compensation Committee approved stock acquisition rights plans for our directors and executive officers, and shareholders approved similar plans for certain ORIX employees, as well as directors, executives and certain employees of our subsidiaries and affiliates. From 2009 to 2015, no stock option plans were adopted for our directors, executive officers, employees, or those of our subsidiaries and affiliates.

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

An outline of the stock option plans authorized since 2005 is as follows:

	<u>Shares granted</u>	<u>Exercise price per Share</u>	<u>Option expiration date</u>
2005 Stock Acquisition Rights Plan .....	4,774,000	¥1,891	June 21, 2015
2006 Stock Acquisition Rights Plan .....	1,942,000	¥2,962	June 20, 2016
2007 Stock Acquisition Rights Plan .....	1,449,800	¥3,101	June 22, 2017
2008 Stock Acquisition Rights Plan .....	1,479,000	¥1,689	June 24, 2018

## Item 7. Major Shareholders and Related Party Transactions

### MAJOR SHAREHOLDERS

The following table shows our major shareholders registered on our Register of Shareholders as of March 31, 2015.

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

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

<u>Name</u>	<u>Number of Shares held</u>	<u>Percentage of Issued shares</u>
	(Thousands)	(%)
Japan Trustee Services Bank, Ltd. (Trust Account) .....	110,694	8.36
The Master Trust Bank of Japan, Ltd. (Trust Account) .....	78,847	5.95
JP Morgan Chase Bank 380055 .....	78,308	5.91
The Chase Manhattan Bank 385036 .....	37,578	2.83
Japan Trustee Services Bank, Ltd. (Trust Account 9) .....	36,137	2.73
State Street Bank and Trust Company .....	28,903	2.18
State Street Bank and Trust Company 505225 .....	23,254	1.75
The Bank of New York Mellon SA/NV 10 .....	20,056	1.51
State Street Bank West Client treaty 505234 .....	17,606	1.33
CITIBANK, N.A. -N.Y , AS DEPOSITARY BANK FOR DEPOSITARY SHARE HOLDERS .....	16,659	1.25

ORIX is not directly or indirectly owned or controlled by any corporations, by any foreign government or by any natural or legal persons severally or jointly. As of March 31, 2015, the percentage of issued Shares held by overseas corporations and individuals was 59.44%. On March 31, 2015, approximately 3,329,773 ADSs were outstanding (equivalent to 16,648,865 or approximately 1.26% of ORIX's issued Shares as of that date). As of March 31, 2015, all our ADSs were held by two record holders in the United States.

In March 2015, we received a copy of a filing made by Fidelity Group to the Kanto Local Finance Bureau on March 6, 2015 indicating that FMR LLC held 67,237,277 Shares, representing 5.08% of ORIX's outstanding Shares, as part of Fidelity Group's assets under management.

In February 2015, we received a copy of a filing made by Sumitomo Mitsui Trust Group to the Kanto Local Finance Bureau on February 19, 2015 indicating that Sumitomo Mitsui Trust Group, primarily through Sumitomo Mitsui Trust Bank, held 70,593,600 Shares, representing 5.33% of ORIX's outstanding Shares, as part of Sumitomo Mitsui Trust Group's assets under management.

In February 2015, we received a copy of a filing made by BlackRock Inc. to Securities and Exchange Commission on February 2, 2015 indicating that BlackRock Inc. held 79,372,456 Shares, representing 6.0% of ORIX's outstanding Shares, as part of BlackRock's assets under management.

In November 2014, we received a copy of a filing made by Capital Group to the Kanto Local Finance Bureau on November 21, 2014 indicating that Capital Group, primarily through Capital Research and Management Company, held 96,405,640 Shares, representing 7.28% of ORIX's outstanding Shares, as part of Capital Group's assets under management.

In November 2014, we received a copy of a filing made by JP Morgan Group to the Kanto Local Finance Bureau on November 7, 2014 indicating that JP Morgan Group, primarily through JP Morgan Asset Management (Japan) Limited, held 56,031,959 Shares, representing 4.23% of ORIX's outstanding Shares, as part of JP Morgan Group's assets under management.

## **RELATED PARTY TRANSACTIONS**

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

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

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

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

There are no outstanding loans (including guarantees of any kind) made by us or any of our subsidiaries to or for the benefit of any of the persons listed in clauses (i) through (v) in the foregoing paragraph other than those listed in the table below. Certain of our affiliates may fall within the meaning of a related party under clauses (i) or (ii) of the foregoing paragraph. The amount of outstanding loans (including guarantees of any kind) made by us to or for the benefit of all our affiliates, including those which may fall within the meaning of a related party, totaled ¥8,572 million as of March 31, 2015 and did not exceed ¥12,000 million at any time during fiscal 2015.

Each of these loans was made in the ordinary course of business. The following table describes, for each related party borrower, the applicable interest rate (or range of interest rates), the largest aggregate amount outstanding during fiscal 2015 and the aggregate amount outstanding as of March 31, 2015.

<u>Related Party</u>	<u>The largest aggregate amount outstanding during fiscal 2015</u>	<u>Aggregate amount outstanding as of March 31, 2015</u>	<u>Interest rate</u>
	(Millions of yen)	(Millions of yen)	(%)
Flexible Energy Service Co., Ltd. ....	¥ 35	¥ 26	6.0
Plaza Sunroute Co. ....	1,288	1,196	3.5
Sharp Office Rental Corporation ....	1	0	5.6
THE CHUGIN LEASE CO., LTD. ....	1,200	971	1.1
ORIX JREIT Inc. ....	3,500	1,000	0.7 – 0.9
YM Leasing Corporation ....	377	308	1.1
SHIGAGIN LEASE CAPITAL CO., LTD. ....	1,126	19	0.7 – 1.0
Torigin Leasing Corporation ....	279	154	1.0 – 1.2
TOMONY Lease, Inc. ....	300	220	1.0
BAROQUE JAPAN Ltd. ....	66	56	4.4
Hyakugo Leasing Company Limited ....	90	70	0.8
Dragon Wealth Development Limited ....	970	0	2.2 – 2.3
Magix Airlease Limited ....	4,033	4,033	8.0
Aisling Airlease Ltd. ....	238	14	8.0
Tsubaki Marine S.A. ....	328	328	1.0
Sazanka Marine S.A. ....	190	0	1.0
Taurusky Shipping S.A. ....	775	0	1.0
TOKYOYAMAKI CO., Ltd. ....	85	85	2.7
Yamatojuken ....	23	0	3.9
S-cubism Holdings Inc. ....	100	92	1.5
Hiroshi Nishio* ....	23	0	1.5

\* We extended one "Flat 35" to Hiroshi Nishio, an executive officer, in May 2014 with a principal amount less than ¥23 million. Flat 35 is a housing loan with a fixed interest rate offered in conjunction with and securitized by the Japan Housing Finance Agency ("JHF"). Material terms of a Flat 35, including the range of interest that may be charged, are fixed by JHF. This Flat 35 was fully sold to JHF on the day of its extension and securitized by JHF shortly thereafter. As of the date of this filing, no amount of this Flat 35 is included in our loan balances. We extended this Flat 35 in the ordinary course of business, and the Flat 35 is of the same type that we make available to the public and was made on market terms.

One of our subsidiaries, ORIX Living Corporation is party to a customer referral agreement with I Seeds Corporation ("I Seeds"). A son of Yoshihiko Miyauchi, Senior Chairman, is a representative director of I Seeds.

Although the agreement and related transactions were made in the ordinary course of business and are not material to us, they may be material to I Seeds. ORIX Living Corporation had four transactions with I Seeds. The total fees ORIX Living Corporation paid under the agreement for fiscal 2015 was less than ¥2 million.

We are party to various real estate transactions with ORIX JREIT Inc. (“ORIX JREIT”). We hold ORIX JREIT shares and it is an affiliated company. Our transactions with ORIX JREIT primarily relate to the purchase of our rental properties by ORIX JREIT. These transactions were effected at fair prices based on third-party appraisals, and were valued less than ¥25,200 million in the aggregate for fiscal 2015. We also entered into certain ordinary course of business transactions with ORIX JREIT. These transactions are not material to us, although they may be material to ORIX JREIT.

## **Item 8. Financial Information**

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

### **LEGAL PROCEEDINGS**

See “Item 4. Information on the Company—Legal Proceedings.”

### **DIVIDEND POLICY AND DIVIDENDS**

See “Item 10. Additional Information—Dividend Policy and Dividends.”

### **SIGNIFICANT CHANGES**

None.

## **Item 9. The Offer and Listing**

### **TOKYO STOCK EXCHANGE**

The primary market for the Shares is the Tokyo Stock Exchange. The Shares have been traded on the First Section of the Tokyo Stock Exchange since 1973.

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

## TOKYO STOCK EXCHANGE PRICE PER SHARE

	Price per Share (¥)		Translated into dollars per ADS	
	High	Low	High	Low
Fiscal Year ended March 31, 2011 .....	945	741	57	35
Fiscal Year ended March 31, 2012 .....	846	555	54	37
Fiscal Year ended March 31, 2013 .....	1,217	642	65	41
Fiscal Year ended March 31, 2014				
First fiscal quarter .....	1,638	1,152	80	61
Second fiscal quarter .....	1,657	1,327	84	68
Third fiscal quarter .....	1,873	1,482	92	77
Fourth fiscal quarter .....	1,840	1,361	88	67
Fiscal Year ended March 31, 2015				
First fiscal quarter .....	1,679	1,340	83	66
Second fiscal quarter .....	1,706	1,513	84	69
Third fiscal quarter .....	1,662.5	1,300.0	73	61
Fourth fiscal quarter .....	1,788.5	1,312.5	75	57
Recent Six Months				
December 2014 .....	1,639.5	1,449.0	68	62
January 2015 .....	1,523.5	1,367.0	63	58
February 2015 .....	1,696.5	1,312.5	71	57
March 2015 .....	1,788.5	1,644.0	75	68
April 2015 .....	1,977.0	1,687.0	83	71
May 2015 .....	1,974.5	1,837.5	81	76

## NEW YORK STOCK EXCHANGE

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

One ADSs represents five shares. On March 31, 2015, approximately 3,329,773 ADSs were outstanding. This is equivalent to 16,648,865 or approximately 1.26% of the total number of Shares outstanding on that date. On that date, all our ADSs were held by two record holders in the United States.

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



## NYSE PRICE PER ADS

	Price per ADS (\$)		Average daily trading volume (shares)
	High	Low	
Fiscal Year ended March 31, 2011 .....	56.78	34.53	20,334
Fiscal Year ended March 31, 2012 .....	54.23	36.94	26,119
Fiscal Year ended March 31, 2013 .....	64.53	41.28	12,818
Fiscal Year ended March 31, 2014			
First fiscal quarter .....	80.38	61.24	28,277
Second fiscal quarter .....	83.55	67.96	12,776
Third fiscal quarter .....	91.83	76.58	17,991
Fourth fiscal quarter .....	87.98	66.67	26,047
Fiscal Year ended March 31, 2015			
First fiscal quarter .....	83.04	66.25	16,265
Second fiscal quarter .....	84.27	69.00	16,618
Third fiscal quarter .....	73.36	60.79	26,798
Fourth fiscal quarter .....	74.69	57.04	26,984
Recent Six Months			
December 2014 .....	67.67	61.87	30,888
January 2015 .....	63.07	57.53	27,499
February 2015 .....	70.73	57.04	26,857
March 2015 .....	74.69	67.93	26,240
April 2015 .....	82.78	71.26	35,910
May 2015 .....	80.84	76.38	50,455

### Item 10. Additional Information

#### MEMORANDUM AND ARTICLES OF INCORPORATION

##### Purposes

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

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

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

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

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

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

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

### **Stock**

Our authorized share capital is 2,590,000,000 shares. Currently our Articles of Incorporation provide only for the issuance of shares of common stock. All shares of capital stock of us have no par value. All issued shares are fully-paid and non-assessable.

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

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

Under the Act on Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan and regulations thereunder, or the Book-Entry Law, in Japan, every share which is listed on any of the stock exchanges in Japan shall be transferred and settled only by the central clearing system provided by Japan Securities Depository Center, Inc. ("JASDEC") and all Japanese companies listed on any Japanese stock exchange no longer issue share certificates. Shareholders of listed shares must have accounts at account management institutions to hold their shares unless such shareholder has an account at JASDEC, and any transfer of shares is effected through book entry, and title to the shares passes to the transferee at the time when the transferred number of the shares is recorded in the transferee's account at an account managing institution under the Book-Entry Law. The holder of

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

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

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

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

### **Distributions of Surplus**

Ordinary Dividends and Interim Dividends may be distributed by us in cash to shareholders or pledgees of record as of March 31 (in the case of Ordinary Dividends) or September 30 (in the case of Interim Dividends) of each year in proportion to the number of shares held by each shareholder or registered pledgee, as the case may be.

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

Under our Articles of Incorporation, if Ordinary Dividends are distributed for common shares, we treat the shareholders or share pledgees registered or recorded on the Register of Shareholders as of March 31 of each year as the people having rights to receive such dividends. In case of the distribution of Interim Dividends, we distribute these to the shareholders or share pledgees registered or recorded on the Register of Shareholders as of September 30 each year. Dividends or other distributable assets shall not incur interest thereon. If the relevant distributed assets are not received within a full three years from the date on which the distribution of relevant distributed assets became effective, we may be released from its obligation to distribute such assets.

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

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

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

In the above formula:

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

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

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

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

### **Capital and Reserves**

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

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

### **Stock Splits**

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

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

### **Unit Share System**

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

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

- (i) The right to receive the distribution of money, etc., when the Company distributes the money, etc. in exchange for acquiring one class of shares subject to terms under which the Company shall acquire all of such class shares;
- (ii) The right to receive the distribution of money, etc., in exchange for acquisition of shares subject to terms under which the Company shall acquire such shares;
- (iii) The right to receive allocation of shares when the Company allocates its shares without having a shareholder make new payment;
- (iv) The right to demand that the Company purchase shares that are less than one Unit held by the shareholder;
- (v) The right to receive distribution of remaining assets;
- (vi) The right to demand review of the Articles of Incorporation and the Register of Shareholders and delivery of their copies or a document describing registered matters, etc.;

- (vii) The right to demand registration or recordation of matters to be registered or recorded on the Register of Shareholders when the shareholder acquired the shares;
- (viii) The right to receive the distribution of money, etc. pursuant to reverse stock split, stock split, allocation of stock acquisition right for free (which means that the Company allocates its stock acquisition right without having a shareholder make new payment), distribution of dividends from retained earnings or change of corporate organization;
- (ix) The right to receive the distribution of money, etc. to be distributed pursuant to merger, share exchange or share-transfer effected by the Company;
- (x) The right to subscribe to Offering Shares and Offering Stock Acquisition Rights on a pro rata basis based upon the number of shares held by the shareholder; and
- (xi) The right to demand that the Company sell to the shareholder the number of additional shares necessary to make the number of shares of less than one Unit held by the shareholder, equal to one Unit.

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

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

### **General Meetings of Shareholders**

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

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

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

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

## **Voting Rights**

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

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

## **Subscription Right**

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

## **Stock Acquisition Rights**

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

## **Liquidation Rights**

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

## **Reports to Shareholders**

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

### **Record Date of Register of Shareholders**

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

### **Repurchase of Own Shares**

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

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

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

### **Stock Options**

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

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

## **MATERIAL CONTRACTS**

On April 28, 2014, ORIX Life Insurance Corporation (hereinafter, "ORIX Life Insurance"), a subsidiary of the Company, entered into an agreement to purchase all issued shares of Hartford Life Insurance K.K. (hereinafter, "HLIKK") held by Hartford Life, Inc. On July 1, 2014, ORIX Life Insurance completed the acquisition of HLIKK. As a result, HLIKK has become a consolidated subsidiary of the Company.

For more information about the acquisition of HLIKK and the terms of the agreement entered in connection therewith, see Note 3 (3) of "Item 18. Financial Statements."

## **FOREIGN EXCHANGE AND OTHER REGULATIONS**

### **Foreign Exchange**

The Foreign Exchange and Foreign Trade Law of Japan, as amended, and the cabinet orders and ministerial ordinances thereunder (the "Foreign Exchange Regulations") govern the acquisition and holding of shares of



capital stock of ORIX by “exchange nonresidents” and by “foreign investors” (as defined below). The Foreign Exchange Regulations currently in effect do not, however, regulate transactions between exchange nonresidents who purchase or sell shares outside Japan for non-Japanese currencies.

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

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

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

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

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

### **Large Shareholdings Report**

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

### **Filing of Share Acquisition Plan**

The Act on Prohibition of Private Monopolization and Maintenance of Fair Trade requires any company (including a foreign company) which crosses certain domestic sales thresholds and newly acquires a holder of

more than 20% or 50% of the total issued voting shares of capital stock (such as the shares of capital stock of ORIX) or the shares of a company (including a foreign company) which meets certain conditions, to file a share acquisition plan concerning such shares with the Fair Trade Commission at least 30 days prior to the closing or the acquisition.

## DIVIDEND POLICY AND DIVIDENDS

ORIX has paid dividends on the Shares on an annual basis in each year since 1967. With the adoption of a “Company with Committees” board model in June 2003, the board of directors has been responsible for setting the annual dividend per common share since the fiscal year ended March 31, 2004. The board of directors approves annual dividends at the board of directors’ meeting customarily held in May of each year. Following such approval, dividends are paid to holders of record as of the preceding March 31. We have decided to implement interim dividend starting from the fiscal year ended March 31, 2016 (dividend calculation based on the retained earnings recorded on September 30, 2015).

The following table shows the amount of dividends applicable to fiscal year per Share for each of the fiscal years indicated, which amounts are translated into dollars per ADS at the noon buying rate for Japanese yen in New York City for cable transfers in foreign currencies on the relevant dividend payment date as published by the Federal Reserve Bank. On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company’s register of shareholders as of March 31, 2013. As a result of the stock split, the ratio of ADSs to underlying shares changed from 0.5 underlying shares per one ADS to five underlying shares per one ADS. In the following tables and elsewhere in this document unless indicated otherwise, numbers of shares of ORIX’s common stock, per share, including price per share, information for ORIX’s common stock and ORIX’s ADS information in this annual report have been retroactively adjusted to reflect the 10-for-1 stock split on April 1, 2013.

Year ended	Dividends applicable to fiscal year per Share	Translated into dollar per ADS
March 31, 2011 .....	8.00	0.49
March 31, 2012 .....	9.00	0.57
March 31, 2013 .....	13.00	0.64
March 31, 2014 .....	23.00	1.12
March 31, 2015 .....	36.00	1.45

ORIX aims to increase shareholder value by utilizing the profits earned from business activities that were secured primarily as retained earnings, by strengthening its business foundation and investing for growth. At the same time, ORIX expects to make steady and sustainable distribution of dividends that reflect its business performance.

Based on this basic policy, the annual dividend is raised to 36 yen per share in fiscal 2015 from 23 yen per share in the fiscal 2014.

In share buyback decisions, ORIX will take into account the adequate level of retained earnings and act flexibly by considering factors such as changes in the business environment, trend in stock prices, and the company’s financial condition.

For the next fiscal year that ends on March 31, 2016, emphasis is placed upon the optimal balance between securing capital for investment in future profit growth and return to the shareholders. Furthermore, dividend distribution is scheduled twice a year with an interim dividend and a year-end dividend. The interim dividend for the next fiscal year is projected at 22 yen per share. The year-end dividend for the next fiscal year is to be determined.

Pursuant to the amendment to the Act on Special Measures Concerning Taxation, dividends paid to U.S. Holders of Shares or ADSs are generally subject to a Japanese withholding tax. The tax rate can be found in “Item 10 TAXATION, JAPANESE TAXATION—*Shares*.”

## TAXATION

### JAPANESE TAXATION

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

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

#### *Shares*

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

Pursuant to the Act on Special Measures Concerning Taxation and the Act on Special Measures Concerning the Securing of Financial Resources for Reconstruction Measures Involving the Great East Japan Earthquake, the Japanese withholding tax rate applicable to dividends on Shares or ADSs paid to nonresident Holders by us is (i) 7% for dividends due and payable on or before December 31, 2012, (ii) 7.147% for dividends due and payable on or after January 1, 2013 through December 31, 2013, and (iii) 15.315% for dividends due and payable on or after January 1, 2014. However, where an individual nonresident Holder who holds 3% or more of the total number of shares issued by us, the withholding tax rate applicable will be (i) 20% for dividends due and payable on or before December 31, 2012, and (ii) 20.42% for dividends due and payable on or after January 1, 2013. Japan has entered into income tax treaties, conventions and agreements where this withholding tax rate is, in some cases, reduced to a lower percentage for portfolio investors. Nonresident Holders who are entitled under an applicable treaty, convention, or agreement to this reduced Japanese withholding tax rate are required to submit an Application Form for the Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us to the relevant Japanese tax authority before the payment of dividends. A standing proxy for a nonresident Holder may provide such application service. Nonresident Holders who do not submit an application in advance will be entitled to claim the refund from the relevant Japanese tax authority of those withholding taxes withheld in excess of the rate of an applicable tax treaty.

The Convention between the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the “Tax Convention”) provides for a maximum rate of Japanese withholding tax which may be imposed on dividends paid to an eligible United States resident not having a permanent establishment in Japan. Under the Tax Convention, the maximum withholding rate is generally limited to 10% of the relevant dividends.

Gains derived from the sale outside Japan of Shares or ADSs by a nonresident Holder, are, in general, not subject to Japanese income or corporation taxes.

Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who has acquired Shares or ADSs as a legatee, heir or donee.

## UNITED STATES TAXATION

The following discussion describes the material U.S. federal income tax consequences of ownership and disposition of Shares or ADSs held as capital assets by U.S. Holders (described below).

This discussion does not describe all of the tax consequences that may be relevant to a U.S. holder in light of the holder's particular circumstances (including the application of the provisions of the code known as the Medicare Contribution Tax) or to holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers and traders in securities who use a mark-to-market method of tax accounting;
- persons holding Shares or ADSs as part of a hedging transaction, straddle, conversion transaction or other integrated transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- persons subject to the alternative minimum tax;
- tax-exempt entities, including "individual retirement accounts" and "Roth IRAs";
- persons that own or are deemed to own 10% or more of the voting stock of the Company;
- persons holding the shares or ADSs in connection with a trade or business carried on outside the United States; or
- persons who acquired Shares or ADSs pursuant to the exercise of any employee stock option or otherwise as compensation.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding Shares or ADSs and partners in such partnerships should consult their tax advisors as to the particular U.S. federal income tax consequences of holding and disposing of Shares or ADSs.

This summary is based on the Internal Revenue Code of 1986, as amended, (the "Code") administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations, and the Tax Convention, changes to any of which subsequent to the date of this annual report may affect the tax consequences described herein. It is also based in part on representations by the depository and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms.

As used herein, the term "U.S. Holder" means a beneficial owner of Shares or ADSs that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or of any political subdivision thereof; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

We believe that we will be a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes in the year to which this annual report relates and for the foreseeable future by reason of the composition of our assets and the nature of our income.

Persons considering the purchase of Shares or ADSs should consult their tax advisors with regard to the PFIC rules described below as well as the application of other U.S. federal income tax laws relevant to their particular situations and any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

In general, a U.S. Holder of ADSs will be treated as the owner of the underlying shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if the U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concerns that parties to whom American depositary shares are released prior to delivery of shares to the depositary (“pre-release”), or intermediaries in the chain of ownership between U.S. Holders and the issuer of the security underlying the American depositary shares, may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. Holders of American depositary shares. Accordingly, the creditability of Japanese taxes, described below, could be affected by actions taken by such parties or intermediaries.

### ***Taxation of Distributions***

Subject to the PFIC rules described below, distributions paid on Shares or ADSs, other than certain pro rata distributions of common shares, will generally be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we expect to be a PFIC, dividends paid by us will not be eligible for the preferential dividend tax rate otherwise available to certain non-corporate U.S. Holders. The amount of a dividend will include any amounts withheld by us or our paying agent in respect of Japanese taxes, as discussed above under “Taxation—Japanese Taxation—Shares.” The amount of the dividend will be treated as foreign source dividend income to U.S. Holders and will not be eligible for the dividends received deduction generally allowed to U.S. corporations under the Code.

Dividends paid in yen will be included in the income of a U.S. Holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of the U.S. Holder’s (or, in the case of ADSs, the depositary’s) receipt of the dividend, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize a foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have a foreign currency gain or loss if such holder does not convert the amount of such dividend into U.S. dollars on the date of its receipt. Any foreign currency gain or loss resulting from the conversion of the yen will generally be treated as U.S. source ordinary income or loss.

Subject to the PFIC rules described below and to applicable limitations that may vary depending upon the U.S. Holder’s circumstances, and subject to the discussion above regarding concerns expressed by the U.S. Treasury, Japanese taxes withheld from dividends on Shares or ADSs at a rate not exceeding the applicable rate provided for by the Tax Convention will be creditable against the U.S. Holder’s U.S. federal income tax liability. The maximum rate of withholding tax on dividends paid to a U.S. Holder pursuant to the Tax Convention is 10%. As discussed under “Taxation—Japanese Taxation—Shares” above, under current Japanese law, the statutory rate is higher than the maximum Tax Convention rate. Japanese taxes withheld in excess of the rate applicable under the Tax Convention will not be eligible for credit against a U.S. Holder’s federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits in their particular circumstances. Instead of claiming a credit, U.S. Holders may, upon election, deduct such otherwise creditable Japanese taxes in computing taxable income, subject to generally applicable limitations under U.S. law.

### ***Passive Foreign Investment Company Rules***

If, as expected, we are a PFIC for any year during a U.S. Holder's holding period of the Shares or ADSs, and the U.S. Holder has not made a mark-to-market election for the Shares or ADSs, as described below, the holder will be subject to special rules generally intended to eliminate any benefits from the deferral of U.S. federal income tax that a holder could derive from investing in a foreign corporation that does not distribute all of its earnings on a current basis. Upon a disposition of Shares or ADSs (including under certain circumstances, a pledge, and under proposed Treasury regulations, a disposition pursuant to certain otherwise tax-free reorganizations) gain recognized by a U.S. Holder would be allocated ratably over its holding period for the Shares or ADSs. The amounts allocated to the taxable year of the sale or other exchange and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations for such year, as appropriate, and an interest charge would be imposed on the tax liability allocated to such taxable year. Similar rules would apply to any distribution in respect of Shares or ADSs to the extent it exceeds 125 percent of the average of the annual distributions on Shares or ADSs received during the preceding three years or the U.S. Holder's holding period, whichever is shorter (any such distribution, an "excess distribution"). Any loss realized on a disposition of Shares or ADSs will be capital loss, and will be long-term capital loss if the U.S. Holder held the Shares or ADSs for more than one year. The amount of the loss will equal the difference between the U.S. Holder's tax basis in the Shares or ADSs disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. Such loss will generally be U.S.-source loss for foreign tax credit purposes.

If we are a PFIC for any year during which a U.S. Holder holds Shares or ADSs, we generally will continue to be treated as a PFIC with respect to the U.S. Holder for all succeeding years during which the U.S. Holder holds Shares or ADSs, even if we cease to meet the threshold requirements for PFIC status.

Under certain attribution rules, if we are a PFIC, U.S. Holders will be deemed to own their proportionate shares of our subsidiaries that are PFICs and will be subject to U.S. federal income tax according to the rules described above on (i) certain distributions by subsidiary PFICs and (ii) a disposition of shares of a subsidiary PFIC, even though holders have not received the proceeds of those distributions or dispositions directly.

If the Shares or ADSs are "regularly traded" on a "qualified exchange," a U.S. Holder of Shares or ADSs would be eligible to make a mark-to-market election that would result in tax treatment different from the general tax treatment for PFICs described above. The Shares or ADSs will be treated as "regularly traded" in any calendar year in which more than a *de minimis* quantity of the Shares or ADSs are traded on a qualified exchange for at least 15 days during each calendar quarter. A "qualified exchange" includes the NYSE on which our ADSs are traded and a foreign exchange that is regulated by a governmental authority in which the exchange is located and with respect to which certain other requirements are met. The Internal Revenue Service ("IRS") has not yet identified specific foreign exchanges that are "qualified" for this purpose. Under current law, the mark-to market election may be available to holders of ADSs because the ADSs will be listed on the NYSE, although there can be no assurance that the ADSs will be "regularly traded" for purposes of the mark-to-market election. However, even if a U.S. Holder makes a mark-to-market election with respect to our Shares or ADSs, a U.S. Holder will not be able to make a mark-to-market election with respect to any of our subsidiaries that are PFICs.

If a U.S. Holder is eligible and makes the mark-to-market election, the U.S. Holder will include each year, as ordinary income, the excess, if any, of the fair market value of the Shares or ADSs at the end of the taxable year over their adjusted basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of the Shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). If a U.S. Holder validly makes the election, the holder's basis in the Shares or ADSs will be adjusted to reflect any such income or loss amounts. Any gain recognized on the sale or other disposition of Shares or ADSs in a year when the Company is a PFIC will be treated as ordinary income.

We do not intend to comply with the requirements necessary for a U.S. Holder to make a qualified electing fund election, which is sometimes available to shareholders of a PFIC.

Special rules apply to determine the foreign tax credit with respect to withholding taxes imposed on excess distributions on shares in a PFIC.

If a U.S. Holder owns Shares or ADSs during any year in which we are a PFIC, the U.S. Holder will generally be required to file IRS Form 8621 with their federal income tax return, subject to certain exceptions.

We urge U.S. Holders to consult their tax advisors concerning our status as a PFIC and the tax considerations relevant to an investment in a PFIC, including the availability and consequences of making the mark-to-market election discussed above.

### ***Backup Withholding and Information Reporting***

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

Certain U.S. Holders who are individuals may be required to report information relating to their ownership of an interest in certain foreign financial assets, including stock of a non-U.S. person, generally on Form 8938, subject to exceptions (including an exception for financial assets held through a U.S. financial institution). Certain U.S. Holders that are entities may be subject to similar rules in the future. U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to the Shares or ADSs.

## **DOCUMENTS ON DISPLAY**

We are subject to the reporting requirements of the Act. In accordance with these requirements, we file annual reports on Form 20-F and furnish periodic reports on Form 6-K with the Commission.

These materials, including this annual report and the exhibits thereto, may be inspected and copied at the Commission's Public Reference Room at Room 1580, 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Commission's Public Reference Room by calling the Commission in the United States at 1-800-SEC-0330. The Commission also maintains a website at <http://www.sec.gov> that contains reports and proxy information regarding issuers that file electronically with the Commission via EDGAR.

We are currently exempt from the rules under the Act that prescribe the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Act. We are not required under the Act to publish financial statements as frequently or as promptly as are U.S. companies subject to the Act. We will, however, continue to furnish our shareholders with annual reports containing audited financial statements and will issue press releases containing unaudited interim financial information as well as such other reports as may from time to time be authorized by our board of directors or as may be otherwise required.



## Item 11. Quantitative and Qualitative Disclosures about Market Risk

### MARKET RISKS

Our primary market risk exposures are interest rate risk, exchange rate risk and risk of market prices in stocks. We enter into derivative transactions to hedge interest rate risk and exchange rate risk. Our risk management for market risk exposure and derivative transactions are described under “Item 5. Operating and Financial Review and Prospects—Risk Management.”

The following quantitative information about the market risk of our financial instruments does not include information about financial instruments to which the requirements under ASC 825 (“Financial Instruments”) do not apply, such as investment in direct financing leases, investment in operating leases, and insurance contracts. As a result, the following information does not present all the risks of our financial instruments. We omitted the disclosure of financial instruments for trading purposes because the amount is immaterial.

#### *Interest Rate Risk*

Many of our assets and liabilities are composed of floating and fixed rate assets and liabilities. Movements in market interest rates affect gains and losses. Accordingly, we endeavor to reduce interest rate risk through techniques such as funding interest rate bearing assets through liabilities with similar interest rate characteristics, e.g., financing floating-rate assets with floating-rate liabilities and financing fixed-rate assets with fixed-rate liabilities.

We manage asset liability through various methods including conducting gains and losses impact analysis and balance sheet fair value analysis when market interest rates fluctuate, constructing balance sheets for fixed rate assets and liabilities, and those for floating rate, testing interest rate sensitivities.

The table of interest rate sensitivity for financial instruments summarizes installment loans, investment in securities (floating and fixed rate) and long- and short-term debt. These instruments are further classified under fixed or floating rates. For such items, the principal collection and repayment schedules and the weighted average interest rates for collected and repaid portions are disclosed. Concerning interest rate swaps, under derivative instruments, the estimated notional principal amount for each contractual period and the weighted average of swap rates are disclosed. The average interest rates of financial instruments as of March 31, 2015 were: 3.9% for installment loans, 1.6% for investment in securities (floating and fixed rate), 1.4% for long- and short-term debt and 0.3% for deposits. As of March 31, 2015, the average payment rate of interest rate swaps was 1.0% and the average receipt rate was 1.6%. The average interest rates of financial instruments as of March 31, 2014 were: 4.0% for installment loans, 1.4% for investments in securities (floating and fixed rate), 1.6% for long- and short-term debt and 0.4% for deposits. As of March 31, 2014, the average payment rate of interest rate swaps was 1.1% and the average receipt rate was 1.9%. As of March 31, 2015, there was no material change in the balance or in the average interest rate of financial instruments from March 31, 2014. The table below shows our interest rate risk exposure and the results of our interest rate sensitivity analysis.

**INTEREST RATE SENSITIVITY  
NONTRADING FINANCIAL INSTRUMENTS**

	Expected Maturity Date						Total	March 31, 2015 Estimated Fair Value
	Year ended and ending March 31,					Thereafter		
	2016	2017	2018	2019	2020			
	(Millions of yen)							
<b>Assets:</b>								
Installment loans (fixed rate) .....	¥263,340	¥118,998	¥ 95,497	¥ 85,142	¥ 57,889	¥238,644	¥ 859,510	¥ 855,969
Average interest rate .....	4.9%	6.3%	6.4%	6.8%	6.8%	4.9%	5.6%	—
Installment loans (floating rate) .....	¥181,841	¥138,181	¥124,113	¥137,450	¥126,376	¥868,291	¥1,576,252	¥1,552,360
Average interest rate .....	2.9%	3.1%	3.6%	3.5%	3.3%	2.7%	2.9%	—
Investment in securities (fixed rate) .....	¥198,040	¥ 40,969	¥ 89,143	¥169,830	¥125,424	¥607,603	¥1,231,009	¥1,268,230
Average interest rate .....	0.5%	1.4%	1.0%	0.5%	0.6%	2.3%	1.5%	—
Investment in securities (floating rate) .....	¥ 2,430	¥ 7,427	¥ 4,177	¥ 873	¥ 5,276	¥ 43,323	¥ 63,506	¥ 63,655
Average interest rate .....	2.5%	3.8%	4.8%	4.3%	3.6%	4.0%	4.0%	—
<b>Liabilities:</b>								
Short-term debt .....	¥284,785	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 284,785	¥ 284,785
Average interest rate .....	1.7%	—	—	—	—	—	1.7%	—
Deposits .....	¥896,891	¥139,144	¥137,789	¥ 56,605	¥ 56,951	¥ —	¥1,287,380	¥1,288,419
Average interest rate .....	0.3%	0.4%	0.4%	0.4%	0.4%	—	0.3%	—
Long-term debt (fixed rate) ..	¥572,364	¥496,954	¥424,641	¥253,587	¥116,962	¥311,330	¥2,175,838	¥2,158,512
Average interest rate .....	2.7%	1.6%	1.2%	1.0%	1.2%	1.4%	1.7%	—
Long-term debt (floating rate) .....	¥308,644	¥352,164	¥310,336	¥282,374	¥254,835	¥448,754	¥1,957,107	¥1,958,747
Average interest rate .....	1.2%	1.1%	1.0%	0.8%	1.0%	0.7%	1.0%	—

**NONTRADING DERIVATIVE FINANCIAL INSTRUMENTS**

	Expected Maturity Date					Thereafter	Total	March 31, 2015 Estimated Fair Value
	Year ended and ending March 31,							
	2016	2017	2018	2019	2020			
	(Millions of yen)							
<b>Interest rate swaps:</b>								
Notional amount (floating to fixed) .....	¥ 20,950	¥7,515	¥18,663	¥60,880	¥24,900	¥45,133	¥178,041	¥(1,181)
Average pay rate .....	1.8%	3.6%	1.9%	0.3%	0.3%	1.7%	1.1%	—
Average receive rate .....	1.5%	3.3%	1.8%	0.3%	0.3%	0.9%	0.9%	—
Notional amount (fixed to floating) .....	¥118,423	¥ —	¥ 3,000	¥ —	¥ —	¥ —	¥121,423	¥ 850
Average pay rate .....	0.3%	—	0.5%	—	—	—	0.3%	—
Average receive rate .....	2.7%	—	2.1%	—	—	—	2.7%	—

The above table excludes “purchased loans” for which there is interest rate exposure. We acquire deteriorated credit loans at a discount for which full collection of all contractually required payments from the debtors is unlikely under ASC 310-30 (“Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality”). We refer to these as “purchased loans.” It is difficult to estimate the timing and extent of collection for these loans. The total book value of our purchased loans as of March 31, 2015 was to ¥42,292 million.

We are also exposed to interest rate risks on life insurance businesses, because revenues from life insurance related investment income fluctuates based on changes in market interest rate, while life insurance premiums and costs do not.

### ***Exchange Rate Risk***

We hold foreign currency-denominated assets and liabilities and deal in foreign currencies. It is our policy to match balances of foreign currency-denominated assets and liabilities as a means of hedging exchange rate risk. There are, however, cases where a certain part of our foreign currency-denominated investments are not hedged for such risk.

We identified all positions subject to exchange rate risk. We identify retained earnings accumulated in foreign currencies in our overseas subsidiaries, which is translated to Japanese yen upon consolidation, as a major position subject to exchange rate risk. ORIX shareholders' equity is accordingly subject to exchange rate risk arising from such translations. For other positions, potential losses in future earnings are calculated using several hypothetical scenarios with 10% changes in related currencies. Based on these scenarios, exchange losses in future earnings were estimated to be ¥1,783 million and ¥1,395 million as of March 31, 2014 and 2015, respectively. The largest such losses were estimated in scenarios where the euro appreciated 10% against the U.S. dollar from the rate in effect on March 31, 2014 and 2015.

### ***Risk of Market Prices in Stocks***

We have marketable stocks that are subject to price risk arising from changes in their market prices. Our shareholders' equity and net income bear risks due to changes in the market prices of these securities. To manage these risks of market price fluctuations, we assume a scenario of a 10% uniform downward movement in stock prices compared with stock prices as of March 31, 2014 and 2015, respectively, and under such circumstances estimate ¥13,910 million and ¥15,493 million decrease in the fair value of our equity securities as of March 31, 2014 and 2015.

## **Item 12. Description of Securities Other than Equity Securities**

### **FEES AND PAYMENTS RELATING TO OUR AMERICAN DEPOSITARY SHARES**

#### **SCHEDULE OF FEES AND CHARGES**

Citibank N.A., or the Depositary, serves as the depositary for our ADSs. As an ADS holder, you will be required to pay the following service fees to the Depositary:

<u>Service</u>	<u>Fee</u>
Issuance of ADSs upon deposit of Shares . . . . .	Up to 5¢ per ADS issued
Cancellation of ADSs and delivery of deposited securities . . . . .	Up to 5¢ per ADS canceled
Exercise of rights to purchase additional ADSs . . . . .	Up to 5¢ per ADS issued
Distribution of cash proceeds upon sale of rights and other entitlements . . .	Up to 2¢ per ADS held

As an ADS holder you will also be responsible to pay various fees and expenses incurred by the Depositary and various taxes and governmental charges such as:

- Taxes, including applicable interest and penalties, and other governmental charges;
- Fees for the transfer and registration of Shares charged by the registrar and transfer agent for the Shares in Japan (i.e., upon deposit and withdrawal of Shares);
- Expenses incurred for converting foreign currency into U.S. dollars;
- Expenses for cable, telex and fax transmissions and for delivery of securities;
- Fees and expenses of the Depositary incurred in connection with compliance with exchange control regulations and regulatory requirements applicable to the Shares or ADSs; and
- Fees and expenses of the Depositary in delivering deposited securities.

We have agreed to pay some other charges and expenses of the depositary bank. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary bank. You will receive prior notice of these changes.

#### **PAYMENTS TO ORIX FROM THE DEPOSITARY**

The Depositary has agreed to reimburse us for certain expenses we incur in connection with our ADR program. These reimbursable expenses include investor relations expenses, NYSE listing fee, and proxy voting and related expenses. In fiscal 2015, this amount was \$80,000.

## PART II

### Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

### Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

In order to improve the convenience and liquidity of our securities on exchanges where our shares are listed, in accordance with “Action Plan for Consolidating Trading Units” issued in November 2007 by the securities exchanges in Japan, the Company implemented a 10-for-1 stock split of shares of its common stock on March 31, 2013, pursuant to which one hundred shares constitutes one unit as of April 1, 2013. The change resulted in no substantive change in trading unit price levels. As a result of the stock split, the ratio of ADSs to underlying shares changed from 0.5 underlying shares per one ADS to five underlying shares per one ADS. The change has not affected ADS unit price levels or other material ADS terms.

### Item 15. Controls and Procedures

As of March 31, 2015, the ORIX Group, under the supervision and with the participation of the Company’s management, including the Chief Executive Officer and the Chief Financial Officer, performed an evaluation of the effectiveness of the ORIX Group’s disclosure controls and procedures (as defined in Rule 13a-15 (e) under the Securities Exchange Act of 1934, as amended). The Company’s management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which by their nature can provide only reasonable assurance regarding the achievement of management’s control objectives. Based on this evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level for gathering, analyzing and disclosing the information the Company is required to disclose in the reports it files under the Act, within the time periods specified in the SEC’s rules and forms. There has been no change in the ORIX Group’s internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### Management’s report on internal control over financial reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). The internal control over financial reporting process of the ORIX Group was designed by, or under the supervision of, the Company’s Chief Executive Officer and Chief Financial Officer and effected by the Company’s board of directors, management and other personnel, to provide reasonable assurance to the Company’s management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the ORIX Group;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America, and that receipts and expenditures of the ORIX Group are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the ORIX Group’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of our internal control over financial reporting as of March 31, 2015 by using the criteria set forth in "Internal Control-Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company's management concluded that our internal control over financial reporting was effective as of March 31, 2015.

The effectiveness of our internal control over financial reporting has been audited by KPMG AZSA LLC, an independent registered public accounting firm, who also audited our consolidated financial statements as of and for each of the years in the three-year period ended March 31, 2015, as stated in their attestation report which is included in Item 18 (page F-3).

#### **Item 16A. Audit Committee Financial Expert**

Our board of directors has determined that Eiko Tsujiyama is an "audit committee financial expert," within the meaning of the current rules of the U.S. Securities and Exchange Commission. Eiko Tsujiyama is "independent" as required by Section 303A.06 of the New York Stock Exchange Listed Company Manual.

#### **Item 16B. Code of Ethics**

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Pursuant to our Code of Ethics, last amended in April 2014, officers of ORIX covered by ORIX's Code of Ethics are required to promptly bring to the attention of the Company's Executive Officer of the Group Compliance Department any information concerning any violations of the Code of Ethics.

#### **Item 16C. Principal Accountant Fees and Services**

##### **FEES PAID TO PRINCIPAL ACCOUNTANT**

##### **AUDIT FEES**

In fiscal 2014 and 2015, KPMG (including Japanese and overseas affiliates of KPMG AZSA LLC) billed us ¥1,826 million and ¥2,440 million, respectively, for direct audit fees.

##### **AUDIT-RELATED FEES**

In fiscal 2014 and 2015, KPMG billed us ¥80 million and ¥108 million, respectively, for audit-related services, including services related to due diligence.

##### **TAX FEES**

In fiscal 2014 and 2015, KPMG billed us ¥91 million and ¥172 million, respectively, for tax-related services, including tax compliance and tax advice.

##### **ALL OTHER FEES**

In fiscal 2014 and 2015, KPMG billed us ¥6 million and ¥14 million, respectively, for other products and services which primarily consisted of advisory services.

## AUDIT COMMITTEE'S PRE-APPROVAL POLICIES AND PROCEDURES

In terms of audit services, every year the independent registered public accounting firm draws up its annual audit plan and annual budget, which is evaluated by ORIX's Accounting Department. Subsequently, pre-approval is obtained from the Audit Committee.

Non-audit services are generally not obtained from the independent registered public accounting firm or its affiliates. In situations where ORIX must engage the non-audit services of the independent registered public accounting firm, preapproval is obtained from the Audit Committee on a case-by-case basis only after the reason has been specified.

### Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

### Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Year ended March 31, 2015	(a) Total number of Shares Purchased	(b) Average Price Paid per Share	(c) Total number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	(d) Maximum Number (or Approximate Yen Value) of Shares that May Yet be Purchased Under the Plans or Programs <sup>(1)</sup>
April 2014 . . . . .	100	¥1,468	0	¥ 0
May 2014 . . . . .	30	1,567	0	0
June 2014 . . . . .	313	1,645	0	0
July 2014 . . . . .	150	1,679	0	0
August 2014 . . . . .	90	1,588	0	0
September 2014 . . . . .	60	1,552	0	0
October 2014 . . . . .	20	1,412	0	0
November 2014 . . . . .	60	1,571	0	0
December 2014 . . . . .	210	1,542	0	0
January 2015 . . . . .	60	1,398	0	0
February 2015 . . . . .	120	1,451	0	0
March 2015 . . . . .	110	1,735	0	0
Total . . . . .	<u>1,323</u>	<u>¥1,581</u>	<u>0</u>	<u>¥ 0</u>

<sup>(1)</sup> There is no plan or program to purchase Shares announced in fiscal 2015 and up until the filing of this annual report.

### Item 16F. Change in Registrant's Certifying Accountant.

Not applicable.

### Item 16G. Corporate Governance

Our ADSs have been listed on the New York Stock Exchange, or NYSE, since 1998. As an NYSE-listed company, we are required to comply with certain corporate governance standards under Section 303A of the NYSE Listed Company Manual. However, as a foreign private issuer, we are permitted to follow home country practice in lieu of certain provisions of Section 303A.

Our corporate governance practices differ in certain significant respects from those that U.S. companies must adopt in order to maintain a NYSE listing and, in accordance with Section 303A.11 of the NYSE's Listed Company Manual, we provide a brief, general summary of such differences.

The composition of our board of directors and its committees differs significantly in terms of independence from the composition requirements for boards and committees that U.S. companies must satisfy in order to maintain a NYSE listing. We are not required to meet the NYSE's independence requirements for individuals on our board of directors or our Nominating, Audit, and Compensation Committees. Under Japanese law, a majority of the membership on our committees must be "outside directors"—a Japanese law concept that shares similarities with the U.S. concept of "independent director." However, we are not required to include on our board of directors a majority of outside directors, nor are we required to compose our committees exclusively from outside directors. Six of our 13 directors are considered outside directors. We have adopted a written charter for our Compensation Committee that addresses committee member appointment and removal, committee structure and operations, and reporting to the board. However, our Compensation Committee has not retained, or obtained the advice of, a compensation consultant, independent legal counsel or other adviser.

Under the Companies Act, an outside director is a director (i) who is not an executive director, executive officer (*shikko-yaku*), manager or any other kind of employee of the Company or its subsidiaries (collectively called "Executive Directors And Employees") and who has not been the Executive Directors and Employees in the past 10 years of the Company or its subsidiaries; (ii) who has not been the Executive Directors And Employees of the Company or its subsidiaries for the past 10 years from the assumptions of any of the position of director, accounting advisor, or auditor; (iii) who is not a person with a controlling stake in the management of the Company, such as a holder of 50 per cent or more of the Company's shares, etc., or has not been a director, executive officer, manager or any other kind of employees of the parent company of the Company; (iv) who has not been the Executive Directors And Employees of any other company with same parent company; and (v) who has not been the spouse or the kin (within the second degree) of any director, manager or any other kind of important employee of the Company, or a person with a controlling stake in the management of the Company, such as a holder of 50 per cent or more of the Company's shares etc.

In addition to differences in composition requirements for our board of directors and its committees, we are not required to:

- make publicly available one or more documents that summarize all aspects of our corporate governance guidelines or prepare a written code that states the objectives, responsibilities, and performance evaluation criteria of our Nominating, Audit and Compensation Committees in a manner that satisfies the NYSE's requirements;
- adopt a code of business conduct and ethics for our directors, officers, and employees that addresses fully the topics necessary to satisfy the NYSE's requirements;
- hold regularly scheduled executive sessions for our outside directors;
- obtain shareholder approval for all equity compensation plans for employees, directors or executive officers of ORIX or for material revisions to any such plans;
- provide the compensation committee with authority to obtain or retain the advice of a compensation adviser only after taking into consideration all factors relevant to determining the adviser's independence from management.



## PART III

### Item 17. Financial Statements

ORIX has elected to provide financial statements and related information pursuant to Item 18.

### Item 18. Financial Statements

See pages F-1 through F-142.

The following consolidated financial statements of ORIX listed below and the report thereon by its independent registered public accounting firm are filed as part of this Form 20-F:

- (a) Consolidated Balance Sheets as of March 31, 2014 and 2015 (page F-4);
- (b) Consolidated Statements of Income for the years ended March 31, 2013, 2014 and 2015 (page F-6);
- (c) Consolidated Statements of Comprehensive Income for the years ended March 31, 2013, 2014 and 2015 (page F-8);
- (d) Consolidated Statements of Changes in Equity for the years ended March 31, 2013, 2014 and 2015 (page F-9);
- (e) Consolidated Statements of Cash Flows for the years ended March 31, 2013, 2014 and 2015 (page F-11);
- (f) Notes to Consolidated Financial Statements (page F-12 to F-141);
- (g) Schedule II.—Valuation and Qualifying Accounts and Reserves (page F-142).

## Item 19. Exhibits

We have filed the following documents as exhibits to this document.

<u>Exhibit Number</u>	<u>Description</u>
Exhibit 1.1	Articles of Incorporation of ORIX Corporation, as amended on June 23, 2015.
Exhibit 1.2	Regulations of the Board of Directors of ORIX Corporation, as amended on June 1, 2015.
Exhibit 1.3	Share Handling Regulations of ORIX Corporation, as amended on October 7, 2013 (Incorporated by reference from the annual report on Form 20-F filed on June 26, 2014, commission file number 001- 14856).
Exhibit 4.1	Stock Purchase Agreement, dated as of April 28, 2014, among Hartford Life, Inc., ORIX Life Insurance Corporation and ORIX Corporation (Incorporated by reference from the Current Report on Form 8-K filed by The Hartford Financial Services Group, Inc. on April 28, 2014, commission file number 001-13958).
Exhibit 7.1	A statement explaining in reasonable detail how ratios in the annual report were calculated.
Exhibit 8.1	List of subsidiaries.
Exhibit 11.1	Code of Ethics, as amended on April 18, 2014 (Incorporated by reference from the annual report on Form 20-F filed on June 26, 2014, commission file number 001-14856).
Exhibit 12.1	Certifications required by Rule 13a-14 (a) (17 CFR 240.13a-14 (a)) or Rule 15d-14 (a) (17 CFR 240.15d 14(a)).
Exhibit 13.1	Certifications required by Rule 13a-14 (b) (17 CFR 240.13a-14 (b)) or Rule 15d-14 (b) (17 CFR 240.15d 14 (b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
Exhibit 101	Instance Document.
Exhibit 101	Schema Document.
Exhibit 101	Calculation Linkbase Document.
Exhibit 101	Definition Linkbase Document.
Exhibit 101	Labels Linkbase Document.
Exhibit 101	Presentation Linkbase Document.

We have not included as exhibits certain instruments with relation to our long-term debt or the long-term debt of our subsidiaries. The total amount of securities of us or our subsidiaries authorized under any such instrument does not exceed 10% of our consolidated total assets. We hereby agree to furnish to the SEC, upon its request, a copy of any and all such instruments.

**SIGNATURES**

The company hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**ORIX KABUSHIKI KAISHA**

By: \_\_\_\_\_ /s/ KAZUO KOJIMA  
Name: Kazuo Kojima  
Title: Attorney-in-Fact  
Chief Financial Officer

Date: June 25, 2015

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of ORIX Corporation:

We have audited the accompanying consolidated balance sheets of ORIX Corporation (a Japanese corporation) and its subsidiaries as of March 31, 2014 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2015. In connection with our audits of the consolidated financial statements, we also have audited financial statement Schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ORIX Corporation and its subsidiaries as of March 31, 2014 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 (ah) to the consolidated financial statements, ORIX Corporation eliminated the lag period and has aligned the fiscal year end of DAIKYO INCORPORATED (a Japanese subsidiary) with its fiscal year end of March 31 during the year ended March 31, 2015. Also, as discussed in Note 1 (ai) to the consolidated financial statements, ORIX Corporation has changed certain line items presented in the consolidated balance sheets, the consolidated statements of income and the consolidated statements of cash flows during the year ended March 31, 2015. Corresponding to these changes, the presented amounts in the consolidated balance sheet as of March 31, 2014, have also been reclassified retrospectively to conform to the presentation as of March 31, 2015, the presented amounts in the consolidated statements of income and the consolidated statements of cash flows for the previous fiscal year have also been reclassified retrospectively to conform to the presentation for fiscal March 31, 2015.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ORIX Corporation's internal control over financial reporting as of March 31, 2015, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 25, 2015 expressed an unqualified opinion on the effectiveness of ORIX Corporation's internal control over financial reporting.

KPMG AZSA LLC  
Tokyo, Japan  
June 25, 2015

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of ORIX Corporation:

We have audited ORIX Corporation's (a Japanese corporation) internal control over financial reporting as of March 31, 2015, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting, included in Item 15 "Controls and Procedures" of the accompanying Form 20-F. Our responsibility is to express an opinion on ORIX Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, ORIX Corporation maintained, in all material respects, effective internal control over financial reporting as of March 31, 2015, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ORIX Corporation and its subsidiaries as of March 31, 2014 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2015, and our report dated June 25, 2015 expressed an unqualified opinion on those consolidated financial statements.

KPMG AZSA LLC  
Tokyo, Japan  
June 25, 2015

**CONSOLIDATED BALANCE SHEETS  
AS OF MARCH 31, 2014 AND 2015**

**ORIX Corporation and Subsidiaries**

	Millions of yen	
	2014	2015
<b>ASSETS</b>		
Cash and Cash Equivalents . . . . .	¥ 818,039	¥ 827,518
Restricted Cash . . . . .	87,035	85,561
Investment in Direct Financing Leases . . . . .	1,094,073	1,216,454
Installment Loans . . . . .	2,315,555	2,478,054
(The amounts of ¥12,631 million as of March 31, 2014 and ¥15,361 million as of March 31, 2015 are measured at fair value by electing the fair value option under FASB ASC 825.)		
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses . . . . .	(84,796)	(72,326)
Investment in Operating Leases . . . . .	1,379,741	1,296,220
Investment in Securities . . . . .	1,214,452	2,846,257
(The amounts of ¥11,433 million as of March 31, 2014 and ¥16,891 million as of March 31, 2015 are measured at fair value by electing the fair value option under FASB ASC 825.)		
Property under Facility Operations . . . . .	295,863	278,100
Investment in Affiliates . . . . .	297,325	378,087
Trade Notes, Accounts and Other Receivable . . . . .	193,369	348,404
Inventories . . . . .	106,031	165,540
Office Facilities . . . . .	128,060	131,556
Other Assets . . . . .	1,222,214	1,464,203
(The amount of ¥36,038 million as of March 31, 2015 is measured at fair value by electing the fair value option under FASB ASC 825.)		
Total Assets . . . . .	¥9,066,961	¥11,443,628

- Note 1: Certain line items presented in the consolidated balance sheets have been changed starting from fiscal 2015. The amounts in fiscal 2014 have been reclassified for this change. For further information, see Note 1 “Significant Accounting and Reporting Policies (ai) Reclassifications.”
- 2: Prior-year amounts have been retrospectively adjusted for the elimination of a lag period that previously existed between DAIKYO INCORPORATED (hereinafter, “DAIKYO”), and ORIX in fiscal 2015. For further information, see Note 1 “Significant Accounting and Reporting Policies (ah) Elimination of a lag period.”
- 3: The assets of consolidated variable interest entities (VIEs) that can be used only to settle obligations of those VIEs are below:

	Millions of yen	
	2014	2015
Cash and Cash Equivalents . . . . .	¥ 5,223	¥ 5,242
Investment in Direct Financing Leases (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses) . . . . .	109,642	153,951
Installment Loans (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses) . . . . .	154,901	171,163
Investment in Operating Leases . . . . .	227,062	252,234
Property under Facility Operations . . . . .	7,360	39,153
Investment in Affiliates . . . . .	11,034	11,905
Others . . . . .	90,085	93,983
	¥605,307	¥727,631

**CONSOLIDATED BALANCE SHEETS—(Continued)**  
**AS OF MARCH 31, 2014 AND 2015**

**ORIX Corporation and Subsidiaries**

	Millions of yen	
	2014	2015
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Short-Term Debt . . . . .	¥ 308,331	¥ 284,785
Deposits . . . . .	1,206,413	1,287,380
Trade Notes, Accounts and Other Payable . . . . .	263,823	335,936
Policy Liabilities and Policy Account Balances . . . . .	454,436	2,073,650
(The amount of ¥1,254,483 million as of March 31, 2015 is measured at fair value by electing the fair value option under FASB ASC 825.)		
Income Taxes:		
Current . . . . .	23,188	9,445
Deferred . . . . .	288,683	336,069
Long-Term Debt . . . . .	3,852,668	4,132,945
Other Liabilities . . . . .	519,877	598,446
Total Liabilities . . . . .	6,917,419	9,058,656
Redeemable Noncontrolling Interests . . . . .	53,177	66,901
Commitments and Contingent Liabilities		
Equity:		
Common stock:		
Authorized 2,590,000,000 shares		
Issued 1,322,777,628 shares as of March 31, 2014 and 1,323,644,528 shares as of March 31, 2015 . . . . .		
	219,546	220,056
Additional paid-in capital . . . . .	255,449	255,595
Retained earnings . . . . .	1,468,172	1,672,585
Accumulated other comprehensive income . . . . .	38	30,373
Treasury stock, at cost:		
13,333,334 shares as of March 31, 2014 and 15,001,557 shares as of March 31, 2015 . . . . .		
	(23,859)	(26,411)
ORIX Corporation Shareholders' Equity . . . . .	1,919,346	2,152,198
Noncontrolling interests . . . . .	177,019	165,873
Total Equity . . . . .	2,096,365	2,318,071
Total Liabilities and Equity . . . . .	¥9,066,961	¥11,443,628

- Note 1: Certain line items presented in the consolidated balance sheets have been changed starting from fiscal 2015. The amounts in fiscal 2014 have been reclassified for this change. For further information, see Note 1 "Significant Accounting and Reporting Policies (ai) Reclassifications."
- 2: Prior-year amounts have been adjusted for the retrospective elimination of a lag period that previously existed between DAIKYO and ORIX in fiscal 2015. For further information, see Note 1 "Significant Accounting and Reporting Policies (ah) Elimination of a lag period."
- 3: The Company's shares held through the Board Incentive Plan Trust (2,153,800 shares) are included in the number of treasury stock shares as of March 31, 2015.
- 4: The liabilities of consolidated VIEs for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and its subsidiaries are below:

	Millions of yen	
	2014	2015
Short-Term Debt . . . . .	¥ 2,180	¥ 0
Trade Notes, Accounts and Other Payable . . . . .	2,069	2,100
Long-Term Debt . . . . .	394,736	454,216
Others . . . . .	9,824	7,792
	¥408,809	¥464,108

The accompanying notes to consolidated financial statements are an integral part of these statements.



**CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED MARCH 31, 2013, 2014 AND 2015**

**ORIX Corporation and Subsidiaries**

	Millions of yen		
	2013	2014	2015
<b>Revenues:</b>			
Finance revenues . . . . .	¥ 213,706	¥ 191,700	¥ 186,883
Gains on investment securities and dividends . . . . .	34,814	27,181	56,395
Operating leases . . . . .	302,145	330,606	363,095
Life insurance premiums and related investment income . . . . .	138,726	155,406	351,493
Sales of goods and real estate . . . . .	80,885	179,884	450,869
Services income . . . . .	282,201	490,515	765,548
<b>Total revenues . . . . .</b>	<b>1,052,477</b>	<b>1,375,292</b>	<b>2,174,283</b>
<b>Expenses:</b>			
Interest expense . . . . .	100,966	82,968	72,647
Costs of operating leases . . . . .	194,429	216,568	238,157
Life insurance costs . . . . .	98,599	108,343	271,948
Costs of goods and real estate sold . . . . .	72,633	162,989	402,021
Services expense . . . . .	159,867	260,278	425,676
Other (income) and expense, net . . . . .	(1,949)	(21,001)	23,674
Selling, general and administrative expenses . . . . .	226,329	316,851	427,816
Provision for doubtful receivables and probable loan losses . . . . .	10,016	13,838	11,631
Write-downs of long-lived assets . . . . .	17,896	23,421	34,887
Write-downs of securities . . . . .	22,838	7,989	8,997
<b>Total expenses . . . . .</b>	<b>901,624</b>	<b>1,172,244</b>	<b>1,917,454</b>
<b>Operating Income . . . . .</b>	<b>150,853</b>	<b>203,048</b>	<b>256,829</b>
Equity in Net Income of Affiliates . . . . .	13,836	18,368	30,531
Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, net . . . . .	7,883	64,923	20,575
Bargain Purchase Gain . . . . .	0	0	36,082
<b>Income before Income Taxes and Discontinued Operations . . . . .</b>	<b>172,572</b>	<b>286,339</b>	<b>344,017</b>
Provision for Income Taxes . . . . .	53,682	98,553	89,057
<b>Income from Continuing Operations . . . . .</b>	<b>118,890</b>	<b>187,786</b>	<b>254,960</b>
<b>Discontinued Operations:</b>			
Income (Loss) from discontinued operations, net . . . . .	(179)	12,182	463
Provision for income taxes . . . . .	347	(4,681)	(166)
<b>Discontinued operations, net of applicable tax effect . . . . .</b>	<b>168</b>	<b>7,501</b>	<b>297</b>
<b>Net Income . . . . .</b>	<b>119,058</b>	<b>195,287</b>	<b>255,257</b>
Net Income Attributable to the Noncontrolling Interests . . . . .	3,164	3,815	15,339
Net Income Attributable to the Redeemable Noncontrolling Interests . . . . .	3,985	4,108	4,970
<b>Net Income Attributable to ORIX Corporation Shareholders . . . . .</b>	<b>¥ 111,909</b>	<b>¥ 187,364</b>	<b>¥ 234,948</b>

Note 1: Certain line items presented in the consolidated statements of income have been changed starting from fiscal 2015. The amounts in fiscal 2014 and 2013 have been reclassified for this change. For further information, see Note 1 “Significant Accounting and Reporting Policies (ai) Reclassifications.”

**CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED MARCH 31, 2013, 2014 AND 2015**

**ORIX Corporation and Subsidiaries**

- 2: Prior-year amounts have been adjusted for the retrospective elimination of a lag period that previously existed between DAIKYO and ORIX in fiscal 2015. For further information, see Note 1 “Significant Accounting and Reporting Policies (ah) Elimination of a lag period.”
- 3: Pursuant to FASB ASC 205-20 (“Presentation of Financial Statements—Discontinued Operations”), the results of operations which meet the criteria for discontinued operations are reported as a separate component of income, and those related amounts that had been previously reported are reclassified.
- 4: Pursuant to Accounting Standards Update 2014-08 (“Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity”—ASC 205 (“Presentation of Financial Statements”) and ASC 360 (“Property, Plant, and Equipment”)) which was early adopted on April 1, 2014, the results of operations for fiscal 2015 reflected the adoption of this Update. This Update does not apply to a component or a group of components which was disposed of or classified as held for sale before the adoption date. Therefore, in accordance with previous ASC 205-20, the results of these operation of subsidiaries and businesses, which were classified as held for sale in fiscal 2013 and 2014 are reported as discontinued operations for fiscal 2015.

	Millions of yen		
	2013	2014	2015
Income attributable to ORIX Corporation shareholders:			
Income from continuing operations . . . . .	¥112,144	¥180,069	¥234,651
Discontinued operations . . . . .	(235)	7,295	297
Net income attributable to ORIX Corporation shareholders . . . . .	¥111,909	¥187,364	¥234,948
	Yen		
	2013	2014	2015
Amounts per Share of Common Stock for Income attributable to ORIX Corporation shareholders:			
Basic:			
Income from continuing operations . . . . .	¥103.09	¥142.00	¥179.24
Discontinued operations . . . . .	(0.22)	5.75	0.23
Net income attributable to ORIX Corporation shareholders . . . . .	¥102.87	¥147.75	¥179.47
Diluted:			
Income from continuing operations . . . . .	¥ 87.55	¥137.63	¥178.99
Discontinued operations . . . . .	(0.18)	5.57	0.22
Net income attributable to ORIX Corporation shareholders . . . . .	¥ 87.37	¥143.20	¥179.21
Cash Dividends . . . . .	9.00	13.00	23.00

Note: The accompanying notes to consolidated financial statements are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED MARCH 31, 2013, 2014 AND 2015**

**ORIX Corporation and Subsidiaries**

	Millions of yen		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net Income .....	¥119,058	¥195,287	¥255,257
Other comprehensive income (loss), net of tax:			
Net change of unrealized gains on investment in securities .....	13,330	10,603	9,867
Net change of defined benefit pension plans .....	4,759	3,570	(14,952)
Net change of foreign currency translation adjustments .....	50,979	36,928	37,155
Net change of unrealized gains (losses) on derivative instruments .....	268	1,487	(561)
Total other comprehensive income .....	<u>69,336</u>	<u>52,588</u>	<u>31,509</u>
Comprehensive Income .....	<u>188,394</u>	<u>247,875</u>	<u>286,766</u>
Comprehensive Income Attributable to the Noncontrolling Interests .....	<u>7,394</u>	<u>16,003</u>	<u>7,314</u>
Comprehensive Income Attributable to the Redeemable Noncontrolling Interests .....	<u>9,209</u>	<u>8,207</u>	<u>14,265</u>
Comprehensive Income Attributable to ORIX Corporation Shareholders . . . .	<u>¥171,791</u>	<u>¥223,665</u>	<u>¥265,187</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED MARCH 31, 2013, 2014 AND 2015**

**ORIX Corporation and Subsidiaries**

	Millions of yen							
	ORIX Corporation Shareholders' Equity					Total ORIX Corporation Shareholders' Equity	Noncontrolling Interests	Total Equity
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock			
<b>Balance at March 31, 2012</b>	¥144,026	¥179,223	¥1,202,450	¥(96,056)	¥(48,907)	¥1,380,736	¥ 39,735	¥1,420,471
Contribution to subsidiaries						0	2,229	2,229
Transaction with noncontrolling interests		98		(89)		9	(143)	(134)
Comprehensive income, net of tax:								
Net income			111,909			111,909	3,164	115,073
Other comprehensive income (loss)								
Net change of unrealized gains on investment in securities				12,829		12,829	501	13,330
Net change of defined benefit pension plans				4,758		4,758	1	4,759
Net change of foreign currency translation adjustments				42,020		42,020	3,735	45,755
Net change of unrealized gains (losses) on derivative instruments				275		275	(7)	268
Total other comprehensive income						59,882	4,230	64,112
Total comprehensive income						171,791	7,394	179,185
Cash dividends			(9,676)			(9,676)	(5,238)	(14,914)
Conversion of convertible bond	49,840	49,933				99,773	0	99,773
Exercise of stock options	173	172				345	0	345
Acquisition of treasury stock					(3)	(3)	0	(3)
Other, net		174	361		86	621	0	621
<b>Balance at March 31, 2013</b>	194,039	229,600	1,305,044	(36,263)	(48,824)	1,643,596	43,977	1,687,573
Contribution to subsidiaries						0	89,233	89,233
Transaction with noncontrolling interests		239				239	2,055	2,294
Comprehensive income, net of tax:								
Net income			187,364			187,364	3,815	191,179
Other comprehensive income								
Net change of unrealized gains on investment in securities				9,677		9,677	926	10,603
Net change of defined benefit pension plans				3,357		3,357	213	3,570
Net change of foreign currency translation adjustments				21,810		21,810	11,019	32,829
Net change of unrealized gains on derivative instruments				1,457		1,457	30	1,487
Total other comprehensive income						36,301	12,188	48,489
Total comprehensive income						223,665	16,003	239,668
Cash dividends			(15,878)			(15,878)	(2,099)	(17,977)
Conversion of convertible bond	25,066	24,878				49,944	0	49,944
Exercise of stock options	441	422				863	0	863
Acquisition of treasury stock					(19)	(19)	0	(19)
Acquisition of Robeco			(5,471)		24,880	19,409	27,850	47,259
Other, net		310	(2,887)		104	(2,473)	0	(2,473)
<b>Balance at March 31, 2014</b>	¥219,546	¥255,449	¥1,468,172	¥ 38	¥(23,859)	¥1,919,346	¥177,019	¥2,096,365

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)**  
**FOR THE YEARS ENDED MARCH 31, 2013, 2014 AND 2015**

**ORIX Corporation and Subsidiaries**

	Millions of yen							
	ORIX Corporation Shareholders' Equity					Total ORIX Corporation Shareholders' Equity	Noncontrolling Interests	Total Equity
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock			
<b>Balance at March 31, 2014</b> .....	¥219,546	¥255,449	¥1,468,172	¥ 38	¥(23,859)	¥1,919,346	¥177,019	¥2,096,365
Contribution to subsidiaries .....						0	26,447	26,447
Transaction with noncontrolling interests .....		(505)		96		(409)	(40,735)	(41,144)
Comprehensive income, net of tax:								
Net income .....			234,948			234,948	15,339	250,287
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment in securities . . .				11,679		11,679	(1,812)	9,867
Net change of defined benefit pension plans .....				(13,218)		(13,218)	(1,734)	(14,952)
Net change of foreign currency translation adjustments .....				32,284		32,284	(4,424)	27,860
Net change of unrealized gains (losses) on derivative instruments .....				(506)		(506)	(55)	(561)
Total other comprehensive income (loss) .....						30,239	(8,025)	22,214
Total comprehensive income .....						265,187	7,314	272,501
Cash dividends .....			(30,117)			(30,117)	(4,172)	(34,289)
Exercise of stock options .....	510	504				1,014	0	1,014
Acquisition of treasury stock .....					(3,423)	(3,423)	0	(3,423)
Disposition of treasury stock .....		(697)	(174)		871	0	0	0
Other, net .....		844	(244)			600	0	600
<b>Balance at March 31, 2015</b> .....	<u>¥220,056</u>	<u>¥255,595</u>	<u>¥1,672,585</u>	<u>¥ 30,373</u>	<u>¥(26,411)</u>	<u>¥2,152,198</u>	<u>¥165,873</u>	<u>¥2,318,071</u>

Note: Changes in the redeemable noncontrolling interests are not included in this table. For further information, see Note 18 "Redeemable Noncontrolling Interests."

The accompanying notes to consolidated financial statements are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2013, 2014 AND 2015**

**ORIX Corporation and Subsidiaries**

	Millions of yen		
	2013	2014	2015
<b>Cash Flows from Operating Activities:</b>			
Net income	¥ 119,058	¥ 195,287	¥ 255,257
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	177,280	206,670	229,583
Provision for doubtful receivables and probable loan losses	10,016	13,838	11,631
Equity in net income of affiliates (excluding interest on loans)	(12,874)	(18,159)	(30,267)
Gains on sales of subsidiaries and affiliates and liquidation losses, net	(7,883)	(64,923)	(20,575)
Bargain purchase gain	0	0	(36,082)
Gains on sales of available-for-sale securities	(17,252)	(14,149)	(32,077)
Gains on sales of operating lease assets	(19,848)	(23,692)	(34,425)
Write-downs of long-lived assets	17,896	23,421	34,887
Write-downs of securities	22,838	7,989	8,997
Decrease (Increase) in restricted cash	33,852	22,366	(1,922)
Decrease (Increase) in trading securities	(16,264)	21,300	441,554
Decrease (Increase) in inventories	37,918	25,581	(13,481)
Decrease (Increase) in trade notes, accounts and other receivable	6,955	(17,572)	(20,742)
Increase (Decrease) in trade notes, accounts and other payable	(16,082)	26,505	34,275
Increase (Decrease) in policy liabilities and policy account balances	20,990	28,429	(506,043)
Deferred tax provision	32,579	52,344	41,338
Other, net	2,125	(7,229)	(104,297)
Net cash provided by operating activities	391,304	478,006	257,611
<b>Cash Flows from Investing Activities:</b>			
Purchases of lease equipment	(736,373)	(859,568)	(907,484)
Principal payments received under direct financing leases	381,080	459,003	488,522
Installment loans made to customers	(918,777)	(1,035,564)	(1,109,458)
Principal collected on installment loans	1,193,884	1,264,645	977,272
Proceeds from sales of operating lease assets	173,890	251,904	272,040
Investment in affiliates, net	(19,206)	(45,084)	(27,698)
Proceeds from sales of investment in affiliates	3,280	15,429	2,128
Purchases of available-for-sale securities	(684,870)	(897,246)	(982,415)
Proceeds from sales of available-for-sale securities	417,534	318,697	511,868
Proceeds from redemption of available-for-sale securities	373,729	473,126	398,280
Purchases of held-to-maturity securities	(46,567)	(8,519)	(20,522)
Purchases of other securities	(26,855)	(24,761)	(27,489)
Proceeds from sales of other securities	40,568	26,501	67,982
Purchases of property under facility operations	(10,928)	(48,195)	(81,311)
Acquisitions of subsidiaries, net of cash acquired	(43,223)	(94,586)	(73,240)
Sales of subsidiaries, net of cash disposed	(171)	0	47,800
Other, net	8,662	(11,096)	(4,076)
Net cash provided by (used in) investing activities	105,657	(215,314)	(467,801)
<b>Cash Flows from Financing Activities:</b>			
Net increase (decrease) in debt with maturities of three months or less	(20,507)	(106,783)	3,819
Proceeds from debt with maturities longer than three months	1,365,827	1,211,797	1,337,870
Repayment of debt with maturities longer than three months	(1,790,616)	(1,501,403)	(1,178,401)
Net increase in deposits due to customers	6,623	127,610	80,924
Cash dividends paid to ORIX Corporation shareholders	(9,676)	(15,878)	(30,117)
Contribution from noncontrolling interests	1,133	11,089	7,919
Net increase (decrease) in call money	0	(5,000)	6,000
Other, net	(19,977)	864	(14,582)
Net cash provided by (used in) financing activities	(467,193)	(277,704)	213,432
Effect of Exchange Rate Changes on Cash and Cash Equivalents	9,636	6,755	6,237
Net Increase (decrease) in Cash and Cash Equivalents	39,404	(8,257)	9,479
Cash and Cash Equivalents at Beginning of Year	786,892	826,296	818,039
Cash and Cash Equivalents at End of Year	¥ 826,296	¥ 818,039	¥ 827,518

Note 1: Certain line items presented in the consolidated statements of cash flows have been changed starting from fiscal 2015. The amounts in fiscal 2013 and 2014 have been reclassified for this change. For further information, see Note 1 "Significant Accounting and Reporting Policies (ai) Reclassifications."

2: The accompanying notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### ORIX Corporation and Subsidiaries

#### 1. Significant Accounting and Reporting Policies

In preparing the accompanying consolidated financial statements, ORIX Corporation (the “Company”) and its subsidiaries have complied with accounting principles generally accepted in the United States of America (“U.S. GAAP”), except for the accounting for stock splits (see (o)). Significant accounting and reporting policies are summarized as follows:

##### (a) Basis of presenting financial statements

The Company and its subsidiaries in Japan maintain their books in conformity with Japanese accounting practices, which differ in certain respects from U.S. GAAP.

The accompanying consolidated financial statements have been prepared in conformity with U.S. GAAP and, therefore, reflect certain adjustments to the books and records of the Company and its subsidiaries. The principal adjustments relate to initial direct costs to originate leases and loans, use of the straight-line method of depreciation for operating lease equipment, deferral of life insurance policy acquisition costs, calculation of insurance policy liabilities, accounting for goodwill and intangible assets resulting from business combinations, accounting for pension plans, accounting for changes in a parent’s ownership interest in its subsidiary, accounting for securitization of financial assets, reflection of the income tax effect on such adjustments and reclassification of discontinued operations, and the presentation of the noncontrolling interests.

##### (b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Investments in affiliates, where the Company has the ability to exercise significant influence by way of 20% – 50% ownership or other means, are accounted for by using the equity method. Where the Company holds majority voting interests but noncontrolling shareholders have substantive participating rights to decisions that occur as part of the ordinary course of their business, the equity method is applied pursuant to FASB Accounting Standards Codification (“ASC”) 810-10-25-2 to 14 (“Consolidation—The Effect of Noncontrolling Rights on Consolidation”). In addition, the consolidated financial statements also include variable interest entities to which the Company and its subsidiaries are primary beneficiaries pursuant to ASC 810 (“Consolidation”).

A lag period of up to three months is used for recognizing the results of certain subsidiaries and affiliates. During fiscal 2015, the Company has eliminated a three-month lag in accounting period with respect to DAIKYO. For information on the effect of the elimination of the accounting period gap between DAIKYO and ORIX, see “(ah) Elimination of a lag period.”

All significant intercompany accounts and transactions have been eliminated in consolidation.

##### (c) Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company has identified ten areas where it believes assumptions and estimates are particularly critical to the financial statements. The Company makes estimates and assumptions to the selection of valuation techniques and determination of assumptions used in fair value measurements (see Note 2), the determination and periodic reassessment of the unguaranteed residual value for direct financing leases and operating leases (see (e)), the determination and reassessment of insurance

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

policy liabilities and deferred policy acquisition costs (see (f)), the determination of the allowance for doubtful receivables on direct financing leases and probable loan losses (see (g)), the determination of impairment of long-lived assets (see (h)), the recognition and measurement of impairment of investment in securities (see (i)), the determination of the valuation allowance for deferred tax assets and the evaluation of tax positions (see (j)), the assessment and measurement of effectiveness in hedging relationship using derivative financial instruments (see (l)), the recognition and measurement of benefit obligation and net periodic pension cost (see (m)) and the recognition and measurement of impairment of goodwill and intangible assets that have indefinite useful lives (see (w)).

#### **(d) Foreign currencies translation**

The Company and its subsidiaries maintain their accounting records in their functional currency. Transactions in foreign currencies are recorded in the entity's functional currency based on the prevailing exchange rates on the transaction date.

The financial statements of overseas subsidiaries and affiliates are translated into Japanese yen by applying the exchange rates in effect at the end of each fiscal year to all assets and liabilities. Income and expenses are translated at the average rates of exchange prevailing during the fiscal year. The currencies in which the operations of the overseas subsidiaries and affiliates are conducted are regarded as the functional currencies of these companies. Foreign currency translation adjustments reflected in accumulated other comprehensive income (loss) arise from the translation of foreign currency financial statements into Japanese yen.

#### **(e) Recognition of revenues**

Revenues are recognized when persuasive evidence of an arrangement exists, the service has been rendered or the goods have been delivered to the customer, the transaction price is fixed or determinable and collectability is reasonably assured.

In addition to the aforementioned general policy, the policies as specifically described hereinafter are applied for each of the major revenue items.

**Finance Revenues**—Finance revenues mainly include revenues for direct financing leases and installment loans. The policies applied to direct financing leases and installment loans are described hereinafter.

##### **(1) Revenues from direct financing leases**

Direct financing leases consist of full-payout leases for various equipment types, including office equipment, industrial machinery and transportation equipment. In providing leasing services, the Company and its subsidiaries execute supplemental services, such as paying insurance and handling taxes on leased assets on behalf of lessees. The excess of aggregate lease rentals plus the estimated unguaranteed residual value over the cost of the leased equipment constitutes the unearned lease income to be taken into income over the lease term by using the interest method. The estimated residual values represent estimated proceeds from the disposition of equipment at the time the lease is terminated. Estimates of unguaranteed residual values are based on market values of used equipment, estimates of when and how much equipment will become obsolete, and actual recovery being experienced for similar used equipment. Initial direct costs are being deferred and amortized as a yield adjustment over the life of the related lease by using interest method. The unamortized balance of initial direct costs is reflected as a component of investment in direct financing leases.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

#### (2) Revenues from installment loans

Interest income on installment loans is recognized on an accrual basis. Certain direct loan origination costs, net of origination fees, are being deferred and amortized over the contractual term of the loan as an adjustment of the related loan's yield using the interest method.

Interest payments received on impaired loans other than purchased loans are recorded as interest income unless the collection of the remaining investment is doubtful at which time payments received are recorded as reductions of principal. For purchased loans, although the acquired assets may remain loans in legal form, collections on these loans often do not reflect the normal historical experience of collecting delinquent accounts, and the need to tailor individual collateral-realization strategies often makes it difficult to reliably estimate the amount, timing, or nature of collections. Accordingly, the Company and its subsidiaries use the cost recovery method of income recognition for such purchased loans regardless of whether impairment is recognized or not.

#### (3) Non-accrual policy

In common with all classes, past-due financing receivables are receivables for which principal or interest is past-due 30 days or more. Loans whose terms have been modified are not classified as past-due financing receivables if the principals and interests are not past-due 30 days or more in accordance with the modified terms. The Company and its subsidiaries suspend accruing revenues on past-due installment loans and direct financing leases when principal or interest is past-due 90 days or more, or earlier, if management determines that their collections are doubtful based on factors such as individual debtors' creditworthiness, historical loss experience, current delinquencies and delinquency trends. Accrued but uncollected interest is reclassified to investment in direct financing leases or installment loans in the accompanying consolidated balance sheets and becomes subject to the allowance for doubtful receivables and probable loan loss process. Cash repayments received on non-accrual loans are applied first against past due interest and then any surpluses are applied to principal in view of the conditions of the contract and obligors. The Company and its subsidiaries return non-accrual loans and lease receivables to accrual status when it becomes probable that the Company and its subsidiaries will be able to collect all amounts due according to the contractual terms of these loans and receivables, as evidenced by continual payments from the debtors. The period of such continual payments before returning to accrual status varies depending on factors that we consider are relevant in assessing the debtor's creditworthiness, such as the debtor's business characteristics and financial conditions as well as relevant economic conditions and trends.

**Gains on investment securities and dividends**—Gains on investment securities are recorded on a trade date basis. Dividends are recorded when right to receive dividends established.

**Operating leases**—Revenues from operating leases are recognized on a straight-line basis over the contract terms. Investment in operating leases is recorded at cost less accumulated depreciation and is depreciated over their estimated useful lives mainly on a straight-line basis. The estimated average useful lives of principal operating lease assets classified as transportation equipment is 9 years, measuring and information-related equipment is 4 years, real estate (other than land) is 31 years and other is 5 years. Depreciation expenses are included in costs of operating leases. Gains or losses arising from dispositions of operating lease assets are included in operating lease revenues.

Estimates of residual values are based on market values of used equipment, estimates of when and how much equipment will become obsolete and actual recovery being experienced for similar used equipment.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

#### *Sales of goods and real estate—*

##### **(1) Sales of goods**

The Company and its certain subsidiaries sell to their customers various types of goods, including precious metals and jewels, glass-wool insulation for housing and building and aftermarket parts and accessories for vehicles. Revenues from such sales of goods are recognized when persuasive evidence of an arrangement exists, delivery has occurred, and collectability is reasonably assured. Delivery is considered to have occurred when the customer has taken title to the goods and assumed the risks and rewards of ownership. Revenues are recognized net of estimated sales returns and incentives.

##### **(2) Real estate sales**

Revenues from the sales of real estate are recognized when a contract is in place, a closing has taken place, the buyer's initial and continuing investment is adequate to demonstrate a commitment to pay for the property and the Company and its subsidiaries do not have a substantial continuing involvement in the property.

*Services income*—Revenues are recognized when persuasive evidence of an arrangement exists, the service has been rendered to the customer, the transaction price is fixed or determinable and collectability is reasonably assured. The policies applied for asset management, servicing and automobile maintenance services are described hereinafter.

##### **(1) Revenues from asset management and servicing**

The Company and its subsidiaries provide to our customers investment management services for investments in financial assets, and asset management as well as maintenance and administrative services for investments in real estate properties. The Company and its subsidiaries also perform servicing on behalf of our customers. The Company and its subsidiaries receive fees for those services from our customers.

Revenues from asset management and servicing primarily include management fees, servicing fees, and performance fees. Management and servicing fees are recognized when transactions occur or services are rendered and the amounts are fixed or determinable and collectability of which is reasonably assured. Management fees are calculated based on the predetermined percentages of the market value of the assets under management or net assets of the investment funds in accordance with contracts. Certain subsidiaries recognize revenues from performance fees when earned based on the performance of the asset under management while other subsidiaries recognize revenues from performance fees on an accrual basis over the period in which services are performed. Performance fees are calculated based on the predetermined percentages on the performance of the assets under management in accordance with the contracts.

##### **(2) Revenues from automobile maintenance services**

The Company and its subsidiaries provide automobile maintenance services to lessees. Where under terms of the lease or related maintenance agreements the Company and its subsidiaries bear the favorable or unfavorable variability of cost, revenues and expenses are recorded on a gross basis. For those arrangements in which the Company and its subsidiaries do not have substantial risks and rewards of ownership, but instead serve as an agent in collecting from lessees and remitting payments to third parties, the Company and its subsidiaries record revenues net of third-party services costs. Revenues from automobile maintenance services are taken into income over the contract period in proportion to the estimated service costs to be incurred.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

#### (f) Insurance and reinsurance transactions

Premium income from life insurance policies, net of premiums on reinsurance ceded, is recognized as earned premiums when due.

Life insurance benefits are recorded as expenses when they are incurred. Policy liabilities and policy account balances for future policy benefits are measured 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, medical insurance and individual annuity insurance contracts. For policies other than individual annuity insurance contracts, computation of policy liabilities necessarily includes assumptions about mortality, morbidity, lapse rates, future yields on related investments and other factors applicable at the time the policies are written. Certain life insurance subsidiaries continually evaluate the potential for changes in the estimates and assumptions applied in determining policy liabilities, both positive and negative and use the results of these evaluations both to adjust recorded liabilities and to adjust underwriting criteria and product offerings.

The insurance contracts sold by one of the life insurance subsidiaries consist of variable annuity, variable life and fixed annuity insurance contracts. The subsidiary manages investment assets on behalf of variable annuity and variable life policyholders, which consist of equity securities and are included in investments in securities in the consolidated balance sheets. These investment assets are measured at fair value with realized and unrealized gains or losses recognized in life insurance premiums and related investment income in the consolidated statements of income. The subsidiary elected the fair value option for the entire variable annuity and variable life insurance contracts in accordance with ASC 825 (“Financial Instruments”) and changes in the fair value are recognized in life insurance costs.

The subsidiary provides minimum guarantees to its variable annuity and variable life policyholders where it is exposed to the risk of compensating losses incurred by the policyholders to the extent required by the contracts. To avoid the risk, a portion of the minimum guarantee risk related to variable annuity and variable life insurance contracts is ceded to the reinsurance companies and the remaining risk is economically hedged by entering into derivative contracts (See Note 27 “Derivative financial instruments and hedging”). The reinsurance contracts do not relieve the subsidiary from the obligation as the primary obligor to compensate certain losses incurred by the policyholders, and the default of the reinsurance companies may impose additional losses on the subsidiary. The subsidiary has elected the fair value option under ASC 825 (“Financial Instruments”) for certain reinsurance recoverables relating to variable annuity and variable life insurance contracts, which is included in other assets in the consolidated balance sheets.

Policy liabilities and policy account balances for fixed annuity insurance contracts are measured based on the accumulation of account deposits plus interest based on expected rate and fair value adjustments relating to the acquisition of a subsidiary, less withdrawals, expenses and other charges. The credited interest is recorded in life insurance costs in the consolidated statements of income.

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, except for recurring policy maintenance costs and certain variable costs and expenses for underwriting policies.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

#### **(g) Allowance for doubtful receivables on direct financing leases and probable loan losses**

The allowance for doubtful receivables on direct financing leases and probable loan losses is maintained at a level which, in the judgment of management, is appropriate to provide for probable losses inherent in lease and loan portfolios. The allowance is increased by provision charged to income and is decreased by charge-offs, net of recoveries.

Developing the allowance for doubtful receivables on direct financing leases and probable loan losses is subject to numerous estimates and judgments. In evaluating the appropriateness of the allowance, management considers various factors, including the business characteristics and financial conditions of the obligors, current economic conditions and trends, prior charge-off experience, current delinquencies and delinquency trends, future cash flows expected to be received from the direct financing leases and loans and value of underlying collateral and guarantees. Impaired loans are individually evaluated for a valuation allowance based on the present value of expected future cash flows, the loan's observable market price or the fair value of the collateral securing the loans if the loans are collateral-dependent. For non-impaired loans, including loans that are not individually evaluated for impairment, and direct financing leases, the Company and its subsidiaries evaluate prior charge-off experience segmented by the debtors' industries and the purpose of the loans, and then develop the allowance for doubtful receivables on direct financing leases and probable loan losses considering the prior charge-off experience and current economic conditions.

The Company and its subsidiaries charge off doubtful receivables when the likelihood of any future collection is believed to be minimal considering debtors' creditworthiness and the liquidation status of collateral.

#### **(h) Impairment of long-lived assets**

The Company and its subsidiaries have followed ASC 360 ("Property, Plant, and Equipment"). Under ASC 360, long-lived assets to be held and used in operations, including tangible assets and intangible assets being amortized, consisting primarily of office building, condominiums, golf courses and other property under facility operations, shall be tested for recoverability whenever events or changes in circumstances indicate that the assets might be impaired. When the undiscounted future cash flows estimated to be generated by those assets are less than the carrying amount of those assets, the net carrying amount of assets not recoverable is reduced to fair value if lower than the carrying amount. The Company and its subsidiaries determine the fair value using appraisals prepared by independent third party appraisers or their own staff of qualified appraisers based on recent transactions involving sales of similar assets or other valuation techniques, such as discounted cash flows methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate.

#### **(i) Investment in securities**

Trading securities are reported at fair value with unrealized gains and losses included in income.

Available-for-sale securities are reported at fair value, and unrealized gains or losses are recorded in accumulated other comprehensive income (loss), net of applicable income taxes, except investments which are recorded at fair value with unrealized gains and losses included in income by electing the fair value option under ASC 825 ("Financial Instruments").

Held-to-maturity securities are recorded at amortized cost.

Other securities are recorded at cost or carrying value that reflects equity income and loss based on the Company's share, except investments which are recorded at fair value with unrealized gains and losses included in income by electing the fair value option under ASC 825 ("Financial Instruments").

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

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

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

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

#### **(j) Income taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if, based on the weight of available evidence, it is "more likely than not" that some portion or all of the deferred tax asset will not be realized.

The Company and its subsidiaries recognize the financial statement effects of a tax position taken or expected to be taken in a tax return when it is more likely than not, based on the technical merits, that the position will be sustained upon tax examination, including resolution of any related appeals or litigation processes, and measure the tax position that meets the recognition threshold at the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement with the taxing authority. The Company and its subsidiaries present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

loss carryforward, or similar tax loss or tax credit carryforward, rather than as a liability. The Company and its subsidiaries classify penalties and interest expense related to income taxes as part of provision for income taxes in the consolidated statements of income.

The Company and certain subsidiaries have elected to file a consolidated tax return for National Corporation tax purposes.

#### **(k) Securitized assets**

The Company and its subsidiaries have securitized and sold to investors various financial assets such as lease receivables and loan receivables. In the securitization process, the assets to be securitized (“the assets”) are sold to trusts or SPEs that issue asset-backed beneficial interests and securities to the investors.

In accordance with ASC 860 (“Transfers and Servicing”) and ASC 810 (“Consolidation”), trusts or SPEs used in securitization transactions are consolidated if the Company and its subsidiaries are the primary beneficiary of the trusts or SPEs, and the transfers of the financial assets to those consolidated trusts and SPEs are not accounted for as sales. Assets held by consolidated trusts or consolidated SPEs continue to be accounted for as lease receivables or loan receivable, as they were before the transfer, and asset-backed beneficial interests and securities issued to the investors are accounted for as debt. When the Company and its subsidiaries have transferred financial assets to a transferee that is not subject to consolidation, the Company and its subsidiaries account for the transfer as a sale if control over the transferred assets is surrendered.

A certain subsidiary originates and sells loans into the secondary market, while retaining the obligation to service those loans. In addition, it undertakes obligations to service loans originated by others. The subsidiary recognizes servicing assets if it expects the benefit of servicing to more than adequately compensate it for performing the servicing or recognizes servicing liabilities if it expects the benefit of servicing to less than adequately compensate it. These servicing assets and liabilities are initially recognized at fair value and subsequently accounted for using the amortization method whereby the assets and liabilities are amortized in proportion to and over the period of estimated net servicing income or net servicing loss. On a quarterly basis, servicing assets and liabilities are evaluated for impairment or increased obligations. The fair value of servicing assets and liabilities is estimated using an internal valuation model, or by obtaining an opinion of value from an independent third-party vendor. Both methods are based on calculating the present value of estimated future net servicing cash flows, taking into consideration discount rates, prepayments and servicing costs. The internal valuation model is validated at least semiannually through third-party valuations.

#### **(l) Derivative financial instruments**

The Company and its subsidiaries apply ASC 815 (“Derivatives and Hedging”), and all derivatives held by the Company and its subsidiaries are recognized on the consolidated balance sheets at fair value. The accounting treatment of subsequent changes in the fair value depends on their use, and whether they qualify as effective “hedges” for accounting purposes. Derivatives that are not hedges must be adjusted to fair value through the consolidated statements of income. If a derivative is a hedge, then depending on its nature, changes in its fair value will be either offset against changes in the fair value of hedged assets or liabilities through the consolidated statements of income, or recorded in other comprehensive income (loss).

If a derivative is held as a hedge of the variability of fair value related to a recognized asset or liability or an unrecognized firm commitment (“fair value” hedge), changes in the fair value of the derivative are recorded in earnings along with the changes in the fair value of the hedged item.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

If a derivative is held as a hedge of the variability of cash flows related to a forecasted transaction or a recognized asset or liability (“cash flow” hedge), changes in the fair value of the derivative are recorded in other comprehensive income (loss) to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item.

If a derivative is held as a hedge of a foreign-currency fair-value or cash-flow hedge (“foreign currency” hedge), changes in the fair value of the derivative are recorded in either earnings or other comprehensive income (loss), depending on whether the hedged transaction is a fair-value hedge or a cash-flow hedge. However, if a derivative is used as a hedge of a net investment in a foreign operation, changes in its fair value, to the extent effective as a hedge, are recorded in the foreign currency translation adjustments account within other comprehensive income (loss).

Changes in the fair value of derivatives that are held for trading purposes or held for the purpose of economic hedges, and the ineffective portion of changes in fair value of derivatives that qualify as a hedge, are recorded in earnings.

For all hedging relationships that are designated and qualified as hedging, at inception the Company and its subsidiaries formally document the details of the hedging relationship and the hedged activity. The Company and its subsidiaries also formally assess, both at the hedge’s inception and on an ongoing basis, the effectiveness of the hedge relationship. The Company and its subsidiaries cease hedge accounting prospectively when the derivative no longer qualified for hedge accounting.

#### **(m) Pension plans**

The Company and certain subsidiaries have contributory and non-contributory pension plans covering substantially all of their employees. The Company and its subsidiaries apply ASC 715 (“Compensation—Retirement Benefits”), and the costs of pension plans are accrued based on amounts determined using actuarial methods, with assumptions of discount rate, rate of increase in compensation level, expected long-term rate of return on plan assets and others.

The Company and its subsidiaries also recognize the funded status of pension plans, measured as the difference between the fair value of plan assets and the benefit obligation, on the consolidated balance sheets. Changes in that funded status are recognized in the year in which the changes occur through other comprehensive income (loss), net of applicable income taxes.

#### **(n) Stock-based compensation**

The Company and its subsidiaries apply ASC 718 (“Compensation—Stock Compensation”). ASC 718 requires, with limited exception, that the cost of employee services received in exchange for an award of equity instruments be measured based on the grant-date fair value. The costs are recognized over the requisite employee service period.

#### **(o) Stock splits**

Stock splits implemented prior to October 1, 2001 had been accounted for by transferring an amount equivalent to the par value of the shares from additional paid-in capital to common stock as required by the Japanese Commercial Code (the “Code”) before amendment. However, no such reclassification was made for stock splits when common stock already included a portion of the proceeds from shares issued at a price in excess of par value. This method of accounting was in conformity with accounting principles generally accepted in Japan.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

As a result of a revision to the Code before amendment effective on October 1, 2001 and the Companies Act implemented on May 1, 2006, the above-mentioned method of accounting required by the Code has become unnecessary.

In the United States, stock splits in comparable circumstances are considered to be stock dividends and are accounted for by transferring from retained earnings to common stock and additional paid-in capital amounts equal to the fair market value of the shares issued. Common stock is increased by the par value of the shares and additional paid-in capital is increased by the excess of the market value over par value of the shares issued. Had such stock splits made prior to October 1, 2001 been accounted for in this manner, additional paid-in capital as of March 31, 2015 would have increased by approximately ¥24,674 million, with a corresponding decrease in retained earnings. Total ORIX Corporation shareholders' equity would remain unchanged. Stock splits on May 19, 2000 and April 1, 2013 were excluded from the above amounts because the stock split was not considered to be a stock dividend under U.S. GAAP.

#### **(p) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits placed with banks and short-term highly liquid investments with original maturities of three months or less.

#### **(q) Restricted cash**

Restricted cash consists of trust accounts under securitization programs and real estate, deposits related to servicing agreements, deposits collected on the underlying assets and applied to non-recourse loans and others.

#### **(r) Property under facility operations**

Property under facility operations consist primarily of operating facilities (including golf courses, hotels and training facilities and senior housing) and environmental assets (including mega solar), which are stated at cost less accumulated depreciation, and depreciation is calculated mainly on a straight-line basis over the estimated useful lives of the assets. Depreciation expenses in fiscal 2013, 2014 and 2015 were ¥8,072 million, ¥12,268 million and ¥13,239 million, respectively. Accumulated depreciation was ¥53,332 million and ¥60,999 million as of March 31, 2014 and 2015, respectively. Estimated useful lives range up to 50 years for buildings, up to 60 years for land improvement and up to 30 years for others.

#### **(s) Trade notes, accounts and other receivable**

Trade notes, accounts and other receivable primarily include accounts receivables in relation to sales of assets to be leased, residential condominiums and other assets and payments made on behalf of lessees for property tax, maintenance fees and insurance premiums in relation to direct financing lease contracts.

#### **(t) Inventories**

Inventories consist primarily of residential condominiums under development, completed residential condominiums (including those waiting to be delivered to buyers under the contract for sale), and merchandise for sale. Residential condominiums under development are carried at cost less any impairment losses, and completed residential condominiums and merchandises for sale are stated at the lower of cost or fair value less cost to sell. The cost of inventories that are unique and not interchangeable is determined on the specific identification method and the cost of other inventories is principally determined on the average cost method. As



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

of March 31, 2014 and 2015, residential condominiums under development were ¥83,608 million and ¥97,320 million, respectively, and completed residential condominiums and merchandises for sale were ¥22,423 million and ¥68,220 million, respectively.

Certain subsidiaries recorded ¥3,377 million, ¥5,650 million and ¥5,241 million of write-downs principally on residential condominiums under development for fiscal 2013, 2014 and 2015, respectively, resulting from an increase in development costs and/or a decrease in expected sales price. These write-downs were principally recorded in costs of goods and real estate sold and mainly included in the Real Estate segment.

#### (u) Office facilities

Office facilities are stated at cost less accumulated depreciation. Depreciation is calculated on a declining-balance basis or straight-line basis over the estimated useful lives of the assets. Depreciation expenses in fiscal 2013, 2014 and 2015 were ¥2,994 million, ¥3,524 million and ¥4,711 million, respectively. Accumulated depreciation was ¥39,777 million and ¥44,443 million as of March 31, 2014 and 2015, respectively. Estimated useful lives range up to 62 years for buildings and fixtures and up to 20 years for machinery and equipment.

#### (v) Other assets

Other assets consist primarily of the excess of purchase price over the net assets acquired in acquisitions (goodwill) and other intangible assets (see (w)), reinsurance recoverables in relation to reinsurance contracts (see (f)), deferred insurance policy acquisition costs which are amortized over the contract periods (see (f)), leasehold deposits, advance payments made in relation to purchases of assets to be leased and construction of real estate for operating lease, prepaid benefit cost, derivative assets and deferred tax assets.

#### (w) Goodwill and other intangible assets

The Company and its subsidiaries have followed ASC 805 (“Business Combinations”) and ASC 350 (“Intangibles”).

ASC 805 requires that all business combinations be accounted for using the acquisition method. It also requires that intangible assets acquired in a business combination be recognized apart from goodwill if the intangible assets meet one of two criteria—either the contractual-legal criterion or the separability criterion. Goodwill is measured as an excess of the aggregate of consideration transferred and the fair value of noncontrolling interests over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed in the business combination measured at fair value. The Company and its subsidiaries would recognize a bargain purchase gain when the amount of recognized net assets exceeds the sum of consideration transferred and the fair value of noncontrolling interests. In a business combination achieved in stages, the Company and its subsidiaries remeasure their previously held equity interest at the acquisition-date fair value and recognize the resulting gain or loss, if any, in earnings.

ASC 350 establishes how intangible assets (other than those acquired in a business combination) should be accounted for upon acquisition. It also addresses how goodwill and other intangible assets should be accounted for subsequent to their acquisition. Goodwill and intangible assets that have indefinite useful lives are not amortized but tested at least annually for impairment. Additionally, if events or changes in circumstances indicate that the asset might be impaired, the Company and its subsidiaries test for impairment when such events or changes occur.

The Company and its subsidiaries may perform a qualitative assessment to determine whether to calculate the fair value of a reporting unit under the first step of the two-step goodwill impairment test. If, after assessing

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

the totality of events or circumstances, it is determined that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the Company and/or subsidiaries do not perform the two-step impairment test. However, if the Company and/or subsidiaries conclude otherwise, the Company and/or subsidiaries perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the fair value of the reporting unit falls below its carrying amount, then the Company and/or subsidiaries perform the second step of the goodwill impairment test by comparing the fair value of goodwill with its carrying amount. If the carrying amount of goodwill exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The Company and its subsidiaries test the goodwill either at the operating segment level or one level below the operating segments. The Company and its subsidiaries perform the qualitative assessment for some goodwill but bypass the qualitative assessment and proceed directly to the first step of the two-step impairment test for other goodwill.

The Company and its subsidiaries may perform a qualitative assessment to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, the Company and/or subsidiaries conclude that it is not more likely than not that the indefinite-lived asset is impaired, then the Company and/or subsidiaries do not perform the quantitative impairment test. However, if the Company and/or subsidiaries conclude otherwise, the Company and/or subsidiaries calculate the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test. If the carrying amount of the indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The Company and its subsidiaries perform the qualitative assessment for some indefinite-lived intangible assets but bypass the qualitative assessment and perform the quantitative assessment for other indefinite-lived intangible assets.

Intangible assets with finite lives are amortized over their useful lives and tested for impairment in accordance with ASC 360 (“Property, Plant, and Equipment”).

#### **(x) Trade notes, accounts and other payable**

Trade notes, accounts and other payable include primarily accounts payable in relation to purchase of assets to be leased and other assets and deposits received for withholding income tax.

#### **(y) Other Liabilities**

Other liabilities include primarily interest, bonus accrued expense and accrued benefit liability, advances received from lessees in relation to lease contracts, deposit received from real estate transaction and derivative payable.

#### **(z) Capitalization of interest costs**

The Company and its subsidiaries capitalized interest costs of ¥1,707 million, ¥1,037 million and ¥1,369 million in fiscal 2013, 2014 and 2015, respectively, related to specific long-term development projects.

#### **(aa) Advertising**

The costs of advertising are expensed as incurred. The total amounts charged to advertising expense in fiscal 2013, 2014 and 2015 were ¥11,579 million, ¥15,270 million and ¥20,329 million, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

#### **(ab) Discontinued operations**

In April 2014, Accounting Standards Update 2014-08 (“Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity”—ASC 205 (“Presentation of Financial Statements”) and ASC 360 (“Property, Plant, and Equipment”)) was issued. This Update requires an entity to report a disposal or a classification as held for sale of a component of an entity or a group of components of an entity in discontinued operations if it represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. The Company and its subsidiaries early adopted this Update on April 1, 2014. In accordance with this Update, the Company and its subsidiaries report a disposal of a component or a group of components of the Company and its subsidiaries in discontinued operations if the disposal represents a strategic shift which has (or will have) a major effect on the Company and its subsidiaries’ operations and financial results when the component or group of components is disposed by sale or classified as held for sale on or after April 1, 2014.

During fiscal 2014, the Company and its subsidiaries have followed ASC 205-20 (“Presentation of Financial Statements—Discontinued Operations”) prior to the early adoption of the update. Under ASC 205-20 prior to the early adoption of the update, the scope of discontinued operations includes the operating results of any component of an entity with its own identifiable operations and cash flow and in which operations the Company and its subsidiaries will not have significant continuing involvement. Included in reported discontinued operations are the operating results of operations for the subsidiaries, the business units and certain properties sold or to be disposed of by sale without significant continuing involvements, which results of operations for prior periods presented have also been reclassified as discontinued operations in the accompanying consolidated statements of income and consolidated statements of cash flows. During fiscal 2014, where the Company and its subsidiaries have significant continuing involvement in the operations from the real estate under operating leases which have been disposed of, the gains or losses arising from such disposition are separately disclosed as operating leases, whereas if the Company and its subsidiaries have no significant continuing involvement in the operations from such disposed real estate, the gains or losses are reported as income from discontinued operations, net.

Accounting Standards Update 2014-08 does not apply to a disposal or a classification as held for sale of a component or a group of components of the Company and its subsidiaries which have previously been reported in the financial statements. Accordingly, during fiscal 2015, the Company and its subsidiaries continue to report gains on sales and the results of operations of subsidiaries and business units, which was classified as held for sale at March 31, 2014, as income from discontinued operations in the accompanying consolidated statements of income in accordance with ASC 205-20 prior to the early adoption of the update.

#### **(ac) Earnings per share**

Basic earnings per share is computed by dividing income attributable to ORIX Corporation shareholders from continuing operations and net income attributable to ORIX Corporation shareholders by the weighted average number of shares of outstanding common stock in each period and diluted earnings per share, which reflects the potential dilution that could occur if securities or other contracts issuing common stock were exercised or converted into common stock. Earnings per share is adjusted for any stock splits and stock dividends retrospectively. For discussion stock splits, see Note 26 (“Per Share Data”).

#### **(ad) Additional acquisition and partial sale of the parent’s ownership interest in subsidiaries**

Additional acquisition of the parent’s ownership interest in subsidiaries and partial sale of such interest where the parent continues to retain control of the subsidiary are accounted for as equity transactions. On the

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

other hand, in a transaction that results in the loss of control, the gain or loss recognized in income includes the realized gain or loss related to the portion of ownership interest sold and the gain or loss on the remeasurement to fair value of the interest retained.

#### **(ae) Redeemable noncontrolling interests**

Noncontrolling interests in certain subsidiaries are redeemable preferred shares which are subject to call and put rights upon certain shareholder events. As redemption of the noncontrolling interest is not solely in the control of the subsidiary, it is recorded between liabilities and equity on the consolidated balance sheets at its estimated redemption value in accordance with provisions including EITF Topic No. D-98 (ASC 480-10-s99-3A) (“Classification and Measurement of Redeemable Securities”).

#### **(af) Issuance of stock by an affiliate**

When an affiliate issues stocks to unrelated third parties, the Company and its subsidiaries’ ownership interest in the affiliate decreases. In the event that the price per share is more or less than the Company and its subsidiaries’ average carrying amount per share, the Company and its subsidiaries adjust the carrying amount of its investment in the affiliate and recognize gain or loss in the consolidated statements of income in the year in which the change in ownership interest occurs.

#### **(ag) New accounting pronouncements**

In February 2013, Accounting Standards Update 2013-04 (“Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date”—ASC 405 (“Liabilities”)) was issued. This Update requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The Company and its subsidiaries adopted this Update on April 1, 2014. The adoption had no effect on the Company and its subsidiaries’ results of operations or financial position.

In March 2013, Accounting Standards Update 2013-05 (“Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity”—ASC 830 (“Foreign Currency Matters”)) was issued. This Update requires that when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity, the parent release any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. This Update continues to require an entity to release a pro rata portion of the cumulative translation adjustment into net income upon a partial sale of an equity method investment that is a foreign entity. This Update requires an acquirer to release any related cumulative translation adjustment into net income when the acquirer obtains a controlling financial interest in a foreign entity that was previously an equity method affiliate in a business combination achieved in stages. The Company and its subsidiaries adopted this Update on April 1, 2014. The adoption had no effect on the Company and its subsidiaries’ results of operations or financial position.

In April 2013, Accounting Standards Update 2013-07 (“Liquidation Basis of Accounting”—ASC 205 (“Presentation of Financial Statements”)) was issued. This Update requires an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent and provides principles for the

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

recognition and measurement of assets and liabilities and requirements for financial statements prepared using the liquidation basis of accounting. The Company and its subsidiaries adopted this Update on April 1, 2014. The adoption had no effect on the Company and its subsidiaries' results of operations or financial position.

In June 2013, Accounting Standards Update 2013-08 ("Amendments to the Scope, Measurement, and Disclosure Requirements"—ASC 946 ("Financial Services—Investment Companies")) was issued. This Update changes the approach to the investment company assessment, clarifies the characteristics of an investment company, and provides comprehensive guidance for assessing whether an entity is an investment company. This Update requires an investment company to measure noncontrolling ownership interests in other investment companies at fair value rather than using the equity method of accounting. This Update requires an investment company to disclose the additional information about a change of entity's status as an investment company and financial support provided or contractually required to be provided by an investment company to its investees. The Company and its subsidiaries adopted this Update on April 1, 2014. The adoption had no material effect on the Company and its subsidiaries' results of operations or financial position.

In July 2013, Accounting Standards Update 2013-11 ("Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists"—ASC 740 ("Income Taxes")) was issued. This Update requires an entity to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss carryforward, or similar tax loss or tax credit carryforward, rather than as a liability, with certain exceptions. The Company and its subsidiaries adopted this Update on April 1, 2014. The adoption had no effect on the Company and its subsidiaries' results of operations or financial position.

In January 2014, Accounting Standards Update 2014-04 ("Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure"—ASC 310-40 ("Receivables—Troubled Debt Restructurings by Creditors")) was issued. This Update clarifies when a creditor is considered to have received physical possession resulting from an in substance repossession or foreclosure of residential real estate property collateralizing a consumer mortgage loan. Additionally, this Update requires an entity to disclose the amount of foreclosed residential real estate property and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. This Update is effective for fiscal years, and interim periods within those annual periods beginning after December 15, 2014. The amendments should be applied on either a prospective basis or a modified retrospective basis. Early adoption is permitted. The adoption is not expected to have a material effect on the Company and its subsidiaries' results of operations or financial position.

In April 2014, Accounting Standards Update 2014-08 ("Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity"—ASC 205 ("Presentation of Financial Statements") and ASC 360 ("Property, Plant, and Equipment")) was issued. This Update requires an entity to report a disposal (or a classification as held for sale) of a component of an entity or a group of components of an entity in discontinued operations if it represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This Update requires an entity to present, for each comparative period, the assets and liabilities of discontinued operations separately in the asset and liability sections, respectively, of the statement of financial position. Furthermore, this Update requires additional disclosures about discontinued operations and a disposal of an individually significant component that does not qualify for discontinued operations. The Company and its subsidiaries early adopted this Update on April 1, 2014. The adoption had no material effect on the Company and its subsidiaries' results of operations or financial position.

In May 2014, Accounting Standards Update 2014-09 ("Revenue from Contracts with Customers"—ASC 606 ("Revenue from Contracts with Customers")) was issued. The core principle of this Update is that an

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply a five-step model to determine when to recognize revenue, and in what amount. The five steps to apply the model are:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

This Update requires an entity to disclose more information about contracts with customers than under the current disclosure requirements. The Update is effective for fiscal years, and interim periods within those years beginning after December 15, 2016. Early adoption is prohibited. An entity should apply the amendments in this Update using either a retrospective method or a cumulative-effect method. The entity using the retrospective method may elect some optional expedients to simplify a full retrospective basis. The entity using the cumulative-effect method would recognize the cumulative effect of initially applying this Update as an adjustment to the opening balance of retained earnings or net assets at the date of initial application. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position.

In June 2014, Accounting Standards Update 2014-11 (“Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures”—ASC 860 (“Transfers and Servicing”)) was issued. This Update requires an entity to account for repurchase-to-maturity transactions as secured borrowings. This Update eliminates the guidance on repurchase financing transactions in ASC 860-10-40-42 through 40-47 and requires the transferor and transferee to symmetrically account for the initial transfer of the financial asset as a sale (provided that derecognition conditions are met) and purchase, respectively. Additionally, this Update requires new disclosure requirements related to certain transfers of financial assets that are accounted for as sales and certain transfers accounted for as secured borrowings. This Update is effective for fiscal years or interim periods beginning after December 15, 2014. Early adoption is prohibited. The Company and its subsidiaries adopted this Update on January 1, 2015. The adoption had no material effect on the Company and its subsidiaries' results of operations or financial position.

In June 2014, Accounting Standards Update 2014-12 (“Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period”—ASC 718 (“Compensation—Stock Compensation”)) was issued. This Update requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. This Update is effective for fiscal years, and interim periods within those annual periods beginning after December 15, 2015. The amendments in this Update should be applied on either a prospective basis or a modified retrospective basis. Early adoption is permitted. The adoption is not expected to have a material effect on the Company and its subsidiaries' results of operations or financial position.

In August 2014, Accounting Standards Update 2014-13 (“Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity”—ASC 810 (“Consolidation”)) was issued. This Update permits the parent of the consolidated collateralized financing entity (“CFE”) within the scope of this Update to measure the CFE's financial assets and liabilities based on either the fair value of the financial assets or financial liabilities, whichever has the more observable inputs. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. Early adoption is permitted as of

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

the beginning of a fiscal year. An entity should apply the amendments in this Update using either a modified retrospective approach or a full retrospective approach. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position.

In August 2014, Accounting Standards Update 2014-14 ("Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure"—ASC 310-40 ("Receivables—Troubled Debt Restructurings by Creditors")) was issued. This Update requires creditors to classify certain foreclosed government guaranteed mortgage loans as a receivable from the guarantor that is measured at the amount expected to be recovered under the guarantee, without treating the guarantee as a separate unit of account. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2014. An entity should apply the amendments in this Update using either a prospective transition method or a modified retrospective transition method. The transition method must be consistent with that applied by the entity for Accounting Standards Update 2014-04 ("Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure"—ASC 310-40 ("Receivables—Troubled Debt Restructurings by Creditors")). Early adoption is permitted only if the entity has already adopted Accounting Standards Update 2014-04. The adoption is not expected to have a material effect on the Company and its subsidiaries' results of operations or financial position.

In August 2014, Accounting Standards Update 2014-15 ("Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern"—ASC 205-40 ("Presentation of Financial Statements—Going Concern")) was issued. This Update requires an entity to perform a going concern assessment by evaluating their ability to meet obligations for a look-forward period of one year from the financial statement issuance date (or date the financial statements are available to be issued). Disclosures are required if it is probable an entity will be unable to meet its obligations within the look-forward period. Incremental substantial doubt disclosure is required if the probability is not mitigated by management's plans. This Update is effective for the first fiscal years ending after December 15, 2016 and interim periods thereafter. Early adoption is permitted. The Update only relates to certain disclosure requirements and the adoption will have no effect on the Company and its subsidiaries' results of operations or financial position.

In November 2014, Accounting Standards Update 2014-16 ("Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity"—ASC 815 ("Derivatives and Hedging")) was issued. This Update requires an issuer or an investor of hybrid financial instruments issued in the form of a share to determine whether the nature of the host contract is more akin to debt or to equity by considering the economic characteristics and risks of the entire hybrid financial instrument, including the embedded derivative feature that is being evaluated for separate accounting from the host contract. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. Early adoption, including adoption in an interim period, is permitted. The amendments in this Update should be applied on a modified retrospective basis to all existing hybrid financial instruments in the form of a share as of the beginning of the fiscal year of adoption. Retrospective application is permitted to all relevant prior periods. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position.

In January 2015, Accounting Standards Update 2015-01 ("Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items"—ASC 225-20 ("Income Statement—Extraordinary and Unusual Items")) was issued. This Update eliminates the concept of extraordinary items from U.S. GAAP, but does not change the current presentation and disclosure requirements for material events or transactions that are unusual in nature or infrequent in occurrence. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. The amendments in this Update should be applied on

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

either a prospective basis or a retrospective basis. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. Generally, the effect of adopting this Update on the Company and its subsidiaries' results of operations will depend on future transactions.

In February 2015, Accounting Standards Update 2015-02 (“Amendments to the Consolidation Analysis”—ASC 810 (“Consolidation”)) was issued. This Update requires an entity to change the way to evaluate whether reporting entities should consolidate limited partnerships and similar legal entities, fees paid to a decision maker or service provider are variable interest in a variable interest entity (VIE), and variable interests in a VIE held by related parties of the reporting entity require the reporting entity to consolidate the VIE. Additionally, the amendments in this Update rescind the indefinite deferral of FASB Statement No.167 (“Amendments to FASB Interpretation No.46(R)” (“FIN46R”)), included in Accounting Standard Update 2010-10 (ASC 810 (“Consolidation”)) for certain investment companies and similar entities. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. A reporting entity is permitted to apply the amendments in this Update using either a modified retrospective approach or a full retrospective approach. Early adoption is permitted. If an entity adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position.

In April 2015, Accounting Standards Update 2015-03 (“Simplifying the Presentation of Debt Issuance Costs”—ASC 835-30 (“Interest—Imputation of Interest”)) was issued. This Update requires that debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, similar to the presentation of debt discounts or premiums. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. Retrospective application is required to all relevant prior periods. Early adoption is permitted for financial statements that have not been previously issued. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position.

#### **(ah) Elimination of a lag period**

Since its acquisition on February 27, 2014, the Company had been consolidating DAIKYO on a lag basis. In order to reflect DAIKYO's financial position and results of operations and cash flows in the Company's consolidated financial statements in a concurrent manner, the Company eliminated the lag period and has aligned the fiscal year end of DAIKYO with the Company's fiscal year end of March 31 during the year ended March 31, 2015.

Because the elimination of a lag period represents a change in accounting principle, the Company retrospectively adjusted the prior year's consolidated financial statements for the effects of the lag accounting.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

Below are the effects of this change in accounting principle on major line items and earnings per share amounts in the consolidated financial statements for the years ended March 31, 2014 and 2015. The change in accounting principle had no effect on the beginning balance sheet of the Company as of April 1, 2013. The segment information in the Note 32 (“Segment Information”) has been restated giving effect to these changes to conform to DAIKYO’s current fiscal year end.

	Millions of yen	
	March 31, 2014	March 31, 2015
	Adjustments Increase (decrease)	Adjustments Increase (decrease)
Assets:		
Cash and Cash Equivalents . . . . .	¥ (9,260)	¥ 29,234
Investment in Securities . . . . .	0	26,112
Investment in Affiliates . . . . .	(1,364)	(10,584)
Trade notes, Accounts and Other Receivable . . . . .	11,682	5,411
Inventories . . . . .	(13,827)	(5,430)
Other Assets . . . . .	12,989	(10,317)
Others . . . . .	370	2,113
Total Assets . . . . .	<u>590</u>	<u>36,539</u>
Liabilities: . . . . .	<u>(681)</u>	<u>31,158</u>
Total Liabilities . . . . .	<u>(681)</u>	<u>31,158</u>
Equity: . . . . .	<u>1,271</u>	<u>5,381</u>
Total Equity . . . . .	<u>1,271</u>	<u>5,381</u>
Total Liabilities and Equity . . . . .	<u>¥ 590</u>	<u>¥ 36,539</u>

	Millions of yen	
	Year Ended March 31, 2014	Year Ended March 31, 2015
	Adjustments Increase (decrease)	Adjustments Increase (decrease)
Revenues:		
Sales of goods and real estate . . . . .	¥ 30,937	¥ 10,548
Services income . . . . .	25,205	27,960
Other . . . . .	661	1,377
Total revenues . . . . .	<u>56,803</u>	<u>39,885</u>
Expenses:		
Costs of goods and real estate sold . . . . .	28,883	6,125
Services expense . . . . .	21,507	23,760
Selling, general and administrative expenses . . . . .	3,186	3,804
Other . . . . .	1,157	999
Total expenses . . . . .	<u>54,733</u>	<u>34,688</u>
Operating Income . . . . .	<u>2,070</u>	<u>5,197</u>
Income before Income Taxes and Discontinued Operations . . . . .	<u>¥ 2,613</u>	<u>¥ 8,068</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

	Millions of yen, except for per share amounts	
	Year Ended March 31, 2014	Year Ended March 31, 2015
	Adjustments Increase (decrease)	Adjustments Increase (decrease)
Income from Continuing Operations . . . . .	¥ 1,296	¥ 2,184
Net Income . . . . .	1,296	2,184
Net Income Attributable to the Noncontrolling Interests . . . . .	726	1,070
Net Income Attributable to ORIX Corporation Shareholders . . . . .	570	1,114
Basic EPS . . . . .	0.45	0.84
Diluted EPS . . . . .	0.43	0.86

	Millions of yen	
	March 31, 2014	March 31, 2015
	Adjustments Increase (decrease)	Adjustments Increase (decrease)
Net cash provided by operating activities . . . . .	¥ 7,013	¥30,919
Net cash provided by (used in) investing activities . . . . .	(13,148)	3,743
Net cash provided by (used in) financing activities . . . . .	(3,125)	3,832
Cash and Cash Equivalents at Beginning of Year . . . . .	0	(9,260)
Cash and Cash Equivalents at End of Year . . . . .	(9,260)	29,234

**(ai) Reclassifications**

Certain line items presented in the consolidated balance sheets, the consolidated statements of income and the consolidated statements of cash flows have been changed as follows starting from fiscal 2015. These changes aim to reflect fairly the changing revenues structure of the Company and its subsidiaries on the consolidated financial statements, which has resulted from continued diversification in our business activities and also an increase in the number of consolidated subsidiaries acquired in recent years. Corresponding to these changes, the presented amounts in the consolidated balance sheet as of March 31, 2014 have also been reclassified retrospectively to conform to the presentation as of March 31, 2015, the presented amounts in the consolidated statements of income and the consolidated statements of cash flows for the previous fiscal years have also been reclassified retrospectively to conform to the presentation for fiscal 2015.

(Consolidated Balance Sheets)

- “Other Operating Assets” has been changed to “Property under Facility Operations.” Along with this change, a part of the assets in the amount of ¥16,911 million as of March 31, 2014 has been reclassified into “Other Assets.”
- “Trade Notes, Accounts and Other Receivable” previously included in “Other Receivables” has separately been presented.
- “Time Deposits,” a part of assets in the amount of ¥16,911 million as of March 31, 2014 previously included in “Other Operating Assets,” a part of assets in the amount of ¥62,544 million as of March 31, 2014 previously included in “Other Receivables” and “Prepaid Expenses” have been presented as “Other Assets.”
- “Trade Notes, Accounts and Other Payable” previously included in “Trade Notes, Accounts Payable and Other Liabilities” has separately been presented.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

- “Accrued Expenses,” “Security Deposits” and a part of liabilities in the amount of ¥166,801 million as of March 31, 2014 previously included in “Trade Notes, Accounts Payable and Other Liabilities” have been presented as “Other Liabilities.”

#### (Consolidated Statements of Income)

- “Direct financing leases” and “Interest on loans and investment securities” have been presented as “Finance revenues.” Certain finance-related revenues previously included in “Other operating revenues” in the amount of ¥3,387 million and ¥3,537 million for fiscal 2013 and 2014 have been included in “Finance revenues.”
- “Brokerage commissions and net gains on investment securities” has been changed to “Gains on investment securities and dividends.”
- “Gains (losses) on sales of real estate under operating leases” has been reclassified and combined into “Operating leases.”
- “Real estate sales” and sales of goods included in “Other operating revenues” have been reclassified and combined into “Sales of goods and real estate.” “Costs of real estate sales” and costs of goods sold included in “Other operating expenses” have been reclassified and combined into “Costs of goods and real estate sold.”
- “Revenues from asset management and servicing” and part of the service-related revenues in the amount of ¥266,936 million and ¥364,023 million for fiscal 2013 and 2014 previously classified under “Other operating revenues” have been reclassified into “Services income.” “Expenses from asset management and servicing” and part of service-related expenses in the amount of ¥159,274 million and ¥224,128 million for fiscal 2013 and 2014 previously classified under “Other operating expenses” have been reclassified into “Services expense.”
- “Foreign currency transaction loss (gain), net” and revenues and expenses other than service-related previously classified under “Other operating revenues” in the amount of ¥(3,287) million and ¥(23,186) million for fiscal 2013 and 2014 and “Other operating expenses,” in the amount of ¥2,217 million and ¥1,107 million for fiscal 2013 and 2014 as well as part of expenses previously classified under “Selling, general and administrative expenses,” in the amount of ¥(1,450) million and ¥331 million for fiscal 2013 and 2014 have been reclassified and combined into “Other (income) and expense, net.”

#### (Consolidated Statements of Cash flows)

- “Gains on sales of real estate under operating lease” and “Gains on sales of operating lease assets other than real estate” have been combined and presented as “Gains on sales of operating lease assets” in cash flows from operating activities.
- “Decrease (Increase) in trade notes, accounts and other receivable” previously included in “Decrease (Increase) in other receivables” has separately been presented. A part of assets in the amount of ¥13,827 million and ¥10,853 million for fiscal 2013 and 2014 previously included in “Decrease (Increase) in other receivables” has been reclassified into “Other, net” in cash flows from operating activities.
- “Increase in trade notes, accounts and other payable” previously included in “Increase (Decrease) in trade notes, accounts payable and other liabilities” has separately been presented. A part of liabilities in the amount of ¥7,367 million and ¥20,585 million for fiscal 2013 and 2014 previously included in “Increase in trade notes, accounts and other payable” has been reclassified into “Other, net” in cash flows from operating activities.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

- “Decrease in accrued expenses” has been reclassified into “Other, net” in cash flows from operating activities.
- “Purchases of other operating assets” has been changed to “Purchases of property under facility operations.” A part of assets in the amount of ¥(4,224) million and ¥(4,355) million for fiscal 2013 and 2014 previously included in “Purchases of other operating assets” has been reclassified into “Other, net” in cash flows from investing activities.

The following table provides information about “Finance revenues” for fiscal 2013, 2014 and 2015:

	Millions of yen		
	2013	2014	2015
Direct financing leases . . . . .	¥ 54,356	¥ 57,483	¥ 61,116
Interest on loans . . . . .	144,458	118,287	110,390
Interest on investment securities . . . . .	11,505	12,393	12,391
Other . . . . .	3,387	3,537	2,986
	¥213,706	¥191,700	¥186,883

The following table provides information about Gains on sales of real estate under operating leases included in “Operating leases” for fiscal 2013, 2014 and 2015:

	Millions of yen		
	2013	2014	2015
Gains on sales of real estate under operating leases . . . . .	¥ 5,816	¥ 5,872	¥ 16,338

The following table provides information about “Sales of goods and real estate” and “Costs of goods and real estate sold” for fiscal 2013, 2014 and 2015:

	Millions of yen		
	2013	2014	2015
Sales of goods . . . . .	¥42,081	¥125,808	¥352,228
Real estate sales . . . . .	38,804	54,076	98,641
Sales of goods and real estate . . . . .	¥80,885	¥179,884	¥450,869
Costs of goods sold . . . . .	¥33,203	¥107,047	¥308,723
Costs of real estate sales . . . . .	39,430	55,942	93,298
Costs of goods and real estate sold . . . . .	¥72,633	¥162,989	¥402,021

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

The following table provides information about “Services income” and “Services expense” for fiscal 2013, 2014 and 2015:

	Millions of yen		
	2013	2014	2015
Revenues from asset management and servicing . . . . .	¥ 15,265	¥126,492	¥214,372
Revenues from automobile related business . . . . .	59,659	63,072	70,442
Revenues from facilities management related business . . . . .	102,298	111,228	115,177
Revenues from environment and energy related business . . . . .	17,192	49,552	62,286
Revenues from real estate management and contract work . . . . .	3,057	28,243	171,562
Revenues from commissions for M&A advisory services, financing advice, financial restructuring advisory services and related services . . . . .	42,556	58,892	78,342
Other . . . . .	42,174	53,036	53,367
Services income . . . . .	<u>¥282,201</u>	<u>¥490,515</u>	<u>¥765,548</u>
Expenses from asset management and servicing . . . . .	¥ 593	¥ 36,150	¥ 52,825
Expenses from automobile related business . . . . .	39,179	39,767	43,163
Expenses from facilities management related business . . . . .	82,694	93,521	99,582
Expenses from environment and energy related business . . . . .	13,306	41,712	51,436
Expenses from real estate management and contract work . . . . .	1,056	22,626	152,447
Other . . . . .	23,039	26,502	26,223
Services expense . . . . .	<u>¥159,867</u>	<u>¥260,278</u>	<u>¥425,676</u>

**2. Fair Value Measurements**

The Company and its subsidiaries adopted ASC 820 (“Fair Value Measurement”). This Codification Section defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

This Codification Section classifies and prioritizes inputs used in valuation techniques to measure fair value into the following three levels:

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

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

Level 3—Unobservable inputs for the assets or liabilities.

This Codification Section differentiates between those assets and liabilities required to be carried at fair value at every reporting period (“recurring”) and those assets and liabilities that are only required to be adjusted to fair value under certain circumstances (“nonrecurring”). The Company and its subsidiaries mainly measure certain loans held for sale, trading securities, available-for-sale securities, certain investment funds, derivatives, certain reinsurance recoverables, certain contingent consideration, and variable annuity and variable life insurance contracts at fair value on a recurring basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

The following table presents recorded amounts of major financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2014 and 2015:

	March 31, 2014			
	Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Loans held for sale*1	¥ 12,631	¥ 0	¥ 12,631	¥ 0
Trading securities	16,079	275	15,804	0
Available-for-sale securities	881,493	230,505	566,987	84,001
Japanese and foreign government bond securities	360,360	114,989	245,371	0
Japanese prefectural and foreign municipal bond securities	96,697	0	96,697	0
Corporate debt securities	201,386	0	200,725	661
Specified bonds issued by SPEs in Japan	6,772	0	0	6,772
CMBS and RMBS in the Americas	17,833	0	0	17,833
Other asset-backed securities	47,798	0	613	47,185
Other debt securities	11,550	0	0	11,550
Equity securities*2	139,097	115,516	23,581	0
Other securities	6,317	0	0	6,317
Investment funds*3	6,317	0	0	6,317
Derivative assets	12,651	8	10,157	2,486
Interest rate swap agreements	2,528	0	2,528	0
Options written and other	5,486	0	3,000	2,486
Futures, foreign exchange contracts	1,074	8	1,066	0
Foreign currency swap agreements	3,534	0	3,534	0
Credit derivatives written	29	0	29	0
Netting*4	(214)	0	0	0
Net derivative assets	12,437	0	0	0
	<u>¥929,171</u>	<u>¥230,788</u>	<u>¥605,579</u>	<u>¥92,804</u>
Liabilities:				
Derivative liabilities	¥ 16,860	¥ 28	¥ 16,832	¥ 0
Interest rate swap agreements	634	0	634	0
Options written and other	3,605	0	3,605	0
Futures, foreign exchange contracts	5,180	28	5,152	0
Foreign currency swap agreements	7,176	0	7,176	0
Credit derivatives held	265	0	265	0
Netting*4	(214)	0	0	0
Net derivative Liabilities	16,646	0	0	0
Accounts payable	2,833	0	0	2,833
Contingent consideration	2,833	0	0	2,833
	<u>¥ 19,693</u>	<u>¥ 28</u>	<u>¥ 16,832</u>	<u>¥ 2,833</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

	March 31, 2015			
	Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Loans held for sale*1	¥ 15,361	¥ 0	¥ 15,361	¥ 0
Trading securities	1,190,131	50,902	1,139,229	0
Available-for-sale securities	1,356,840	130,519	1,129,270	97,051
Japanese and foreign government bond securities	527,592	0	527,592	0
Japanese prefectural and foreign municipal bond securities	161,477	0	161,477	0
Corporate debt securities	287,613	0	287,613	0
Specified bonds issued by SPEs in Japan	7,280	0	0	7,280
CMBS and RMBS in the Americas	69,976	0	47,318	22,658
Other asset-backed securities	145,970	0	81,718	64,252
Other debt securities	2,000	0	0	2,000
Equity securities*2	154,932	130,519	23,552	861
Other securities	8,723	0	0	8,723
Investment funds*3	8,723	0	0	8,723
Derivative assets	25,123	6	13,247	11,870
Interest rate swap agreements	890	0	890	0
Options held/written and other	12,103	0	233	11,870
Futures, foreign exchange contracts	5,719	6	5,713	0
Foreign currency swap agreements	6,411	0	6,411	0
Netting*4	(2,858)	0	0	0
Net derivative assets	22,265	0	0	0
Other assets	36,038	0	0	36,038
Reinsurance recoverables*5	36,038	0	0	36,038
	<u>¥2,632,216</u>	<u>¥181,427</u>	<u>¥2,297,107</u>	<u>¥ 153,682</u>
Liabilities:				
Derivative liabilities	¥ 29,619	¥ 762	¥ 28,857	¥ 0
Interest rate swap agreements	1,221	0	1,221	0
Options written and other	6,177	0	6,177	0
Futures, foreign exchange contracts	12,268	762	11,506	0
Foreign currency swap agreements	9,788	0	9,788	0
Credit derivatives held	165	0	165	0
Netting*4	(2,858)	0	0	0
Net derivative Liabilities	26,761	0	0	0
Accounts Payable	5,533	0	0	5,533
Contingent consideration	5,533	0	0	5,533
Policy Liabilities and Policy Account Balances	1,254,483	0	0	1,254,483
Variable annuity and variable life insurance contracts*6	1,254,483	0	0	1,254,483
	<u>¥1,289,635</u>	<u>¥ 762</u>	<u>¥ 28,857</u>	<u>¥1,260,016</u>

\*1 A subsidiary elected the fair value option under ASC 825 (“Financial Instruments”) on the loans held for sale originated on or after October 1, 2011. These loans are multi-family and seniors housing loans and are sold to Federal National Mortgage Association (“Fannie Mae”) or institutional investors. Included in “Other (income) and expense, net” in the consolidated statements of income were losses from the change in the fair

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

value of the loans of ¥628 million for the fiscal year ended March 31, 2013, gains from the change in the fair value of the loans of ¥116 million and ¥246 million for the fiscal year ended March 31, 2014 and 2015. No gains or losses were recognized in earnings during the fiscal years ended March 31, 2013, 2014 and 2015 attributable to changes in instrument-specific credit risk. The amounts of aggregate unpaid principal balance and aggregate fair value of the loan held for sale at March 31, 2014, were ¥12,024 million and ¥12,631 million, respectively, and the amount of the aggregate fair value exceeded the amount of aggregate unpaid principal balance by ¥607 million. The amounts of aggregate unpaid principal balance and aggregate fair value at March 31, 2015, were ¥14,431 million and ¥15,361 million, respectively, and the amount of the aggregate fair value exceeded the amount of aggregate unpaid principal balance by ¥930 million. As of March 31, 2014 and 2015, there were no loans that were 90 days or more past due, in non-accrual status, or both.

- \*2 A subsidiary that became a consolidated subsidiary of the Company during fiscal 2014 elected the fair value option under ASC 825 (“Financial Instruments”) for investments in equity securities included in available-for-sale securities. Included in “Gains on investment securities and dividends” in the consolidated statements of income were gains from the change in the fair value of those investments of ¥333 million and ¥1,070 million for the fiscal years ended March 31, 2014 and 2015. The amount of aggregate fair value elected the fair value option was ¥5,116 million and ¥8,168 million as of March 31, 2014 and 2015, respectively.
- \*3 Certain subsidiaries elected the fair value option under ASC 825 (“Financial Instruments”) for investments in some funds. Included in “Gains on investment securities and dividends” in the consolidated statements of income were gains from the change in the fair value of those investments of ¥670 million, ¥1,412 million, and ¥1,301 million for the fiscal years ended March 31, 2013, 2014, and 2015. The amounts of aggregate fair value were ¥6,317 million and ¥8,723 million as of March 31, 2014 and 2015, respectively.
- \*4 It represents the amount offset under counterparty netting of derivative assets and liabilities.
- \*5 Certain subsidiaries elected the fair value option under ASC 825 (“Financial Instruments”) for certain reinsurance recoverables held by the subsidiary acquired during the three months ended September 30, 2014. The fair value of the reinsurance recoverables elected for the fair value option in other assets was ¥36,038 million as of March 31, 2015. For the effect of changes in the fair value of those reinsurance recoverables on earnings for the fiscal year ended March 31, 2015, see Note 23 “Life Insurance Operations.”
- \*6 A subsidiary elected the fair value option under ASC 825 (“Financial Instruments”) for the entire variable annuity and variable life insurance contracts held by a subsidiary acquired during the three months ended September 30, 2014 in order to match the earnings recognized for the changes in fair value of policy liabilities and policy account balances with earnings recognized for gains or losses from the investment assets managed on behalf of variable annuity and variable life policyholders, derivative contracts and the changes in fair value of reinsurance contracts. The fair value of the variable annuity and variable life insurance contracts elected for the fair value option in policy liabilities and policy account balances was ¥1,254,483 million as of March 31, 2015. For the effect of changes in the fair value of the variable annuity and variable life insurance contracts on earnings for the fiscal year ended March 31, 2015, see Note 23 “Life Insurance Operations.”

Changes in economic conditions or valuation methodologies may require the transfer of assets and liabilities from one fair value level to another. In such instances, the Company and its subsidiaries recognize the transfer at the beginning of quarter during which the transfers occur. The Company and its subsidiaries evaluate the significance of transfers between levels based upon size of the transfer relative to total assets, total liabilities or total earnings. For the fiscal years ended March 31, 2014 and 2015, there were no transfers between Level 1 and Level 2



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

The following table presents the reconciliation of financial assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during fiscal year 2013, 2014 and 2015:

2013											
Millions of yen											
	Balance at April 1, 2012	Gains or losses (realized/ unrealized)				Purchases*3	Sales	Settlements*4	Transfers in and/ or out of Level 3 (net)*5	Balance at March 31, 2013	Change in unrealized gains or losses included in earnings for assets and liabilities still held at March 31, 2013*1
		Included in earnings*1	Included in other comprehensive income*2	Total							
Available-for-sale securities	¥243,655	¥(9,225)	¥7,693	¥(1,532)	¥19,294	¥(10,564)	¥(113,875)	¥0	¥136,978	¥(9,783)	
Corporate debt securities	2,912	(508)	908	400	3,942	(432)	(298)	0	6,524	(456)	
Specified bonds issued by SPEs in Japan	139,152	(9,228)	(15)	(9,243)	5,419	(9)	(72,075)	0	63,244	(8,095)	
CMBS and RMBS in the Americas	31,024	(1,215)	4,446	3,231	3,525	(2,396)	(11,046)	0	24,338	(1,450)	
Other asset-backed securities	62,157	846	935	1,781	6,408	(5,329)	(30,456)	0	34,561	218	
Other debt securities	8,410	880	1,419	2,299	0	(2,398)	0	0	8,311	0	
Other securities	0	670	825	1,495	5,018	(713)	0	0	5,800	670	
Investment funds	0	670	825	1,495	5,018	(713)	0	0	5,800	670	
Derivative assets and liabilities (net)	5,293	(3,194)	0	(3,194)	0	0	0	0	2,099	(3,194)	
Options held/written, caps held and other	5,293	(3,194)	0	(3,194)	0	0	0	0	2,099	(3,194)	

  

2014											
Millions of yen											
	Balance at April 1, 2013	Gains or losses (realized/ unrealized)				Purchases*3	Sales	Settlements*4	Transfers in and/ or out of Level 3 (net)*5	Balance at March 31, 2014	Change in unrealized gains or losses included in earnings for assets and liabilities still held at March 31, 2014*1
		Included in earnings*1	Included in other comprehensive income*2	Total							
Available-for-sale securities	¥ 136,978	¥ 4,364	¥ 4,056	¥8,420	¥ 56,202	¥(13,817)	¥(103,782)	¥ 0	¥ 84,001	¥ 180	
Corporate debt securities	6,524	416	(356)	60	0	(1,325)	(4,598)	0	661	0	
Specified bonds issued by SPEs in Japan	63,244	327	839	1,166	0	(36)	(57,602)	0	6,772	5	
CMBS and RMBS in the Americas	24,338	2,388	963	3,351	14,295	(11,067)	(13,084)	0	17,833	(152)	
Other asset-backed securities	34,561	1,233	371	1,604	40,907	(1,389)	(28,498)	0	47,185	327	
Other debt securities	8,311	0	2,239	2,239	1,000	0	0	0	11,550	0	
Other securities	5,800	1,767	584	2,351	2,013	(3,824)	(23)	0	6,317	1,767	
Investment funds	5,800	1,767	584	2,351	2,013	(3,824)	(23)	0	6,317	1,767	
Derivative assets and liabilities (net)	2,099	2,987	0	2,987	0	0	(2,600)	0	2,486	2,987	
Options held/written and other	2,099	2,987	0	2,987	0	0	(2,600)	0	2,486	2,987	
Accounts payable	0	2,343	0	2,343	5,176	0	0	0	2,833	2,343	
Contingent consideration	0	2,343	0	2,343	5,176	0	0	0	2,833	2,343	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

2015

Millions of yen

	Balance at April 1, 2014	Gains or losses (realized/unrealized)				Purchases*3	Sales	Settlements*4	Transfers in and/or out of Level 3 (net)*5	Balance at March 31, 2015	Change in unrealized gains or losses included in earnings for assets and liabilities still held at March 31, 2015*1
		Included in earnings*1	Included in other comprehensive income*2	Total							
Available-for-sale securities	¥84,001	¥ 2,101	¥ 6,653	¥ 8,754	¥ 65,964	¥(18,222)	¥ (23,796)	¥(19,650)	¥ 97,051	¥ (1,745)	
Corporate debt securities	661	73	(24)	49	0	(210)	(500)	0	0	0	
Specified bonds issued by SPEs in Japan	6,772	5	101	106	1,700	0	(1,298)	0	7,280	5	
CMBS and RMBS in the Americas	17,833	60	3,724	3,784	29,372	(3,446)	(4,447)	(20,438)	22,658	(395)	
Other asset-backed securities	47,185	(1,334)	4,428	3,094	34,892	(3,368)	(17,551)	0	64,252	(1,355)	
Other debt securities	11,550	3,297	(1,649)	1,648	0	(11,198)	0	0	2,000	0	
Equity securities	0	0	73	73	0	0	0	788	861	0	
Other securities	6,317	1,290	1,142	2,432	6,180	(4,870)	(1,336)	0	8,723	1,290	
Investment funds	6,317	1,290	1,142	2,432	6,180	(4,870)	(1,336)	0	8,723	1,290	
Derivative assets and liabilities (net)	2,486	(13,838)	0	(13,838)	28,536	0	(5,314)	0	11,870	(13,838)	
Options held/written and other	2,486	(13,838)	0	(13,838)	28,536	0	(5,314)	0	11,870	(13,838)	
Other assets	0	(36,072)	0	(36,072)	72,654	0	(544)	0	36,038	(36,072)	
Reinsurance recoverables*6	0	(36,072)	0	(36,072)	72,654	0	(544)	0	36,038	(36,072)	
Accounts payable	2,833	(12,203)	0	(12,203)	0	0	(9,503)	0	5,533	(12,203)	
Contingent consideration	2,833	(12,203)	0	(12,203)	0	0	(9,503)	0	5,533	(12,203)	
Policy Liabilities and Policy Account Balances	0	(100,702)	0	(100,702)	1,765,444	0	(611,663)	0	1,254,483	(100,702)	
Variable annuity and variable life insurance contracts*7	0	(100,702)	0	(100,702)	1,765,444	0	(611,663)	0	1,254,483	(100,702)	

\*1 Principally, gains and losses from available-for-sale securities are included in “Gains on investment securities and dividends”, “Write-downs of securities” or “Life insurance premiums and related investment income”; other securities are included in “Gains on investment securities and dividends” and derivative assets and liabilities (net) are included in “Other (income) and expense, net” and gains from accounts payable are included in “Other (income) and expense, net”, respectively. Also, for available-for-sale securities, amortization of interest recognized in finance revenues is included in these columns.

\*2 Unrealized gains and losses from available-for-sale securities are included in “Net change of unrealized gains (losses) on investment in securities.”

\*3 Increases resulting from an acquisition of a subsidiary and insurance contracts ceded to reinsurance companies are included.

\*4 Decreases resulting from the receipts of reimbursements for benefits, and decreases resulting from insurance payouts to variable annuity and variable life policyholders due to death, surrender and maturity of the investment period are included. For the information of decrease in accounts payable, see Note 3 (“Acquisitions”).

\*5 The amount reported in “Transfers in and/or out of Level 3 (net)” is the fair value at the beginning of quarter during which the transfers occur.

\*6 “Included in earnings” in the above table includes changes in the fair value of reinsurance recoverables recorded in “Life insurance costs” and reinsurance premiums, net of reinsurance benefits received, recorded in “Life insurance premiums and related investment income.”



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

The following is a description of the valuation process and the main valuation methodologies used for assets and liabilities measured at fair value:

#### *Valuation process*

The Company and its subsidiaries determine fair value of Level 3 assets and liabilities by using valuation techniques, such as internally developed models, or using third-party pricing information. Internally developed models include the discounted cash flow methodologies and direct capitalization methodologies. To measure the fair value of the assets and liabilities, the Company and its subsidiaries select the valuation technique which best reflects the nature, characteristics and risks of each asset and liability. The appropriateness of valuation methods and unobservable inputs is verified when measuring fair values of the assets and liabilities by using internally developed models. The Company and its subsidiaries also use third-party pricing information to measure the fair value of certain assets and liabilities. In that case, the Company and its subsidiaries verify the appropriateness of the prices by monitoring available information about the assets and liabilities, such as current conditions of the assets or liabilities, as well as surrounding market information. When these prices are determined to be able to reflect the nature, characteristics and risks of assets and liabilities reasonably, the Company and its subsidiaries use these prices as fair value of the assets and liabilities.

#### *Loans held for sale*

Certain loans, which the Company and its subsidiaries have the intent and ability to sell to outside parties in the foreseeable future, are considered held-for-sale. The loans held for sale in the Americas are classified as Level 2, because the Company and its subsidiaries measure their fair value based on a market approach using inputs other than quoted prices that are observable for the assets such as treasury rate, swap rate and market spread.

#### *Real estate collateral-dependent loans*

The valuation allowance for large balance non-homogeneous loans is individually evaluated based on the present value of expected future cash flows, the loan's observable market price or the fair value of the collateral securing the loans if the loans are collateral-dependent. According to ASC 820 ("Fair Value Measurement"), measurement for impaired loans determined using a present value technique is not considered a fair value measurement. However, measurement for impaired loans determined using the loan's observable market price or the fair value of the collateral securing the collateral-dependent loans are fair value measurements and are subject to the disclosure requirements for nonrecurring fair value measurements.

The Company and its subsidiaries determine the fair value of the real estate collateral of real estate collateral-dependent loans using appraisals prepared by independent third party appraisers or our own staff of qualified appraisers based on recent transactions involving sales of similar assets or other valuation techniques such as discounted cash flows methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate. The Company and its subsidiaries generally obtain a new appraisal once a fiscal year. In addition, the Company and its subsidiaries periodically monitor circumstances of the real estate collateral and then obtain a new appraisal in situations involving a significant change in economic and/or physical conditions, which may materially affect the fair value of the collateral. Real estate collateral-dependent loans whose fair values are estimated using appraisals of the underlying collateral based on these valuation techniques are classified as Level 3 because such appraisals involve unobservable inputs. These unobservable inputs contain discount rates and cap rates as well as future cash flows estimated to be generated from real estate collateral. An increase (decrease) in the discount rate or cap rate and a decrease (increase) in the estimated future cash flows would result in a decrease (increase) in the fair value of real estate collateral-dependent loans.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

#### *Investment in operating leases and property under facility operations and land and buildings undeveloped or under construction*

Investment in operating leases measured at fair value is mostly real estate. The Company and its subsidiaries determine the fair value of investment in operating leases and property under facility operations and land and buildings undeveloped or under construction using appraisals prepared by independent third party appraisers or the Company's own staff of qualified appraisers based on recent transactions involving sales of similar assets or other valuation techniques such as discounted cash flow methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate. The Company and its subsidiaries classified the assets as Level 3 because such appraisals involve unobservable inputs. These unobservable inputs contain discount rates as well as future cash flows estimated to be generated from the assets or projects. An increase (decrease) in the discount rate and a decrease (increase) in the estimated future cash flows would result in a decrease (increase) in the fair value of investment in operating leases and property under facility operations and Land and buildings undeveloped or under construction.

#### *Trading securities, available-for-sale securities and investment in affiliates*

If active market prices are available, fair value measurement is based on quoted active market prices and, accordingly, these securities are classified as Level 1. If active market prices are not available, fair value measurement is based on observable inputs other than quoted prices included within Level 1, such as prices for similar assets and accordingly these securities are classified as Level 2. If market prices are not available and there are no observable inputs, then fair value is estimated by using valuation models including discounted cash flow methodologies, commonly used option-pricing models and broker quotes. Such securities are classified as Level 3, as the valuation models and broker quotes are based on inputs that are unobservable in the market. If fair value is based on broker quotes, the Company and its subsidiaries check the validity of received prices based on comparison to prices of other similar assets and market data such as relevant bench mark indices.

The Company and its subsidiaries classified CMBS and RMBS in the Americas and other asset-backed securities as level 2 if the inputs such as trading price and/or bid price are observable. The Company and its subsidiaries classified CMBS and RMBS in the Americas and other asset-backed securities as level 3 if the company and subsidiaries evaluate the fair value based on the unobservable inputs. In determining whether the inputs are observable or unobservable, the Company and its subsidiaries evaluate various factors such as the lack of recent transactions, price quotations that are not based on current information or vary substantially over time or among market makers, a significant increase in implied risk premium, a wide bid-ask spread, significant decline in new issuances, little or no public information (e.g. a principal-to-principal market) and other factors. With respect to certain CMBS and RMBS in the Americas and other asset-backed securities, the Company and its subsidiaries judged that there has been increased overall trading activity, and the Company and its subsidiaries classified these securities as level 2 for those securities that were measured at fair value based on the observable inputs such as trading price and/or bit price. But for those securities that lacked observable trades because they are older vintage or below investment grade securities, the Company and its subsidiaries limit the reliance on independent pricing service vendors and brokers. As a result, the Company and its subsidiaries established internally developed pricing models using valuation techniques such as discounted cash flow model using level 3 inputs in order to estimate fair value of these securities and classified them as Level 3. Under the models, the Company and its subsidiaries use anticipated cash flows of the security discounted at a risk-adjusted discount rate that incorporates our estimate of credit risk and liquidity risk that a market participant would consider. The cash flows are estimated based on a number of assumptions such as default rate and prepayment speed, as well as seniority of the security. An increase (decrease) in the discount rate or default rate would result in a decrease (increase) in the fair value of CMBS and RMBS in the Americas and other asset-backed securities.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

The Company and its subsidiaries classified the specified bonds as Level 3 because the Company and its subsidiaries measure their fair value using unobservable inputs. Since the specified bonds are not trade in an open market, no relevant observable market data is available. Accordingly the Company and its subsidiaries use discounted cash flow methodologies that incorporates significant unobservable inputs to measure their fair value. When evaluating the specified bonds issued by SPEs in Japan, the Company and its subsidiaries estimate the fair value by discounting future cash flows using a discount rate based on market interest rates and a risk premium. The future cash flows for the specified bonds issued by the SPEs in Japan are estimated based on contractual principal and interest repayment schedules on each of the specified bonds issued by the SPEs in Japan. Since the discount rate is not observable for the specified bonds, the Company and its subsidiaries use an internally developed model to estimate a risk premium considering the value of the real estate collateral (which also involves unobservable inputs in many cases when using valuation techniques such as discounted cash flow methodologies) and the seniority of the bonds. Under the model, the Company and its subsidiaries consider the loan-to-value ratio and other relevant available information to reflect both the credit risk and the liquidity risk in our own estimate of the risk premium. Generally, the higher the loan-to-value ratio, the larger the risk premium the Company and its subsidiaries estimate under the model. The fair value of the specified bonds issued by SPEs in Japan rises when the fair value of the collateral real estate rises and the discount rate declines. The fair value of the specified bonds issued by SPEs in Japan declines when the fair value of the collateral real estate declines and the discount rate rises.

#### *Investment funds*

Certain subsidiaries elected the fair value option for investments in some funds. These investment funds for which the fair value option is elected are classified as Level 3, because the subsidiaries measure their fair value using discounting to net asset value based on inputs that are unobservable in the market.

#### *Derivatives*

For exchange-traded derivatives, fair value is based on quoted market prices, and accordingly, classified as Level 1. For non-exchange traded derivatives, fair value is based on commonly used models and discounted cash flow methodologies. If the inputs used for these measurements including yield curves and volatilities, are observable, the Company and its subsidiaries classify it as Level 2. If the inputs are not observable, the Company and its subsidiaries classify it as Level 3. These unobservable inputs contain discount rates. An increase (decrease) in the discount rate would result in a decrease (increase) in the fair value of derivatives.

#### *Reinsurance recoverables*

Certain subsidiaries of the Company have elected the fair value option for certain reinsurance contracts related to variable annuity and variable life insurance contracts to partially offset the changes in fair value recognized in earnings of the policy liabilities and policy account balances attributable to the changes in the minimum guarantee risks of the variable annuity and variable life insurance contracts. These reinsurance contracts for which the fair value option is elected are classified as Level 3 because the subsidiaries measure their fair value using discounted cash flow methodologies based on inputs that are unobservable in the market.

#### *Contingent consideration*

The Company will be required to pay certain contingent consideration described in Note 3 (Acquisitions) depending on the future performance of a certain asset management business of the acquired subsidiary, and the Company recognizes a liability for the contingent consideration at its estimated fair value. The fair value of the contingent consideration is classified as Level 3 because the Company measures its fair value using a Monte Carlo model based on inputs that are unobservable in the market.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

***Variable annuity and variable life insurance contracts***

A subsidiary of the Company has elected the fair value option for the entire variable annuity and variable life insurance contracts held by a subsidiary acquired during the three months period ended in September 30, 2014 in order to match earnings recognized for changes in fair value of policy liabilities and policy account balances with the earnings recognized for gains or losses from the investment assets managed on behalf of variable annuity and variable life policyholders, derivative contracts and changes in fair value of reinsurance contracts. The changes in fair value of the variable annuity and variable life insurance contracts are linked to the fair value of the investment in securities managed on behalf of variable annuity and variable life policyholders. These securities consist mainly of equity securities traded in the market and are categorized as trading securities. In addition, variable annuity and variable life insurance contracts are exposed to the minimum guarantee risk, and the subsidiary adjusts the fair value of the underlying investments by incorporating changes in fair value of the minimum guarantee risk in the evaluation of the fair value of the entire variable annuity and variable life insurance contracts. The variable annuity and variable life insurance contracts for which the fair value option is elected are classified as Level 3 because the subsidiary measures the fair value using discounted cash flow methodologies based on inputs that are unobservable in the market.

***Goodwill***

For the information about the valuation process and the valuation methodologies, see Note 13 “Goodwill and Other intangible assets.”

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

**Information about Level 3 Fair Value Measurements**

The following table provides information about the valuation techniques and significant unobservable inputs used in the valuation of Level 3 assets or liabilities measured at fair value on a recurring basis as of March 31, 2014 and 2015.

March 31, 2014				
	Millions of yen		Significant unobservable inputs	Range (Weighted average)
	<u>Fair value</u>	<u>Valuation technique(s)</u>		
<b>Assets:</b>				
Available-for-sale securities				
Corporate debt securities . . . . .	¥ 661	Appraisals/Broker quotes	—	—
Specified bonds issued by SPEs in Japan . . . . .	3,627	Discounted cash flows	Discount rate	1.0% – 11.1% (4.5%)
	3,145	Appraisals/Broker quotes	—	—
CMBS and RMBS in the Americas . . . . .	17,833	Discounted cash flows	Discount rate	10.8% – 38.0% (19.2%)
			Probability of default	0.0% – 18.1% (0.4%)
Other asset-backed securities . . . . .	5,158	Discounted cash flows	Discount rate	4.1% – 28.1% (10.4%)
			Probability of default	0.9% – 1.5% (1.4%)
	42,027	Appraisals/Broker quotes	—	—
Other debt securities . . . . .	11,550	Discounted cash flows	Discount rate	12.0% (12.0%)
Other securities				
Investment funds . . . . .	6,317	Internal cash flows	Discount rate	15.0% – 32.0% (20.1%)
Derivative assets				
Options written and other . . . . .	2,486	Discounted cash flows	Discount rate	10.0% – 15.0% (11.5%)
Total . . . . .	<u>¥92,804</u>			
<b>Liabilities:</b>				
Accounts payable				
Contingent consideration . . . . .	¥ 2,833	Monte Carlo simulation	Discount rate	16.0% (16.0%)
Total . . . . .	<u>¥ 2,833</u>			



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

March 31, 2015

	<u>Millions of yen</u>			
	<u>Fair value</u>	<u>Valuation technique(s)</u>	<u>Significant unobservable inputs</u>	<u>Range (Weighted average)</u>
Assets:				
Available-for-sale securities				
Specified bonds issued by SPEs in Japan .....	¥ 2,543	Discounted cash flows	Discount rate	0.9% – 3.6% (2.2%)
	4,737	Appraisals/Broker quotes	—	—
CMBS and RMBS in the Americas .....	22,658	Discounted cash flows	Discount rate	13.6% – 32.4% (18.2%)
			Probability of default	0.0% – 22.0% (7.2%)
Other asset-backed securities .....	7,583	Discounted cash flows	Discount rate	1.2% – 32.4% (13.2%)
			Probability of default	0.8% – 1.3% (1.0%)
	56,669	Appraisals/Broker quotes	—	—
Other debt securities .....	2,000	Appraisals	—	—
Equity securities .....	861	Discounted cash flows	Discount rate	6.2% (6.2%)
Other securities				
Investment funds .....	8,723	Internal cash flows	Discount rate	12.0% – 28.0% (15.8%)
Derivative assets				
Options held/written and other .....	7,982	Discounted cash flows	Discount rate	10.0% – 15.0% (11.8%)
	3,888	Appraisals/Broker quotes	—	—
Other assets				
Reinsurance recoverables .....	36,038	Discounted cash flows	Discount rate	(0.1)% – 0.8% (0.2%)
			Mortality rate	0.0% – 100.0% (1.3%)
			Lapse rate	1.5% – 54.0% (20.8%)
			Annuitization rate (guaranteed minimum annuity benefit)	0.0% – 100.0% (100.0%)
Total .....	<u>¥ 153,682</u>			
Liabilities:				
Accounts payable				
Contingent consideration .....	¥ 5,533	Monte Carlo simulation	Discount rate	13.9% (13.9%)
Policy liabilities and Policy Account Balances				
Valuable annuity and variable life insurance contracts .....	1,254,483	Discounted cash flows	Discount rate	(0.1)% – 0.8% (0.2%)
			Mortality rate	0.0% – 100.0% (1.3%)
			Lapse rate	1.5% – 54.0% (20.8%)
			Annuitization rate (guaranteed minimum annuity benefit)	0.0% – 100.0% (100.0%)
Total .....	<u>¥1,260,016</u>			

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

The following table provides information about the valuation techniques and significant unobservable inputs used in the valuation of Level 3 assets measured at fair value on a nonrecurring basis as of March 31, 2014 and 2015.

March 31, 2014				
	Millions of yen		Significant Unobservable Inputs	Range (Weighted Average)
	Fair Value	Valuation Technique(s)		
Assets:				
Real estate collateral-dependent loans (net of allowance for probable loan losses) .....	¥ 39,866	Discounted cash flows	Discount rate	5.3% – 19.0% (10.2%)
		Direct capitalization	Capitalization rate	5.6% – 19.0% (10.3%)
Investment in operating leases and property under facility operations ..	60,665	Discounted cash flows	Discount rate	5.2% – 11.0% (5.6%)
Land and buildings undeveloped or under construction .....	18,237	Discounted cash flows	Discount rate	3.9% – 9.9% (7.1%)
	<u>¥118,768</u>			
March 31, 2015				
	Millions of yen		Significant unobservable inputs	Range (Weighted average)
	Fair value	Valuation technique(s)		
Assets:				
Real estate collateral-dependent loans (net of allowance for probable loan losses) .....	¥ 21,537	Discounted cash flows	Discount rate	5.8% – 12.0% (9.5%)
		Direct capitalization	Capitalization rate	5.5% – 16.5% (10.4%)
Investment in operating leases and property under facility operations ..	25,732	Discounted cash flows	Discount rate	4.1% – 15.0% (5.1%)
	41,768	Appraisals	—	—
Land and buildings undeveloped or under construction .....	8,084	Discounted cash flows	Discount rate	5.3% – 10.1% (9.2%)
Certain investment in affiliates .....	1,220	Discounted cash flows	Discount rate	9.8% (9.8%)
Goodwill .....	2,435	Discounted cash flows Business enterprise value multiples	— —	— —
	<u>¥100,776</u>			

The Company and its subsidiaries generally use discounted cash flow methodologies or similar internally developed models to determine the fair value of Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the preceding table. Accordingly, changes in these unobservable inputs may have a significant impact on the fair value.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the asset or liability for a given change in that input. Alternatively, the fair value of the asset or liability may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular asset or liability. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated to one another), which may counteract or magnify the fair value impact.

For more analysis of the sensitivity of each input, see the description of the valuation process and the main valuation methodologies used for assets and liabilities measured at fair value.

### 3. Acquisitions

#### (1) Robeco Groep N.V. acquisition

On July 1, 2013, the Company acquired approximately 90.01% of the total voting equity interests of Robeco Groep N.V. (Head office: Rotterdam, the Netherlands, hereinafter, “Robeco”) from Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Head office: Utrecht, the Netherlands, hereinafter, “Rabobank”). As a result, Robeco has become a consolidated subsidiary of the Company. Robeco, a mid-size global asset manager, offers a mix of investment solutions in a broad range of strategies to institutional and private investors worldwide.

The total cost of the acquisition consideration was ¥255,163 million. The initial consideration of ¥249,987 million was paid by ¥230,579 million in cash and 13,902,900 shares issued out of treasury, valued at ¥19,408 million. The 13,902,900 shares issued to Rabobank as part of the total consideration was determined based on the closing price of ¥1,396 of the Company’s common share on the Tokyo Stock Exchange on July 1, 2013 in accordance with the share purchase agreement executed between the Company and Rabobank as of February 19, 2013. In addition, the Company will be required to pay contingent consideration depending on the future performance of a certain section of asset management business for each of Robeco’s fiscal years until the fiscal year ending in December 2015. The estimated fair value of such contingent consideration was ¥5,176 million, which is included in the total consideration transferred. The contingent consideration was ¥2,833 million and ¥5,533 million as of March 31, 2014 and 2015, respectively. During fiscal 2015, there was an increase in its fair value by ¥12,203 million, a decrease by ¥47 million due to settlement, and a decrease by ¥9,456 million due to the amount for an annual payment being finalized. The change in the fair value is included as part of other (income) and expense, net in the Company’s consolidated statements of income. The Company believes that the change in such consideration is not expected to be significant.

Transaction costs of ¥2,039 million are included in selling, general and administrative expenses in the Company’s consolidated statements of income for prior periods.

Through this acquisition, the Company aims to expand its global asset management business as one of the measures to pursue new business models by combining finance with related services. The rationale for the Company’s acquisition of Robeco includes the strength of Robeco’s global brand, the diversity of its businesses across asset classes and regions, the breadth of its global distribution network and the experience of its investment teams. As a well-managed and relatively autonomous group of businesses with a good performance record, Robeco is the ideal vehicle for the Company to pursue its ambitions in global asset management. Growth opportunities also exist in the pension and asset management markets in Asia and the Middle East, where the Company has an established network.

The Company allocated the acquisition consideration to Robeco’s respective assets acquired and liabilities assumed, and records the identified assets, liabilities and noncontrolling interest based on their fair values at the

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

acquisition date by the acquisition method of accounting in accordance with ASC 805 (“Business Combinations”). The fair value of noncontrolling interest is estimated based on the acquisition consideration taking into account an appraised value using a market approach (business enterprise value multiples).

The Company finalized the purchase price allocation during the three months ended June 30, 2014. As a result, the following table provides fair value amounts allocated to assets acquired and liabilities assumed of Robeco.

	<b>Millions of yen</b>
	<b>Fair value amounts of assets, liabilities and noncontrolling interests</b>
Cash and Cash Equivalents . . . . .	¥ 43,737
Investment in Securities . . . . .	3,325
Investment in Affiliates . . . . .	931
Trade Notes, Accounts and Other Receivable . . . . .	1,462
Office Facilities . . . . .	1,839
Other Assets . . . . .	<u>390,491</u>
Total Assets . . . . .	<u>441,785</u>
Trade Notes, Accounts and Other Payable . . . . .	770
Current and Deferred Income Taxes . . . . .	71,087
Long-Term Debt . . . . .	31,016
Other Liabilities . . . . .	<u>55,981</u>
Total Liabilities . . . . .	<u>158,854</u>
Noncontrolling interests . . . . .	<u>27,768</u>
Net . . . . .	<u><u>¥255,163</u></u>

Goodwill with a value of ¥130,961 million, and other intangible assets of ¥205,730 million that were identified in connection with the acquisition are included in other assets in the above table and the Company’s consolidated balance sheets as of March 31, 2015. The goodwill is calculated as the excess of consideration transferred and the fair value of noncontrolling interest over the net assets recognized at fair value. The Company calculated the amount of goodwill based on estimates of fair value of assets acquired, liabilities assumed and noncontrolling interest. The goodwill represents the future growth of the ORIX Group from new revenue streams arising from the consolidation of Robeco and synergies with the Company’s existing assets and businesses. The goodwill is not deductible for tax purposes. The goodwill and other intangible assets recorded in connection with this acquisition are included in the Overseas Business segment.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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Other intangible assets recognized in this acquisition consist of the following:

	<u>Millions of yen</u>	<u>Years</u>
	<u>Acquired intangibles</u>	<u>Weighted-average</u>
	<u>recorded at fair value</u>	<u>amortization period</u>
Intangible assets that have indefinite useful lives:		
Asset management contracts .....	¥152,680	—
Trade names .....	18,115	—
Subtotal .....	<u>170,795</u>	
Intangibles subject to amortization:		
Customer relationships .....	32,994	7
Software .....	1,941	7
Subtotal .....	<u>34,935</u>	
Total .....	<u>¥205,730</u>	

The following unaudited supplemental pro forma financial information presents the combined results of operations of the Company and its subsidiaries as though the acquisition had occurred as of April 1, 2012, the beginning of the fiscal year ended March 31, 2013:

	<u>Millions of yen</u>	<u>Millions of yen</u>
	<u>March 31, 2013</u>	<u>March 31, 2014</u>
Total revenues .....	¥1,158,794	¥1,405,276
Income from Continuing Operations .....	130,050	189,061

Total revenues and income from continuing operations of Robeco included in the Company's consolidated statements of income for the year ended March 31, 2014 were ¥111,166 million and ¥17,251 million, respectively

The unaudited supplemental pro forma financial information is based on estimates and assumptions, that the Company believes are reasonable and should not be taken as indicative of what the Company's consolidated financial results would have been had the acquisition been completed on that date. The unaudited supplemental pro forma financial information does not include nonrecurring costs directly attributable to the acquisition, such as certain professional fees, that would not have been incurred had the acquisition not occurred.

**(2) DAIKYO INCORPORATED acquisition**

In March, 2005, the Company entered into a capital alliance with DAIKYO, which operates condominium development and management businesses. In connection with the capital alliance, the Company acquired 133,720,000 shares of DAIKYO's common stock, 10,000,000 shares of type-1 preferred stock, 15,000,000 shares of type-2 preferred stock and 25,000,000 shares of type-4 preferred stock. In June 2008, DAIKYO redeemed certain of type-2 preferred stock and type-4 preferred stock held by the Company. Furthermore, in March 2009, the Company subscribed 25,000,000 shares of type-7 preferred stock and acquired 23,598,144 shares of type-8 preferred stock of DAIKYO. Since entering into the capital alliance, DAIKYO has shifted its business model from one focusing on "Flow business", such as development and sale of condominiums, to one that achieves a balance between "Flow business" and "Stock business", such as asset management and brokerage of condominiums. As a result of the shift, DAIKYO has developed business platforms that generate more stable financial performance.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

On February 27, 2014, the Company exercised its conversion rights attached to all type-2 preferred stock, type-4 preferred stock, type-7 preferred stock and type-8 preferred stock of DAIKYO held by the Company. As a result, the Company acquired an additional 398,204,999 shares of common stock of DAIKYO. Following the conversion, its voting rights in DAIKYO increased from 31.7% to 64.1% and DAIKYO became a consolidated subsidiary of the Company from an equity method affiliate. There was no additional capital investment in DAIKYO in conjunction with the exercise of the acquisition rights.

Transaction costs of ¥23 million are included in selling, general and administrative expenses in the Company's consolidated statements of income for the fiscal year ended March 31, 2014.

Prior to the exercise of the acquisition rights in February 2014, the Company's interest in DAIKYO was accounted for under the equity method of accounting. As a result of this step acquisition, the Company remeasured its previously held equity interest at its fair value of ¥124,606 million, which was calculated based primarily on the market price of the common shares on an as-if converted basis adjusted for any control premium, and the Company recognized a gain of ¥58,435 million included in gains on sales of subsidiaries and affiliates and liquidation losses, net in the consolidated statements of income for the fiscal year ended March 31, 2014.

The Company allocates the acquisition consideration in the amount of ¥124,606 million to DAIKYO's respective assets acquired and liabilities assumed and records the identified assets, liabilities and noncontrolling interest based on their fair values at the acquisition date using the acquisition method of accounting in accordance with ASC 805 ("Business Combinations"). The fair value of noncontrolling interest is measured based on the market price of the common shares held by noncontrolling shareholders as of the acquisition date. The Company finalized the purchase price allocation during the fiscal year ended March 31, 2015. As a result, the following table provides fair value amounts allocated to assets acquired and liabilities assumed of DAIKYO, including a reconciliation to the preliminary valuation for the fiscal year ended March 31, 2014, are as follows.

	<u>Millions of yen</u> <u>Preliminary Valuation</u> <u>2014</u>	<u>Millions of yen</u> <u>Adjustments/</u> <u>Reclassifications</u>	<u>Millions of yen</u> <u>Final Valuation 2015</u>
Cash and Cash Equivalents . . . . .	¥105,328	¥ 0	¥105,328
Investment in Operating Leases . . . . .	3,710	3,993	7,703
Investment in Securities . . . . .	1,438	(125)	1,313
Investment in Affiliates . . . . .	44,628	(15,611)	29,017
Trade Notes, Accounts and Other Receivable . . . . .	16,059	1,221	17,280
Inventories . . . . .	102,400	(16,247)	86,153
Office Facilities . . . . .	9,274	1,701	10,975
Other Assets . . . . .	75,400	22,047	97,447
Total Assets . . . . .	<u>358,237</u>	<u>(3,021)</u>	<u>355,216</u>
Short-Term Debt . . . . .	1,647	(260)	1,387
Trade Notes, Accounts and Other Payable . . . . .	45,257	(7,122)	38,135
Current and Deferred Income Taxes . . . . .	5,288	12,684	17,972
Long-Term Debt . . . . .	69,790	(4,080)	65,710
Other Liabilities . . . . .	42,912	(4,159)	38,753
Total Liabilities . . . . .	<u>164,894</u>	<u>(2,937)</u>	<u>161,957</u>
Noncontrolling interests . . . . .	68,737	(84)	68,653
Net . . . . .	<u>¥124,606</u>	<u>¥ 0</u>	<u>¥124,606</u>

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Goodwill with a value of ¥12,957 million, and other intangible assets of ¥60,308 million that were identified in connection with the acquisition are included in other assets in the Company's consolidated balance sheets as of March 31, 2015. The goodwill is calculated as the excess of consideration transferred and the fair value of noncontrolling interest over the net assets recognized at fair value. The Company calculated the amount of goodwill based on estimates of fair value of assets acquired, liabilities assumed and noncontrolling interest. The goodwill represents the future growth of the ORIX Group from new revenue streams arising from the consolidation of DAIKYO and synergies with the existing Company's assets and businesses. The goodwill is not deductible for tax purposes. The goodwill and other intangible assets recorded in connection with this acquisition are included in the Investment and Operation segment.

Other intangible assets recognized in this acquisition consist of the following:

	<u>Millions of yen</u> <u>Acquired intangibles</u> <u>recorded at fair value</u>	<u>Years</u> <u>Weighted-average</u> <u>amortization period</u>
Intangible assets that have indefinite useful lives:		
Trade names .....	¥20,355	—
Subtotal .....	<u>20,355</u>	
Intangibles subject to amortization:		
Customer relationships .....	37,463	18
Backlog .....	<u>2,490</u>	2
Subtotal .....	39,953	
Total .....	<u>¥60,308</u>	

The following unaudited supplemental pro forma financial information presents the combined results of operations of the Company and its subsidiaries as though the acquisition had occurred as of April 1, 2012, the beginning of the fiscal year ended March 31, 2013:

	<u>Millions of yen</u> <u>March 31, 2013</u>	<u>Millions of yen</u> <u>March 31, 2014</u>
Total revenues .....	¥1,332,984	¥1,594,033
Income from Continuing Operations .....	133,572	203,243

Total revenues and income from continuing operations of DAIKYO included in the Company's consolidated statements of income for the year ended March 31, 2014 were ¥56,803 million and ¥1,296 million, respectively

The unaudited supplemental pro forma financial information is based on estimates and assumptions, that the Company believes are reasonable and should not be taken as indicative of what the Company's consolidated financial results would have been had the acquisition been completed on that date.

**(3) Hartford Life Insurance K.K. acquisition**

On July 1, 2014, the Company's wholly owned subsidiary, ORIX Life Insurance Corporation (hereinafter, "ORIX Life Insurance"), acquired the entire outstanding shares of Hartford Life Insurance K.K. (Head office: Minato-ku, Tokyo, Japan, Business description: Life insurance business and reinsurance business, hereinafter, "HLIKK"), a subsidiary of The Hartford Financial Services Group, Inc. in accordance with the share purchase

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

agreement executed between the Company and Hartford Life, Inc. (Head office: Simsbury, Connecticut, U.S.A.), a subsidiary of The Hartford Financial Services Group, Inc. as of April 28, 2014 in order to enhance its capital strength and improve the soundness of its management, in view of accelerating its growth. As a result, HLIKK has become a consolidated subsidiary of the Company. HLIKK has discontinued selling insurance products since June 2009.

The total cost of acquisition consideration was ¥98,355 million, of which cost, ¥97,676 million was paid in cash on July 1, 2014. In addition, an additional consideration of ¥679 million was paid in cash on December 3, 2014, as a result of the acquisition price adjustment calculated based on HLIKK's net assets as of June 30, 2014 pursuant to the share purchase agreement.

Transaction costs were ¥224 million for the year ended March 31, 2014 and ¥1,217 million for the year ended March 31, 2015, respectively, and are included in selling, general and administrative expenses in the Company's consolidated statements of income.

The Company allocated the acquisition consideration to HLIKK's respective assets acquired and liabilities assumed, and recorded the identified assets and liabilities based on their fair values at the acquisition date by the acquisition method of accounting in accordance with ASC 805 ("Business Combinations").

The following table provides preliminary fair value amounts allocated to assets acquired and liabilities assumed of HLIKK. The acquisition occurred during the three months ended September 30, 2014, and the purchase price allocation has not yet been finalized as of the filing date of this report. Although certain items are still pending further evaluation, the final purchase price allocations are not expected to differ materially from the current valuation.

In connection with this acquisition, the Company recognized the identifiable assets acquired and the liabilities assumed at their fair value, and recognized an excess of the fair value of the net assets acquired over the fair value of the consideration transferred as a bargain purchase gain of ¥36,082 million, which is separately reported in the consolidated statements of income.

	<b>Millions of yen</b>
	<b>Provisional fair value amounts of assets, liabilities</b>
Cash and Cash Equivalents . . . . .	¥ 69,244
Installment Loans . . . . .	282
Investment in Securities . . . . .	1,847,536
Trade Notes, Accounts and Other Receivable . . . . .	66,340
Office Facilities . . . . .	351
Other Assets . . . . .	319,244
Total Assets . . . . .	2,302,997
Short-Term Debt . . . . .	25,000
Trade Notes, Accounts and Other Payable . . . . .	3,979
Policy Liabilities and Policy Account Balances . . . . .	2,125,257
Current and Deferred Income Taxes . . . . .	8,413
Other Liabilities . . . . .	5,911
Total Liabilities . . . . .	2,168,560
Net . . . . .	134,437
Fair value of Consideration transferred . . . . .	98,355
Bargain purchase gain . . . . .	¥ 36,082



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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The following unaudited supplemental pro forma financial information presents the combined results of operations of the Company and its subsidiaries as though the acquisition had occurred as of April 1, 2013, the beginning of the year ended March 31, 2014:

	Millions of yen	
	March 31, 2014	March 31, 2015
Total revenues .....	¥1,819,007	¥2,220,805
Income from Continuing Operations .....	215,158	259,239

Total revenues and income from continuing operations of HLIKK included in the Company’s consolidated statements of income for the year ended March 31, 2015 are ¥196,883 million and ¥4,597 million, respectively.

The unaudited supplemental pro forma financial information is based on estimates and assumptions, that the Company believes are reasonable and should not be taken as indicative of what the Company’s consolidated financial results would have been had the acquisition been completed on that date. The Company elected the fair value option to account for variable annuity insurance contracts at the acquisition date; however, it cannot reasonably calculate their fair values prior to the acquisition date as if the fair value option were retrospectively applied. Thus, the unaudited supplemental pro forma financial information is prepared in accordance with ASC 944 (“Financial Services—Insurance”) without applying the fair value option accounting.

**(4) Other acquisitions**

During fiscal 2013, the Company and its subsidiaries acquired entities for a total cost of the acquisition consideration of ¥70,537 million, which was paid in cash. In accordance with the finalization of purchase price allocation during fiscal 2014, the amount of goodwill was ¥24,114 million, of which ¥6,964 million is deductible for income tax calculation purposes. The amount of acquired intangible assets other than goodwill recognized in these transactions was ¥29,090 million. The acquisitions were mainly included in the Retail segment and the Investment and Operation segment.

During fiscal 2014, the Company and its subsidiaries acquired entities, other than Robeco and DAIKYO, for a total cost of the acquisition consideration of ¥62,565 million, which was paid in cash. In accordance with the finalization of purchase price allocation during fiscal 2015, the amount of goodwill was ¥39,507 million, of which ¥1,184 million is deductible for income tax calculation purposes. The amount of acquired intangible assets other than goodwill recognized in these transactions was ¥1,343 million. The acquisitions were mainly included in the Corporate Financial Services segment and the Overseas Business segment.

During fiscal 2015, the Company and its subsidiaries acquired entities other than HLIKK which were individually immaterial business combinations but were considered collectively material. The total cost of the acquisitions consideration was ¥102,621 million which was paid mainly in cash.

The Company allocates the acquisition consideration to the entities’ respective assets acquired and liabilities assumed, and records the identified assets, liabilities and noncontrolling interest based on their fair values at the acquisition date by the acquisition method of accounting in accordance with ASC 805 (“Business Combinations”). The fair value of noncontrolling interest is estimated based on the acquisition consideration taking into account an appraisal value using a binominal option pricing model.

The following table provides preliminary fair value amounts allocated to assets acquired and liabilities assumed of the acquired entities. The Company has reflected certain preliminary estimates with respect to the fair

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

value of the underlying net assets and noncontrolling interests of the entities in determining amount of goodwill. The amount of goodwill and intangible assets other than goodwill could possibly be adjusted because certain of the acquisitions were made near the fiscal year-end and the purchase price allocations have not completed yet. However, the final purchase price allocations are not expected to differ materially from the current valuation.

	<b>Millions of yen</b>
	<b>Provisional fair value amounts of assets, liabilities and noncontrolling interests</b>
Cash and Cash Equivalents . . . . .	¥ 32,234
Property under Facility Operations . . . . .	9,289
Trade Notes, Accounts and Other Receivable . . . . .	37,359
Inventories . . . . .	20,735
Office Facilities . . . . .	3,250
Other Assets . . . . .	160,731
Other . . . . .	1,358
<b>Total Assets . . . . .</b>	<b>264,956</b>
Short-Term Debt . . . . .	4,140
Trade Notes, Accounts and Other Payable . . . . .	33,963
Current and Deferred Income Taxes . . . . .	24,457
Long-Term Debt . . . . .	45,739
Other Liabilities . . . . .	28,011
<b>Total Liabilities . . . . .</b>	<b>136,310</b>
Noncontrolling interests . . . . .	26,025
<b>Aggregate fair value of considerations transferred . . . . .</b>	<b>¥102,621</b>

Goodwill with a preliminary value of ¥83,751 million and other intangible assets of ¥59,320 million that were identified in connection with the acquisitions are included in other assets in the Company's consolidated balance sheet as of March 31, 2015. The goodwill is calculated as the excess of considerations transferred and the fair value of noncontrolling interest over the net assets recognized at fair value. The goodwill represents the future growth of the ORIX Group from new revenue streams arising from the consolidation of the entities and synergies with the existing Company's assets and businesses. The goodwill is not deductible for tax purposes. The goodwill and other intangible assets recorded in connection with the acquisitions are included in the Corporate Financial Services segment, the Investment and Operation segment and the Overseas Business segment.

The following unaudited supplemental pro forma financial information presents the combined results of operations of the Company and its subsidiaries as though the acquisitions had occurred as of April 1, 2013, the beginning of the year ended March 31, 2014:

	<b>Millions of yen</b>	
	<b>March 31, 2014</b>	<b>March 31, 2015</b>
Total revenues . . . . .	¥1,756,437	¥2,345,327
Income from Continuing Operations . . . . .	197,772	255,219

Total revenues and income from continuing operations of newly consolidated subsidiaries included in the Company's consolidated statements of income for the year ended March 31, 2015 are ¥234,030 million and ¥5,033 million, respectively.

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The unaudited supplemental pro forma financial information is based on estimates and assumptions, that the Company believes are reasonable and should not be taken as indicative of what the Company’s consolidated financial results would have been had the acquisition been completed on that date.

The segment in which goodwill is allocated is disclosed in Note 13 (“Goodwill and Other Intangible Assets”).

**4. Cash Flow Information**

Cash payments during fiscal 2013, 2014 and 2015 are as follows:

	Millions of yen		
	2013	2014	2015
Cash payments:			
Interest . . . . .	¥105,308	¥88,385	¥76,755
Income taxes . . . . .	11,955	32,831	83,462

Non-cash activities in fiscal 2013, 2014 and 2015 are as follows.

In fiscal 2013, 2014 and 2015, real estate under operating leases of ¥49,396 million, ¥50,820 million and ¥4,042 million, respectively, were recognized with the corresponding amounts of installment loans and investment in securities being derecognized as a result of acquiring real estate collateral. In fiscal 2014, other assets of ¥8,741 million were also recognized with the corresponding amounts of installment loans and investment in securities being derecognized as a result of acquiring real estate collateral.

In fiscal 2013, both assets and liabilities were decreased ¥33,847 million, in the Company’s consolidated balance sheets due to deconsolidation by the Company of certain VIEs which had been consolidated. The derecognized assets mainly consist of investment in operating leases and investment in securities, and the derecognized liabilities mainly consist of long-term debt. In fiscal 2014, assets and liabilities were decreased by ¥155,918 million and ¥170,869 million, respectively, in the Company’s consolidated balance sheet due to deconsolidation of certain VIEs which had been consolidated by a subsidiary. The derecognized assets mainly consist of installment loans and investment in securities, and the derecognized liabilities mainly consist of long-term debt. Derecognition of these assets and liabilities were not included in cash flows from investing activities or financing activities in the consolidated statements of cash flows because they did not involve cash transactions. In fiscal 2015, assets and liabilities decreased by ¥7,450 million and ¥9,279 million, respectively, in the Company’s consolidated balance sheet due to deconsolidation of certain VIEs which had been consolidated by a subsidiary. The derecognized assets mainly consist of installment loans, and the derecognized liabilities mainly consist of long-term debt. Derecognition of these assets and liabilities were not included in cash flows from investing activities or financing activities in the consolidated statements of cash flows because they did not involve cash transactions.

As non-cash financing activities, ¥99,773 million and ¥49,944 million of convertible bonds were converted to common stocks in fiscal 2013 and 2014, respectively.

In addition, the Company and its subsidiaries recognized identifiable assets acquired and liabilities assumed at their fair values in connection with the acquisitions, details of which are provided in Note 3 “Acquisitions.”

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

**5. Investment in Direct Financing Leases**

Investment in direct financing leases at March 31, 2014 and 2015 consists of the following:

	<u>Millions of yen</u>	
	<u>2014</u>	<u>2015</u>
Total Minimum lease payments to be received	¥1,282,872	¥1,410,512
Less : Estimated executory costs	(61,723)	(63,456)
Minimum lease payments receivable	1,221,149	1,347,056
Estimated residual value	27,351	30,620
Initial direct costs	5,157	5,866
Unearned lease income	(159,584)	(167,088)
	<u>¥1,094,073</u>	<u>¥1,216,454</u>

Minimum lease payments receivable are due in periodic installments through fiscal 2035. At March 31, 2015, the amounts due in each of the next five years and thereafter are as follows:

<u>Years ending March 31,</u>	<u>Millions of yen</u>
2016	¥ 457,889
2017	328,282
2018	223,763
2019	132,672
2020	79,813
Thereafter	<u>124,637</u>
Total	<u>¥1,347,056</u>

Included in finance revenues in the consolidated statements of income are direct financing leases revenues of ¥54,356 million, ¥57,483 million and ¥61,116 million for fiscal 2013, 2014 and 2015, respectively.

Gains and losses from the disposition of direct financing lease assets, which were included in finance revenues, were not significant for fiscal 2013, 2014 and 2015.

**6. Investment in Operating Leases**

Investment in operating leases at March 31, 2014 and 2015 consists of the following:

	<u>Millions of yen</u>	
	<u>2014</u>	<u>2015</u>
Transportation equipment	¥ 845,820	¥ 934,430
Measuring and information-related equipment	228,386	236,922
Real estate	716,883	590,388
Other	17,799	19,767
	<u>1,808,888</u>	<u>1,781,507</u>
Accumulated depreciation	(449,435)	(506,801)
Net	1,359,453	1,274,706
Accrued rental receivables	20,288	21,514
	<u>¥1,379,741</u>	<u>¥1,296,220</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

For fiscal 2013, 2014 and 2015, gains from the disposition of operating lease assets included in operating lease revenues are ¥19,848 million, ¥23,692 million and ¥34,425 million, respectively.

For fiscal 2014, where the Company and its subsidiaries have no significant continuing involvement in the operations from the real estate under operating leases which have been disposed of, the gains or losses arising from such disposition are reported as income from discontinued operations, net.

Costs of operating leases include depreciation and various expenses (insurance, property tax and other). Depreciation and various expenses for fiscal 2013, 2014 and 2015 are as follows:

	<u>Millions of yen</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Depreciation expenses .....	¥145,928	¥166,234	¥177,038
Various expenses .....	<u>48,501</u>	<u>50,334</u>	<u>61,119</u>
	<u>¥194,429</u>	<u>¥216,568</u>	<u>¥238,157</u>

The operating lease contracts include non-cancelable lease terms that range up to 20 years at March 31, 2015. The minimum future rentals on non-cancelable operating leases due in each of the next five years and thereafter are as follows:

<u>Years ending March 31,</u>	<u>Millions of yen</u>
2016 .....	¥184,662
2017 .....	130,304
2018 .....	91,730
2019 .....	54,888
2020 .....	28,322
Thereafter .....	<u>52,491</u>
Total .....	<u>¥542,397</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

**7. Installment Loans**

The composition of installment loans by domicile and type of borrower at March 31, 2014 and 2015 is as follows:

	Millions of yen	
	2014	2015
Borrowers in Japan:		
Consumer—		
Housing loans	¥ 973,439	¥1,048,216
Card loans	228,868	243,225
Other	24,875	22,866
	<u>1,227,182</u>	<u>1,314,307</u>
Corporate—		
Real estate companies	228,062	227,568
Non-recourse loans	72,625	41,535
Commercial, industrial and other companies	409,846	401,718
	<u>710,533</u>	<u>670,821</u>
Overseas:		
Non-recourse loans	101,579	83,233
Commercial, industrial companies and other	222,920	367,401
	<u>324,499</u>	<u>450,634</u>
Purchased loans*	53,341	42,292
	<u>¥2,315,555</u>	<u>¥2,478,054</u>

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

Generally, installment loans are made under agreements that require the borrower to provide collateral or guarantors.

At March 31, 2015, the contractual maturities of installment loans (except purchased loans) for each of the next five years and thereafter are as follows:

<u>Years ending March 31,</u>	<u>Millions of yen</u>
2016	¥ 445,181
2017	257,179
2018	219,610
2019	222,592
2020	184,265
Thereafter	<u>1,106,935</u>
Total	<u>¥2,435,762</u>

Included in finance revenues in the consolidated statements of income is interest income on loans of ¥144,458 million, ¥118,287 million and ¥110,390 million fiscal 2013, 2014 and 2015, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

Certain loans, for which the Company and its subsidiaries have the intent and ability to sell to outside parties in the foreseeable future, are considered held for sale and are carried at the lower of cost or market value determined on an individual basis, except loans held for sale for which the fair value option under ASC 825 (“Financial Instruments”) was elected. A subsidiary elected the fair value option under ASC 825 (“Financial Instruments”) on its loans held for sale originated on or after October 1, 2011. The subsidiary enters into forward sale agreements to offset the change in the fair value of loans held for sale, and the election of the fair value option allows the subsidiary to recognize both the change in the fair value of the loans and the change in the fair value of the forward sale agreements due to changes in interest rates in the same accounting period.

Loans held for sale are included in installment loans, and the outstanding balances of these loans as of March 31, 2014 and 2015 were ¥14,267 million and ¥15,613 million, respectively. There were ¥12,631 million and ¥15,361 million of loans held for sale as of March 31, 2014 and 2015, respectively, measured at fair value by electing the fair value option.

For loans with evidence of deterioration of credit quality since origination and for which it is probable at acquisition that collection of all contractually required payments from the debtors is unlikely, ASC 310-30 (“Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality”) requires that the investor recognize the excess of the loan’s cash flows expected at acquisition over the investor’s initial investment as interest income on the level-yield basis over the remaining life of the purchased loan (“accretable yield”). ASC 310-30, however, does not prohibit placing loans on non-accrual status subsequent to acquisition, including use of the cost recovery or cash basis methods of income recognition when it is not appropriate to recognize the accretable yield, such as when the investor does not have sufficient information to reasonably estimate cash flows expected to be collected to compute the accretable yield.

Purchased loans acquired by the Company and its subsidiaries are generally characterized by extended period of non-performance by the borrower, and it is difficult to reliably estimate the amount, timing, or nature of collections. Because such loans are commonly collateralized by real estate, the Company and its subsidiaries may pursue various approaches to maximizing the return from the collateral, including arrangement of borrower’s negotiated transaction of such collateral before foreclosure, the renovation, refurbishment or the sale of such loans to third parties. Accordingly, although the acquired assets may remain loans in legal form, collections on these loans often do not reflect the normal historical experience of collecting delinquent accounts, and the need to tailor individual collateral-realization strategies often makes it difficult to reliably estimate the amount, timing, or nature of collections. Accordingly, the Company and its subsidiaries use the cost recovery method of income recognition for such purchased loans. The total carrying amounts of these purchased loans were ¥53,341 million and ¥42,292 million as of March 31, 2014 and 2015, respectively, and the fair value at the acquisition date of purchased loans acquired during fiscal 2014 and 2015 were ¥4,742 million and ¥10,131 million, respectively.

When it is probable that the Company and its subsidiaries will be unable to collect all book value, the Company and its subsidiaries consider purchased loans impaired, and a valuation allowance for the excess amount of the book value over the estimated recoverable amount of the loans is provided. For most cases, the recoverable amount is estimated based on the collateral value. Purchased loans for which valuation allowances were provided amounted to ¥23,075 million and ¥15,216 million as of March 31, 2014 and 2015, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

Changes in the allowance for uncollectible accounts relating to the purchased loans for fiscal 2013, 2014 and 2015 are as follows:

	Millions of yen		
	2013	2014	2015
Beginning balance . . . . .	¥19,825	¥15,316	¥14,148
Provision (Reversal) . . . . .	4,649	2,532	(690)
Charge-offs . . . . .	(9,412)	(3,921)	(3,390)
Recoveries . . . . .	0	111	432
Other* . . . . .	254	110	217
Ending balance . . . . .	¥15,316	¥14,148	¥10,717

\* Other includes foreign currency translation adjustments.

**8. Credit Quality of Financing Receivables and the Allowance for Credit Losses**

The Company and its subsidiaries apply ASC 310 (“Receivables”), which requires an entity to provide the following information disaggregated by portfolio segment and class of financing receivable.

Allowance for credit losses—by portfolio segment

Credit quality of financing receivables—by class

- Impaired loans
- Credit quality indicators
- Non-accrual and past-due financing receivables

Information about troubled debt restructurings—by class

A portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses. The Company and its subsidiaries classify our portfolio segments by instruments of loans and direct financing leases. Classes of financing receivables are determined based on the initial measurement attribute, risk characteristics of the financing receivables and the method for monitoring and assessing obligors’ credit risk, and are defined as the level of detail necessary for a financial statement user to understand the risks inherent in the financing receivables. Classes of financing receivables generally are a disaggregation of a portfolio segment, and the Company and its subsidiaries disaggregate our portfolio segments into classes by regions, instruments or industries of debtors.





NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

	March 31, 2015					
	Millions of yen					
	Loans					
	Corporate			Purchased loans*1	Direct financing leases	Total
	Consumer	Non-recourse loans	Other			
<b>Allowance for Credit Losses:</b>						
Beginning balance	¥ 13,473	¥ 9,047	¥ 32,744	¥14,148	¥ 15,384	¥ 84,796
Provision (Reversal)	5,456	(1,080)	4,800	(690)	3,145	11,631
Charge-offs	(7,189)	(53)	(13,247)	(3,390)	(3,832)	(27,711)
Recoveries	835	0	593	432	58	1,918
Other*4	10	234	782	217	449	1,692
Ending balance	<u>¥ 12,585</u>	<u>¥ 8,148</u>	<u>¥ 25,672</u>	<u>¥10,717</u>	<u>¥ 15,204</u>	<u>¥ 72,326</u>
Individually evaluated for impairment	2,606	7,751	15,541	8,481	0	34,379
Not individually evaluated for impairment	9,979	397	10,131	2,236	15,204	37,947
<b>Financing receivables:</b>						
Ending balance	<u>¥1,330,353</u>	<u>¥124,768</u>	<u>¥965,028</u>	<u>¥42,292</u>	<u>¥1,216,454</u>	<u>¥3,678,895</u>
Individually evaluated for impairment	11,993	22,032	51,793	15,216	0	101,034
Not individually evaluated for impairment	1,318,360	102,736	913,235	27,076	1,216,454	3,577,861

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

\*2 Other mainly includes foreign currency translation adjustments and decrease in allowance related to newly consolidated subsidiaries and sales of a subsidiary.

\*3 Other mainly includes foreign currency translation adjustments and decrease in allowance related to newly consolidated subsidiaries. Additionally, other in non-recourse loans includes a decrease of ¥6,562 million due to the sale of controlling class interests of a certain VIE, which was formerly consolidated, to a third party and resulting in deconsolidation of that VIE.

\*4 Other mainly includes foreign currency translation adjustments and decrease in allowance related to newly consolidated subsidiaries.

\*5 Loans held for sale are not included in the table preceding pages.

In developing the allowance for credit losses, the Company and its subsidiaries consider, among other things, the following factors:

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

The Company and its subsidiaries individually develop the allowance for credit losses for impaired loans. For non-impaired loans, including loans that are not individually evaluated for impairment, and direct financing

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

leases, the Company and its subsidiaries evaluate prior charge-off experience as segmented by debtor's industry and the purpose of the loans and develop the allowance for credit losses based on such prior charge-off experience as well as current economic conditions.

In common with all portfolio segments, a deterioration of debtors' condition may increase the risk of delay in payments of principal and interest. For loans to consumer borrowers, the amount of the allowance for credit losses is changed by the variation of individual debtors' creditworthiness and value of underlying collateral and guarantees, and the prior charge-off experience. For loans to corporate other borrowers and direct financing leases, the amount of the allowance for credit losses is changed by current economic conditions and trends, the value of underlying collateral and guarantees, and the prior charge-off experience in addition to the debtors' creditworthiness.

The decline of the value of underlying collateral and guarantees may increase the risk of inability to collect from the loans and direct financing leases. Particularly for non-recourse loans for which cash flow from real estate is the source of repayment, their collection depends on the real estate collateral value, which may decline as a result of decrease in liquidity of the real estate market, rise in vacancy rate of rental properties, fall in rents and other factors. These risks may change the amount of the allowance for credit losses. For purchased loans, their collection may decrease due to a decline in the real estate collateral value and debtors' creditworthiness. Thus, these risks may change the amount of the allowance for credit losses.

In common with all portfolio segments, the Company and its subsidiaries charge off doubtful receivables when the likelihood of any future collection is believed to be minimal, mainly based upon an evaluation of the relevant debtors' creditworthiness and the liquidation status of collateral.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

The following table provides information about the impaired loans as of March 31, 2014 and 2015:

		March 31, 2014		
		Millions of Yen		
Portfolio segment	Class	Loans Individually Evaluated for Impairment	Unpaid Principal Balance	Related Allowance
<b>With no related allowance recorded*1:</b> . . .		¥ 25,049	¥ 25,025	¥ 0
<b>Consumer borrowers</b> . . . . .		725	711	0
	Housing loans	725	711	0
	Card loans	0	0	0
	Other	0	0	0
<b>Corporate borrowers</b> . . . . .		24,324	24,314	0
Non-recourse loans . . . . .	Japan	6,505	6,505	0
	The Americas	2,259	2,259	0
Other . . . . .	Real estate companies	3,770	3,767	0
	Entertainment companies	2,614	2,613	0
	Other	9,176	9,170	0
<b>Purchased loans</b> . . . . .		0	0	0
<b>With an allowance recorded*2:</b> . . . . .		110,775	110,064	49,155
<b>Consumer borrowers</b> . . . . .		11,071	11,010	3,279
	Housing loans	6,592	6,543	2,432
	Card loans	2,950	2,942	629
	Other	1,529	1,525	218
<b>Corporate borrowers</b> . . . . .		76,629	75,979	33,588
Non-recourse loans . . . . .	Japan	1,363	1,299	1,020
	The Americas	14,775	14,746	7,514
Other . . . . .	Real estate companies	25,099	25,046	8,911
	Entertainment companies	5,213	5,172	1,801
	Other	30,179	29,716	14,342
<b>Purchased loans</b> . . . . .		23,075	23,075	12,288
<b>Total:</b> . . . . .		¥135,824	¥135,089	¥49,155
<b>Consumer borrowers</b> . . . . .		11,796	11,721	3,279
	Housing loans	7,317	7,254	2,432
	Card loans	2,950	2,942	629
	Other	1,529	1,525	218
<b>Corporate borrowers</b> . . . . .		100,953	100,293	33,588
Non-recourse loans . . . . .	Japan	7,868	7,804	1,020
	The Americas	17,034	17,005	7,514
Other . . . . .	Real estate companies	28,869	28,813	8,911
	Entertainment companies	7,827	7,785	1,801
	Other	39,355	38,886	14,342
<b>Purchased loans</b> . . . . .		23,075	23,075	12,288

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

March 31, 2015

Portfolio segment	Class	Millions of Yen		
		Loans Individually Evaluated for Impairment	Unpaid Principal Balance	Related Allowance
<b>With no related allowance recorded*1:</b> . . . .		¥ 18,404	¥18,359	¥ 0
<b>Consumer borrowers</b> . . . . .		450	407	0
	Housing loans	450	407	0
	Card loans	0	0	0
	Other	0	0	0
<b>Corporate borrowers</b> . . . . .		17,954	17,952	0
Non-recourse loans . . . . .	Japan	4,975	4,975	0
	The Americas	0	0	0
Other . . . . .	Real estate companies	5,167	5,167	0
	Entertainment companies	892	892	0
	Other	6,920	6,918	0
<b>Purchased loans</b> . . . . .		0	0	0
<b>With an allowance recorded*2:</b> . . . . .		82,630	79,418	34,379
<b>Consumer borrowers</b> . . . . .		11,543	9,737	2,606
	Housing loans	4,907	3,118	1,689
	Card loans	3,741	3,731	566
	Other	2,895	2,888	351
<b>Corporate borrowers</b> . . . . .		55,871	54,465	23,292
Non-recourse loans . . . . .	Japan	310	310	64
	The Americas	16,747	16,747	7,687
Other . . . . .	Real estate companies	15,940	15,708	5,099
	Entertainment companies	3,580	3,548	1,429
	Other	19,294	18,152	9,013
<b>Purchased loans</b> . . . . .		15,216	15,216	8,481
<b>Total:</b> . . . . .		¥101,034	¥97,777	¥34,379
<b>Consumer borrowers</b> . . . . .		11,993	10,144	2,606
	Housing loans	5,357	3,525	1,689
	Card loans	3,741	3,731	566
	Other	2,895	2,888	351
<b>Corporate borrowers</b> . . . . .		73,825	72,417	23,292
Non-recourse loans . . . . .	Japan	5,285	5,285	64
	The Americas	16,747	16,747	7,687
Other . . . . .	Real estate companies	21,107	20,875	5,099
	Entertainment companies	4,472	4,440	1,429
	Other	26,214	25,070	9,013
<b>Purchased loans</b> . . . . .		15,216	15,216	8,481

\*1 “With no related allowance recorded” represents impaired loans with no allowance for credit losses as all amounts are considered to be collectible.

\*2 “With an allowance recorded” represents impaired loans with the allowance for credit losses as all or a part of the amounts are not considered to be collectible.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

The Company and its subsidiaries recognize installment loans other than purchased loans and loans to consumer borrowers as impaired loans when principal or interest is past-due 90 days or more, or it is probable that the Company and its subsidiaries will be unable to collect all amounts due according to the contractual terms of the loan agreements due to various debtor conditions, including insolvency filings, suspension of bank transactions, dishonored bills and deterioration of businesses. For non-recourse loans, in addition to these conditions, the Company and its subsidiaries perform an impairment review using financial covenants, acceleration clauses, loan-to-value ratios, and other relevant available information.

For purchased loans, the Company and its subsidiaries recognize them as impaired loans when it is probable that the Company and its subsidiaries will be unable to collect book values of the remaining investment due to factors such as a decline in the real estate collateral value and debtors' creditworthiness since the acquisition of these loans.

The Company and its subsidiaries consider that loans to consumer borrowers, including housing loans, card loans and other, are impaired when terms of these loans are modified as troubled debt restructurings.

Interest payments received on impaired loans other than purchased loans are recorded as interest income unless the collection of the remaining investment is doubtful at which time payments received are recorded as reductions of principal. For purchased loans, although the acquired assets may remain loans in legal form, collections on these loans often do not reflect the normal historical experience of collecting delinquent accounts, and the need to tailor individual collateral-realization strategies often makes it difficult to reliably estimate the amount, timing, or nature of collections. Accordingly, the Company and its subsidiaries use the cost recovery method of income recognition for such purchased loans regardless of whether impairment is recognized or not.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

The following table provides information about the average recorded investments in impaired loans and interest income on impaired loans for fiscal 2013, 2014 and 2015:

		March 31, 2013		
		Millions of yen		
Portfolio segment	Class	Average Recorded Investments in Impaired Loans*	Interest Income on Impaired Loans	Interest on Impaired Loans Collected in Cash
<b>Consumer borrowers</b> . . . . .		¥ 9,586	¥ 209	¥ 168
	Housing loans	8,635	188	152
	Card loans	771	16	12
	Other	180	5	4
<b>Corporate borrowers</b> . . . . .		221,136	4,259	3,968
Non-recourse loans . . . . .	Japan	37,282	216	211
	The Americas	41,903	1,726	1,726
Other . . . . .	Real estate companies	62,265	889	804
	Entertainment companies	16,443	364	322
	Other	63,243	1,064	905
<b>Purchased loans</b> . . . . .		29,217	0	0
<b>Total</b> . . . . .		<u>¥259,939</u>	<u>¥4,468</u>	<u>¥4,136</u>

		March 31, 2014		
		Millions of yen		
Portfolio segment	Class	Average Recorded Investments in Impaired Loans*	Interest Income on Impaired Loans	Interest on Impaired Loans Collected in Cash
<b>Consumer borrowers</b> . . . . .		¥ 11,445	¥ 295	¥ 230
	Housing loans	8,004	231	178
	Card loans	2,453	38	31
	Other	988	26	21
<b>Corporate borrowers</b> . . . . .		134,927	4,146	3,449
Non-recourse loans . . . . .	Japan	15,897	234	219
	The Americas	23,119	667	667
Other . . . . .	Real estate companies	38,733	1,154	990
	Entertainment companies	10,277	509	343
	Other	46,901	1,582	1,230
<b>Purchased loans</b> . . . . .		25,588	0	0
<b>Total</b> . . . . .		<u>¥171,960</u>	<u>¥4,441</u>	<u>¥3,679</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

		March 31, 2015		
		Millions of yen		
Portfolio segment	Class	Average Recorded Investments in Impaired Loans *	Interest Income on Impaired Loans	Interest on Impaired Loans Collected in Cash
<b>Consumer borrowers</b> . . . . .		¥ 11,822	¥ 376	¥ 273
	Housing loans	6,286	268	180
	Card loans	3,368	60	51
	Other	2,168	48	42
<b>Corporate borrowers</b> . . . . .		82,986	2,005	1,648
Non-recourse loans . . . . .	Japan	5,975	10	10
	The Americas	15,657	502	502
Other . . . . .	Real estate companies	22,009	417	355
	Entertainment companies	5,951	202	149
	Other	33,394	874	632
<b>Purchased loans</b> . . . . .		18,736	0	0
<b>Total</b> . . . . .		<u>¥113,544</u>	<u>¥2,381</u>	<u>¥1,921</u>

\* Average balances are calculated on the basis of fiscal beginning and quarter-end balances.

The following table provides information about the credit quality indicators as of March 31, 2014 and 2015:

		March 31, 2014				
		Millions of yen				
		Non-performing				
Portfolio segment	Class	Performing	Loans individually evaluated for impairment	90+ days past-due loans not individually evaluated for impairment	Subtotal	Total
<b>Consumer borrowers</b> . . . . .		¥1,218,469	¥ 11,796	¥ 6,149	¥ 17,945	¥1,236,414
	Housing loans	968,269	7,317	4,211	11,528	979,797
	Card loans	225,198	2,950	720	3,670	228,868
	Other	25,002	1,529	1,218	2,747	27,749
<b>Corporate borrowers</b> . . . . .		910,580	100,953	0	100,953	1,011,533
Non-recourse loans . . . . .	Japan	64,757	7,868	0	7,868	72,625
	The Americas	84,545	17,034	0	17,034	101,579
Other . . . . .	Real estate companies	217,096	28,869	0	28,869	245,965
	Entertainment companies	99,057	7,827	0	7,827	106,884
	Other	445,125	39,355	0	39,355	484,480
<b>Purchased loans</b> . . . . .		30,266	23,075	0	23,075	53,341
<b>Direct financing leases</b> . . . . .		1,080,186	0	13,887	13,887	1,094,073
	Japan	751,877	0	9,560	9,560	761,437
	Overseas	328,309	0	4,327	4,327	332,636
<b>Total</b> . . . . .		<u>¥3,239,501</u>	<u>¥135,824</u>	<u>¥20,036</u>	<u>¥155,860</u>	<u>¥3,395,361</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

March 31, 2015

Portfolio segment	Class	Millions of yen					
		Performing	Non-performing			Subtotal	Total
			Loans individually evaluated for impairment	90+ days past-due loans not individually evaluated for impairment			
<b>Consumer borrowers</b> . . . . .		¥1,311,725	¥ 11,993	¥ 6,635	¥ 18,628	¥1,330,353	
	Housing loans	1,050,531	5,357	3,898	9,255	1,059,786	
	Card loans	238,660	3,741	824	4,565	243,225	
	Other	22,534	2,895	1,913	4,808	27,342	
<b>Corporate borrowers</b> . . . . .		1,015,971	73,825	0	73,825	1,089,796	
	Non-recourse loans . . . . .						
	Japan	36,250	5,285	0	5,285	41,535	
	The Americas	66,486	16,747	0	16,747	83,233	
	Other . . . . .						
	Real estate companies	235,493	21,107	0	21,107	256,600	
	Entertainment companies	101,701	4,472	0	4,472	106,173	
	Other	576,041	26,214	0	26,214	602,255	
<b>Purchased loans</b> . . . . .		27,076	15,216	0	15,216	42,292	
<b>Direct financing leases</b> . . . . .		1,201,081	0	15,373	15,373	1,216,454	
	Japan	819,592	0	10,293	10,293	829,885	
	Overseas	381,489	0	5,080	5,080	386,569	
<b>Total</b> . . . . .		<u>¥3,555,853</u>	<u>¥101,034</u>	<u>¥22,008</u>	<u>¥123,042</u>	<u>¥3,678,895</u>	

Note: Loans held for sale are not included in the table above.

In common with all classes, the Company and its subsidiaries monitor the credit quality indicators as performing and non-performing assets. The category of non-performing assets includes financing receivables for debtors who have filed for insolvency proceedings, whose bank transactions are suspended, whose bills are dishonored, whose businesses have deteriorated, whose repayment is past-due 90 days or more, financing receivables modified as troubled debt restructurings, and performing assets include all other financing receivables. Regarding purchased loans, they are classified as non-performing assets when considered impaired, while all the other loans are included in the category of performing assets.

Out of non-performing assets, the Company and its subsidiaries consider smaller balance homogeneous loans, including housing loans, card loans and other, which are not restructured and direct financing leases, as 90 days or more past-due financing receivables not individually evaluated for impairment, and consider the others as loans individually evaluated for impairment. After the Company and its subsidiaries have set aside provision for those non-performing assets, the Company and its subsidiaries continue to monitor at least on a quarterly basis the quality of any underlying collateral, the status of management of the debtors and other important factors in order to report to management and develop additional provision as necessary.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

The following table provides information about the non-accrual and past-due financing receivables as of March 31, 2014 and 2015:

		March 31, 2014				
		Millions of yen				
Portfolio segment	Class	Past-Due Financing Receivables			Total Financing Receivables	Non-Accrual
		30-89 Days Past-Due	90 Days or More Past-Due	Total Past-Due		
<b>Consumer borrowers</b> . . . . .		¥ 4,477	¥10,542	¥ 15,019	¥1,236,414	¥10,542
	Housing loans	3,157	8,009	11,166	979,797	8,009
	Card loans	731	1,204	1,935	228,868	1,204
	Other	589	1,329	1,918	27,749	1,329
<b>Corporate borrowers</b> . . . . .		20,977	45,372	66,349	1,011,533	58,298
Non-recourse loans . . .	Japan	1,364	5,418	6,782	72,625	5,418
	The Americas	17,470	3,687	21,157	101,579	14,432
Other . . . . .	Real estate companies	149	13,005	13,154	245,965	13,005
	Entertainment companies	1,195	1,297	2,492	106,884	1,297
	Other	799	21,965	22,764	484,480	24,146
<b>Direct financing leases</b> . . . . .		6,365	13,887	20,252	1,094,073	13,887
	Japan	1,563	9,560	11,123	761,437	9,560
	Overseas	4,802	4,327	9,129	332,636	4,327
<b>Total</b> . . . . .		<u>¥31,819</u>	<u>¥69,801</u>	<u>¥101,620</u>	<u>¥3,342,020</u>	<u>¥82,727</u>
		March 31, 2015				
		Millions of yen				
Portfolio segment	Class	Past-Due Financing Receivables			Total Financing Receivables	Non-Accrual
		30-89 Days Past-Due	90 Days or More Past-Due	Total Past-Due		
<b>Consumer borrowers</b> . . . . .		¥ 3,229	¥ 9,825	¥13,054	¥1,330,353	¥ 9,825
	Housing loans	1,672	6,503	8,175	1,059,786	6,503
	Card loans	704	1,202	1,906	243,225	1,202
	Other	853	2,120	2,973	27,342	2,120
<b>Corporate borrowers</b> . . . . .		7,991	33,694	41,685	1,089,796	43,697
Non-recourse loans . . .	Japan	0	4,975	4,975	41,535	4,975
	The Americas	6,639	9,846	16,485	83,233	14,716
Other . . . . .	Real estate companies	37	8,366	8,403	256,600	8,730
	Entertainment companies	0	571	571	106,173	571
	Other	1,315	9,936	11,251	602,255	14,705
<b>Direct financing leases</b> . . . . .		6,142	15,373	21,515	1,216,454	15,373
	Japan	1,877	10,293	12,170	829,885	10,293
	Overseas	4,265	5,080	9,345	386,569	5,080
<b>Total</b> . . . . .		<u>¥17,362</u>	<u>¥58,892</u>	<u>¥76,254</u>	<u>¥3,636,603</u>	<u>¥68,895</u>

Note: Loans held for sale and purchased loans are not included in the table above.

In common with all classes, the Company and its subsidiaries consider financing receivables as past-due financing receivables when principal or interest is past-due 30 days or more. Loans whose terms have been modified are not classified as past-due financing receivables if the principals and interests are not past-due 30 days or more in accordance with the modified terms.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

The Company and its subsidiaries suspend accruing revenues on past-due installment loans and direct financing leases when principal or interest is past-due 90 days or more, or earlier, if management determines that their collections are doubtful based on factors such as the individual debtor's creditworthiness, historical loss experience, current delinquencies and delinquency trends. Cash repayments received on non-accrual loans are applied first against past due interest and then any surpluses are applied to principal in view of the conditions of the contract and obligors. The Company and its subsidiaries return to accrual status non-accrual loans and lease receivables when it becomes probable that the Company and its subsidiaries will be able to collect all amounts due according to the contractual terms of these loans and lease receivables, as evidenced by continual payments from the debtors. The period of such continual payments before returning to accrual status varies depending on factors that we consider are relevant in assessing the debtor's creditworthiness, such as the debtor's business characteristics and financial conditions as well as relevant economic conditions and trends.

The following table provides information about troubled debt restructurings of financing receivables that occurred during fiscal 2013, 2014 and 2015:

		<b>March 31, 2013</b>	
		<b>Millions of yen</b>	
<b>Portfolio segment</b>	<b>Class</b>	<b>Pre-modification Outstanding Recorded Investment</b>	<b>Post-modification Outstanding Recorded Investment</b>
<b>Consumer borrowers</b> .....		¥ 3,580	¥ 2,396
	Housing loans	1,290	894
	Card loans	1,649	1,081
	Other	641	421
<b>Corporate borrowers</b> .....		17,970	17,544
Non-recourse loans .....	Japan	5,180	5,180
	The Americas	10,036	10,036
Other .....	Real estate companies	967	861
	Other	1,787	1,467
<b>Total</b> .....		<u>¥21,550</u>	<u>¥19,940</u>
		<b>March 31, 2014</b>	
		<b>Millions of yen</b>	
<b>Portfolio segment</b>	<b>Class</b>	<b>Pre-modification Outstanding Recorded Investment</b>	<b>Post-modification Outstanding Recorded Investment</b>
<b>Consumer borrowers</b> .....		¥ 3,899	¥ 2,586
	Housing loans	724	334
	Card loans	1,898	1,391
	Other	1,277	861
<b>Corporate borrowers</b> .....		14,135	11,097
Non-recourse loans .....	Japan	4,745	2,608
	The Americas	4,809	4,723
Other .....	Real estate companies	328	276
	Entertainment companies	779	509
	Other	3,474	2,981
<b>Total</b> .....		<u>¥18,034</u>	<u>¥13,683</u>

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Portfolio segment	Class	March 31, 2015	
		Millions of yen	
		Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
<b>Consumer borrowers</b> .....		¥5,504	¥4,061
	Housing loans	483	263
	Card loans	2,566	2,018
	Other	2,455	1,780
<b>Corporate borrowers</b> .....		946	891
Non-recourse loans .....	The Americas	145	145
Other .....	Other	801	746
<b>Total</b> .....		<u>¥6,450</u>	<u>¥4,952</u>

A troubled debt restructuring is defined as a restructuring of a financing receivable in which the creditor grants a concession to the debtor for economic or other reasons related to the debtor's financial difficulties.

The Company and its subsidiaries offer various types of concessions to our debtors to protect as much of our investment as possible in troubled debt restructurings. For the debtors of non-recourse loans, the Company and its subsidiaries offer concessions including an extension of the maturity date at an interest rate lower than the current market rate for a debt with similar risk characteristics. For the debtors of all financing receivables other than non-recourse loans, the Company and its subsidiaries offer concessions such as a reduction of the loan principal, a temporary reduction in the interest payments, or an extension of the maturity date at an interest rate lower than the current market rate for a debt with similar risk characteristics. In addition, the Company and its subsidiaries may acquire collateral assets from the debtors in troubled debt restructurings to satisfy fully or partially the loan principal or past due interest.

In common with all portfolio segments, financing receivables modified as troubled debt restructurings are recognized as impaired and are individually evaluated for a valuation allowance. In most cases, these financing receivables have already been considered impaired and individually evaluated for allowance for credit losses prior to the restructurings. However, as a result of the restructuring, the Company and its subsidiaries may recognize additional provision for the restructured receivables.

The following table provides information about financing receivables modified as troubled debt restructurings within the previous 12 months from March 31, 2013 and for which there was a payment default during fiscal 2013:

Portfolio segment	Class	March 31, 2013
		Millions of yen
		Recorded Investment
<b>Consumer borrowers</b> .....		¥383
	Housing loans	369
	Card loans	12
	Other	2
<b>Corporate borrowers</b> .....		92
Other .....	Other	92
<b>Total</b> .....		<u>¥475</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

The following table provides information about financing receivables modified as troubled debt restructurings within the previous 12 months from March 31, 2014 and for which there was a payment default during fiscal 2014:

<u>Portfolio segment</u>	<u>March 31, 2014</u>	
	<u>Class</u>	<u>Millions of yen Recorded Investment</u>
<b>Consumer borrowers</b> .....		¥ 57
	Housing loans	18
	Card loans	31
	Other	8
<b>Corporate borrowers</b> .....		565
Non-recourse loans .....	The Americas	497
Other .....	Real estate companies	42
	Other	26
<b>Total</b> .....		<u>¥622</u>

The following table provides information about financing receivables modified as troubled debt restructurings within the previous 12 months from March 31, 2015 and for which there was a payment default during fiscal 2015:

<u>Portfolio segment</u>	<u>March 31, 2015</u>	
	<u>Class</u>	<u>Millions of yen Recorded Investment</u>
<b>Consumer borrowers</b> .....		¥122
	Housing loans	27
	Card loans	62
	Other	33
<b>Corporate borrowers</b> .....		330
Other .....	Other	330
<b>Total</b> .....		<u>¥452</u>

The Company and its subsidiaries consider financing receivables whose terms have been modified in a restructuring as defaulted receivables when principal or interest is past-due 90 days or more in accordance with the modified terms.

In common with all portfolio segments, the Company and its subsidiaries suspend accruing revenues and may recognize additional provision as necessary for the defaulted financing receivables.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

**9. Investment in Securities**

Investment in securities at March 31, 2014 and 2015 consists of the following:

	Millions of yen	
	2014	2015
Trading securities* . . . . .	¥ 16,079	¥1,190,131
Available-for-sale securities . . . . .	881,493	1,356,840
Held-to-maturity securities . . . . .	96,731	115,599
Other securities . . . . .	220,149	183,687
Total . . . . .	¥1,214,452	¥2,846,257

\* The amount of assets under management of variable annuity and variable life insurance contracts, which increased as a result of the acquisition of a subsidiary, included in trading securities was ¥1,165,347 million as of March 31, 2015.

Gains and losses realized from the sale of trading securities and net unrealized holding gains (losses) on trading securities are included in net gains on investment securities and life insurance related investment income. For further information, see Note 22 “Gains on investment securities and dividends” and Note 23 “Life Insurance Operations.” For fiscal 2013, 2014 and 2015, net unrealized holding gains (losses) on trading securities were gains of ¥1,662 million, losses of ¥3,083 million and gains of ¥137,704 million, respectively.

During fiscal 2013, 2014 and 2015, the Company and its subsidiaries sold available-for-sale securities for aggregate proceeds of ¥417,534 million, ¥318,697 million and ¥511,868 million, respectively, resulting in gross realized gains of ¥17,830 million, ¥14,517 million and ¥32,206 million, respectively, and gross realized losses of ¥578 million, ¥368 million and ¥129 million, respectively. The cost of the securities sold was based on the average cost of each such security held at the time of the sale.

During fiscal 2013, 2014 and 2015, the Company and its subsidiaries charged losses on securities of ¥22,838 million, ¥7,989 million and ¥8,997 million, respectively, to the accompanying consolidated statements of income for declines in market value of securities where the decline was considered as other than temporary.

Other securities consist mainly of non-marketable equity securities, preferred capital shares carried at cost and investment funds carried at an amount that reflects equity income and loss based on the investor’s share. The aggregate carrying amount of other securities accounted for under the cost method totaled ¥80,942 million and ¥43,718 million at March 31, 2014 and 2015, respectively. Investments with an aggregate cost of ¥72,078 million and ¥42,838 million, respectively, were not evaluated for impairment because the Company and its subsidiaries did not identify any events or changes in circumstances that might have had a significant adverse effect on the fair value of those investments and it was not practicable to estimate the fair value of the investments.

A certain subsidiary elected the fair value option under ASC 825 (“Financial Instruments”) for certain investments in equity securities included in available-for-sale securities, which as of March 31, 2014 and 2015, were fair valued at ¥5,116 million and ¥8,168 million, respectively.

Certain subsidiaries elected the fair value option under ASC 825 (“Financial Instruments”) for certain investments in a trust and investment funds included in other securities whose net asset values do not represent the fair value of investments due to the illiquid nature of these investments. The subsidiaries manage these investments on a fair value basis and the election of the fair value option enables the subsidiaries to reflect more

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

appropriate assumptions to measure the fair value of these investments. As of March 31, 2014 and 2015, the fair values of these investments were ¥6,317 million and ¥8,723 million, respectively.

The amortized cost basis amounts, gross unrealized holding gains, gross unrealized holding losses and fair values of available-for-sale securities and held-to-maturity securities in each major security type at March 31, 2014 and 2015 are as follows:

**March 31, 2014**

	Millions of yen			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:				
Japanese and foreign government bond securities . . . . .	¥359,148	¥ 1,230	¥ (18)	¥360,360
Japanese prefectural and foreign municipal bond securities . . . . .	93,927	2,913	(143)	96,697
Corporate debt securities . . . . .	199,340	2,601	(555)	201,386
Specified bonds issued by SPEs in Japan . . . . .	6,850	70	(148)	6,772
CMBS and RMBS in the Americas . . . . .	17,445	614	(226)	17,833
Other asset-backed securities . . . . .	47,344	1,269	(815)	47,798
Other debt securities . . . . .	9,508	2,042	0	11,550
Equity securities . . . . .	87,875	51,783	(561)	139,097
	<u>821,437</u>	<u>62,522</u>	<u>(2,466)</u>	<u>881,493</u>
Held-to-maturity:				
Japanese government bond securities and other . . . . .	96,731	7,305	0	104,036
	<u>¥918,168</u>	<u>¥69,827</u>	<u>¥(2,466)</u>	<u>¥985,529</u>

**March 31, 2015**

	Millions of yen			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:				
Japanese and foreign government bond securities . . . . .	¥ 517,500	¥10,127	¥ (35)	¥ 527,592
Japanese prefectural and foreign municipal bond securities . . . . .	155,943	5,644	(110)	161,477
Corporate debt securities . . . . .	283,859	3,891	(137)	287,613
Specified bonds issued by SPEs in Japan . . . . .	7,257	54	(31)	7,280
CMBS and RMBS in the Americas . . . . .	67,049	3,073	(146)	69,976
Other asset-backed securities . . . . .	145,308	1,286	(624)	145,970
Other debt securities . . . . .	2,000	0	0	2,000
Equity securities . . . . .	104,096	52,568	(1,732)	154,932
	<u>1,283,012</u>	<u>76,643</u>	<u>(2,815)</u>	<u>1,356,840</u>
Held-to-maturity:				
Japanese government bond securities and other . . . . .	115,599	14,490	(112)	129,977
	<u>¥1,398,611</u>	<u>¥91,133</u>	<u>¥(2,927)</u>	<u>¥1,486,817</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

The following table provides information about available-for-sale securities and held-to-maturity securities with gross unrealized losses and the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2014 and 2015, respectively:

**March 31, 2014**

	Millions of yen					
	Less than 12 months		12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:						
Japanese and foreign government bond securities . . . . .	¥140,133	¥ (10)	¥14,977	¥ (8)	¥155,110	¥ (18)
Japanese prefectural and foreign municipal bond securities . . . . .	31,407	(143)	0	0	31,407	(143)
Corporate debt securities . . . . .	27,496	(31)	10,968	(524)	38,464	(555)
Specified bonds issued by SPEs in						
Japan . . . . .	0	0	2,138	(148)	2,138	(148)
CMBS and RMBS in the Americas . . . . .	5,186	(55)	884	(171)	6,070	(226)
Other asset-backed securities . . . . .	10,705	(36)	1,656	(779)	12,361	(815)
Equity securities . . . . .	15,957	(541)	99	(20)	16,056	(561)
	<u>¥230,884</u>	<u>¥(816)</u>	<u>¥30,722</u>	<u>¥(1,650)</u>	<u>¥261,606</u>	<u>¥(2,466)</u>

**March 31, 2015**

	Millions of yen					
	Less than 12 months		12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:						
Japanese and foreign government bond securities . . . . .	¥ 5,407	¥ (35)	¥ 0	¥ 0	¥ 5,407	¥ (35)
Japanese prefectural and foreign municipal bond securities . . . . .	44,782	(110)	0	0	44,782	(110)
Corporate debt securities . . . . .	81,108	(58)	6,363	(79)	87,471	(137)
Specified bonds issued by SPEs in						
Japan . . . . .	0	0	1,269	(31)	1,269	(31)
CMBS and RMBS in the Americas . . . . .	9,754	(31)	506	(115)	10,260	(146)
Other asset-backed securities . . . . .	10,950	(304)	8,127	(320)	19,077	(624)
Equity securities . . . . .	6,640	(1,723)	585	(9)	7,225	(1,732)
	<u>158,641</u>	<u>(2,261)</u>	<u>16,850</u>	<u>(554)</u>	<u>175,491</u>	<u>(2,815)</u>
Held-to-maturity:						
Japanese government bond securities and other . . . . .	4,889	(112)	0	0	4,889	(112)
	<u>¥163,530</u>	<u>¥(2,373)</u>	<u>¥16,850</u>	<u>¥(554)</u>	<u>¥180,380</u>	<u>¥(2,927)</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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The number of investment securities that were in an unrealized loss position as of March 31, 2014 and 2015 were 184 and 197, respectively. The gross unrealized losses on these securities are attributable to a number of factors including changes in interest rates, credit spreads and market trends.

For debt securities, in the case of the fair value being below the amortized cost, the Company and its subsidiaries consider whether those securities are other-than-temporarily impaired using all available information about their collectability. The Company and its subsidiaries do not consider a debt security to be other-than-temporarily impaired if (1) the Company and its subsidiaries do not intend to sell the debt security, (2) it is not more likely than not that the Company and its subsidiaries will be required to sell the debt security before recovery of its amortized cost basis and (3) the present value of estimated cash flows will fully cover the amortized cost of the security. On the other hand, the Company and its subsidiaries consider a debt security to be other-than-temporarily impaired if any of the above mentioned three conditions are not met.

Debt securities with unrealized loss position mainly include corporate debt securities in Japan, specified bonds issued by special purpose entities in Japan, CMBS and RMBS in the Americas, and other asset-backed securities.

The unrealized loss associated with corporate debt securities is primarily due to changes in the market interest rate and risk premium. Considering all available information to assess the collectability of those investments (such as the financial condition of and business prospects for the issuers), the Company and its subsidiaries believe that the Company and its subsidiaries are able to recover the entire amortized cost basis of those investments. Because the Company and its subsidiaries do not intend to sell the investments and it is not more likely than not that the Company and its subsidiaries will be required to sell the investments before recovery of their amortized cost basis, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired at March 31, 2015.

The unrealized loss associated with specified bonds is primarily due to changes in the estimated cash flows of the underlying real estates. Considering all available information to assess the collectability of those investments (such as performance and value of the underlying real estate, and seniority of the bonds), the Company and its subsidiaries believe that the Company and its subsidiaries are able to recover the entire amortized cost basis of those investments. Because the Company and its subsidiaries do not intend to sell the investments and it is not more likely than not that the Company and its subsidiaries will be required to sell the investments before recovery of their amortized cost basis, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired at March 31, 2015.

The unrealized loss associated with CMBS and RMBS in the Americas and other asset-backed securities is primarily caused by changes in credit spreads and interest rates. In order to determine whether a credit loss exists, the Company and its subsidiaries estimate the present value of anticipated cash flows, discounted at the current yield to accrete the security. The cash flows are estimated based on a number of assumptions such as default rate and prepayment speed, as well as seniority of the security. Then, a credit loss is assessed by comparing the present value of the expected cash flows to the security's amortized cost basis. Based on that assessment, the Company and its subsidiaries expect to recover the entire amortized cost basis and no credit impairment was identified. Because the Company and its subsidiaries do not intend to sell the investments and it is not more likely than not that the Company and its subsidiaries will be required to sell the investments before recovery of their amortized cost basis, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired at March 31, 2015.

For equity securities with unrealized losses, the Company and its subsidiaries consider various factors to determine whether the decline is other-than-temporary, including the length of time and the extent to which the fair value has been less than the carrying value and the issuer's specific economic conditions as well as the

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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ability and intent to hold these securities for a period of time sufficient to recover the securities' carrying amounts. Based on our ongoing monitoring process, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired at March 31, 2015.

The total other-than-temporary impairment with an offset for the amount of the total other-than-temporary impairment recognized in other comprehensive income (loss) for fiscal 2013, 2014 and 2015 are as follows:

	Millions of yen		
	2013	2014	2015
Total other-than-temporary impairment losses . . . . .	¥23,180	¥7,992	¥9,077
Portion of loss recognized in other comprehensive income (before taxes) . . . . .	(342)	(3)	(80)
Net impairment losses recognized in earnings . . . . .	<u>¥22,838</u>	<u>¥7,989</u>	<u>¥8,997</u>

Total other-than-temporary impairment losses for fiscal 2013 mainly related to equity securities and debt securities. Total other-than-temporary impairment losses for fiscal 2014 mainly related to equity securities and other securities. Total other-than-temporary impairment losses for fiscal 2015 related to equity securities, debt securities and other securities.

During fiscal 2013, other-than-temporary impairment losses related to debt securities are recognized mainly on certain specified bonds and on certain mortgage-backed securities. During fiscal 2014, other-than-temporary impairment losses related to debt securities are recognized mainly on certain mortgage-backed securities. During fiscal 2015, other-than-temporary impairment losses related to debt securities are recognized mainly on certain other asset-backed securities. Specified bonds have experienced credit losses due to decline in the value of the underlying assets. Mortgage-backed securities have experienced credit losses due to a decrease in cash flows attributable to significant default and bankruptcies on the underlying loans. Other asset-backed securities have experienced credit losses due to a decline in value of the underlying assets. Because the Company and its subsidiaries do not intend to sell the investments and it is not more likely than not that the Company and its subsidiaries will be required to sell the investments before recovery of their amortized cost basis, the 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. The credit loss assessment is made by comparing the securities' amortized cost basis with the portion of the estimated fair value of the underlying assets available to repay the specified bonds, or with the present value of the expected cash flows from the mortgage-backed securities, that were estimated based on a number of assumptions such as seniority of the security.

Roll-forwards of the amount related to credit losses on other-than-temporarily impaired debt securities recognized in earnings for fiscal 2013, 2014 and 2015 are as follows:

	Millions of yen		
	2013	2014	2015
Beginning . . . . .	¥ 8,199	¥ 7,809	¥1,991
Addition during the period:			
Credit loss for which an other-than-temporary impairment was not previously recognized . . . . .	110	8	456
Credit loss for which an other-than-temporary impairment was previously recognized . . . . .	1,171	239	282
Reduction during the period:			
For securities sold or redeemed . . . . .	(1,049)	(3,609)	(44)
Due to change in intent to sell or requirement to sell . . . . .	(622)	(2,456)	(52)
Ending . . . . .	<u>¥ 7,809</u>	<u>¥ 1,991</u>	<u>¥2,633</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

At March 31, 2013, other-than-temporary impairment related to the non-credit losses arising from debt securities for which other-than-temporary impairment related to the credit loss had been recognized in earnings according to ASC 320-10-35-34 (“Investments—Debt and Equity Securities—Recognition of Other-Than-Temporary Impairments”) was included in unrealized gains/losses (before taxes) of CMBS and RMBS in the Americas, and other asset-backed securities, with gross unrealized losses of ¥435 million, and was included in unrealized gains/losses (after taxes) of accumulated other comprehensive income, with gross unrealized losses of ¥277 million. At March 31, 2014, other-than-temporary impairment related to the non-credit losses arising from debt securities for which other-than-temporary impairment related to the credit loss had been recognized in earnings was included in unrealized gains/losses (before taxes) of CMBS and RMBS in the Americas, with gross unrealized gains of ¥59 million and unrealized losses of ¥102 million, and was included in unrealized gains/losses (after taxes) of accumulated other comprehensive income, with gross unrealized gains of ¥38 million and unrealized losses of ¥65 million. At March 31, 2015, other-than-temporary impairment related to the non-credit losses arising from debt securities for which other-than-temporary impairment related to the credit loss had been recognized in earnings was included in unrealized gains/losses (before taxes) of CMBS and RMBS in the Americas, with gross unrealized gains of ¥234 million and unrealized losses of ¥58 million, and was included in unrealized gains/losses (after taxes) of accumulated other comprehensive income, with gross unrealized gains of ¥149 million and unrealized losses of ¥37 million. The unrealized gains/losses include unrealized gains/losses on impaired securities relating to changes in the fair value of such securities subsequent to the impairment measurement date.

The following is a summary of the contractual maturities of debt securities classified as available-for-sale securities and held-to-maturity securities held at March 31, 2015:

**Available-for-sale securities held at March 31, 2015:**

	Millions of yen	
	Amortized cost	Fair value
Due within one year . . . . .	¥ 200,090	¥ 200,427
Due after one to five years . . . . .	443,060	448,739
Due after five to ten years . . . . .	300,347	309,294
Due after ten years . . . . .	235,419	243,448
	¥1,178,916	¥1,201,908

**Held-to-maturity securities held at March 31, 2015:**

	Millions of yen	
	Amortized cost	Fair value
Due within one year . . . . .	¥ 380	¥ 380
Due after one to five years . . . . .	59	60
Due after ten years . . . . .	115,160	129,537
	¥115,599	¥129,977

Securities not due at a single maturity date, such as mortgage-backed securities, are included in the above table based on their final maturities.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

Certain borrowers may have the right to call or prepay obligations. This right may cause actual maturities to differ from the contractual maturities summarized above.

Included in finance revenues in the consolidated statements of income is interest income on investment securities of ¥11,505 million, ¥12,393 million and ¥12,391 million for fiscal 2013, 2014 and 2015, respectively.

The Company and a certain foreign subsidiary acquired debt securities with evidence of deterioration of credit quality at the time of acquisition, and it was not probable those debt securities were able to recover all contractual amounts. In accordance with the provision of ASC 310-30 (“Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality”) and ASC 320 (“Investments”), the Company and the subsidiary determined the expected future cash flows taking into account historical cash collections for debt securities with similar characteristics as well as expected prepayments and the amount and the timing of undiscounted expected principal, interest and other cash flows for each pool of debt securities. Accretable yield represents the excess of expected future cash flows over carrying value of the debt securities, which is recognized as interest income over the remaining life of the debt securities. For a debt security for which the fair value is less than the amortized cost basis, the Company and a certain foreign subsidiary estimates the present value of cash flows expected to be collected from the security and compares it with the amortized cost basis of the security to determine whether a credit loss exists. If, based on current information and events, the Company and the subsidiary determine a credit loss exists for that security, an other-than-temporary impairment is considered to have occurred. For a debt security for which an other-than-temporary impairment is considered to have occurred, the Company and the subsidiary recognize the entire difference between the amortized cost and the fair value in earnings if the Company and the subsidiary intend to sell the debt security or it is more likely than not that the Company and the subsidiary will be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss. On the other hand, if the Company and the subsidiary do not intend to sell the debt security and it is not more likely than not that the Company and the subsidiary will be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss, the Company and the subsidiary 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. As of March 31, 2014 and 2015, the carrying amount and the nominal value of debt securities acquired with evidence of deterioration of credit quality were ¥1,267 million and ¥851 million, and ¥6,112 million and ¥5,595 million, and the outstanding balance of accretable yield was ¥1,074 million and ¥996 million, respectively.

#### 10. Securitization Transactions

The Company and its subsidiaries have securitized various financial assets such as lease receivables and installment loans (commercial mortgage loans, housing loans and other).

In the securitization process, these financial assets are transferred to SPEs, such as trusts and special-purpose companies that issue beneficial interests of the securitization trusts and securities backed by the financial assets to investors. The cash flows collected from these assets transferred to the SPEs are then used to repay these asset-backed beneficial interests and securities. As the transferred assets are isolated from the Company and its subsidiaries, the investors and the SPEs have no recourse to other assets of the Company and its subsidiaries in cases where the debtors or the issuers of the transferred financial assets fail to perform under the original terms of those financial assets.

The Company and its subsidiaries often retain interests in the SPEs in the form of the beneficial interest of the securitization trusts. Those interests that continue to be held include interests in the transferred assets and are

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

often subordinate to other tranche(s) of the securitization. Those beneficial interests that continue to be held by the Company and its subsidiaries are subject to credit risk, interest rate risk and prepayment risk on the securitized financial assets. With regards to these subordinated interests that the Company and its subsidiaries retain, they are subordinated to the senior investments and are exposed to different credit and prepayment risks, since they first absorb the risk of the decline in the cash flows from the financial assets transferred to the SPEs for defaults and prepayment of the transferred assets. If there is any excess cash remaining in the SPEs after payment to investors in the securitization of the contractual rate of returns, most of such excess cash is distributed to the Company and its subsidiaries for payments of the subordinated interests.

In accordance with ASC 860 (“Transfers and Servicing”) and ASC 810 (“Consolidation”), trusts or SPEs used in securitization transactions have been consolidated if the Company and its subsidiaries are the primary beneficiary of the trusts or SPEs.

During fiscal 2013, 2014 and 2015, there was no securitization transaction accounted for as a sale.

Quantitative information about delinquencies, impaired loans and components of financial assets sold on securitization and other assets managed together as of March 31, 2014 and 2015, and quantitative information about net credit loss for the fiscal years ended March 31, 2013, 2014 and 2015 are as follows:

	<u>Total principal amount of receivables</u>		
	<u>Millions of yen</u>		
	<u>March 31, 2014</u>	<u>March 31, 2015</u>	
Direct financing leases . . . . .	¥1,094,073	¥1,216,454	
Installment loans . . . . .	2,315,555	2,478,054	
Assets recorded on the balance sheet . . . . .	3,409,628	3,694,508	
Direct financing leases sold on securitization . . . . .	1,156	894	
Total assets managed together or sold on securitization . . . . .	<u>¥3,410,784</u>	<u>¥3,695,402</u>	
	<u>Principal amount of receivables 90 days or more past-due and impaired loans</u>		
	<u>Millions of yen</u>		
	<u>March 31, 2014</u>	<u>March 31, 2015</u>	
Direct financing leases . . . . .	¥ 13,887	¥ 15,373	
Installment loans . . . . .	141,973	107,669	
Assets recorded on the balance sheet . . . . .	155,860	123,042	
Direct financing leases sold on securitization . . . . .	0	0	
Total assets managed together or sold on securitization . . . . .	<u>¥155,860</u>	<u>¥123,042</u>	
	<u>Credit loss</u>		
	<u>Millions of yen</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Direct financing leases . . . . .	¥ 4,046	¥ 4,351	¥ 3,774
Installment loans . . . . .	39,142	23,765	22,019
Assets recorded on the balance sheet . . . . .	43,188	28,116	25,793
Direct financing leases sold on securitization . . . . .	0	0	0
Total assets managed together or sold on securitization . . . . .	<u>¥43,188</u>	<u>¥28,116</u>	<u>¥25,793</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

A certain subsidiary originates and sells loans into the secondary market while retaining the obligation to service those loans. In addition, it undertakes obligations to service loans originated by others. The servicing assets related to those servicing activities are included in other assets and the balances of these servicing assets as of March 31, 2014 and 2015 were ¥16,911 million and ¥18,376 million, respectively. During the fiscal year ended March 31, 2014 and 2015, the servicing assets were increased by ¥4,355 million and ¥3,410 million, respectively, mainly from loans sold with servicing retained and decreased by ¥3,416 million and ¥4,703 million, respectively, mainly from amortization and increased by ¥1,410 million and ¥2,758 million, respectively, from the effects of changes in foreign exchange rates. The fair value of the servicing assets as of March 31, 2014 and 2015 were ¥23,604 million and ¥27,676 million, respectively.

#### 11. Variable Interest Entities

The Company and its subsidiaries use special purpose companies, partnerships and trusts (hereinafter referred to as SPEs) in the ordinary course of business.

These SPEs are not always controlled by voting rights, and there are cases where voting rights do not exist for those SPEs. ASC 810 (“Consolidation”) addresses consolidation by business enterprises of SPEs within the scope of ASC 810. Generally these SPEs are entities where (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support provided by any parties, including the equity holders or (b) as a group, the holders of the equity investment at risk do not have (1) the ability to make decisions about an entity’s activities that most significantly impact the entity’s economic performance through voting rights or similar rights, (2) the obligation to absorb the expected losses of the entity or (3) the right to receive the expected residual returns of the entity. Entities within the scope of ASC 810 are called VIEs.

According to ASC 810, the Company and its subsidiaries are required to perform a qualitative analysis to identify the primary beneficiary of VIEs. An enterprise that has both of the following characteristics is considered to be the primary beneficiary and therefore shall consolidate a VIE:

- The power to direct the activities of a VIE that most significantly impact the entity’s economic performance
- The obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE

All facts and circumstances are taken into consideration when determining whether the Company and its subsidiaries have variable interests that would deem it the primary beneficiary and therefore require consolidation of the VIE. The Company and its subsidiaries make ongoing reassessment of whether they are the primary beneficiaries of a VIE.

The following are the items that the Company and its subsidiaries are considering in a qualitative assessment:

- Which activities most significantly impact the economic performance of the VIE and who has the power to direct such activities
- Characteristics of the Company and its subsidiaries’ variable interest or interests and other involvements (including involvement of related parties and de facto agents)
- Involvement of other variable interest holders
- The entity’s purpose and design, including the risks that the entity was designed to create and pass through to its variable interest holders

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

The Company and its subsidiaries generally consider the following types of involvement to be significant when determining the primary beneficiary:

- Designing the structuring of a transaction
- Providing an equity investment and debt financing
- Being the investment manager, asset manager or servicer and receiving variable fees
- Providing liquidity and other financial support

The Company and its subsidiaries do not have the power to direct activities of the VIEs that most significantly impact the VIEs' economic performance if that power is shared among multiple unrelated parties, and accordingly do not consolidate such VIEs.

Information about VIEs (consolidated and non-consolidated) for the Company and its subsidiaries are as follows:

1. Consolidated VIEs

**March 31, 2014**

<u>Types of VIEs</u>	<u>Millions of yen</u>			
	<u>Total assets*1</u>	<u>Total liabilities*1</u>	<u>Assets which are pledged as collateral*2</u>	<u>Commitments*3</u>
(a) VIEs for liquidating customer assets . . . . .	¥ 0	¥ 0	¥ 0	¥ 0
(b) VIEs for acquisition of real estate and real estate development projects for customers . . . . .	4,800	986	0	0
(c) VIEs for acquisition of real estate for the Company and its subsidiaries' real estate-related business . . . .	288,392	96,591	201,427	0
(d) VIEs for corporate rehabilitation support business . .	6,925	309	0	0
(e) VIEs for investment in securities . . . . .	23,449	9,405	13,767	0
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable . . . . .	303,154	188,463	239,072	0
(g) VIEs for securitization of commercial mortgage loans originated by third parties . . . . .	64,026	67,251	64,026	0
(h) VIEs for power generation projects . . . . .	20,824	2,723	4,725	29,756
(i) Other VIEs . . . . .	101,670	63,219	82,290	0
Total . . . . .	<u>¥813,240</u>	<u>¥428,947</u>	<u>¥605,307</u>	<u>¥29,756</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

**March 31, 2015**

Types of VIEs	Millions of yen			
	Total assets*1	Total liabilities*1	Assets which are pledged as collateral*2	Commitments*3
(a) VIEs for liquidating customer assets . . . . .	¥ 0	¥ 0	¥ 0	¥ 0
(b) VIEs for acquisition of real estate and real estate development projects for customers . . . . .	1,036	123	0	0
(c) VIEs for acquisition of real estate for the Company and its subsidiaries' real estate-related business . . . . .	223,069	65,017	135,723	7,000
(d) VIEs for corporate rehabilitation support business . . . . .	4,366	34	0	0
(e) VIEs for investment in securities . . . . .	21,027	8,064	12,928	23,974
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable . . . . .	393,502	250,402	325,236	0
(g) VIEs for securitization of commercial mortgage loans originated by third parties . . . . .	36,452	43,280	36,452	0
(h) VIEs for power generation projects . . . . .	84,242	31,236	30,227	173,560
(i) Other VIEs . . . . .	202,708	99,545	187,065	0
Total . . . . .	<u>¥966,402</u>	<u>¥497,701</u>	<u>¥727,631</u>	<u>¥204,534</u>

\*1 The assets of most VIEs are used only to repay the liabilities of the VIEs, and the creditors of the liabilities of most VIEs have no recourse to other assets of the Company and its subsidiaries.

\*2 The assets are pledged as collateral by VIE for financing of the VIE.

\*3 This item represents remaining balance of commitments that could require the Company and its subsidiaries to provide investments or loans to the VIE.

2. Non-consolidated VIEs

**March 31, 2014**

Types of VIEs	Millions of yen			
	Total assets	Specified bonds and non-recourse loans	Investments	Maximum exposure to loss*
(a) VIEs for liquidating customer assets . . . . .	¥ 37,672	¥ 799	¥ 2,971	¥ 3,770
(b) VIEs for acquisition of real estate and real estate development projects for customers . . . . .	664,557	26,835	45,212	111,732
(c) VIEs for acquisition of real estate for the Company and its subsidiaries' real estate-related business . . . . .	0	0	0	0
(d) VIEs for corporate rehabilitation support business . . . . .	0	0	0	0
(e) VIEs for investment in securities . . . . .	2,136,226	0	24,814	41,981
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable . . . . .	0	0	0	0
(g) VIEs for securitization of commercial mortgage loans originated by third parties . . . . .	1,517,734	0	8,989	9,310
(h) VIEs for power generation projects . . . . .	0	0	0	0
(i) Other VIEs . . . . .	32,245	246	4,624	4,870
Total . . . . .	<u>¥4,388,434</u>	<u>¥27,880</u>	<u>¥86,610</u>	<u>¥171,663</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

March 31, 2015

Types of VIEs	Millions of yen			
	Carrying amount of the variable interests in the VIEs held by the Company and its subsidiaries			
	Total assets	Specified bonds and non-recourse loans	Investments	Maximum exposure to loss*
(a) VIEs for liquidating customer assets . . . . .	¥ 32,421	¥ 0	¥ 2,091	¥ 9,551
(b) VIEs for acquisition of real estate and real estate development projects for customers . . . . .	325,429	14,084	26,283	50,017
(c) VIEs for acquisition of real estate for the Company and its subsidiaries' real estate-related business . . . . .	0	0	0	0
(d) VIEs for corporate rehabilitation support business . . . . .	0	0	0	0
(e) VIEs for investment in securities . . . . .	3,038,819	0	28,584	55,940
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable . . . . .	0	0	0	0
(g) VIEs for securitization of commercial mortgage loans originated by third parties . . . . .	1,100,830	0	8,064	8,139
(h) VIEs for power generation projects . . . . .	0	0	0	0
(i) Other VIEs . . . . .	26,894	14	3,038	3,052
Total . . . . .	<u>¥4,524,393</u>	<u>¥14,098</u>	<u>¥68,060</u>	<u>¥126,699</u>

\* Maximum exposure to loss includes remaining balance of commitments that could require the Company and its subsidiaries to provide investments or loans to the VIE.

**(a) VIEs for liquidating customer assets**

The Company and its subsidiaries may use VIEs in structuring financing for customers to liquidate specific customer assets. The VIEs are typically used to provide a structure that is bankruptcy remote with respect to the customer and the use of VIE structure is requested by such customer. Such VIEs typically acquire assets to be liquidated from the customer, borrow non-recourse loans from financial institutions and have an equity investment made by the customer. By using cash flows from the liquidated assets, these VIEs repay the loan and pay dividends to equity investors if sufficient funds exist.

With respect to the variable interests of non-consolidated VIEs, which the Company and its subsidiaries have, non-recourse loans are included in installment loans, and investments are mainly included in other assets in the Company's consolidated balance sheets.

**(b) VIEs for acquisition of real estate and real estate development projects for customers**

Customers and the Company and its subsidiaries are involved with VIEs formed to acquire real estate and/or develop real estate projects. In each case, a customer establishes and makes an equity investment in a VIE that is designed to be bankruptcy remote from the customer. The VIEs acquire real estate and/or develop real estate projects.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

The Company and its subsidiaries provide non-recourse loans to such VIEs and hold specified bonds issued by them and/or make investments in them. The Company and its subsidiaries have consolidated certain VIEs because the Company or its subsidiary effectively controls the VIEs by acting as the asset manager of the VIEs.

In the Company's consolidated balance sheets, assets of consolidated VIEs are mainly included in investment in affiliates and other assets, and liabilities of those consolidated VIEs are mainly included in short-term debt.

With respect to the variable interests of non-consolidated VIEs, which the Company and its subsidiaries have, specified bonds are included in investment in securities, non-recourse loans are included in installment loans, and investments are mainly included in investment in securities, investment in affiliates and other assets in the Company's consolidated balance sheets. The Company and its subsidiaries have commitment agreements by which the Company and its subsidiaries may be required to provide additional investment in certain non-consolidated VIEs as long as the agreed-upon terms are met. Under these agreements, the Company and its subsidiaries are committed to invest in these VIEs with the other investors based on their respective ownership percentages. The Company and its subsidiaries concluded that the VIEs are not consolidated because the power to direct these VIEs is held by unrelated parties. In some cases, the Company and its subsidiaries concluded that the VIEs are not consolidated because the power to direct these VIEs is shared among multiple unrelated parties.

#### **(c) VIEs for acquisition of real estate for the Company and its subsidiaries' real estate-related business**

The Company and its subsidiaries establish VIEs and acquire real estate to borrow non-recourse loans from financial institutions and simplify the administration activities necessary for the real estate. The Company and its subsidiaries consolidate such VIEs even though the Company and its subsidiaries may not have voting rights if substantially all of such VIEs' subordinated interests are issued to the Company and its subsidiaries, and therefore the VIEs are controlled by and for the benefit of the Company and its subsidiaries.

The Company and its subsidiaries contributed additional funding to certain consolidated VIEs, since those VIEs had difficulty repaying debt and accounts payable. The amount of the additional funding for fiscal 2015 was ¥5,628 million. There was no additional funding or acquisition of subordinated interests during fiscal 2014.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in cash and cash equivalents, restricted cash, investment in operating leases, property under facility operations, office facilities and other assets, and liabilities of those consolidated VIEs are mainly included in long-term debt. The Company has a commitment agreement by which the Company may be required to make additional investment in certain such consolidated VIEs.

#### **(d) VIEs for corporate rehabilitation support business**

Financial institutions, the Company and its subsidiary are involved with VIEs established for the corporate rehabilitation support business. VIEs receive the funds from investors including the financial institutions, the Company and the subsidiary, and purchase loan receivables due from borrowers which have financial problems, but are deemed to have the potential to recover in the future. The servicing operations for the VIEs are conducted by the subsidiary.

The Company and its subsidiary consolidated such VIEs since the Company and the subsidiary have the majority of the investment share of such VIEs, and have the power to direct the activities of the VIEs that most significantly impact the entities' economic performance through the servicing operations.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in installment loans, and liabilities of those consolidated VIEs are mainly included in other liabilities.

#### **(e) VIEs for investment in securities**

The Company and its subsidiaries have interests in VIEs that are investment funds and mainly invest in equity and debt securities. Such VIEs are managed by a subsidiary or fund management companies that are independent of the Company and its subsidiaries.

The Company consolidated certain such VIEs since the Company has the majority of the investment share of them, and has the power to direct the activities of those VIEs that most significantly impact the entities' economic performance through involvement with the design of the VIEs or other means.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in investment in securities and investment in affiliates, and liabilities of those consolidated VIEs are mainly included in long-term debt. A subsidiary has a commitment agreement by which the subsidiary may be required to make additional investment in certain such consolidated VIEs.

Variable interests of non-consolidated VIEs, which the Company and its subsidiaries have, are included in investment in securities in the Company's consolidated balance sheets. The Company and its subsidiaries have a commitment agreement by which the Company and its subsidiaries may be required to make additional investment in certain such non-consolidated VIEs.

#### **(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable**

The Company and its subsidiaries use VIEs to securitize financial assets such as direct financing leases receivables and loans receivables. In the securitization process, these financial assets are transferred to SPEs, and the SPEs issue beneficial interests or securities backed by the transferred financial assets to investors. After the securitization, the Company and its subsidiaries continue to hold a subordinated part of the securities and act as a servicer.

The Company and its subsidiaries consolidated such VIEs since the Company and its subsidiaries have the power to direct the activities that most significantly impact the entity's economic performance by designing the securitization scheme and conducting servicing activities, and have a responsibility to absorb losses of the VIEs that could potentially be significant to the entities by retaining the subordinated part of the securities.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in restricted cash, investment in direct financing leases and installment loans, and liabilities of those consolidated VIEs are mainly included in long-term debt.

#### **(g) VIEs for securitization of commercial mortgage loans originated by third parties**

The Company and its subsidiaries invest in CMBS and RMBS originated by third parties. In some cases of such securitization, the Company's subsidiaries hold the subordinated portion and the subsidiaries act as a special-servicer of the securitization transaction. As the special servicer, the Company's subsidiaries have rights to dispose of real estate collateral related to the securitized commercial mortgage loans.

The subsidiaries consolidate certain of these VIEs when the subsidiaries have the power to direct the activities of the VIEs that most significantly impact the entities' economic performance through its role as special-servicer, including the right to dispose of the collateral, and have a responsibility to absorb losses of the VIEs that could potentially be significant to the entities by holding the subordinated part of the securities.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in installment loans, and liabilities of those consolidated VIEs are mainly included in long-term debt.

Variable interests of non-consolidated VIEs, which the Company and its subsidiaries have, are included in investment in securities in the Company's consolidated balance sheets. The Company has a commitment agreement by which the Company may be required to make additional investment in certain such non-consolidated VIEs.

#### **(h) VIEs for power generation projects**

The Company and its subsidiaries may use VIEs in power generation projects. VIEs receive the funds from the Company and its subsidiaries, install solar panels by acquiring or leasing lands, and sell the generated power to electric power companies. The Company and its subsidiaries have consolidated certain VIEs because the Company and its subsidiaries have the majority of the investment shares of such VIEs and effectively control the VIEs by acting as the asset manager of the VIEs.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in property under facility operations and other assets, and liabilities of those consolidated VIEs are mainly included in long-term debt. The Company has commitment agreements by which the Company may be required to make additional investment or execute loans in certain such consolidated VIEs.

#### **(i) Other VIEs**

The Company and its subsidiaries are involved with other types of VIEs for various purposes. Consolidated and non-consolidated VIEs of this category are mainly kumiai structures. In addition, a subsidiary has consolidated a VIE that is not included in the categories (a) through (h) above, because the subsidiary holds the subordinated portion of the VIE and the VIE is effectively controlled by the subsidiary.

In Japan, certain subsidiaries provide investment products to their customers that employ a contractual mechanism known as a kumiai, which in part result in the subsidiaries forming a type of SPE. As a means to finance the purchase of aircraft or other large-ticket items to be leased to third parties, the Company and its subsidiaries arrange and market kumiai products to investors, who invest a portion of the funds necessary into the kumiai structure. The remainder of the purchase funds is borrowed by the kumiai structure in the form of a non-recourse loan from one or more financial institutions. The kumiai investors (and any lenders to the kumiai structure) retain all of the economic risks and rewards in connection with purchasing and leasing activities of the kumiai structure, and all related gains or losses are recorded on the financial statements of the investors in the kumiai. The Company and its subsidiaries are responsible for the arrangement and marketing of these products and may act as servicer or administrator in kumiai transactions. The fee income for the arrangement and administration of these transactions is recognized in the Company's consolidated statements of income. In some cases, the Company and its subsidiaries make investments in the kumiai or its related SPE, and these VIEs are consolidated because the Company and its subsidiaries have a responsibility to absorb any significant potential loss through the investments and have the power to direct the activities that most significantly impact their economic performance. In other cases, the Company and its subsidiaries are not considered to be the primary beneficiary of the VIEs or kumiais because the Company and its subsidiaries did not make significant investments or guarantee or otherwise undertake any significant financial commitments or exposure with respect to the kumiai or its related SPE.

The Company may use VIEs to finance. The Company transfers its own held assets to SPEs, which borrow non-recourse loan from financial institutions and effectively pledge such assets as collateral. The Company

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

continually holds subordinated interests in the SPEs and perform administrative work of such assets. The Company consolidates such SPEs because the Company has a right to direct the activities of them that most significantly impact their economic performance by setting up the scheme and performing administrative work of the assets and has the obligation to absorb expected losses of them by holding the subordinated interests.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in installment loans, investment in operating leases and office facilities, and liabilities of those consolidated VIEs are mainly included in long-term debt.

With respect to the variable interests in non-consolidated VIEs, which the Company and its subsidiaries hold, investments are mainly included in installment loans in the Company's consolidated balance sheets.

**12. Investment in Affiliates**

Investment in affiliates at March 31, 2014 and 2015 consists of the following:

	Millions of yen	
	2014	2015
Shares .....	¥288,445	¥368,989
Loans .....	8,880	9,098
	¥297,325	¥378,087

Certain affiliates are listed on stock exchanges. The aggregate investment in and quoted market value of those affiliates amounted to ¥32,860 million and ¥38,918 million, respectively, as of March 31, 2014 and ¥38,916 million and ¥50,244 million, respectively, as of March 31, 2015.

In fiscal 2013, 2014 and 2015, the Company and its subsidiaries received dividends from affiliates of ¥10,221 million, ¥9,957 million and ¥18,186 million, respectively.

The balance of excess of cost over the underlying equity at acquisition dates of investment in affiliates amounted to ¥35,889 million and ¥50,977 million as of March 31, 2014 and 2015, respectively.

ORIX JREIT Inc., an equity method affiliate, entered into an asset management agreement and the like with one of the Company's subsidiaries and paid fees of ¥1,743 million, ¥1,905 million and ¥2,433 million for fiscal 2013, 2014 and 2015, respectively.

In fiscal 2013, 2014 and 2015, the Company and certain subsidiaries sold to ORIX JREIT Inc., office buildings, commercial facilities other than office buildings, and condominiums mainly under operating leases. In fiscal 2013, 2014 and 2015, the subsidiaries recognized gains of ¥3,119 million, ¥2,261 million and ¥10,473 million respectively in earnings as operating leases. The related intercompany profits have been eliminated based on the Company's proportionate share.

During fiscal 2013, the Company acquired 51% of the total number of outstanding shares of ORIX Credit Corporation (hereinafter, "ORIX Credit"), an equity method affiliate that operates a card loan business, from Sumitomo Mitsui Banking Corporation (hereinafter, "SMBC"), and ORIX Credit became a wholly-owned domestic subsidiary. As a result of this step acquisition of the interest in ORIX Credit, the Company remeasured its previously held equity interest to fair value, and recognized gains of ¥3,132 million in earnings as gains on

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

sales of subsidiaries and affiliates and liquidation losses, net, based on ASC 805 (“Business Combinations”) for fiscal 2013. The remeasured fair value was calculated by reflecting the premium in the valuation that was based on the acquisition price paid to SMBC.

During fiscal 2014, the Company exercised its acquisition rights with respect to the type-2, type-4, type-7 and type-8 preferred stock of DAIKYO held by the Company. As a result, its voting rights in DAIKYO increased from 31.7% to 64.1% and DAIKYO became a consolidated subsidiary of the Company from an equity method affiliate. Through this step acquisition of the interest in DAIKYO, the Company remeasured its previously held equity interest to fair value, and recognized gains of ¥58,435 million in earnings as gains on sales of subsidiaries and affiliates and liquidation losses, net, based on ASC 805 (“Business Combinations”) for fiscal 2014. The remeasured fair value was calculated by reflecting the premium in the valuation that was based on the closing price as of exercise day.

During fiscal 2015, the Company sold 71.9% of the common shares of a consolidated subsidiary, STX Energy Co., Ltd. (presently GS E&R Corp., hereinafter, “STX Energy”) to a third-party. The Company retains a 25% interest in STX Energy, which became an equity method affiliate for fiscal 2015. The sale of the controlling interest resulted in a gain of ¥14,883 million and the remeasurement of the retained interest to its fair value resulted in a gain of ¥1,329 million, both of which were included in earnings as gains on sales of subsidiaries and affiliates and liquidation losses, net during fiscal 2015. The fair value of the retained interest was remeasured based on the sale proceed adjusted for a control premium.

Combined and condensed information relating to the affiliates for fiscal 2013, 2014 and 2015 are as follows (some operation data for entities reflect only the period since the Company and its subsidiaries made the investment and on a lag basis):

	Millions of yen		
	2013	2014	2015
Operations:			
Total revenues . . . . .	¥ 827,740	¥1,086,818	¥1,094,317
Income before income taxes . . . . .	97,301	137,698	130,799
Net income . . . . .	64,699	91,200	109,865
Financial position:			
Total assets . . . . .	¥5,237,184	¥5,704,862	¥6,897,921
Total liabilities . . . . .	4,031,673	4,562,871	5,131,402
Total equity . . . . .	1,205,511	1,141,991	1,766,519

The Company and its subsidiaries had no significant transactions with these companies except as described above.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

13. Goodwill and Other Intangible Assets

Changes in goodwill by reportable segment for fiscal 2013, 2014 and 2015 are as follows:

	Millions of yen						
	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment and Operation	Retail	Overseas Business	Total
Balance at March 31, 2012							
Goodwill . . . . .	¥ 754	¥282	¥19,063	¥ 312	¥ 4,452	¥ 71,244	¥ 96,107
Accumulated impairment losses . . .	(257)	0	0	(39)	0	0	(296)
	497	282	19,063	273	4,452	71,244	95,811
Acquired . . . . .	0	0	199	11,439	10,972	1,504	24,114
Impairment . . . . .	0	0	0	0	0	0	0
Other (net)* . . . . .	0	0	67	0	0	6,337	6,404
Balance at March 31, 2013							
Goodwill . . . . .	754	282	19,329	11,751	15,424	79,085	126,625
Accumulated impairment losses . . .	(257)	0	0	(39)	0	0	(296)
	497	282	19,329	11,712	15,424	79,085	126,329
Acquired . . . . .	550	0	0	14,388	0	169,307	184,245
Impairment . . . . .	0	0	0	0	0	0	0
Other (net)* . . . . .	0	0	(29)	111	0	25,251	25,333
Balance at March 31, 2014							
Goodwill . . . . .	1,304	282	19,300	26,250	15,424	273,643	336,203
Accumulated impairment losses . . .	(257)	0	0	(39)	0	0	(296)
	1,047	282	19,300	26,211	15,424	273,643	335,907
Acquired . . . . .	53,741	0	0	17,967	0	12,043	83,751
Impairment . . . . .	(550)	0	(8,708)	0	0	(587)	(9,845)
Other (net)* . . . . .	0	0	(97)	(376)	0	(36,725)	(37,198)
Balance at March 31, 2015							
Goodwill . . . . .	55,045	282	19,203	43,841	15,424	248,961	382,756
Accumulated impairment losses . . .	(807)	0	(8,708)	(39)	0	(587)	(10,141)
	¥54,238	¥282	¥10,495	¥43,802	¥15,424	¥248,374	¥372,615

\* Other includes foreign currency translation adjustments, decreases due to sale of ownership interest in subsidiaries and certain other reclassifications. In the Overseas Business segment, there was a decrease of ¥39,694 million during fiscal 2015 due to the partial sale of shares of STX Energy, which as a result of the sale changed from a consolidated subsidiary to an equity method affiliate.

As a result of the impairment test, the Company and its subsidiaries recognized no impairment losses on goodwill during fiscal 2013 and 2014. The Company and its subsidiaries recognized impairment losses on goodwill of ¥550 million on Corporate Finance Service segment, ¥8,708 million on golf business included in Real Estate segment, ¥587 million on Overseas Business segment during fiscal 2015. These impairment losses

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

are accounted in other (income) and expense, net. The impairment loss on golf business was recognized as a result of reduction in estimated future cash flow due to our additional capital investment in the slower market growth is concerned, which brought the fair value of the reporting unit below its carrying amount. The fair values of the reporting units were measured using mainly the discounted cash flow methodologies and the business enterprise value multiples methodologies.

Other intangible assets at March 31, 2014 and 2015 consist of the following:

	<u>Millions of yen</u>	
	<u>2014</u>	<u>2015</u>
Intangible assets that have indefinite useful lives:		
Trade names .....	¥ 47,360	¥ 99,395
Asset management contracts .....	167,147	153,778
Others .....	442	2,812
	<u>214,949</u>	<u>255,985</u>
Intangible assets subject to amortization:		
Software .....	93,118	99,342
Customer relationships .....	99,380	126,201
Others .....	49,343	33,071
	<u>241,841</u>	<u>258,614</u>
Accumulated amortization .....	<u>(72,593)</u>	<u>(89,587)</u>
Net .....	<u>169,248</u>	<u>169,027</u>
	<u>¥384,197</u>	<u>¥425,012</u>

The aggregate amortization expenses for intangible assets are ¥9,680 million, ¥17,467 million and ¥23,164 million in fiscal 2013, 2014 and 2015, respectively.

The estimated amortization expenses for each of five succeeding fiscal years are ¥24,224 million in fiscal 2016, ¥21,130 million in fiscal 2017, ¥18,062 million in fiscal 2018, ¥15,825 million in fiscal 2019 and ¥14,440 million in fiscal 2020, respectively.

Intangible assets subject to amortization increased during fiscal 2015 are ¥51,237 million. They mainly consist of ¥9,986 million of software and ¥30,481 million of customer relationships recognized in acquisitions. The weighted average amortization periods for the software and the customer relationships recognized in acquisitions are 5 years and 14 years, respectively.

As a result of the impairment test, the Company and its subsidiaries recognized no impairment losses on intangible assets during fiscal 2013 and 2014. The Company and its subsidiaries recognized impairment losses of ¥358 million on intangible assets included in mainly Corporate Finance Service segment, during fiscal 2015. These impairment losses are accounted in other (income) and expense, net. The impairment losses are recognized due to the reduction in the estimated future cash flow, which brought the fair values of the intangible assets below its carrying amount. The fair values of the intangible assets were measured using the discounted cash flow methodologies.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

**14. Short-Term and Long-Term Debt**

Short-term debt consists of borrowings from financial institutions and commercial paper.

The composition of short-term debt and the weighted average contract interest rate on short-term debt at March 31, 2014 and 2015 are as follows:

**March 31, 2014**

	<u>Millions of yen</u>	<u>Weighted average rate</u>
Short-term debt in Japan, mainly from banks . . . . .	¥ 43,228	0.5%
Short-term debt outside Japan, mainly from banks . . . . .	164,110	3.2
Commercial paper in Japan . . . . .	89,958	0.2
Commercial paper outside Japan . . . . .	11,035	3.9
	<u>¥308,331</u>	2.0

**March 31, 2015**

	<u>Millions of yen</u>	<u>Weighted average rate</u>
Short-term debt in Japan, mainly from banks . . . . .	¥ 16,778	0.5%
Short-term debt outside Japan, mainly from banks . . . . .	178,386	2.4
Commercial paper in Japan . . . . .	78,072	0.2
Commercial paper outside Japan . . . . .	11,549	4.0
	<u>¥284,785</u>	1.7

The composition of long-term debt, the weighted average contract interest rate on long-term debt and the repayment due dates at March 31, 2014 and 2015 are as follows:

**March 31, 2014**

	<u>Due (Fiscal Year)</u>	<u>Millions of yen</u>	<u>Weighted average rate</u>
<b>Banks:</b>			
Fixed rate . . . . .	2015~2030	¥ 415,709	2.3%
Floating rate . . . . .	2015~2030	1,469,886	1.1
<b>Insurance companies and others:</b>			
Fixed rate . . . . .	2015~2024	287,403	1.4
Floating rate . . . . .	2017~2028	251,021	0.7
Unsecured bonds . . . . .	2015~2024	1,128,788	1.9
Unsecured notes under medium-term note program . . . . .	2016~2018	46,034	3.2
Payables under securitized lease receivables . . . . .	2018~2019	122,723	0.8
Payables under securitized loan receivables and investment in securities . . . . .	2018~2040	131,104	4.1
		<u>¥3,852,668</u>	1.6

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

**March 31, 2015**

	<u>Due (Fiscal Year)</u>	<u>Millions of yen</u>	<u>Weighted average rate</u>
<b>Banks:</b>			
Fixed rate .....	2016~2031	¥ 485,910	1.7%
Floating rate .....	2016~2032	1,622,729	1.0
<b>Insurance companies and others:</b>			
Fixed rate .....	2016~2025	328,639	1.2
Floating rate .....	2017~2028	250,156	0.7
Unsecured bonds .....	2016~2025	1,118,766	1.8
Unsecured notes under medium-term note program .....	2016~2018	35,110	2.9
Payables under securitized lease receivables .....	2020~2021	157,773	0.5
Payables under securitized loan receivables and investment in securities .....	2018~2039	133,862	3.2
		<u>¥4,132,945</u>	1.4

The repayment schedule for the next five years and thereafter for long-term debt at March 31, 2015 is as follows:

<u>Years ending March 31,</u>	<u>Millions of yen</u>
2016 .....	¥ 881,008
2017 .....	849,118
2018 .....	734,977
2019 .....	535,961
2020 .....	371,797
Thereafter .....	<u>760,084</u>
Total .....	<u>¥4,132,945</u>

For borrowings from banks, insurance companies and other financial institutions, for bonds, and for medium-term notes, principal repayments are made upon maturity of the loan contracts and interest payments are usually paid semi-annually.

During fiscal 2013, 2014 and 2015, the Company and certain subsidiaries recognized net amortization expenses of premiums and discounts of bonds and medium-term notes, and deferred issuance costs of bonds and medium-term notes in the amount of ¥1,002 million, ¥618 million and ¥367 million, respectively.

Total committed credit lines for the Company and its subsidiaries were ¥469,747 million and ¥475,553 million at March 31, 2014 and 2015, respectively, and, of these lines, ¥427,225 million and ¥419,356 million were available at March 31, 2014 and 2015, respectively. Of the available committed credit lines, ¥282,609 million and ¥274,980 million were long-term committed credit lines at March 31, 2014 and 2015, respectively.

Some of the debt and commitment contracts contain covenant clauses, and some of these include financial restrictions, such as maintenance of certain ORIX Corporation shareholders' equity ratios. As of March 31, 2015, the Company and its subsidiaries were in compliance with such objective covenant requirements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

The agreements related to debt payable to banks provide that the banks under certain circumstances may request additional security for loans and have the right to offset cash deposited against any short-term or long-term debt that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks.

Other than the assets of the consolidated VIEs pledged as collateral for financing (see Note 11 “Variable Interest Entities”), the Company and certain subsidiaries provide the following assets as collateral for the short-term and long-term debt payables to financial institutions as of March 31, 2015:

	<b>Millions of yen</b>
Minimum lease payments, loans and investment in operating leases . . . . .	¥ 95,883
Investment in securities . . . . .	162,239
Property under Facility Operations . . . . .	19,308
Other assets and other . . . . .	39,118
	¥316,548

As of March 31, 2015, investment in securities of ¥24,698 million was pledged for primarily collateral deposits.

Under loan agreements relating to short-term and long-term debt from commercial banks and certain insurance companies, the Company and certain subsidiaries are required to provide collateral against these debts at any time if requested by the lenders. The Company and the subsidiaries did not receive any such requests from the lenders as of March 31, 2015.

**15. Deposits**

Deposits at March 31, 2014 and 2015 consist of the following:

	<b>Millions of yen</b>	
	<b>2014</b>	<b>2015</b>
Time deposits . . . . .	¥ 981,182	¥1,028,977
Other deposits . . . . .	225,231	258,403
Total . . . . .	¥1,206,413	¥1,287,380

The balances of time deposits and certificates of deposit issued in amounts of ¥10 million or more were ¥619,738 million and ¥617,235 million at March 31, 2014 and 2015, respectively.

The maturity schedule of time deposits at March 31, 2015 is as follows:

<b>Years ending March 31,</b>	<b>Millions of yen</b>
2016 . . . . .	¥ 640,888
2017 . . . . .	136,744
2018 . . . . .	137,789
2019 . . . . .	56,605
2020 . . . . .	56,951
Total . . . . .	¥1,028,977

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

**16. Income Taxes**

Income before income taxes and discontinued operations, and the provision for income taxes in fiscal 2013, 2014 and 2015 are as follows:

	Millions of yen		
	2013	2014	2015
Income before income taxes and discontinued operations:			
Japan . . . . .	¥109,363	¥184,504	¥188,601
Overseas . . . . .	63,209	101,835	155,416
	¥172,572	¥286,339	¥344,017
Provision for income taxes:			
Current—			
Japan . . . . .	¥ 7,428	¥ 19,116	¥ 9,455
Overseas . . . . .	13,675	27,093	38,264
	21,103	46,209	47,719
Deferred—			
Japan . . . . .	27,371	49,419	36,112
Overseas . . . . .	5,208	2,925	5,226
	32,579	52,344	41,338
Provision for income taxes . . . . .	¥ 53,682	¥ 98,553	¥ 89,057

In fiscal 2013 and 2014, the Company and its subsidiaries in Japan are subject to a National Corporation tax of approximately 28%, an Inhabitant tax of approximately 5% and a deductible Enterprise tax of approximately 8%, which in the aggregate result in a statutory income tax rate of approximately 38.3%. In fiscal 2015, the Company and its subsidiaries in Japan are subject to a National Corporation tax of approximately 26%, an Inhabitant tax of approximately 5% and a deductible Enterprise tax of approximately 8%, which in the aggregate result in a statutory income tax rate of approximately 35.9%.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

Reconciliation of the differences between the tax provision computed at the statutory rate and the consolidated provision for income taxes in fiscal 2013, 2014 and 2015 are as follows:

	Millions of yen		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Income before income taxes and discontinued operations . . . . .	¥172,572	¥286,339	¥344,017
Tax provision computed at statutory rate . . . . .	¥ 66,095	¥109,668	¥123,502
Increases (reductions) in taxes due to:			
Change in valuation allowance* . . . . .	(3,371)	(845)	1,839
Non-deductible expenses for tax purposes . . . . .	1,538	2,382	3,513
Non-taxable income for tax purposes . . . . .	(2,128)	(3,224)	(7,633)
Effect of nontaxable bargain purchase gain . . . . .	0	0	(12,953)
Effect of lower tax rates on foreign subsidiaries and a domestic life insurance subsidiary . . . . .	(4,720)	(5,805)	(8,766)
Effect of the tax rate change related to the new Japanese tax law . . . . .	(580)	(5,824)	(14,098)
Other, net . . . . .	(3,152)	2,201	3,653
Provision for income taxes . . . . .	<u>¥ 53,682</u>	<u>¥ 98,553</u>	<u>¥ 89,057</u>

\* In fiscal 2015, increases in the valuation allowance of ¥1,819 million due to the amendment to tax loss carry-forward rules related to the new Japanese tax law are included in “Change in valuation allowance” in the table above.

The effective income tax rate is different from the statutory tax rate primarily because of certain non-deductible expenses for tax purposes, non-taxable income for tax purposes, changes in valuation allowance, the effect of nontaxable bargain purchase gain, the effect of lower income tax rates on foreign subsidiaries and a domestic life insurance subsidiaries, and the effect of the tax reforms as discussed in the following paragraph.

On March 20, 2014, the bill for reconstruction funding and the bill for local corporate tax were approved by the National Diet of Japan. For a fiscal year beginning on April 1, 2014, special corporate tax for reconstruction will not be charged, and as a result, the combined statutory income tax rate for a fiscal year beginning on April 1, 2014 was reduced from approximately 38.3% to approximately 35.9%.

On March 31, 2015, the 2015 tax reform bill was passed by the National Diet of Japan. From a fiscal years beginning on April 1, 2015, the national tax rate and the local business tax rate were reduced, and as a result, the combined statutory income tax rate for the fiscal year beginning on April 1, 2015 was reduced from approximately 35.9% to approximately 33.5%, and the combined statutory income tax rate for a fiscal years beginning on April 1, 2016 will be further reduced to approximately 32.9%. In addition, tax loss carry-forward rules were amended, and the deductible amount of tax losses carried forward for the fiscal years beginning on April 1, 2015 and April 1, 2016 became limited to 65% of taxable income for the year, compared to 80% for the current fiscal year. From the fiscal years beginning on April 1, 2017, the deductible limit of tax losses carried forward will be further reduced to 50% of taxable income for the year, while from fiscal years beginning on April 1, 2017, the tax loss carry-forward period will be extended from nine years to ten years. The increase and decrease of the deferred tax assets and liabilities due to the change in the tax rates resulted in a decrease of provision for income taxes by ¥14,098 million in the accompanying consolidated statements of income, and the increase of the valuation allowance due to the amendment to tax loss carry-forward rules resulted in an increase of provision for income taxes by ¥1,819 million in the accompanying consolidated statements of income.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

Total income taxes recognized in fiscal 2013, 2014 and 2015 are as follows:

	Millions of yen		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Provision for income taxes . . . . .	¥53,682	¥ 98,553	¥89,057
Income taxes on discontinued operations . . . . .	(347)	4,681	166
Income taxes on other comprehensive income (loss):			
Net unrealized gains (losses) on investment in securities . . . . .	6,209	5,304	6,915
Defined benefit pension plans . . . . .	2,727	1,456	(4,045)
Foreign currency translation adjustments . . . . .	7,225	1,756	6,880
Net unrealized gains (losses) on derivative instruments . . . . .	40	329	(255)
Direct adjustments to shareholders' equity . . . . .	70	(101)	(734)
Total income taxes . . . . .	<u>¥69,606</u>	<u>¥111,978</u>	<u>¥97,984</u>

The tax effects of temporary differences giving rise to the deferred tax assets and liabilities at March 31, 2014 and 2015 are as follows:

	Millions of yen	
	<u>2014</u>	<u>2015</u>
Assets:		
Net operating loss carryforwards . . . . .	¥ 75,711	¥ 91,899
Allowance for doubtful receivables on direct financing leases and probable loan losses . . . . .	26,451	20,170
Investment in securities . . . . .	17,380	11,128
Policy liabilities and policy account balances . . . . .	0	18,273
Accrued expenses . . . . .	24,382	30,352
Investment in operating leases . . . . .	16,726	18,470
Property under facility operations . . . . .	11,505	10,098
Installment loans . . . . .	7,576	6,487
Other . . . . .	53,424	50,961
	233,155	257,838
Less: valuation allowance . . . . .	(30,570)	(50,515)
	<u>202,585</u>	<u>207,323</u>
Liabilities:		
Investment in direct financing leases . . . . .	7,855	6,342
Investment in operating leases . . . . .	86,122	89,411
Unrealized gains (losses) on investment in securities . . . . .	21,624	26,361
Deferred insurance policy acquisition costs . . . . .	24,212	28,494
Policy liabilities and policy account balances . . . . .	47,641	53,871
Other intangible assets . . . . .	111,988	122,996
Undistributed earnings . . . . .	66,258	68,269
Prepaid benefit cost . . . . .	12,540	15,205
Other . . . . .	51,876	57,994
	430,116	468,943
Net deferred tax liability . . . . .	<u>¥227,531</u>	<u>¥261,620</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

Net deferred tax assets and liabilities at March 31, 2014 and 2015 are reflected in the accompanying consolidated balance sheets under the following captions:

	<u>Millions of yen</u>	
	<u>2014</u>	<u>2015</u>
Other assets .....	¥ 61,152	¥ 74,449
Income taxes: Deferred .....	288,683	336,069
Net deferred tax liability .....	<u>¥227,531</u>	<u>¥261,620</u>

The valuation allowance is primarily recognized for deferred tax assets of consolidated subsidiaries with net operating loss carryforwards for tax purposes. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax loss carryforwards are utilizable. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company and its subsidiaries will realize the benefits of these deductible temporary differences and tax loss carryforwards, net of the existing valuation allowances at March 31, 2015. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. The net changes in the total valuation allowance were decreases of ¥5,307 million in fiscal 2013, increases of ¥11,739 million in fiscal 2014, and increases of ¥19,945 million in fiscal 2015. The adjustments to the beginning-of-the-year amount in the total valuation allowance resulting from changes in judgment about the realizability of deferred tax assets in future years were increases of ¥1,983 million and decreases of ¥6,732 million in fiscal 2013, increases of ¥1,308 million and decreases of ¥3,216 million in fiscal 2014, and increases of ¥5,447 million and decreases of ¥8,364 million in fiscal 2015.

The Company and certain subsidiaries have net operating loss carryforwards of ¥532,573 million at March 31, 2015, which expire as follows:

<u>Year ending March 31,</u>	<u>Millions of yen</u>
2016 .....	¥ 644
2017 .....	570
2018 .....	71,684
2019 .....	36,083
2020 .....	19,310
Thereafter .....	<u>404,282</u>
Total .....	<u>¥532,573</u>

The unrecognized tax benefits as of March 31, 2014 and 2015 were not material. The Company and its subsidiaries believe that it is not reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of March 31, 2015.

The total amounts of penalties and interest expense related to income taxes recognized in the consolidated balance sheets as of March 31, 2014 and March 31, 2015, and in the consolidated statements of income for the years ended March 31, 2013, 2014 and 2015 were not material.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

The Company and its subsidiaries file tax returns in Japan and certain foreign tax jurisdictions. The Company is no longer subject to ordinary tax examination for the tax years prior to fiscal 2013, and its major domestic subsidiaries are no longer subject to ordinary tax examination for the tax years prior to fiscal 2010, respectively.

Subsidiaries in the United States remain subject to a tax examination for the tax years after fiscal 2009. Subsidiaries in the Netherlands remain subject to a tax examination for the tax years after fiscal 2009.

#### 17. Pension Plans

The Company and certain subsidiaries have contributory and non-contributory pension plans covering substantially all of their employees. Those contributory funded pension plans include defined benefit pension plans and defined contribution pension plans. Under the plans, employees are entitled to lump-sum payments at the time of termination of their employment or pension payments. Defined benefit pension plans consist of a plan of which the amounts of such payments are determined on the basis of length of service and remuneration at the time of termination and a cash balance plan.

The Company and its subsidiaries' funding policy is to contribute annually the amounts actuarially determined. Assets of the plans are invested primarily in interest-bearing securities and marketable equity securities.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

The funded status of the defined benefit pension plans, which consists of Japanese plans and overseas plans, as of March 31, 2014 and 2015 are as follows:

	Millions of yen			
	Japanese plans		Overseas plans	
	2014	2015	2014	2015
Change in benefit obligation:				
Benefit obligation at beginning of year . . . . .	¥ 64,112	¥ 82,859	¥ 5,368	¥ 68,840
Service cost . . . . .	3,391	4,415	1,654	2,460
Interest cost . . . . .	1,139	1,159	1,684	2,251
Actuarial loss (gain) . . . . .	1,956	(169)	(1,215)	46,110
Foreign currency exchange rate change . . . . .	0	0	3,848	(6,947)
Benefits paid . . . . .	(2,492)	(2,573)	(1,203)	(1,390)
Plan participant's contributions . . . . .	0	0	0	80
Business combinations . . . . .	15,496	1,353	59,048	0
Divestitures . . . . .	0	(251)	0	0
Plan amendments . . . . .	(743)	0	(344)	(883)
Benefit obligation at end of year . . . . .	<u>82,859</u>	<u>86,793</u>	<u>68,840</u>	<u>110,521</u>
Change in plan assets:				
Fair value of plan assets at beginning of year . . . . .	93,144	104,844	3,825	62,042
Actual return on plan assets . . . . .	5,750	10,200	3,783	21,074
Employer contribution . . . . .	2,717	3,040	1,929	10,820
Benefits paid . . . . .	(2,324)	(2,136)	(976)	(1,296)
Plan participant's contributions . . . . .	0	0	0	80
Business combinations . . . . .	5,557	0	50,001	0
Divestitures . . . . .	0	(84)	0	0
Foreign currency exchange rate change . . . . .	0	0	3,480	(5,711)
Fair value of plan assets at end of year . . . . .	<u>104,844</u>	<u>115,864</u>	<u>62,042</u>	<u>87,009</u>
The funded status of the plans . . . . .	<u>¥ 21,985</u>	<u>¥ 29,071</u>	<u>¥ (6,798)</u>	<u>¥ (23,512)</u>
Amount recognized in the consolidated balance sheets consists of:				
Prepaid benefit cost included in other assets . . . . .	¥ 34,910	¥ 42,376	¥ 9	¥ 8
Accrued benefit liability included in other liabilities . . . . .	(12,925)	(13,305)	(6,807)	(23,520)
Net amount recognized . . . . .	<u>¥ 21,985</u>	<u>¥ 29,071</u>	<u>¥ (6,798)</u>	<u>¥ (23,512)</u>

Amount recognized in accumulated other comprehensive income (loss), pre-tax, at March 31, 2014 and 2015 consisted of:

	Millions of yen			
	Japanese plans		Overseas plans	
	2014	2015	2014	2015
Net prior service credit . . . . .	¥ 6,014	¥ 5,127	¥ 361	¥ 1,074
Net actuarial gain (loss) . . . . .	(18,091)	(9,602)	695	(26,674)
Net transition obligation . . . . .	(194)	(140)	(22)	(19)
Total recognized in accumulated other comprehensive income (loss), pre-tax . . . . .	<u>¥(12,271)</u>	<u>¥(4,615)</u>	<u>¥1,034</u>	<u>¥(25,619)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

The estimated portions of the net prior service credit, net actuarial loss and net transition obligation above that will be recognized as a component of net pension cost (gain) of Japanese pension plans in fiscal 2016 are ¥(926) million, ¥(19) million and ¥49 million, respectively, a component of net pension cost (gain) of overseas pension plans in fiscal 2016 are ¥(104) million, ¥1,314 million and ¥3 million, respectively

The accumulated benefit obligations for all Japanese defined benefit pension plans were ¥73,892 million and ¥79,178 million, respectively, at March 31, 2014 and 2015. The accumulated benefit obligations for all overseas defined benefit pension plans were ¥61,730 million and ¥98,634 million, respectively, at March 31, 2014 and 2015.

In Japanese pension plans, the aggregate projected benefit obligations, aggregate accumulated benefit obligations and aggregate fair values of plan assets for the plans with the accumulated benefit obligations in excess of plan assets were ¥19,799 million, ¥19,516 million and ¥6,874 million, respectively, at March 31, 2014 and ¥21,279 million, ¥21,061 million and ¥8,031 million, respectively, at March 31, 2015. In overseas pension plans, the aggregate projected benefit obligations, aggregate accumulated benefit obligations and aggregate fair values of plan assets for the plans with the accumulated benefit obligations in excess of plan assets were ¥5,555 million, ¥5,372 million and ¥4,096 million, respectively, at March 31, 2014 and ¥110,498 million, ¥98,621 million and ¥86,978 million, respectively, at March 31, 2015.

Net pension cost of the plans for fiscal 2013, 2014 and 2015 consists of the following:

	<u>Millions of yen</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Japanese plans:			
Service cost .....	¥ 3,173	¥ 3,391	¥ 4,415
Interest cost .....	1,063	1,139	1,159
Expected return on plan assets .....	(1,826)	(2,047)	(2,351)
Amortization of transition obligation .....	53	53	53
Amortization of net actuarial loss .....	1,447	777	502
Amortization of prior service credit .....	<u>(1,168)</u>	<u>(1,259)</u>	<u>(927)</u>
Net periodic pension cost .....	<u>¥ 2,742</u>	<u>¥ 2,054</u>	<u>¥ 2,851</u>
Overseas plans:			
Service cost .....	¥ 41	¥ 1,654	¥ 2,460
Interest cost .....	189	1,684	2,251
Expected return on plan assets .....	(223)	(2,389)	(3,857)
Amortization of transition obligation .....	3	3	5
Amortization of net actuarial loss .....	49	60	215
Amortization of prior service credit .....	<u>0</u>	<u>(3)</u>	<u>(51)</u>
Net periodic pension cost .....	<u>¥ 59</u>	<u>¥ 1,009</u>	<u>¥ 1,023</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for fiscal 2013, 2014 and 2015 are summarized as follows:

	Millions of yen		
	2013	2014	2015
<b>Japanese plans:</b>			
Current year actuarial gain (loss) . . . . .	¥ 7,401	¥ 1,870	¥ 8,028
Amortization of net actuarial loss . . . . .	1,447	777	502
Prior service credit due to amendments . . . . .	0	743	0
Amortization of prior service credit . . . . .	(1,168)	(1,259)	(927)
Amortization of transition obligation . . . . .	53	53	53
Total recognized in other comprehensive income (loss), pre-tax . . . . .	<u>¥ 7,733</u>	<u>¥ 2,184</u>	<u>¥ 7,656</u>
<b>Overseas plans:</b>			
Current year actuarial gain (loss) . . . . .	¥ (89)	¥ 2,447	¥(28,730)
Amortization of net actuarial loss . . . . .	49	60	215
Prior service credit due to amendments . . . . .	0	344	843
Amortization of prior service credit . . . . .	0	(3)	(51)
Amortization of transition obligation . . . . .	3	3	5
Foreign currency exchange rate change . . . . .	(213)	(7)	1,065
Total recognized in other comprehensive income (loss), pre-tax . . . . .	<u>¥ (250)</u>	<u>¥ 2,844</u>	<u>¥(26,653)</u>

The Company and certain subsidiaries use March 31 as a measurement date for all of our material plans.

Significant assumptions of Japanese pension plans and overseas plans pension plans used to determine these amounts are as follows:

<u>Japanese plans</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Weighted-average assumptions used to determine benefit obligations at March 31:</b>			
Discount rate . . . . .	1.8%	1.4%	1.2%
Rate of increase in compensation levels . . . . .	6.0%	5.1%	4.8%
<b>Weighted-average assumptions used to determine net periodic pension cost for years ended March 31:</b>			
Discount rate . . . . .	1.8%	1.8%	1.4%
Rate of increase in compensation levels . . . . .	6.1%	6.0%	5.1%
Expected long-term rate of return on plan assets . . . . .	2.2%	2.2%	2.3%
<b><u>Overseas plans</u></b>			
<b>Weighted-average assumptions used to determine benefit obligations at March 31:</b>			
Discount rate . . . . .	4.3%	3.5%	1.5%
Rate of increase in compensation levels . . . . .	0.6%	2.8%	2.8%
<b>Weighted-average assumptions used to determine net periodic pension cost for years ended March 31:</b>			
Discount rate . . . . .	4.5%	4.3%	3.5%
Rate of increase in compensation levels . . . . .	0.7%	0.6%	2.8%
Expected long-term rate of return on plan assets . . . . .	7.2%	5.6%	5.2%

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

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

The Company and certain subsidiaries' investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. The Company and certain subsidiaries formulate a policy portfolio appropriate to produce the expected long-term rate of return on plan assets and to ensure that plan assets are allocated under this policy portfolio. The Company and certain subsidiaries periodically have an external consulting firm monitor the results of actual return and revise the policy portfolio if necessary.

The three levels of input used to measure fair value are described in Note 2 ("Fair Value Measurement").

The fair value of Japanese pension plan assets at March 31, 2014 and 2015, by asset category, are as follows:

	Millions of yen			
	March 31, 2014			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities:				
Japan				
Pooled funds*1	¥ 14,937	¥0	¥ 14,937	¥0
Other than Japan				
Pooled funds*2	18,386	0	18,386	0
Debt securities:				
Japan				
Pooled funds*3	28,901	0	28,901	0
Other than Japan				
Pooled funds*4	16,692	0	16,692	0
Other assets:				
Life insurance company general accounts*5	17,853	0	17,853	0
Others*6	8,075	0	8,075	0
	<u>¥104,844</u>	<u>¥0</u>	<u>¥104,844</u>	<u>¥0</u>

\*1 These funds invest in listing shares include shares of ORIX Corporation in the amounts of ¥25 million and units of ORIX JREIT Inc. in the amounts of ¥181 million at March 31, 2014.

\*2 These funds invest in listing shares.

\*3 These funds invest approximately 70% in Japanese government bonds, approximately 10% in Japanese municipal bonds, and approximately 20% in Japanese corporate bonds. These funds include corporate bonds of ORIX Corporation in the amounts of ¥46 million and investment corporation bonds of ORIX JREIT Inc. in the amounts of ¥20 million at March 31, 2014.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

- \*4 These funds invest in foreign government bonds.
- \*5 Life insurance company general accounts are accounts with guaranteed capital and minimum interest rate, in which life insurance companies manage funds on several contracts.
- \*6 Others include derivative instruments held for hedging change in the fair value of equity securities, and short-term instruments.

At March 31, 2014, our policy for the portfolio of plans consists of three major components: approximately 30% is invested in equity securities, approximately 40% is invested in debt securities and approximately 30% is invested in other assets, primarily consisting of investments in life insurance company general accounts.

	Millions of yen			
	March 31, 2015			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities:				
Japan				
Pooled funds*1	¥ 16,572	¥0	¥ 16,572	¥0
Other than Japan				
Pooled funds*2	19,717	0	19,717	0
Debt securities:				
Japan				
Pooled funds*3	29,106	0	29,106	0
Other than Japan				
Pooled funds*4	16,933	0	16,933	0
Other assets:				
Life insurance company general accounts*5	23,395	0	23,395	0
Others*6	10,141	0	10,141	0
	<u>¥115,864</u>	<u>¥0</u>	<u>¥115,864</u>	<u>¥0</u>

\*1 These funds invest in listing shares include shares of ORIX Corporation in the amounts of ¥39 million and units of ORIX JREIT Inc. in the amounts of ¥277 million at March 31, 2015.

\*2 These funds invest in listing shares.

\*3 These funds invest approximately 70% in Japanese government bonds, approximately 10% in Japanese municipal bonds, and approximately 20% in Japanese corporate bonds. These funds include corporate bonds of ORIX Corporation in the amounts of ¥23 million and investment corporation bonds of ORIX JREIT Inc. in the amounts of ¥16 million at March 31, 2015.

\*4 These funds invest entirely in foreign government bonds.

\*5 Life insurance company general accounts are accounts with guaranteed capital and minimum interest rate, in which life insurance companies manage funds on several contracts.

\*6 Others include derivative instruments held for hedging change in the fair value of equity securities, and short-term instruments.

At March 31, 2015, our policy for the portfolio of plans consists of three major components: approximately 30% is invested in equity securities, approximately 40% is invested in debt securities and approximately 30% is invested in other assets, primarily consisting of investments in life insurance company general accounts.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

Level 2 assets are comprised principally of pooled funds that invest in equity, debt securities and hedge funds and investments in life insurance company general accounts. Pooled funds are valued at the net asset value per share at the measurement date. They are not redeemable at the net asset value per share at the measurement date, but they are redeemable at the net asset value per share in the near term after the measurement date. Investments in life insurance company general accounts are valued at conversion value.

The three levels of input used to measure fair value are described in Note 2 (“Fair Value Measurement”).

The fair value of overseas pension plan assets at March 31, 2014 and 2015, by asset category, are as follows:

	Millions of yen			
	March 31, 2014			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities:				
Other than Japan				
Shares .....	¥24,420	¥24,420	¥ 0	¥0
Pooled funds*1 .....	59	0	59	0
Debt securities:				
Other than Japan				
Government bonds .....	15,317	15,317	0	0
Municipal bonds .....	5,399	1,779	3,620	0
Corporate bonds .....	15,844	15,844	0	0
Other assets:				
Life insurance company general accounts*2 .....	161	0	161	0
Others*3 .....	842	0	842	0
	<u>¥62,042</u>	<u>¥57,360</u>	<u>¥4,682</u>	<u>¥0</u>

\*1 These funds invest in listed shares.

\*2 Life insurance company general accounts are accounts with guaranteed capital and minimum interest rate, in which life insurance companies manage funds on several contracts.

\*3 Others include derivative instruments held for hedging change in the fair value of equity securities, and short-term instruments.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

At March 31, 2014, our policy for the portfolio of plans consists of two major components: approximately 40% is invested in equity securities and approximately 60% is invested in debt securities.

	Millions of yen			
	March 31, 2015			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities:				
Other than Japan				
Shares .....	¥33,001	¥33,001	¥ 0	¥0
Pooled funds*1 .....	70	0	70	0
Debt securities:				
Other than Japan				
Government bonds .....	27,853	27,853	0	0
Municipal bonds .....	4,855	0	4,855	0
Corporate bonds .....	20,314	20,314	0	0
Other assets:				
Life insurance company general accounts*2 .....	196	0	196	0
Others*3 .....	720	0	720	0
	<u>¥87,009</u>	<u>¥81,168</u>	<u>¥5,841</u>	<u>¥0</u>

\*1 These funds invest in listed shares.

\*2 Life insurance company general accounts are accounts with guaranteed capital and minimum interest rate, in which life insurance companies manage funds on several contracts.

\*3 Others include derivative instruments held for hedging change in the fair value of equity securities, and short-term instruments.

At March 31, 2015, our policy for the portfolio of plans consists of two major components: approximately 40% is invested in equity securities and approximately 60% is invested in debt securities.

Each level into which assets are categorized is based on inputs used to measure the fair value of the assets.

Level 1 assets are comprised principally of equity securities and debt securities, which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions. Level 2 assets are comprised principally of pooled funds that invest in equity, debt securities and hedge funds and investments in life insurance company general accounts. Pooled funds are valued at the net asset value per share at the measurement date. They are not redeemable at the net asset value per share at the measurement date but they are redeemable at the net asset value per share in the near term after the measurement date. Investments in life insurance company general accounts are valued at conversion value.

The Company and certain subsidiaries expect to contribute ¥3,003 million to its Japanese pension plans and ¥1,612 million to its overseas pension plans during the year ending March 31, 2016.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

At March 31, 2015, the benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five years thereafter are as follows:

<u>Years ending March 31,</u>	<u>Millions of yen</u>	
	<u>Japanese plans</u>	<u>Overseas plans</u>
2016 .....	¥ 2,187	¥ 1,513
2017 .....	1,935	1,282
2018 .....	2,015	1,288
2019 .....	1,987	1,332
2020 .....	2,262	1,367
2021-2025 .....	13,697	7,568
Total .....	<u>¥24,083</u>	<u>¥14,350</u>

The cost recognized for Japanese defined contribution pension plans of the Company and certain of its subsidiaries for the years ended March 31, 2013, 2014 and 2015 were ¥926 million, ¥1,044 million and ¥1,248 million, respectively. The cost recognized for overseas defined contribution pension plans of the Company and certain of its subsidiaries for the years ended March 31, 2013, 2014 and 2015 were ¥574 million, ¥1,560 million and ¥2,526 million, respectively.

**18. Redeemable Noncontrolling Interests**

Changes in redeemable noncontrolling interests in fiscal 2013, 2014 and 2015 are as follows:

	<u>Millions of yen</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Beginning Balance .....	¥37,633	¥41,621	¥53,177
Adjustment of redeemable noncontrolling interests to redemption value . . . .	(400)	2,851	220
Contribution to subsidiary .....	0	413	0
Transaction with noncontrolling interests .....	942	1,309	2,269
Comprehensive income			
Net Income .....	3,985	4,108	4,970
Other comprehensive income			
Net change of foreign currency translation adjustments .....	5,224	4,099	9,295
Total other comprehensive income .....	5,224	4,099	9,295
Comprehensive income .....	9,209	8,207	14,265
Cash dividends .....	(5,763)	(1,224)	(3,030)
Ending Balance .....	<u>¥41,621</u>	<u>¥53,177</u>	<u>¥66,901</u>

**19. Stock-Based Compensation**

The Company has a number of stock-based compensation plans as incentive plans for directors, executive officers, corporate auditors and selected employees.

**Stock-option program**

Since fiscal 2005, the Company has granted stock acquisition rights with a vesting period between 1.75 and 1.92 years and an exercise period between 9.83 and 9.92 years. The acquisition rights were to purchase the Company's common stock at a specified exercise price and were distributed to directors, executive officers,



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

corporate auditors and certain employees of the Company, subsidiaries and capital tie-up companies such as affiliated companies. The Company did not grant stock options in fiscal 2013, 2014 or 2015.

A summary of the Company's stock acquisition rights is as follows:

<u>Years ended March 31,</u>	<u>Exercise period</u>	<u>Number of shares granted*</u>	<u>Exercise price*</u> <u>Yen</u>
2005 .....	From June 24, 2006 to June 23, 2014	5,289,000	1,172
2006 .....	From June 22, 2007 to June 21, 2015	4,774,000	1,891
2007 .....	From June 21, 2008 to June 20, 2016	1,942,000	2,962
2008 .....	From July 5, 2009 to June 22, 2017	1,449,800	3,101
2009 .....	From July 18, 2010 to June 24, 2018	1,479,000	1,689

\* The number of shares and exercise price of the granted options were adjusted for the 10-for-1 stock split implemented on April 1, 2013.

For the stock-option programs, the exercise prices, which are determined by a formula linked to the price of the Company's common stock on the Tokyo Stock Exchange, are equal or greater than the fair market value of the Company's common stock at the grant dates.

The following table summarizes information about the activity of these stock options for the year ended March 31, 2015:

	<u>Number of shares*2</u>	<u>Weighted average exercise price*1*2</u> <u>Yen</u>	<u>Weighted average remaining contractual life</u> <u>Years</u>	<u>Aggregate intrinsic value</u> <u>Millions of yen</u>
Outstanding at beginning of the year . . .	7,816,500	¥2,117		
Exercised .....	(866,900)	1,175		
Forfeited or expired .....	(602,400)	1,740		
Outstanding at end of year .....	<u>6,347,200</u>	2,281	1.27	¥0
Exercisable at end of year .....	6,347,200	¥2,281	1.27	¥0

\*1 The exercise prices of the granted options were adjusted in July 2009 for the issuance of new 18 million shares.

\*2 The number of shares and exercise price of the granted options were adjusted for the 10-for-1 stock split implemented on April 1, 2013.

The Company received ¥345 million, ¥863 million and ¥1,014 million in cash from the exercise of stock options during fiscal 2013, 2014 and 2015, respectively.

The total intrinsic value of options exercised during fiscal 2013, 2014 and 2015 was ¥136 million, ¥403 million and ¥378 million, respectively.

In fiscal 2013, 2014 and 2015, the Company did not recognize any incremental stock-based compensation costs of its stock-option program. As of March 31, 2015, the Company had no unrecognized compensation costs.

**Stock compensation program**

The Company maintains a stock compensation program for directors, executive officers and group executives of the Company. In July 2014, the company changed the way of provision of the compensation for

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

retiree to provide these shares through “The Board Incentive Plan Trust (“ the trust”)” by a resolution of the Compensation Committee. The trust purchases the Company’s common shares including future granting shares by an entrusted fund which the Company set in advance. The Company holds those shares as entrusted assets, separately from other treasury stock which the Company holds.

Under the program, points are granted annually to directors, executive officers and group executives of the Company based upon the prescribed standards of the Company. Upon retirement, eligible directors, executive officers and group executives receive a certain number of the Company’s common shares calculated by translating each point earned by that retiree to one common share.

In fiscal 2015, the Company granted 364,500 points, and 650,000 points were settled for individuals who retired during fiscal 2015.

Total points outstanding under the stock compensation program as of March 31, 2015 were 1,758,042 points. The points were adjusted for the 10-for-1 stock split implemented on April 1, 2013. During fiscal 2013, 2014 and 2015, the Company recognized incremental stock-based compensation costs of its stock compensation program in the amount of ¥410 million, ¥609 million and ¥818 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

20. Accumulated Other Comprehensive Income (Loss)

Changes in each component of accumulated other comprehensive income (loss) attributable to ORIX Corporation Shareholders in fiscal 2013, 2014 and 2015 are as follows:

	Millions of yen				
	Net unrealized gains (losses) on investment in securities	Defined benefit pension plans	Foreign currency translation adjustments	Net unrealized gains (losses) on derivative instruments	Accumulated other comprehensive income (loss)
Balance at March 31, 2012	¥ 16,145	¥(14,343)	¥(95,692)	¥(2,166)	¥(96,056)
Net unrealized gains on investment in securities, net of tax of ¥(8,206) million	17,955				17,955
Reclassification adjustment included in net income, net of tax of ¥1,997 million	(4,625)				(4,625)
Defined benefit pension plans, net of tax of ¥(2,589) million		4,511			4,511
Reclassification adjustment included in net income, net of tax of ¥(138) million		248			248
Foreign currency translation adjustments, net of tax of ¥(5,254) million			47,428		47,428
Reclassification adjustment included in net income, net of tax of ¥(1,971) million			3,551		3,551
Net unrealized losses on derivative instruments, net of tax of ¥288 million				(556)	(556)
Reclassification adjustment included in net income, net of tax of ¥(328) million				824	824
Total other comprehensive income	<u>13,330</u>	<u>4,759</u>	<u>50,979</u>	<u>268</u>	<u>69,336</u>
Transaction with noncontrolling interests	<u>0</u>	<u>2</u>	<u>87</u>	<u>0</u>	<u>89</u>
Less: Other Comprehensive Income Attributable to the Noncontrolling Interest	<u>501</u>	<u>1</u>	<u>3,735</u>	<u>(7)</u>	<u>4,230</u>
Less: Other Comprehensive Income Attributable to the Redeemable Noncontrolling Interests	<u>0</u>	<u>0</u>	<u>5,224</u>	<u>0</u>	<u>5,224</u>
Balance at March 31, 2013	¥ 28,974	¥ (9,587)	¥(53,759)	¥(1,891)	¥(36,263)
Net unrealized gains on investment in securities, net of tax of ¥(9,529) million	18,566				18,566
Reclassification adjustment included in net income, net of tax of ¥4,225 million	(7,963)				(7,963)
Defined benefit pension plans, net of tax of ¥(1,547) million		3,848			3,848
Reclassification adjustment included in net income, net of tax of ¥91 million		(278)			(278)
Foreign currency translation adjustments, net of tax of ¥(1,739) million			35,425		35,425
Reclassification adjustment included in net income, net of tax of ¥(17) million			1,503		1,503
Net unrealized gains on derivative instruments, net of tax of ¥(31) million				572	572
Reclassification adjustment included in net income, net of tax of ¥(298) million				915	915
Total other comprehensive income	<u>10,603</u>	<u>3,570</u>	<u>36,928</u>	<u>1,487</u>	<u>52,588</u>
Less: Other Comprehensive Income Attributable to the Noncontrolling Interest	<u>926</u>	<u>213</u>	<u>11,019</u>	<u>30</u>	<u>12,188</u>
Less: Other Comprehensive Income Attributable to the Redeemable Noncontrolling Interests	<u>0</u>	<u>0</u>	<u>4,099</u>	<u>0</u>	<u>4,099</u>
Balance at March 31, 2014	¥ 38,651	¥ (6,230)	¥(31,949)	¥ (434)	¥ 38

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

	Millions of yen				
	Net unrealized gains (losses) on investment in securities	Defined benefit pension plans	Foreign currency translation adjustments	Net unrealized gains (losses) on derivative instruments	Accumulated other comprehensive income (loss)
Balance at March 31, 2014	¥ 38,651	¥ (6,230)	¥(31,949)	¥ (434)	¥ 38
Net unrealized gains on investment in securities, net of tax of ¥(15,416) million	34,914				34,914
Reclassification adjustment included in net income, net of tax of ¥8,501 million	(25,047)				(25,047)
Defined benefit pension plans, net of tax of ¥3,960 million		(14,834)			(14,834)
Reclassification adjustment included in net income, net of tax of ¥85 million		(118)			(118)
Foreign currency translation adjustments, net of tax of ¥(7,000) million			38,309		38,309
Reclassification adjustment included in net income, net of tax of ¥120 million			(1,154)		(1,154)
Net unrealized losses on derivative instruments, net of tax of ¥971 million				(2,985)	(2,985)
Reclassification adjustment included in net income, net of tax of ¥(716) million				2,424	2,424
Total other comprehensive income (loss)	9,867	(14,952)	37,155	(561)	31,509
Transaction with noncontrolling interests	0	0	(96)	0	(96)
Less: Other Comprehensive Income Attributable to the Noncontrolling Interest	(1,812)	(1,734)	(4,424)	(55)	(8,025)
Less: Other Comprehensive Income Attributable to the Redeemable Noncontrolling Interests	0	0	9,295	0	9,295
Balance at March 31, 2015	¥ 50,330	¥(19,448)	¥ 431	¥ (940)	¥ 30,373

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

Amounts reclassified to net income from accumulated other comprehensive income (loss) for fiscal 2014 and 2015 are as follows:

<u>Details about accumulated other comprehensive income components</u>	<u>March 31, 2014</u>	
	<u>Reclassification adjustment included in net income</u>	<u>Consolidated statements of income caption</u>
	<u>Millions of yen</u>	
Net unrealized gains (losses) on investment in securities		
Sales of investment securities . . . . .	¥10,902	Gains on investment securities and dividends
Sales of investment securities . . . . .	3,262	Life insurance premiums and related investment income
Amortization of investment securities . . . .	858	Finance revenues
Amortization of investment securities . . . .	(532)	Life insurance premiums and related investment income
Others . . . . .	<u>(2,302)</u>	Write-downs of securities, and other
	12,188	Total before tax
	<u>(4,225)</u>	Tax expenses or benefits
	<u>¥ 7,963</u>	Net of tax
Defined benefit pension plans		
Amortization of prior service credit . . . . .	¥ 1,262	See Note 17 “Pension Plans”
Amortization of net actuarial loss . . . . .	(837)	See Note 17 “Pension Plans”
Amortization of transition obligation . . . . .	<u>(56)</u>	See Note 17 “Pension Plans”
	369	Total before tax
	<u>(91)</u>	Tax expenses or benefits
	<u>¥ 278</u>	Net of tax
Foreign currency translation adjustments		
Sales or liquidation . . . . .	¥ (1,520)	Gains on sales of subsidiaries and affiliates and liquidation losses, net
	<u>(1,520)</u>	Total before tax
	17	Tax expenses or benefits
	<u>¥ (1,503)</u>	Net of tax
Net unrealized gains (losses) on derivative instruments		
Interest rate swap agreements . . . . .	¥ 39	Finance revenues/Interest expense
Foreign exchange contracts . . . . .	773	Other (income) and expense, net
Foreign currency swap agreements . . . . .	(2,025)	Finance revenues/Interest expense/Other (income) and expense, net
	<u>(1,213)</u>	Total before tax
	298	Tax expenses or benefits
	<u>¥ (915)</u>	Net of tax

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

	March 31, 2015	
Details about accumulated other comprehensive income components	Reclassification adjustment included in net income	Consolidated statements of income caption
	Millions of yen	
Net unrealized gains (losses) on investment in securities		
Sales of investment securities . . . . .	¥32,733	Gains on investment securities and dividends
Sales of investment securities . . . . .	5,599	Life insurance premiums and related investment income
Amortization of investment securities . . . . .	29	Finance revenues
Amortization of investment securities . . . . .	(1,960)	Life insurance premiums and related investment income
Others . . . . .	(2,853)	Write-downs of securities and other
	33,548	Total before tax
	(8,501)	Tax expenses or benefits
	<u>¥25,047</u>	Net of tax
Defined benefit pension plans		
Amortization of prior service credit . . . . .	¥ 978	See Note 17 “Pension Plans”
Amortization of net actuarial loss . . . . .	(717)	See Note 17 “Pension Plans”
Amortization of transition obligation . . . . .	(58)	See Note 17 “Pension Plans”
	203	Total before tax
	(85)	Tax expenses or benefits
	<u>¥ 118</u>	Net of tax
Foreign currency translation adjustments		
Sales or liquidation . . . . .	¥ 1,274	Gains on sales of subsidiaries and affiliates and liquidation losses, net
	1,274	Total before tax
	(120)	Tax expenses or benefits
	<u>¥ 1,154</u>	Net of tax
Net unrealized gains (losses) on derivative instruments		
Interest rate swap agreements . . . . .	¥ 32	Finance revenues/Interest expense
Foreign exchange contracts . . . . .	1,356	Other (income) and expense, net
Foreign currency swap agreements . . . . .	(4,528)	Finance revenues/Interest expense/Other (income) and expense, net
	(3,140)	Total before tax
	716	Tax expenses or benefits
	<u>¥(2,424)</u>	Net of tax

Comprehensive income (loss) and its components attributable to ORIX Corporation and noncontrolling interests have been reported, net of tax, in the consolidated statements of changes in equity, and information about comprehensive income (loss) and its components attributable to redeemable noncontrolling interests is provided in Note 18 (“Redeemable Noncontrolling Interests”). Total comprehensive income (loss) and its components have been reported, net of tax, in the consolidated statements of comprehensive income.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

**21. ORIX Corporation Shareholders' Equity**

Changes in the number of shares issued in fiscal 2013, 2014 and 2015 are as follows:

	Number of shares		
	2013	2014	2015
Beginning balance . . . . .	1,102,544,220	1,248,714,760	1,322,777,628
Exercise of stock options . . . . .	499,000	804,300	866,900
Conversion of convertible bonds . . . . .	145,671,540	73,258,568	0
Ending balance . . . . .	<u>1,248,714,760</u>	<u>1,322,777,628</u>	<u>1,323,644,528</u>

The Japanese Companies Act (the "Act") provides that an amount equivalent to 10% of any dividends resulting from appropriation of retained earnings be appropriated to the legal reserve until the aggregate amount of the additional paid-in capital and the legal reserve equals 25% of the issued capital. The Act also provides that both additional paid-in capital and the legal reserve are not available for dividends but may be capitalized or may be reduced by resolution of the general meeting of shareholders. However, if specified in the Company's articles of incorporation, dividends can be declared by the Board of Directors instead of the general meeting of shareholders. In accordance with this, the Board of Directors of the Company resolved in May 2015 that a total of ¥47,188 million dividends shall be distributed to the shareholders of record as of March 31, 2015. The liability for declared dividends and related impact on total equity is accounted for in the period of such Board of Directors' resolution.

The Act provides that at least one-half of amounts paid for new shares are included in common stock when they are issued. In conformity therewith, the Company has divided the principal amount of bonds converted into common stock and proceeds received from the issuance of common stock, including the exercise of warrants and stock acquisition rights, equally between common stock and additional paid-in capital, and set off expenses related to the issuance from the additional paid-in capital.

The amount available for dividends under the Act is calculated based on the amount recorded in the Company's non-consolidated financial statements prepared in accordance with accounting principles generally accepted in Japan. As a result, the amount available for dividends is ¥372,608 million as of March 31, 2015.

Retained earnings at March 31, 2015 include ¥47,275 million relating to equity in undistributed earnings of the companies accounted for by the equity method.

As of March 31, 2015, the restricted net assets of certain subsidiaries, which include regulatory capital requirements mainly for banking operations and life insurance of ¥25,102 million, do not exceed 25% of consolidated net assets.

**22. Gains on Investment Securities and Dividends**

Gains on investment securities and dividends in fiscal 2013, 2014 and 2015 consist of the following:

	Millions of yen		
	2013	2014	2015
Net gains on investment securities . . . . .	¥28,805	¥19,412	¥50,617
Dividends income, other . . . . .	6,009	7,769	5,778
	<u>¥34,814</u>	<u>¥27,181</u>	<u>¥56,395</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

*Trading activities*—Net gains on investment securities include net trading gains of ¥3,435 million, net trading losses of ¥3,208 million and net trading gains of ¥2,843 million for fiscal 2013, 2014 and 2015, respectively. Gains on derivative trading instruments are included in income from discontinued operations for fiscal 2013. For further information, see Note 25 “Discontinued Operations.”

**23. Life Insurance Operations**

Life insurance premiums and related investment income in fiscal 2013, 2014 and 2015 consist of the following:

	Millions of yen		
	2013	2014	2015
Life insurance premiums . . . . .	¥130,187	¥145,464	¥186,547
Life insurance related investment income . . . . .	8,539	9,942	164,946
	¥138,726	¥155,406	¥351,493

Life insurance premiums include reinsurance benefits, net of reinsurance premiums. Reinsurance benefits and reinsurance premiums for fiscal 2015 amounted to ¥2,438 million and ¥11,430 million, respectively.

The benefits and expenses of life insurance operations included in life insurance costs in the consolidated statements of income are recognized so as to associate with earned premiums over the life of contracts. This association is accomplished by means of the provision for future policy benefits and the deferral and subsequent amortization of policy acquisition costs (principally commissions and certain other expenses relating to policy issuance and underwriting). Amortization charged to income for fiscal 2013, 2014 and 2015 amounted to ¥7,196 million, ¥9,701 million and ¥11,917 million, respectively.

For fiscal 2015, life insurance premiums and related investment income includes net realized and unrealized gains or losses of ¥174,602 million from investment assets under management on behalf of variable annuity and variable life policyholders and, net losses of ¥28,227 million from derivative contracts entered to economically hedge a portion of the minimum guarantee risk relating to variable annuity and variable life insurance contracts, which consists of ¥10,216 million of losses from futures, ¥1,680 million of losses from foreign exchange contracts and ¥16,331 million of losses from options held. In addition, in fiscal 2015, the changes in fair value of the variable annuity and variable life insurance contracts elected for the fair value option were ¥510,961 million, and insurance costs recognized for insurance and annuity payouts as a result of insured events were ¥611,663 million. The net of ¥100,702 million was included in life insurance costs. The Company has elected the fair value option for certain reinsurance recoverables to partially offset the changes in fair value recognized in earnings of the policy liabilities and policy account balances attributable to the changes in the minimum guarantee risks of the variable annuity and variable life insurance contracts, and ¥36,072 million resulting from changes in the fair value of the reinsurance recoverables was recorded in life insurance costs for fiscal 2015.

**24. Write-downs of Long-Lived Assets**

In accordance with ASC 360 (“Property, Plant, and Equipment”), the Company and its subsidiaries perform tests for recoverability on assets for which events or changes in circumstances indicated that the assets might be impaired. The Company and its subsidiaries consider an asset’s carrying amount as not recoverable when such carrying amount exceeds the undiscounted future cash flows estimated to result from the use and eventual disposition of the asset. The net carrying amount of assets not recoverable is reduced to fair value if lower than the carrying amount. The Company and its subsidiaries determine the fair value using appraisals prepared by



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

independent third party appraisers or their own staff of qualified appraisers, based on recent transactions involving sales of similar assets or other valuation techniques such as discounted cash flow methodologies using future cash flows estimated to be generated from operation of existing assets or completion of development projects, as appropriate.

During fiscal 2013, 2014 and 2015, the Company and certain subsidiaries recognized impairment losses for the difference between carrying amounts and fair values in the amount of ¥21,053 million, ¥26,742 million and ¥34,887 million, respectively, which are reflected as write-downs of long-lived assets and income from discontinued operations. Of these amounts, ¥17,896 million, ¥23,421 million and ¥34,887 million are reflected as write-downs of long-lived assets in the accompanying consolidated statements of income for fiscal 2013, 2014 and 2015, respectively. Breakdowns of these amounts by segment are provided in Note 32 (“Segment Information”).

The details of significant write-downs are as follows.

**Office Buildings**—During fiscal 2013, write-downs of ¥1,055 million were recorded for 14 office buildings held for sale, and write-downs of ¥923 million were recorded in relation to two office buildings due to a decline in estimated cash flows of each unit. During fiscal 2014, write-downs of ¥1,445 million were recorded for five office buildings held for sale, write-downs of ¥3,582 million were recorded in relation to two office buildings due to a decline in estimated cash flows of each unit, and write-downs of ¥4,109 million were recorded for an office building due to change in use. During fiscal 2015, write-downs of ¥4,805 million were recorded for three office buildings held for sale, and write-downs of ¥9,172 million were recorded in relation to six office buildings due to a decline in estimated cash flows of each unit.

**Condominiums**—During fiscal 2013, write-downs of ¥1,142 million were recorded for 13 condominiums held for sale, and write-downs of ¥3,853 million were recorded in relation to four condominiums due to a decline in estimated cash flows of each unit or property. During fiscal 2014, write-downs of ¥988 million were recorded for a condominium held for sale. During fiscal 2015, write-downs of ¥621 million were recorded for one condominium due to change in use.

**Commercial Facilities Other Than Office Buildings**—During fiscal 2013, write-downs of ¥442 million were recorded for four buildings held for sale, and write-downs of ¥1,582 million were recorded in relation to two buildings due to a decline in estimated cash flows of each unit. During fiscal 2014, write-downs of ¥137 million were recorded for one building held for sale, and write-downs of ¥2,976 million were recorded in relation to two buildings due to a decline in estimated cash flows of each unit. During fiscal 2015, write-downs of ¥3,832 million were recorded in relation to three buildings due to a decline in estimated cash flows of each unit.

**Land undeveloped or under construction**—During fiscal 2013, write-downs of ¥608 million were recorded for land undeveloped or under construction held for sale, and write-downs of ¥6,818 million were recorded in relation to land undeveloped or under construction due to a decline in estimated cash flows of each unit. During fiscal 2014, write-downs of ¥713 million were recorded for land undeveloped or under construction held for sale, and write-downs of ¥3,787 million were recorded in relation to land undeveloped or under construction due to a decline in estimated cash flows of each unit. During fiscal 2015, write-downs of ¥586 million were recorded for land undeveloped or under construction held for sale, and write-downs of ¥2,797 million were recorded in relation to land undeveloped or under construction due to a decline in estimated cash flows of each unit.

**Others**—During fiscal 2013, 2014 and 2015, write-downs of ¥4,630 million, ¥9,005 million and ¥13,074 million, respectively, for long-lived assets other than the above were recorded, mainly because the

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

carrying amounts exceeded the estimated undiscounted future cash flows, which decreased due to deterioration in operating performance. In addition, write-down of long-lived assets in fiscal 2014 includes write-downs of ¥5,052 million of a building used for training facility in facilities operation business and ¥1,292 million of information-related equipment in rental operation. Write-down of long-lived assets in fiscal 2015 includes write-downs of ¥7,737 million of golf courses.

#### 25. Discontinued Operations

In April 2014, Accounting Standards Update 2014-08 (“Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity”—ASC 205 (“Presentation of Financial Statements”) and ASC 360 (“Property, Plant, and Equipment”)) was issued. This Update requires an entity to report a disposal or a classification as held for sale of a component of an entity or a group of components of an entity in discontinued operations if it represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. The Company and its subsidiaries early adopted this Update on April 1, 2014. In accordance with this Update, the Company and its subsidiaries report a disposal of a component or a group of components of the Company and its subsidiaries in discontinued operations if the disposal represents a strategic shift which has (or will have) a major effect on the Company and its subsidiaries’ operations and financial results when the component or group of components is disposed by sale or classified as held for sale on or after April 1, 2014.

During fiscal 2015, there was no disposal or classification as held for sale of a component or a group of components which represents a strategic shift which has (or will have) a major effect on the Company and its subsidiaries’ operations and financial results.

Prior to these amendments, ASC 205-20 (“Presentation of Financial Statements—Discontinued Operations”) required that the Company and its subsidiaries reclassify the operations sold or disposed of, or to be disposed of by sale without significant continuing involvement in the operations to discontinued operations. During fiscal 2014, the Company and its subsidiaries reported gains on sales and the results of operations of subsidiaries, business units, and certain rental properties, which have been sold or are to be disposed of by sale, as income from discontinued operations in the accompanying consolidated statements of income in accordance with ASC 205-20 prior to the amendments.

Accounting Standards Update 2014-08 does not apply to a disposal or a classification as held for sale of a component or a group of components of the Company and its subsidiaries which have previously been reported in the financial statements. Accordingly, during fiscal 2015, the Company and its subsidiaries continue to report gains on sales and the results of operations of subsidiaries and business units, which were classified as held for sale at March 31, 2014, as income from discontinued operations in the accompanying consolidated statements of income in accordance with ASC 205-20 prior to the early adoption of the update.

During fiscal 2013, the Company and its subsidiaries completed the liquidation procedure for a kumiai in Japan which was effectively a type of SPE, operating private-equity investment and management, and the Company wound up a subsidiary overseas which operated reinsurance business. As a result, a loss of ¥13 million was recognized during fiscal 2013. Furthermore, the Company has determined to wind up a subsidiary that operates M&A advisory services business in Japan and a subsidiary that operates alternative investment business in Japan during fiscal 2013. There were no significant assets or liabilities of the subsidiaries in the accompanying consolidated balance sheets at March 31, 2013. Net losses of ¥370 million on derivative trading instruments are included in income from discontinued operations for the subsidiary that operates alternative investment business in Japan for fiscal 2013.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

The Company liquidated a subsidiary that operated a hotel and the Company has determined to wind up a subsidiary that operates corporate finance business overseas due to a state of substantially complete liquidation during fiscal 2014. As a result, a loss of ¥1,600 million was recognized during fiscal 2014. During fiscal 2014, the Company has determined to sell the food business unit of a subsidiary, which is composed of the food service business unit and the food business unit and the Company has completed the sale of the food business unit of a subsidiary during fiscal 2015. As a result, a gain of ¥362 million was recognized during fiscal 2015. With respect to the food business unit of the subsidiary held for sale as of March 31, 2014, included in the accompanying consolidated balance sheets are mainly property under facility operations of ¥1,561 million, trade notes, accounts and other receivable of ¥2,066 million, other assets of ¥1,511 million and trade notes, accounts and other payable of ¥1,822 million, and long-term debts of ¥1,336 million. The Company has completed the sale of the food business unit of a subsidiary during fiscal 2015 and there are no amounts of assets included in the accompanying consolidated balance sheets as of March 31, 2015.

The Company and its subsidiaries own various real estate properties, including commercial and office buildings, for rental operations. In fiscal 2013 and 2014, the Company and its subsidiaries recognized ¥6,802 million and ¥16,200 million of aggregated gains on sales of such real estate properties, respectively. In fiscal 2015, the Company and its subsidiaries did not recognize any gains or losses on sales of such real estate properties reported as income from discontinued operations. With respect to the real estate properties classified as held for sale at March 31, 2014 included in the accompanying consolidated balance sheets are investment in operating leases of ¥42,266 million and property under facility operations of ¥2,428 million. With respect to the real estate properties classified as held for sale at March 31, 2015, included in the accompanying consolidated balance sheets are investment in operating leases of ¥24,619 million, property under facility operations of ¥2,873 million and other assets of ¥689 million.

Discontinued operations in fiscal 2013, 2014 and 2015 consist of the following:

	Millions of yen		
	2013	2014	2015
Revenues .....	¥20,699	¥26,607	¥2,214
Income from discontinued operations, net* .....	(179)	12,182	463
Provision for income taxes .....	347	(4,681)	(166)
Discontinued operations, net of applicable tax effect .....	¥ 168	¥ 7,501	¥ 297

\* Income from discontinued operations, net includes aggregate gains on sales of subsidiaries, business units and rental properties and liquidation on losses. The amount of such gains or losses in fiscal 2013, 2014 and 2015 were net gain of ¥6,789 million, ¥14,600 million and ¥362 million, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

**26. Per Share Data**

Reconciliation of the differences between basic and diluted earnings per share (EPS) in fiscal 2013, 2014 and 2015 is as follows:

In fiscal 2013, the diluted EPS calculation excludes stock options for 9,010 thousand shares, as they were antidilutive. In fiscal 2014, the diluted EPS calculation excludes stock options for 6,815 thousand shares, as they were antidilutive. In fiscal 2015, the diluted EPS calculation excludes stock options for 6,499 thousand shares, as they were antidilutive.

	Millions of yen		
	2013	2014	2015
Income attributable to ORIX Corporation shareholders from continuing operations . . . . .	¥ 112,144	¥ 180,069	¥ 234,651
Effect of dilutive securities			
Expense related to convertible bond . . . . .	1,329	265	0
Income from continuing operations for diluted EPS computation . . . . .	¥ 113,473	¥ 180,334	¥ 234,651

	Thousands of shares		
	2013	2014	2015
Weighted-average shares . . . . .	1,087,883	1,268,081	1,309,144
Effect of dilutive securities			
Conversion of convertible bond . . . . .	206,635	40,057	0
Exercise of stock options . . . . .	1,546	2,117	1,865
Weighted-average shares for diluted EPS computation . . . . .	1,296,064	1,310,255	1,311,009

	Yen		
	2013	2014	2015
Earnings per share for income attributable to ORIX Corporation shareholders from continuing operations:			
Basic . . . . .	¥ 103.09	¥ 142.00	¥ 179.24
Diluted . . . . .	87.55	137.63	178.99

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

The Company's shares held through the Board Incentive Plan Trust (2,153,800 shares) are included in the number of treasury stock shares as of March 31, 2015.

**27. Derivative Financial Instruments and Hedging**

**Risk management policy**

The Company and its subsidiaries manage interest rate risk through asset and liability management systems. The Company and its subsidiaries use derivative financial instruments to hedge interest rate risk and avoid

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

changes in interest rates that could have a significant adverse effect on the Company's results of operations. As a result of interest rate changes, the fair value and/or cash flow of interest sensitive assets and liabilities will fluctuate. However, such fluctuation will generally be offset by using derivative financial instruments as hedging instruments. Derivative financial instruments that the Company and its subsidiaries use as part of the interest risk management include interest rate swaps.

The Company and its subsidiaries utilize foreign currency borrowings, foreign exchange contracts and foreign currency swap agreements to hedge exchange rate risk associated with certain transactions and investments denominated in foreign currencies. Similarly, overseas subsidiaries generally structure their liabilities to match the currency-denomination of assets in each region. A certain subsidiary holds option agreements, futures and foreign exchange contracts for the purpose of economic hedges against minimum guarantee risk of variable annuity and variable life insurance contracts.

By using derivative instruments, the Company and its subsidiaries are exposed to credit risk in the event of nonperformance by counterparties. The Company and its subsidiaries attempt to manage the credit risk by carefully evaluating the content of transactions and the quality of counterparties in advance and regularly monitoring the amount of notional principal, fair value, type of transaction and other factors pertaining to each counterparty.

#### (a) Cash flow hedges

The Company and its subsidiaries designate interest rate swap agreements, foreign currency swap agreements and foreign exchange contracts as cash flow hedges for variability of cash flows originating from floating rate borrowings and forecasted transactions and for exchange fluctuations. Net gains (losses) before deducting applicable taxes on derivative contracts were reclassified from accumulated other comprehensive income (loss) into earnings when earnings were affected by the variability in cash flows of the designated hedged item. The amounts of these net gains (losses) after deducting applicable taxes were net losses of ¥824 million, ¥915 million and ¥2,424 million during fiscal 2013, 2014 and 2015, respectively. The amount of net gains (losses), which represent the ineffectiveness of cash flow hedges, ¥69 million of losses, ¥269 million of gains and ¥510 million of gains were recorded in earnings for fiscal 2013, 2014 and 2015, respectively. The amount of net derivative losses, ¥1,641 million, included in accumulated other comprehensive income (loss), net of applicable income taxes at March 31, 2015 will be reclassified into earnings within fiscal 2016.

#### (b) Fair value hedges

The Company and its subsidiaries use financial instruments designated as fair value hedges to hedge their exposure to interest rate risk and foreign currency exchange risk. The Company and its subsidiaries designate foreign currency swap agreements and foreign exchange contracts to minimize foreign currency exposures on lease receivables, loan receivables, borrowings and others, denominated in foreign currency. The Company and its subsidiaries designate interest rate swap to hedge interest rate exposure of the fair values of loan receivables. The Company and certain overseas subsidiaries, which issued medium-term notes or bonds with fixed interest rates, use interest rate swap agreements to hedge interest rate exposure of the fair values of these medium-term notes or bonds. In cases where the medium-term notes were denominated in other than the subsidiaries' local currencies, foreign currency swap agreements are used to hedge foreign exchange rate exposure. A certain overseas subsidiary uses foreign currency long-term-debt to hedge foreign exchange rate exposure from unrecognized firm commitment. For fiscal 2013, 2014 and 2015, net losses of ¥47 million, net losses of ¥20 million and net gains of ¥21 million, respectively of hedge ineffectiveness associated with instruments designated as fair value hedges were recorded in earnings.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

**(c) Hedges of net investment in foreign operations**

The Company uses foreign exchange contracts, borrowings and bonds denominated in the subsidiaries' local currencies to hedge the foreign currency exposure of the net investment in overseas subsidiaries. The gains and losses of these hedging instruments were recorded in foreign currency translation adjustments, which is a part of other comprehensive income (loss).

**(d) Trading derivatives or derivatives not designated as hedging instruments**

The Company and its subsidiaries engage in trading activities involving various future contracts. Therefore the Company and its subsidiaries are at various risks such as share price fluctuation risk, interest rate risk and foreign currency exchange risk. The Company and its subsidiaries check that these risks are below a certain level by using internal indicators and determine whether such contracts should be continued or not. The Company and its subsidiaries entered into interest rate swap agreements, foreign currency swap agreements and foreign exchange contracts for risk management purposes which are not qualified for hedge accounting under ASC 815 ("Derivatives and Hedging"). A certain subsidiary holds option agreements, futures and foreign exchange contracts for the purpose of economic hedges against minimum guarantee risk of variable annuity and variable life insurance contracts.

ASC 815-10-50 ("Derivatives and Hedging—Disclosures") requires companies to disclose the fair value of derivative instruments and their gains (losses) in tabular format, as well as information about credit-risk-related contingent features in derivative agreements.

The effect of derivative instruments on the consolidated statements of income, pre-tax, for fiscal 2013 is as follows.

**(1) Cash flow hedges**

	<u>Gains (losses) recognized in other comprehensive income on derivative (effective portion)</u>	<u>Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion)</u>		<u>Gains (losses) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)</u>	
	<u>Millions of yen</u>	<u>Consolidated statements of income location</u>	<u>Millions of yen</u>	<u>Consolidated statements of income location</u>	<u>Millions of yen</u>
Interest rate swap agreements . . .	¥ (249)	Finance revenues/Interest expense	¥ 6	—	¥ 0
Foreign exchange contracts . . . .	(1,546)	Other (income) and expense, net	73	—	0
Foreign currency swap agreements . . . . .	960	Finance revenues/Interest expense/ Other (income) and expense, net	(1,231)	Other (income) and expense, net	(69)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

(2) Fair value hedges

	Gains (losses) recognized in income on derivative and other		Gains (losses) recognized in income on hedged item	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location
Interest rate swap agreements . . . . .	¥ 76	Finance revenues/Interest expense	¥ (120)	Finance revenues/Interest expense
Foreign exchange contracts . . . . .	(8,828)	Other (income) and expense, net	8,828	Other (income) and expense, net
Foreign currency swap agreements . . . . .	(2,352)	Other (income) and expense, net	2,349	Other (income) and expense, net
Foreign currency long-term debt . . . . .	172	Other (income) and expense, net	(172)	Other (income) and expense, net

(3) Hedges of net investment in foreign operations

	Gains (losses) recognized in other comprehensive income on derivative and others (effective portion)	Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion)	Gains (losses) recognized in income on derivative and others (ineffective portion and amount excluded from effectiveness testing)		
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location	Millions of yen
Foreign exchange contracts . . . . .	¥(11,524)	Gains on sales of subsidiaries and affiliates and liquidation losses, net	¥1,425	—	¥0
Borrowings and bonds in local currency . . . . .	(19,637)	Gains on sales of subsidiaries and affiliates and liquidation losses, net	3,464	—	0

(4) Trading derivatives or derivatives not designated as hedging instruments

	Gains (losses) recognized in income on derivative	
	Millions of yen	Consolidated statements of income location
Interest rate swap agreements . . . . .	¥ 8	Other (income) and expense, net
Futures . . . . .	(504)	Gains on investment securities and dividends
Foreign exchange contracts . . . . .	(236)	Gains on investment securities and dividends
Credit derivatives held/written . . . . .	344	Other (income) and expense, net
Options held/written, and other . . . . .	992	Other (income) and expense, net

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

The effect of derivative instruments on the consolidated statements of income, pre-tax, for fiscal 2014 is as follows.

(1) Cash flow hedges

	Gains (losses) recognized in other comprehensive income on derivative (effective portion)	Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion)	Gains (losses) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)		
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location	Millions of yen
Interest rate swap agreements . . .	¥ 945	Finance revenues/Interest expense	¥ 39	—	¥ 0
Foreign exchange contracts . . . . .	(948)	Other (income) and expense, net	773	—	0
Foreign currency swap agreements . . . . .	594	Finance revenues/Interest expense/Other (income) and expense, net	(2,025)	Other (income) and expense, net	269

(2) Fair value hedges

	Gains (losses) recognized in income on derivative and other		Gains (losses) recognized in income on hedged item	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location
Interest rate swap agreements . . . . .	¥(2,296)	Finance revenues/Interest expense	¥2,276	Finance revenues/Interest expense
Foreign exchange contracts . . . . .	(3,574)	Other (income) and expense, net	3,574	Other (income) and expense, net
Foreign currency swap agreements . . .	(2,896)	Other (income) and expense, net	2,896	Other (income) and expense, net
Foreign currency long-term-debt . . . . .	(1,609)	Other (income) and expense, net	1,609	Other (income) and expense, net

(3) Hedges of net investment in foreign operations

	Gains (losses) recognized in other comprehensive income on derivative and others (effective portion)	Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion)	Gains (losses) recognized in income on derivative and others (ineffective portion and amount excluded from effectiveness testing)		
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location	Millions of yen
Foreign exchange contracts . . . . .	¥(23,638)	Gains on sales of subsidiaries and affiliates and liquidation losses, net	¥(171)	—	¥0
Borrowings and bonds in local currency . . . . .	(16,469)	—	0	—	0



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

(4) Trading derivatives or derivatives not designated as hedging instruments

	Millions of yen	Gains (losses) recognized in income on derivative	
		Consolidated statements of income location	
Interest rate swap agreements	¥ 5	Other (income) and expense, net	
Futures	(167)	Gains on investment securities and dividends	
Foreign exchange contracts	(406)	Gains on investment securities and dividends	
Credit derivatives held/written	(506)	Other (income) and expense, net	
Options written and other	(241)	Other (income) and expense, net	

The effect of derivative instruments on the consolidated statements of income, pre-tax, for fiscal 2015 is as follows.

(1) Cash flow hedges

	Gains (losses) recognized in other comprehensive income on derivative (effective portion)	Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion)	Gains (losses) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location
Interest rate swap agreements	¥ (610)	Finance revenues/Interest expense	¥ 32	—
Foreign exchange contracts	(1,908)	Other (income) and expense, net	1,356	—
Foreign currency swap agreements	(1,438)	Finance revenues/Interest expense/Other (income) and expense, net	(4,528)	Other (income) and expense, net
				510

(2) Fair value hedges

	Gains (losses) recognized in income on derivative and other		Gains (losses) recognized in income on hedged item	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location
Interest rate swap agreements	¥ (1,298)	Finance revenues/Interest expense	¥ 1,318	Finance revenues/Interest expense
Foreign exchange contracts	(26,863)	Other (income) and expense, net	26,863	Other (income) and expense, net
Foreign currency swap agreements	(3,398)	Other (income) and expense, net	3,399	Other (income) and expense, net
Foreign currency long-term-debt	(1,551)	Other (income) and expense, net	1,551	Other (income) and expense, net

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

(3) Hedges of net investment in foreign operations

	Gains (losses) recognized in other comprehensive income on derivative and others (effective portion)	Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion)	Gains (losses) recognized in income on derivative and others (ineffective portion and amount excluded from effectiveness testing)	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location
Foreign exchange contracts . . . . .	¥(18,670)	Gains on sales of subsidiaries and affiliates and liquidation losses, net	¥1,274	—
Borrowings and bonds in local currency . . . . .	(6,968)	—	0	—
				Millions of yen
				¥0
				0

(4) Trading derivatives or derivatives not designated as hedging instruments

	Gains (losses) recognized in income on derivative	
	Millions of yen	Consolidated statements of income location
Interest rate swap agreements . . . . .	¥ (127)	Other (income) and expense, net
Futures . . . . .	(10,262)	Gains on investment securities and dividends
		Life insurance premiums and related investment income*
Foreign exchange contracts . . . . .	(3,463)	Gains on investment securities and dividends
		Life insurance premiums and related investment income*
		Other (income) and expense, net
Credit derivatives held . . . . .	71	Other (income) and expense, net
Options held/written and other . . . . .	(16,175)	Other (income) and expense, net
		Life insurance premiums and related investment income*

\* Futures, foreign exchange contracts and options held/written and other in the above table include losses arising from futures, foreign exchange contracts and options held to economically hedge the minimum guarantee risk of variable annuity and variable life insurance contracts for the ended March 31, 2015 (see Note 23 “Life Insurance Operations”).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

Notional amounts of derivative instruments and other, fair values of derivative instruments and other before offsetting at March 31, 2014 and 2015 are as follows.

**March 31, 2014**

	Asset derivatives			Liability derivatives	
	Notional amount	Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
	Millions of yen	Millions of yen		Millions of yen	
Derivatives designated as hedging instruments and other:					
Interest rate swap agreements	¥206,605	¥2,528	Other Assets	¥ 634	Other Liabilities
Futures, Foreign exchange contracts	370,243	1,018	Other Assets	4,708	Other Liabilities
Foreign currency swap agreements	93,276	3,534	Other Assets	7,176	Other Liabilities
Foreign currency long- term-debt	261,483	0	—	0	—
Trading derivatives or derivatives not designated as hedging instruments:					
Options written and other	¥173,637	¥5,486	Other Assets	¥3,605	Other Liabilities
Futures, Foreign exchange contracts	65,094	56	Other Assets	472	Other Liabilities
Credit derivatives held/written	13,715	29	Other Assets	265	Other Liabilities

**March 31, 2015**

	Asset derivatives			Liability derivatives	
	Notional amount	Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
	Millions of yen	Millions of yen		Millions of yen	
Derivatives designated as hedging instruments and other:					
Interest rate swap agreements	¥296,464	¥ 890	Other Assets	¥ 1,094	Other Liabilities
Futures, Foreign exchange contracts	581,510	5,281	Other Assets	11,016	Other Liabilities
Foreign currency swap agreements	104,058	6,411	Other Assets	9,788	Other Liabilities
Foreign currency long- term-debt	258,313	0	—	0	—
Trading derivatives or derivatives not designated as hedging instruments:					
Interest rate swap agreements	¥ 3,000	¥ 0	—	¥ 127	Other Liabilities
Options held/written and other*	441,586	12,103	Other Assets	6,177	Other Liabilities
Futures, Foreign exchange contracts*	111,309	438	Other Assets	1,252	Other Liabilities
Credit derivatives held	9,013	0	—	165	Other Liabilities

\* The notional amounts of options held/written and other and futures, foreign exchange contracts in the above table include options held of ¥265,094 million, futures contracts of ¥34,586 million and foreign exchange contracts of ¥13,415 million to economically hedge the minimum guarantee risk of variable annuity and variable life insurance contracts at March 31, 2015, respectively. Asset derivatives in the above table includes fair value of the options held and foreign exchange contracts before offsetting of ¥3,888 million and ¥92 million and liability derivatives includes fair value of the futures and foreign exchange contracts before offsetting of ¥690 million and ¥60 million at March 31, 2015, respectively.

Certain of the Company's derivative instruments contain provisions that require the Company to maintain an investment grade credit rating from each of the major credit rating agencies. If the Company's credit rating were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment on derivative instruments that are in net liability positions. There are no derivative instruments with credit-risk-related contingent features that were in a net liability position on March 31, 2014 and 2015.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

ASC 815-10-50 (“Derivatives and Hedging—Disclosures”) requires sellers of credit derivatives to disclose additional information about credit- risk-related potential payment risk.

The Company and its subsidiaries have contracted credit derivatives for the purpose of trading. Details of credit derivatives written as of March 31, 2014 are as follows and there are no credit derivatives written as of March 31, 2015.

**March 31, 2014**

<u>Types of derivatives</u>	<u>The events or circumstances that would require the seller to perform under the credit derivative</u>	<u>Maximum potential amount of future payment under the credit derivative</u>	<u>Approximate remaining term of the credit derivative</u>	<u>Fair value of the credit derivative</u>
		<u>Millions of yen</u>		<u>Millions of yen</u>
Credit default swap . . .	In case of credit event (bankruptcy, failure to pay, restructuring) occurring in underlying reference company*	¥425	Less than four years	¥29

\* Underlying reference company’s credit ratings are Baa1 or better rated by rating agencies as of March 31, 2014.

**28. Offsetting Assets and Liabilities**

The gross amounts recognized, gross amounts offset, and net amounts presented in the consolidated balance sheet regarding to derivative assets and liabilities and other assets and liabilities as of March 31, 2014 and 2015 are as follows.

**March 31, 2014**

	<u>Millions of yen</u>					
	<u>Gross amounts recognized</u>	<u>Gross amounts offset in the consolidated balance sheets</u>	<u>Net amounts presented in the consolidated balance sheets</u>	<u>Gross amounts not offset in the consolidated balance sheets*1</u>		
				<u>Financial instruments</u>	<u>Collateral</u>	<u>Net amount</u>
Derivative assets . . . . .	¥ 12,651	¥ (214)	¥ 12,437	¥ (1,015)	¥ 0	¥ 11,422
Reverse repurchase, securities borrowing, and similar arrangements*2 . . . . .	3,064	(3,049)	15	0	0	15
Total assets . . . . .	<u>15,715</u>	<u>(3,263)</u>	<u>12,452</u>	<u>(1,015)</u>	<u>0</u>	<u>11,437</u>
Derivative liabilities . . . . .	16,860	(214)	16,646	(1,015)	(571)	15,060
Repurchase, securities lending, and similar arrangements*2 . . . . .	3,049	(3,049)	0	0	0	0
Total liabilities . . . . .	<u>¥ 19,909</u>	<u>¥ (3,263)</u>	<u>¥ 16,646</u>	<u>¥ (1,015)</u>	<u>¥ (571)</u>	<u>¥ 15,060</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

March 31, 2015

	Millions of yen					
	Gross amounts recognized	Gross amounts offset in the consolidated balance sheets	Net amounts presented in the consolidated balance sheets	Gross amounts not offset in the consolidated balance sheets*1		
				Financial instruments	Collateral	Net amount
Derivative assets	¥ 25,123	¥ (2,858)	¥ 22,265	¥ 0	¥ (3,888)	¥ 18,377
Reverse repurchase, securities borrowing, and similar arrangements*2	9,915	(9,915)	0	0	0	0
Total assets	<u>35,038</u>	<u>(12,773)</u>	<u>22,265</u>	<u>0</u>	<u>(3,888)</u>	<u>18,377</u>
Derivative liabilities	29,619	(2,858)	26,761	0	(277)	26,484
Repurchase, securities lending, and similar arrangements*2	10,590	(9,915)	675	0	0	675
Total liabilities	<u>¥ 40,209</u>	<u>¥ (12,773)</u>	<u>¥ 27,436</u>	<u>¥ 0</u>	<u>(277)</u>	<u>¥ 27,159</u>

\*1 The balances related to enforceable master netting agreements or similar agreements which were not offset in the consolidated balance sheets.

\*2 Reserve repurchase agreements and securities borrowing, and similar transactions are reported within other assets in the consolidated balance sheets. Repurchase agreements and securities lending, and similar transactions are reported within other liabilities in the consolidated balance sheets.

**29. Significant Concentrations of Credit Risk**

The Company and its subsidiaries have established various policies and procedures to manage credit exposure, including initial credit approval, credit limits, collateral and guarantee requirements, obtaining rights of offset and continuous oversight. The Company and its subsidiaries' principal financial instrument portfolio consists of investment in direct financing leases which are secured by title to the leased assets and installment loans which are secured by assets specifically collateralized in relation to loan agreements. When deemed necessary, guarantees are also obtained. The value and adequacy of the collateral are continually monitored. Consequently, the risk of credit loss from counterparties' failure to perform in connection with collateralized financing activities is believed to be minimal. The Company and its subsidiaries have access to collateral in case of bankruptcy and other losses. However, a significant decline in real estate markets could result in a decline in fair value of the collateral real estate below the mortgage setting amount, which would expose the Company and certain subsidiaries to unsecured credit risk.

The Company and its subsidiaries make investments in securities for various purposes. The risk of incurring significant losses during a certain period is believed to be minimal due to the diversification in the investment portfolio. However, various factors, including the issuer's credit risk and market trends, could expose the Company and its subsidiaries to a risk of unexpected loss. In connection with investments in securities, the percentage of trading securities to consolidated total assets is 0.2% and 10.4% as of March 31, 2014 and 2015, respectively. The increase is primarily due to the consolidation of HLIKK.

At March 31, 2014 and 2015, no concentration with a single obligor exceeded 1% of the Company's consolidated total assets. With respect to the Company and its subsidiaries' credit exposures on a geographic basis, ¥4,748 billion, or 79%, at March 31, 2014 and ¥6,601 billion, or 80%, at March 31, 2015 of the credit risks arising from all financial instruments are attributable to customers located in Japan. The largest concentration of credit risk outside of Japan is exposure attributable to obligors located in the United States. The gross amount of such exposure is ¥503 billion and ¥764 billion as of March 31, 2014 and 2015, respectively. Since the Company

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

and its subsidiaries adopted ASU 2009-16 and ASU 2009-17 on April 1, 2010, which changed the circumstances under which it is required to consolidate certain VIEs, the amounts above in relation to exposure in the United States mainly include the effect of such consolidated VIEs.

The Company and its subsidiaries have transportation equipment such as automobile operations and aircraft. Transportation equipment is mainly recorded in investment in direct financing leases and operating leases. In connection with investment in direct financing leases and operating leases, the percentage of investment in transportation equipment to consolidated total assets is 10.9% and 9.4% as of March 31, 2014 and 2015, respectively.

The Company and its subsidiaries provide consumers with housing loans. In connection with installment loans, the percentage of housing loans to consolidated total assets is 10.8% and 9.3% as of March 31, 2014 and 2015, respectively.

**30. Estimated Fair Value of Financial Instruments**

The following information is provided to help readers gain an understanding of the relationship between carrying amount of financial instruments reported in the accompanying consolidated financial statements and the related market or fair value. For derivative financial instruments, see Note 2 (“Fair Value Measurements”).

The disclosures do not include investment in direct financing leases, investment in subsidiaries and affiliates, pension obligations and insurance contracts and reinsurance contracts except for those classified as investment contracts.

**March 31, 2014**

	Millions of yen				
	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Assets:					
Trading securities . . . . .	¥ 16,079	¥ 16,079	¥ 275	¥ 15,804	¥ 0
Cash and cash equivalents . . . . .	818,039	818,039	818,039	0	0
Restricted cash . . . . .	87,035	87,035	87,035	0	0
Installment loans (net of allowance for probable loan losses) . . . . .	2,246,143	2,274,922	0	120,583	2,154,339
Investment in securities:					
Practicable to estimate fair value . . .	984,541	991,846	230,505	671,023	90,318
Not practicable to estimate fair value*1 . . . . .	213,832	213,832	0	0	0
Other Assets:					
Time deposits . . . . .	23,521	23,521	0	23,521	0
Derivative assets*2 . . . . .	12,437	12,437	0	0	0
Liabilities:					
Short-term debt . . . . .	¥ 308,331	¥ 308,331	¥ 0	¥ 308,331	¥ 0
Deposits . . . . .	1,206,413	1,206,642	0	1,206,642	0
Long-term debt . . . . .	3,852,668	3,859,292	0	1,235,412	2,623,880
Other Liabilities:					
Derivative liabilities*2 . . . . .	16,646	16,646	0	0	0

\*1 The fair value of investment securities of ¥213,832 million was not estimated, as it was not practical.

\*2 It represents the amount after offset under counterparty netting of derivative assets and liabilities. For the information of input level before netting, see Note 2 (“Fair Value Measurements”).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

March 31, 2015

	Millions of yen				
	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
<b>Assets:</b>					
Trading securities . . . . .	¥1,190,131	¥1,190,131	¥ 50,902	¥1,139,229	¥ 0
Cash and cash equivalents . . . . .	827,518	827,518	827,518	0	0
Restricted cash . . . . .	85,561	85,561	85,561	0	0
Installment loans (net of allowance for probable loan losses) . . . . .	2,420,932	2,439,904	0	231,565	2,208,339
Investment in securities:					
Practicable to estimate fair value . . .	1,481,162	1,495,540	130,519	1,239,124	125,897
Not practicable to estimate fair value*1 . . . . .	174,964	174,964	0	0	0
Other Assets:					
Time deposits . . . . .	13,761	13,761	0	13,761	0
Derivative assets*2 . . . . .	22,265	22,265	0	0	0
Reinsurance recoverables					
Investment contracts . . . . .	115,116	116,229	0	0	116,229
<b>Liabilities:</b>					
Short-term debt . . . . .	¥ 284,785	¥ 284,785	¥ 0	¥ 284,785	¥ 0
Deposits . . . . .	1,287,380	1,288,419	0	1,288,419	0
Policy liabilities and Policy account					
balances Investment contracts . . . . .	298,132	303,359	0	0	303,359
Long-term debt . . . . .	4,132,945	4,117,259	0	1,417,687	2,699,572
Other Liabilities:					
Derivative liabilities*2 . . . . .	26,761	26,761	0	0	0

\*1 The fair value of investment securities of ¥174,964 million was not estimated, as it was not practical.

\*2 It represents the amount after offset under counterparty netting of derivative assets and liabilities. For the information of input level before netting, see Note 2 (“Fair Value Measurements”).

**Input level of fair value measurement**

If active market prices are available, fair value measurement is based on quoted active market prices and classified as Level 1. If active market prices are not available, fair value measurement is based on observable inputs other than quoted prices included within Level 1 such as quoted market prices of similar assets and classified as Level 2. If market prices are not available and there are no observable inputs, then fair value is estimated by using valuation models including discounted cash flow methodologies, commonly used option-pricing models and broker quotes and classified as Level 3, as the valuation models and broker quotes are based on inputs that are unobservable in the market.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

#### Estimation of fair value

The following methods and significant assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate a value:

**Cash and cash equivalents, restricted cash, time deposits and short-term debt**—The carrying amounts recognized in the balance sheets were determined to be reasonable estimates of their fair values due to their short maturity.

**Installment loans**—The carrying amounts of floating-rate installment loans with no significant changes in credit risk and which could be repriced within a short-term period were determined to be reasonable estimates of their fair values. The carrying amounts of purchased loans were determined to be reasonable estimates of their fair values because the carrying amounts (net of allowance) are considered to properly reflect the recoverability and value of these loans. For certain homogeneous categories of medium- and long-term fixed-rate loans, such as housing loans, the estimated fair values were calculated by discounting the future cash flows using the current interest rates charged by the Company and its subsidiaries for new loans made to borrowers with similar credit ratings and remaining maturities. Concerning above, if available, estimated fair values were based on quoted market prices or quotations provided by dealers.

**Investment in securities**—For trading securities and available-for-sale securities other than specified bonds issued by SPEs and certain other mortgage-backed and asset-backed securities, the estimated fair values, which are also the carrying amounts recorded in the balance sheets, were generally based on quoted market prices or quotations provided by dealers. As for the specified bonds issued by the SPEs and certain other mortgage-backed and asset-backed securities included in available-for-sale securities, the Company and its subsidiaries estimated the fair value by using valuation models including discounted cash flow methodologies and broker quotes (see Note 2 Fair Value Measurement). For held-to-maturity securities, the estimated fair values were mainly based on quoted market prices. For certain investment funds included in other securities, the fair values are estimated based on net asset value per share or discounted cash flow methodologies. With regard to other securities other than the investment funds described above, the Company and its subsidiaries have not estimated the fair value, as it is not practicable to do so. Those other securities mainly consist of non-marketable equity securities and preferred capital shares. Because there were no quoted market prices for such other securities and each security has a different nature and characteristics, reasonable estimates of fair values could not be made without incurring excessive costs.

**Deposits**—The carrying amounts of demand deposits recognized in the consolidated balance sheets were determined to be reasonable estimates of their fair values. The estimated fair values of time deposits were calculated by discounting the future cash flows. The current interest rates offered for the deposits with similar terms and remaining average maturities were used as the discount rates.

**Long-term debt**—The carrying amounts of long-term debt with floating rates which could be repriced within short-term periods were determined to be reasonable estimates of their fair values. For medium-and long-term fixed-rate debt, the estimated fair values were calculated by discounting the future cash flows. The borrowing interest rates that were currently available to the Company and its subsidiaries offered by financial institutions for debt with similar terms and remaining average maturities were used as the discount rates. Concerning above, if available, estimated fair values were based on quoted market prices or quotations provided by dealers.

**Derivatives**—For exchange-traded derivatives, fair value is based on quoted market prices. Fair value estimates for other derivatives generally reflect the estimated amounts that the Company and its subsidiaries



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

would receive or pay to terminate the contracts at the reporting date, thereby taking into account the current unrealized gains or losses of open contracts. In estimating the fair value of most of the Company's and its subsidiaries' derivatives, estimated future cash flows are discounted using the current interest rate.

**Reinsurance recoverables and Policy liabilities and Policy account balances**—A subsidiary of the Company has fixed annuity contracts, variable annuity and variable life insurance contracts, and reinsurance contracts which are classified as investment contracts because they do not expose the subsidiary to mortality or morbidity risks. In estimating the fair value of those contracts, estimated future cash flows are discounted using the current interest rate.

**31. Commitments, Guarantees and Contingent Liabilities**

**Commitments**—As of March 31, 2015, the Company and its subsidiaries have commitments for the purchase of equipment to be leased, having a cost of ¥22,500 million.

The minimum future rentals on non-cancelable operating leases are as follows:

<u>Years ending March 31,</u>	<u>Millions of yen</u>
2016 .....	¥18,774
2017 .....	9,120
2018 .....	6,614
2019 .....	5,786
2020 .....	5,499
Thereafter .....	<u>40,115</u>
Total .....	<u>¥85,908</u>

The Company and its subsidiaries lease office space under operating lease agreements, which are primarily cancelable, and made rental payments totaling ¥7,848 million, ¥10,217 million and ¥15,782 million in fiscal 2013, 2014 and 2015, respectively.

Certain computer systems of the Company and its subsidiaries have been operated and maintained under non-cancelable contracts with third-party service providers. For such services, the Company and its subsidiaries made payments totaling ¥487 million, ¥3,297 million and ¥4,231 million in fiscal 2013, 2014 and 2015, respectively. The longest contract of them will mature in fiscal 2021. As of March 31, 2015, the amounts due are as follows:

<u>Years ending March 31,</u>	<u>Millions of yen</u>
2016 .....	¥ 3,933
2017 .....	2,360
2018 .....	1,624
2019 .....	1,469
2020 .....	1,058
Thereafter .....	<u>59</u>
Total .....	<u>¥10,503</u>

The Company and its subsidiaries have commitments to fund estimated construction costs to complete ongoing real estate development projects and other commitments, totaling ¥89,500 million as of March 31, 2015.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

The Company and its subsidiaries have agreements to commit to execute loans for customers, and to invest in funds, as long as the agreed-upon terms are met. As of March 31, 2015, the total unused credit and capital amount available is ¥370,378 million.

**Guarantees**—The Company and its subsidiaries apply ASC 460 (“Guarantees”), and at the inception of a guarantee recognize a liability in the consolidated balance sheets at fair value for the guarantee within the scope of ASC 460. The following table represents the summary of potential future payments, book value recorded as guarantee liabilities of the guarantee contracts outstanding and maturity of the longest guarantee contracts as of March 31, 2014 and 2015:

	2014			2015		
	Millions of yen		Fiscal year	Millions of yen		Fiscal year
	Potential future payment	Book value of guarantee liabilities	Maturity of the longest contract	Potential future payment	Book value of guarantee liabilities	Maturity of the longest contract
<b>Guarantees</b>						
Corporate loans .....	¥349,435	¥ 3,577	2021	¥439,253	¥ 4,959	2022
Transferred loans .....	212,150	3,671	2045	213,099	2,357	2045
Consumer loans .....	96,183	9,607	2018	117,153	11,773	2018
Housing loans .....	56,021	7,013	2051	59,743	6,422	2051
Other .....	3,070	92	2024	2,963	28	2024
Total .....	¥716,859	¥23,960	—	¥832,211	¥25,539	—

**Guarantee of corporate loans:** The Company and certain subsidiaries mainly guarantee corporate loans issued by financial institutions for customers. The Company and its subsidiaries are obliged to pay the outstanding loans when the guaranteed customers fail to pay principal and/or interest in accordance with the contract terms. In some cases, the corporate loans are secured by the guaranteed customers’ assets. Once the Company and its subsidiaries assume the guaranteed customers’ obligation, the Company and its subsidiaries obtain a right to claim the collateral assets. In other cases, certain contracts that guarantee corporate loans issued by financial institutions for customers include contracts that the amounts of performance guarantee are limited to a certain range of guarantee commissions. As of March 31, 2014 and 2015, total notional amount of the loans subject to such guarantees are ¥1,269,000 million and ¥1,204,000 million, respectively, and book value of guarantee liabilities are ¥823 million and ¥1,016 million, respectively. The potential future payment amounts for these guarantees are limited to a certain range of the guarantee commissions, which are less than the total notional amounts of the loans subject to these guarantees. The potential future payment amounts for the contract period are calculated from the guarantee limit which is arranged by financial institutions in advance as to contracts that the amounts of performance guarantee are unlimited to a certain range of guarantee commissions. For this reason, the potential future payment amounts for these guarantees include the amount of the guarantee which may occur in the future, which is larger than the balance of guarantee executed as of the end of the fiscal year. The executed guarantee balance includes defrayment by financial institutions which we bear temporarily at the time of execution, and credit risk for financial institutions until liquidation of this guarantee. Our substantial amounts of performance guarantee except credit risk for financial institutions are limited to our defrayment which is arranged by financial institutions in advance.

Payment or performance risk of the guarantees is considered based on the historical experience of credit events. There have been no significant changes in the payment or performance risk of the guarantees in fiscal 2015.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

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

In return for the delegated authority, the subsidiary guarantees the performance of certain housing loans transferred to Fannie Mae and has the payment or performance risk of the guarantees to absorb some of the losses when losses arise from the transferred loans.

There were no significant changes in the payment or performance risk of these guarantees in fiscal 2015.

**Guarantee of consumer loans:** A subsidiary guarantees consumer loans, typically card loans, issued by Japanese financial institutions. The subsidiary is obligated to pay the outstanding obligations when these loans become delinquent generally a month or more.

Payment or performance risk of the guarantees is considered based on the historical experience of credit events.

There were no significant changes in the payment or performance risk of the guarantees in fiscal 2015.

**Guarantee of housing loans:** The Company and certain subsidiaries guarantee housing loans issued by Japanese financial institutions to third party individuals. The Company and its subsidiaries are typically obliged to pay the outstanding loans when these loans become delinquent three months or more. The housing loans are usually secured by the real properties. Once the Company and its subsidiaries assume the guaranteed parties' obligation, the Company and its subsidiaries obtain a right to claim the collateral assets.

Payment or performance risk of the guarantees is considered based on the historical experience of credit events.

There were no significant changes in the payment or performance risk of the guarantees in fiscal 2015.

**Other guarantees:** Other guarantees include the guarantees to financial institutions and the guarantees derived from collection agency agreements. Pursuant to the contracts of the guarantees to financial institutions, a subsidiary pays to the financial institutions when customers of the financial institutions become debtors and default on the debts. Pursuant to the agreements of the guarantees derived from collection agency agreements, the Company and certain subsidiaries collect third parties' debt and pay the uncovered amounts.

**Litigation**—The Company and its subsidiaries are involved in legal proceedings and claims in the ordinary course of business. In the opinion of management, none of such proceedings and claims will have a significant impact on the Company's financial position or results of operations.

### 32. Segment Information

Financial information about the operating segments reported below is that which is available by segment and evaluated regularly by the management in deciding how to allocate resources and in assessing performance.

Previously, segment revenues were presented after adjusting inter-segment transactions. The segment revenues have been changed to include inter-segment transactions from the fiscal year ended March 31, 2015 because the volume of inter-segment transactions has been increasing. The amounts of segment revenues in the previous periods have also been retrospectively reclassified to conform to the presentation for the fiscal years ended March 31, 2013, 2014 and 2015. However, the effect of these changes did not have a significant effect on segment revenues.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

In addition, the segment information has been restated giving effect to these changes to conform to DAIKYO's current fiscal year end. For further information, see Note 1 "Significant Accounting and Reporting Policies (ah) Elimination of a lag period."

An overview of operations for each of the six segments follows below.

Corporate Financial Services	:	Lending, leasing and fee business
Maintenance Leasing	:	Automobile leasing and rentals, car sharing, and test and measurement instruments and IT-related equipment rentals and leasing
Real Estate	:	Real estate development, rental and financing, facility operation, REIT asset management and real estate investment advisory services
Investment and Operation	:	Environment and energy-related business, principal investment and loan servicing (asset recovery)
Retail	:	Life insurance, banking and card loan business
Overseas Business	:	Leasing, lending, investment in bonds, investment banking, asset management and ship- and aircraft-related operations

Financial information of the segments for the years ended March 31, 2013, 2014 and 2015 is as follows:

Year ended March 31, 2013	Millions of yen						
	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment and Operation	Retail	Overseas Business	Total
Revenues	¥ 78,448	¥ 234,696	¥ 219,562	¥123,692	¥ 188,838	¥ 203,519	¥1,048,755
Finance revenues	39,556	9,139	11,334	23,297	45,841	55,022	184,189
Interest expense	10,411	3,624	12,834	5,400	6,901	19,464	58,634
Depreciation and amortization	2,610	106,254	18,369	2,110	10,631	31,695	171,669
Other significant non-cash items:							
Provision for doubtful receivables and probable loan losses	331	(77)	(449)	5,532	2,611	2,438	10,386
Write-downs of long-lived assets	0	0	12,075	1,723	0	328	14,126
Increase (Decrease) in policy liabilities and policy account balances	0	0	0	0	20,990	0	20,990
Equity in net income (loss) of affiliates and gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	1,145	176	(631)	7,251	4,680	9,521	22,142
Discontinued operations	0	0	3,662	(841)	632	575	4,028
Segment profits	25,932	34,913	5,582	34,937	43,209	52,756	197,329
Segment assets	943,295	549,300	1,133,170	444,315	1,994,140	1,318,434	6,382,654
Long-lived assets	27,485	381,746	864,754	49,441	92,817	280,218	1,696,461
Expenditures for long-lived assets	1,943	160,420	22,276	1,200	206	109,426	295,471
Investment in affiliates	18,020	1,459	73,141	65,713	25,205	143,019	326,557

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

Year ended March 31, 2014	Millions of yen						
	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment and Operation	Retail	Overseas Business	Total
Revenues	¥ 78,825	¥ 251,328	¥ 203,382	¥236,879	¥ 211,612	¥ 412,157	¥1,394,183
Finance revenues	37,235	9,472	6,132	18,350	50,406	57,328	178,923
Interest expense	8,594	3,687	9,018	4,077	5,593	28,087	59,056
Depreciation and amortization	3,170	117,357	19,200	2,867	12,644	41,551	196,789
Other significant non-cash items:							
Provision for doubtful receivables and probable loan losses	(974)	363	2,079	2,620	3,485	5,673	13,246
Write-downs of long-lived assets	0	1,292	16,958	15	0	1,046	19,311
Increase (Decrease) in policy liabilities and policy account balances	0	0	0	0	28,429	0	28,429
Equity in net income (loss) of affiliates and gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	792	152	4,709	68,758	3,920	6,793	85,124
Discontinued operations	0	0	8,832	383	238	(279)	9,174
Segment profits	24,874	37,062	17,956	95,786	49,871	69,688	295,237
Segment assets	992,078	622,009	962,404	552,183	2,166,986	1,972,138	7,267,798
Long-lived assets	26,665	433,342	773,146	75,458	76,491	396,948	1,782,050
Expenditures for long-lived assets	3,505	176,952	32,056	22,428	195	117,419	352,555
Investment in affiliates	18,909	1,718	62,504	59,759	10,971	143,454	297,315

Year ended March 31, 2015	Millions of yen						
	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment and Operation	Retail	Overseas Business	Total
Revenues	¥ 85,502	¥263,499	¥182,321	¥666,120	¥ 425,977	¥ 561,893	¥2,185,312
Finance revenues	35,624	11,103	4,057	15,650	52,510	63,259	182,203
Interest expense	8,627	3,690	6,968	3,609	5,669	29,989	58,552
Depreciation and amortization	3,373	125,013	16,900	5,919	15,190	47,397	213,792
Other significant non-cash items:							
Provision for doubtful receivables and probable loan losses	597	372	(85)	(296)	3,975	8,086	12,649
Write-downs of long-lived assets	653	0	29,418	211	0	4,605	34,887
Increase (Decrease) in policy liabilities and policy account balances	0	0	0	0	(506,043)	0	(506,043)
Equity in net income (loss) of affiliates and gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	740	59	9,633	11,985	633	28,433	51,483
Bargain Purchase Gain	0	0	0	0	36,082	0	36,082
Discontinued operations	0	0	0	463	0	0	463
Segment profits	25,519	40,366	3,484	42,414	120,616	104,143	336,542
Segment assets	1,132,468	662,851	835,386	660,014	3,700,635	2,178,895	9,170,249
Long-lived assets	35,470	450,099	652,524	145,153	49,838	289,097	1,622,181
Expenditures for long-lived assets	8,717	162,323	45,019	70,616	144	106,338	393,157
Investment in affiliates	20,875	2,074	91,275	51,108	3,785	209,027	378,144

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### ORIX Corporation and Subsidiaries

Segment figures reported in these tables include operations classified as discontinued operations in the accompanying consolidated statements of income.

The accounting policies of the segments are almost the same as those described in Note 1 (“Significant Accounting and Reporting Policies”) except for the treatment of income tax expenses, net income attributable to the noncontrolling interests, net income attributable to the redeemable noncontrolling interests, income from discontinued operations and the consolidation of certain variable interest entities (VIEs). Income taxes are not included in segment profits or losses because the management evaluates segments’ performance on a pre-tax basis. Also, net income attributable to noncontrolling interests and redeemable noncontrolling interests are not included in segment profits or losses because the management evaluates segments’ performance based on profits or losses (per-tax) attributable to ORIX Corporation Shareholders. On the other hand, income from discontinued operations is included in segment profits or losses because the management considers such disposal activities as part of the ordinary course of business. Net income attributable to the noncontrolling interests, net income attributable to the redeemable noncontrolling interests and income from discontinued operations, which are recognized net of tax in the accompanying consolidated statements of income, are adjusted to profit or loss before income taxes, when calculating segment profits or losses. Most of selling, general and administrative expenses, including compensation costs that are directly related to the revenue generating activities of each segment, have been accumulated by and charged to each segment. Gains and losses that management does not consider for evaluating the performance of the segments, such as write-downs of certain securities, write-downs of certain long-lived assets and certain foreign exchange gains or losses (included in other (income) and expense, net) are excluded from the segment profits or losses, and are regarded as corporate items.

Assets attributed to each segment are investment in direct financing leases, installment loans, investment in operating leases, investment in securities, property under facility operations, investment in affiliates, inventories, advances for investment in operating leases (included in other assets), advances for investment in property under facility operations (included in other assets) and goodwill and other intangible assets recognized as a result of business combination (included in other assets). This has resulted in the depreciation of office facilities being included in each segment’s profit or loss while the carrying amounts of corresponding assets are not allocated to each segment’s assets. However, the effect resulting from this allocation is not significant.

For those VIEs that are used for securitization and are consolidated in accordance with ASC 810 (“Consolidations”), for which the VIE’s assets can be used only to settle related obligations of those VIEs and the creditors (or beneficial interest holders) do not have recourse to other assets of the Company or its subsidiaries, segment assets are measured based on the amount of the Company and its subsidiaries’ net investments in the VIEs, which is different from the amount of total assets of the VIEs, and accordingly, segment revenues are also measured at a net amount representing the revenues earned on the net investments in the VIEs.

Certain gains or losses related to assets and liabilities of consolidated VIEs, which are not ultimately attributable to the Company and its subsidiaries, are excluded from segment profits.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**ORIX Corporation and Subsidiaries**

The reconciliation of segment totals to consolidated financial statement amounts is as follows. Significant items to be reconciled are segment revenues, segment profits and segment assets. Other items do not have a significant difference between segment amounts and consolidated amounts.

	Millions of yen		
	2013	2014	2015
<b>Segment revenues:</b>			
Total revenues for segments	¥1,048,755	¥1,394,183	¥ 2,185,312
Revenues related to corporate assets	4,544	6,618	6,531
Revenues related to assets of certain VIEs	31,794	13,989	6,356
Revenues from inter-segment transactions	(11,917)	(12,891)	(21,702)
Revenues from discontinued operations	(20,699)	(26,607)	(2,214)
<b>Total consolidated revenues</b>	<b>¥1,052,477</b>	<b>¥1,375,292</b>	<b>¥ 2,174,283</b>
<b>Segment profits:</b>			
Total segment profits	¥ 197,329	¥ 295,237	¥ 336,542
Corporate losses	(34,917)	(21,642)	(15,638)
Gains (losses) related to assets or liabilities of certain VIEs	2,832	17,003	3,267
Discontinued operations, pre-tax	179	(12,182)	(463)
Net income attributable to the noncontrolling interests and net income attributable to the redeemable noncontrolling interests, net of applicable tax effect	7,149	7,923	20,309
<b>Total consolidated income before income taxes and discontinued operations</b>	<b>¥ 172,572</b>	<b>¥ 286,339</b>	<b>¥ 344,017</b>
<b>Segment assets:</b>			
Total segment assets	¥6,382,654	¥7,267,798	¥ 9,170,249
Cash and cash equivalents, restricted cash	933,215	905,074	913,079
Allowance for doubtful receivables on direct financing leases and probable loan losses	(104,264)	(84,796)	(72,326)
Trade notes, accounts and other receivable	154,025	193,369	348,404
Other corporate assets	405,390	532,365	789,636
Assets of certain VIEs	668,690	253,151	294,586
<b>Total consolidated assets</b>	<b>¥8,439,710</b>	<b>¥9,066,961</b>	<b>¥11,443,628</b>

The following information represents geographical revenues and income before income taxes, which are attributed to geographic areas, based on the country location of the Company and its subsidiaries.

	Millions of yen				
	Year Ended March 31, 2013				
	Japan	The Americas*2	Other*3	Difference between Geographic and Consolidated Amounts	Total Consolidated Amounts
Total Revenues	¥841,057	¥129,783	¥102,336	¥(20,699)	¥1,052,477
Income before Income Taxes*1	116,235	27,458	28,700	179	172,572

	Millions of yen				
	Year Ended March 31, 2014				
	Japan	The Americas*2	Other*3	Difference between Geographic and Consolidated Amounts	Total Consolidated Amounts
Total Revenues	¥977,427	¥131,797	¥292,675	¥(26,607)	¥1,375,292
Income before Income Taxes*1	211,442	42,901	44,178	(12,182)	286,339

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ORIX Corporation and Subsidiaries

	Millions of yen				
	Year Ended March 31, 2015				
	Japan	The Americas*2	Other*3*4	Difference between Geographic Total and Consolidated Amounts	Consolidated Amounts
Total Revenues . . . . .	¥1,602,610	¥209,923	¥363,964	¥(2,214)	¥2,174,283
Income before Income Taxes*1 . . . . .	228,063	32,382	84,035	(463)	344,017

\*1 Results of discontinued operations before applicable tax effect are included in each amount attributed to each geographic area.

\*2 Mainly the United States

\*3 Mainly Asia, Europe, Australasia and Middle East

\*4 Robeco, one of the Company’s subsidiaries domiciled in the Netherlands, conducts principally an asset management business. Due to the integrated nature of such business with its customer base spread across the world, “Other” locations include the total revenues and the income before income taxes of Robeco, respectively, for the fiscal year ended March 31, 2014 and the fiscal year ended March 31, 2015. The revenues of Robeco aggregated on a legal entity basis were ¥58,997 million in the Americas and ¥52,169 million in other for the fiscal year ended March 31, 2014 and ¥99,059 million in the Americas and ¥96,966 million in other for the fiscal year ended March 31, 2015.

ASC 280 (“Segment Reporting”) requires disclosure of revenues from external customers for each product and service as enterprise-wide information. The consolidated statements of income in which the revenues are categorized based on the nature of the types of business conducted include the required information.

No single customer accounted for 10% or more of the Company’s total revenues for the fiscal years ended March 31, 2013, 2014 and 2015.

**33. Subsequent Events**

There are no material subsequent events.



**Schedule II.—Valuation and Qualifying Accounts and Reserves**

**ORIX Corporation and Subsidiaries**

Millions of yen

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Year Ended March 31, 2013

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Description	Balance at beginning of period	Acquisitions	Addition: Charged to costs and expenses	Deduction	Translation adjustment	Balance at end of period
<b>Restructuring cost:</b>						
Closed office lease obligations . . . . .	¥ 39	¥ 0	¥ 0	¥ (31)	¥ 1	¥ 9
Severance and other benefits to terminated employees . . . . .	0	0	3	(3)	0	0
Total . . . . .	<u>¥ 39</u>	<u>¥ 0</u>	<u>¥ 3</u>	<u>¥ (34)</u>	<u>¥ 1</u>	<u>¥ 9</u>

Millions of yen

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Year Ended March 31, 2014

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Description	Balance at beginning of period	Acquisitions	Addition: Charged to costs and expenses	Deduction	Translation adjustment	Balance at end of period
<b>Restructuring cost:</b>						
Closed office lease obligations . . . . .	¥ 9	¥ 0	¥ 0	¥ (9)	¥ 0	¥ 0
Severance and other benefits to terminated employees . . . . .	0	3,049	0	(1,221)	104	1,932
Total . . . . .	<u>¥ 9</u>	<u>¥ 3,049</u>	<u>¥ 0</u>	<u>¥ (1,230)</u>	<u>¥ 104</u>	<u>¥ 1,932</u>

Millions of yen

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Year Ended March 31, 2015

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Description	Balance at beginning of period	Acquisitions	Addition: Charged to costs and expenses	Deduction	Translation adjustment	Balance at end of period
<b>Restructuring cost:</b>						
Severance and other benefits to terminated employees . . . . .	¥ 1,932	¥ 0	¥ 0	¥ (1,474)	¥ (66)	¥ 392
Total . . . . .	<u>¥ 1,932</u>	<u>¥ 0</u>	<u>¥ 0</u>	<u>¥ (1,474)</u>	<u>¥ (66)</u>	<u>¥ 392</u>

Millions of yen

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Description	Balance at beginning of period	Acquisitions	Addition: Charged to costs and expenses	Deduction*1	Other*2	Balance at end of period
<b>Deferred tax assets:</b>						
<b>Valuation allowance</b>						
Year ended March 31, 2013 . . . . .	¥24,138	¥ 1,085	¥4,973	¥(12,116)	¥ 751	¥18,831
Year ended March 31, 2014 . . . . .	¥18,831	¥13,182	¥3,300	¥ (4,792)	¥ 49	¥30,570
Year ended March 31, 2015 . . . . .	¥30,570	¥22,563	¥9,591	¥ (9,944)	¥(2,265)	¥50,515

\*1 The amount of deduction includes benefits recognized in earnings, expiry of loss carryforwards and sales of subsidiaries.

\*2 The amount of other includes translation adjustment, the effect of changes in statutory tax rate and the effect of the amendment to tax loss carry-forward rules.

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
Exhibit 1.1	Articles of Incorporation of ORIX Corporation, as amended on June 23, 2015.
Exhibit 1.2	Regulations of the Board of Directors of ORIX Corporation, as amended on June 1, 2015.
Exhibit 1.3	Share Handling Regulations of ORIX Corporation, as amended on October 7, 2013 (Incorporated by reference from the annual report on Form 20-F filed on June 26, 2014, commission file number 001-14856).
Exhibit 4.1	Stock Purchase Agreement, dated as of April 28, 2014, among Hartford Life, Inc., ORIX Life Insurance Corporation and ORIX Corporation (Incorporated by reference from the Current Report on Form 8-K filed by The Hartford Financial Services Group, Inc. on April 28, 2014, commission file number 001-13958).
Exhibit 7.1	A statement explaining in reasonable detail how ratios in the annual report were calculated.
Exhibit 8.1	List of subsidiaries.
Exhibit 11.1	Code of Ethics, as amended on April 18, 2014 (Incorporated by reference from the annual report on Form 20-F filed on June 26, 2014, commission file number 001-14856).
Exhibit 12.1	Certifications required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d 14(a)).
Exhibit 13.1	Certifications required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d 14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
Exhibit 101	Instance Document.
Exhibit 101	Schema Document.
Exhibit 101	Calculation Linkbase Document.
Exhibit 101	Definition Linkbase Document.
Exhibit 101	Labels Linkbase Document.
Exhibit 101	Presentation Linkbase Document.

## Articles of Incorporation of ORIX Corporation

### Chapter I. General Provisions

#### Article 1. (Corporate Name)

The name of the Company shall be “ORIX Kabushiki Kaisha” (in English “ORIX CORPORATION”).

#### Article 2. (Purposes)

The purpose of the Company shall be to engage in the following businesses:

- (1) lease, purchase and sale (including purchase and sale on an installment basis.), maintenance and management of movable property of all types;
- (2) moneylending business, purchase and sale of claims of all types, payment on behalf of third parties, guarantee and assumption of obligations, agent for collection of money and other financial business;
- (3) holding, investment in, management, purchase and sale of financial instruments such as securities and other investment business;
- (4) advice, brokerage and recommendation relating to the merger, capital participation, business alliance and business succession and reorganization, etc.;
- (5) financial instruments and exchange business, financial instruments broker business, banking, trust and insurance business, advisory service business relating to investment in commodities, trust agreement agency business and credit management and collection business;
- (6) non-life insurance agency business, insurance agency business under the Automobile Accident Compensation Security Law, and service related to soliciting life insurance;
- (7) lease, purchase and sale, ground preparation, development, maintenance and management of real property and warehousing;
- (8) contracting for construction, civil engineering, building utility and interior and exterior finishing, and design and supervision thereof;
- (9) management of various facilities for sports, lodging, restaurant, medical treatment, welfare and training and education, etc., and conducting sports, etc.;
- (10) waste-disposal business;
- (11) trading of emission rights for greenhouse gases and other various subjects;
- (12) supply of various energy resources and the products in relation thereto;
- (13) planning, developing and contracting for lease and sale of intangible property rights.;
- (14) information processing and providing services, telecommunications business;
- (15) business of dispatching workers to enterprise and employment agency business;
- (16) purchase and sale of antiques;
- (17) transport business;
- (18) brokerage, agency, investigation and consulting for business relating to any of the preceding items, and pension consulting service;
- (19) as a result of holding shares in a subsidiary company engaged in those activities, engaging in business relating to any of the preceding items and managing such company’s business activities;
- (20) any and all businesses incidental or related to any of the preceding items;

Article 3. (Head Office)

The head office of the Company shall be located in Minato-ku, Tokyo.

## **Chapter II. Shares**

Article 4. (Total Number of Shares Authorized to be Issued)

The total number of shares authorized to be issued by the Company shall be 2,590,000,000.

Article 5. (Number of Shares that Constitute One Unit)

In relation to the shares issued by the Company, one hundred (100) shares of the Company shall constitute one (1) Unit with which a shareholder may exercise one (1) vote at a General Meeting of Shareholders.

Article 6. (Rights of Shares Less than One Unit)

A shareholder of the Company may not, in relation to the shares that it holds that are less than one (1) Unit, exercise shareholders' rights in relation thereto other than the rights set forth below:

- (1) The rights set forth in each item of Article 189 Paragraph 2 of the Company Law;
- (2) The right to make demands pursuant to the provisions of Article 166 Paragraph 1 of the Company Law;
- (3) The right to subscribe to Offering Shares and Offering Stock Acquisition Rights on a pro rata basis based upon the number of shares held by a shareholder; and
- (4) The right to make the demands provided under the immediately following article.

Article 7. (Demand for Sales by a Shareholder of Shares Less Than One Unit)

A shareholder of the Company may demand, in accordance with the provisions of the Share Etc. Handling Regulations that the Company sell to it the number of additional shares necessary to make the number of shares of less than one (1) Unit held by such shareholder, equal to one (1) Unit.

Article 8. (Administrator of the Register of Shareholders)

The Company shall have an Administrator of the Register of Shareholders.

2. The Administrator of the Register of Shareholders shall, on behalf of the Company, create and keep the Register of Shareholders and Register of Stock Acquisition Rights and otherwise perform matters concerning the Register of Shareholders and Register of Stock Acquisition Rights. The Company shall not perform such matters.

Article 9. (Shares Etc. Handling Regulations)

The handling of shares and procedures for exercise of shareholders' rights of the Company shall be in accordance with the Shares Etc. Handling Regulations as well as the applicable laws and ordinances and this Articles of Incorporation.

## **Chapter III. Organizations**

### **Sub-Chapter 1. Organizations**

Article 10. (Organizations)

The Company shall have the following organizations:

- (1) General Meeting of Shareholders;
- (2) Directors;

- (3) Board of Directors;
- (4) Nominating Committee, Audit Committee and Compensation Committee;
- (5) Executive officers and representative executive officers; and
- (6) Accounting auditor

## **Sub-Chapter 2. General Meeting of Shareholders**

### Article 11. (Holding of General Meeting of Shareholders)

An annual General Meeting of Shareholders shall be convened within a certain term following the end of each fiscal year and held in June of each year, and an extraordinary General Meeting of Shareholders shall be held at any time whenever necessary.

### Article 12. (Record Date for Exercise of Voting Rights)

Those shareholders of the Company who are permitted to exercise their voting rights at an annual General Meeting of Shareholders to be convened after the completion of each fiscal year shall be those shareholders registered or recorded as having voting rights on the Register of Shareholders as of the end of the same fiscal year.

2. Notwithstanding the provisions of the preceding paragraph, the Company may choose a date other than the date specified in the preceding paragraph as the date as of which shareholders shall be registered or recorded as having voting rights on the Register of Shareholders in order to be able to exercise their voting rights at the annual General Meeting of Shareholders. In such a case, two (2) weeks prior public notice shall be given as to the chosen date.

### Article 13. (Authorized Person to Convene a General Meeting of Shareholders and Chairman Thereat)

General Meetings of Shareholders shall be convened by a director determined in advance by a resolution of the Board of Directors meeting. Furthermore, the director designated in advance by a resolution of the Board of Directors meeting shall act as a chairman.

2. If the person determined in accordance with the preceding paragraph is unable to act, another director shall convene the General Meeting of Shareholders or act as a chairman, in accordance with the order so designated in advance by a resolution of the Board of Directors meeting.

3. The Company may deem that at the time of convocation of a General Meeting of Shareholders, information concerning the matters that should be contained or provided for in the reference documents for the General Meeting of Shareholders, business reports, financial statements and consolidated financial statements, audit reports and accounting audit reports, were provided to the shareholders by disclosing such information through use of the internet in accordance with applicable laws and ordinances.

### Article 14. (Resolution of General Meeting of Shareholders)

Unless otherwise provided under applicable laws or ordinances or by the Company's Articles of Incorporation, resolutions of the General Meetings of Shareholders shall be adopted by a majority of votes of the shareholders present at the meetings who are permitted to exercise their voting rights.

2. The special resolution provided in Article 309 Paragraph 2 of the Company Law shall be adopted by two-thirds or more of the votes of the shareholders present at a meeting at which shareholders who hold more than one-third of the voting rights held by all of the shareholders of the Company who are permitted to exercise their voting rights at the general meeting of shareholders are present.

Article 15. (Vote by Proxy)

A shareholder may exercise his vote by proxy given to another shareholder, who has the right to vote. In such case the shareholder or the proxy holder must file with the Company a document evidencing his authority.

**Sub-Chapter 3. Directors**

Article 16. (Number of Directors)

There shall be no less than three (3) directors of the Company.

Article 17. (Election and Removal of Directors)

Directors shall be elected and removed by a resolution of the General Meeting of Shareholders.

2. The resolution of the General Meeting of Shareholders for election and removal of directors in the preceding paragraph shall be adopted by a majority of the votes of the shareholders present at a meeting at which shareholders who hold one-third or more of the voting rights held by all of the shareholders of the Company who are permitted to exercise their voting rights at the general meeting of shareholders are present.

3. In case of election(s) of directors, cumulative voting shall not be used.

Article 18. (Term of Office of Directors)

Directors' terms of office shall expire upon the conclusion of the annual General Meeting of Shareholders for the last fiscal year ending within one (1) year after election of director.

2. The terms of office of directors elected as directors, to replace a director that left the office prior to expiration of such director's term of office, or due to the increase of directors, shall be until the terms of office of the other directors expire.

**Sub-Chapter 4. Board of Directors**

Article 19. (Person who Convenes Meetings of the Board of Directors and Chairman)

Unless otherwise provided under applicable laws or ordinances, meetings of the Board of Directors shall be convened by the director designated in advance by a resolution of the Board of Directors meeting. Furthermore, the director designated in advance by a resolution of the Board of Directors meeting shall act as a chairman.

2. If the person determined in accordance with provisions of the preceding paragraph is unable to act, another director shall convene the Board of Directors meeting or act as a chairman, in accordance with the order they are so designated in advance by a resolution of the Board of Directors meeting.

Article 20. (Procedure for Convocation of Meetings of the Board of Directors)

The person convening the Board of Directors meetings shall, on or prior to the third (3rd) day preceding the date of such Board of Directors meetings, send notice thereof to each director, provided, however, that in case of emergency, such period may be shortened.

2. Notwithstanding the provisions of the preceding paragraph, if there is a unanimous consent of the directors, the Board of Directors may hold a Board of Directors meeting without taking the procedure for convocation of meeting.

Article 21. (Resolution of Board of Directors Meeting)

Resolutions of the Board of Directors shall be adopted by a majority of the directors meetings present at meetings attended by a majority of the directors that may participate in making resolutions thereat.

Article 22. (Abbreviation of Resolutions of Board of Directors Meetings)

If a director proposes a matter for resolution by the Board of Directors meeting, and if the directors (to the extent capable of participating in the resolution of such matter) express their intentions to unanimously consent to such proposal in writing or electromagnetic record form, the Company shall deem such proposal approved by a resolution of the Board of Directors meeting.

Article 23. (Release of Directors' and Executive Officers' Liability)

If the directors and executive officers (including former directors and executive officers. Hereinafter collectively referred to as "Directors and Officers") were without knowledge and were not grossly negligent in the performance of their duties, and upon determination by the Company after giving due consideration to content of the facts that caused the relevant liability, situations of the relevant Directors and Officers' performance of their duties, and other circumstances that it is particularly necessary, the Company may by a resolution of the Board of Directors meeting release, to the extent of the maximum amount that may be released under the applicable laws and ordinances, the liability for damages of Directors and Officers arising from failure to perform their duties.

2. The Company may enter into an agreement with Outside Directors that provides that if such Outside Directors were without knowledge and were not grossly negligent in the performance of their duties, their liability for damages arising from failure to perform their duties shall be limited to the extent of the minimum amount of liability provided under the applicable laws and ordinances.

**Sub-Chapter 5. Board Committees**

Article 24. (Election Etc. of Committee Members)

Each Board Committee shall be composed of three (3) or more members.

2. The members of each Board Committee shall be elected from among the directors by a resolution of the Board of Directors meeting.

3. The majority of members of each Board Committee must be Outside Directors.

4. No member of the Audit Committee shall be an executive officer or an Operating Director of the Company or any of its subsidiaries or the accounting advisor (if the accounting advisor is a corporate body, the member thereof that performs such duties) manager or other employee of any of the Company's subsidiaries.

Article 25. (Procedure for Convocation of Meetings of Committee)

Each Board Committee shall be convened pursuant to provisions of applicable laws and ordinances and the determinations made by the Board of Directors.

Article 26. (Resolution of Committee Meeting)

Each Board Committee resolution shall be made by a majority of the members at attendance at a Board Committee at which a majority of the members that can participate in making the relevant resolution attend.

2. Notwithstanding the preceding paragraph, a resolution to remove the Company's accounting auditor at an audit committee meeting must be made by a unanimous consent of the members of the audit committee.

**Sub-Chapter 6. Executive Officers**

Article 27. (Number of Executive Officers)

There shall be three (3) or more executive officers of the Company.

Article 28. (Election of Executive Officers)

Executive officers shall be elected by a resolution of the Board of Directors meeting.

Article 29. (Term of Office of Executive Officers)

An executive officer's term of office shall expire upon the conclusion of the first Board of Directors meeting to be convened after the conclusion of the annual General Meeting of Shareholders for the last fiscal year ending within one (1) year after election of executive officers.

2. The terms of office of executive officers elected as executive officers, to replace executive officers that left the office prior to expiration of such executive officer's term of office, or due to the increase of executive officers, shall be until the terms of office of the other executive officers expire.

Article 30. (Election of Representative Executive Officers)

The Board of Directors shall elect one (1) or more representative executive officers from among the executive officers.

**Sub-Chapter 7. Accounting Auditor**

Article 31. (Election of Accounting Auditor)

The accounting auditor shall be elected by a resolution of a General Meeting of Shareholder.

Article 32. (Term of Office of Accounting Auditor)

Accounting auditor's terms of office shall expire upon the conclusion of the annual General Meeting of Shareholders for the last fiscal year ending within one (1) year after election of the accounting auditor.

2. Unless otherwise specifically resolved at the annual General Meeting of Shareholders under the preceding paragraph, an accounting auditor shall be deemed to have been re-elected at the relevant annual General Meeting of Shareholders.

**CHAPTER IV. ACCOUNTS**

Article 33. (Fiscal Year)

The fiscal year of the Company shall be one (1) year commencing on the first day of April of each year and ending on the last day of March of the following year.

Article 34. (The Organization to determine Distribution of Dividends Etc. from Retained Earnings)

The Company may determine matters set forth in each item of Article 459, Paragraph 1, such as the distribution of dividends from retained earnings, which shall not be determined by a resolution of a General Meeting of Shareholders.



Article 35. (Record Date for Distributions of Dividends from Retained Earnings)

The Company shall treat shareholders or share pledgees registered or recorded on the Register of Shareholders as of March 31 of each year as the persons having rights to receive year-end dividends.

2. The Company shall treat shareholders or share pledgees registered or recorded on the Register of Shareholders as of September 30 of each year as the persons having rights to receive interim dividends.

Article 36. (Term of Expiration of Dividends)

Distributable Assets or other distributable assets shall not incur interest thereon. If the relevant distributed assets are not received within a full three (3) years from the date on which the distribution of relevant distributed assets became effective, the Company shall be released from its obligation to distribute such assets.

#### **CHAPTER V. Public Notice**

Article 37. (Method of Public Notice)

The method of public notices of the Company shall be electronic public notice. However, if the Company is unable to give an electronic public notice due to an accident or any other unavoidable reason, public notices of the Company shall be given in the “Nihon Keizai Shinbun.”

**ORIX CORPORATION  
REGULATIONS OF THE BOARD OF DIRECTORS**

**Chapter 1 General Provisions**

**Article 1 (Purpose)**

The purpose of these Regulations is to provide for the rules regarding matters concerning duties, operations, etc. of the Board of Directors as such may be provided under the provisions of applicable laws, ordinances and the Articles of Incorporation, and such other additional rules applicable to the Board of Directors established pursuant to the provisions of the Articles of Incorporation.

**Article 2 (Organization)**

The Board of Directors shall be organized by all of the directors.

**Chapter 2 Duties**

**Article 3 (Duties)**

The Board of Directors shall perform the duties set forth below:

- (1) Determination of the matters set forth below:
  - (i) Basic management policies;
  - (ii) Election of committee members of each Board Committee;
  - (iii) Matters concerning executive officers as set forth below:
    - (a) Election of executive officers;
    - (b) Election of representative executive officers;
    - (c) Division of duties of executive officers; and
    - (d) Mutual relationships among the executive officers (such as giving instructions and orders);
  - (iv) The matters indicated in Section [1], subsection 5-1 of the attached Exhibit I, which are necessary for the performance of the duties of the Audit Committee;
  - (v) Establishment and improvement of the systems set forth below, that are necessary to ensure the propriety of business activities:
    - (a) Establishment and improvement of systems to ensure that performance of duties of executive officers conform to applicable laws, ordinances and the Articles of Incorporation; and
    - (b) Establishment and improvement of other systems described in Section [1], subsection 5-2-2 of the attached Exhibit I;
  - (vi) The Director that will receive demands made by an executive officer pursuant to Article 9, Paragraph 2 hereof, for the convocation of meeting of the Board of Directors;
  - (vii) Convocation of annual General Meetings of Shareholders and content of the agenda (excluding such that is subject to the authority of a Board Committee) to be presented to the General Meetings of Shareholders;

(viii) The following matters concerning financial statements, business report, etc.:

- (a) Approval of financial statements and business report, and the detailed statements attached thereto, pertinent to each fiscal year; and
- (b) Approval of consolidated financial statements; and

(2) Supervision of performance of duties by directors and executive officers

2. The Board of Directors shall, in addition to the provisions of Item (1) of the immediately preceding paragraph, perform the duty of determining execution of business activities.

3. The matters that are subject to determination of executions of business activities by the Board of Directors pursuant to the preceding two paragraphs shall be as described in attached Exhibit I.

#### **Article 4 (Matters Requiring Determinations)**

The Board of Directors shall make determinations as to items set forth in Paragraph 1, Item (1) of the immediately preceding Article.

#### **Article 5 (Delegation to Executive Officers of Determinations regarding Execution of Business Activities)**

The Board of Directors delegates to the Representative Executive Officer, determinations listed in Section [2] of the attached Exhibit I concerning execution of business activities.

2. The Representative Executive Officer may further delegate the delegated matters to other executive officers and employees.

### **Chapter 3 Holding of Meetings**

#### **Article 6 (Holding of Meetings)**

Meetings of the Board of Directors shall be held at least once in every three (3) months.

#### **Article 7 (Person who convenes meetings of the Board of Directors and Chairman)**

Meetings of the Board of Directors shall be convened by the director designated in advance by a resolution of the Board of Directors meeting (hereinafter referred to as "Person Who Convenes Meetings"). Furthermore, the director designated in advance by a resolution of the Board of Directors meeting shall act as a chairman.

2. If the Person Who Convenes Meetings or the chairman determined in accordance with provisions of the preceding paragraph is unable to act, another director shall convene the Board of Directors meetings or act as chairman in accordance with the order they are so designated in advance by a resolution of the Board of Directors meeting.

#### **Article 8 (Convocation by Elected Committee Members)**

Notwithstanding the provisions of the preceding Article, a member belonging to and elected by the Nominating Committee, the Audit Committee, and the Compensation Committee may convene a meeting of the Board of Directors.

#### **Article 9 (Convocation by Directors and Executive Officers other than the Persons who Convenes Meetings)**

Directors other than the Persons Who Convenes Meetings may demand the convocation of a meeting of the Board of Directors by indicating the matters to be the purposes of the meeting of the Board of Directors to the Person Who Convenes Meetings.

2. Executive officers may demand the convocation of a meeting of the Board of Directors by indicating the matters to be the purposes of the meeting of the Board of Directors to the director provided under Article 3, Paragraph 1, Item(1) (vi).

3. If a convocation notice that provides for a date within 2 weeks from the date of demand for convocation is not issued within 5 days of the date of such demand in accordance with provision of the preceding two paragraphs, the executive officer or director demanding such convocation may convene a meeting of the Board of Directors.

#### **Article 10 (Procedure for Convocation)**

The person who convenes a meeting of the Board of Directors shall, on or prior to the third (3rd) day preceding the date of such meeting of the Board of Directors, send notice thereof to each director, provided, however, that in case of an emergency, such period may be shortened.

2. Notwithstanding the provisions of the preceding paragraph, if there is unanimous consent of the directors, the Board of Directors may hold a meeting of the Board of Directors without following the procedure for convocation of such meeting.

### **Chapter 4 Resolutions**

#### **Article 11 (Resolutions)**

Resolutions of the Board of Directors shall be adopted by a majority of the directors present at a meeting attended by a majority of the directors who may participate in making resolutions thereat.

2. A director having an interest in a resolution provided under the preceding paragraph may not participate in making such resolution.

3. If a director participated in a resolution at a meeting of the Board of Directors does not object to the minutes of such meeting provided under Article 17, such director shall be presumed to have approved such resolution.

#### **Article 12 (Abbreviation of Resolutions)**

If a director proposes a matter for resolution by the Board of Directors meeting, and if the directors (to the extent capable of participating in the resolution of such matter) express their intent to unanimously consent to such proposal in writing or electromagnetic record form, such proposal shall be deemed to have been approved by a resolution of the Board of Directors meeting.

### **Chapter 5 (Reporting to the Board of Directors)**

#### **Article 13 (Reporting by the Elected Committee Members)**

A person who is a member of the Nominating Committee, the Audit Committee and/or the Compensation Committee and who is selected by the committee to do so, shall provide, without delay, a report to the Board of Directors concerning such committee's performance of its duties.

#### **Article 14 (Reporting and Explanations by Executive Officers, etc.)**

Executive officers shall give a report to the Board of Directors on the performance of his/her executive duties at least once in every three months. Executive officers may designate a deputy to give the report concerned (the deputy must be an executive officer).

2. The report provided in the preceding paragraph shall include the status of execution of matters delegated to the Representative Executive Officer pursuant to Article 5, as well as the matters provided in Exhibit II. Moreover, of the matters delegated to the Representative Executive Officer, the reporting of the execution of matters provided under Section [2], subsection 4 of Exhibit I shall, as a general rule, be performed by the reporting of the matters provided under Section 2 of Exhibit II.

3. When requested by the Board of Directors, an executive officer must attend a meeting of the Board of Directors and explain any matter requested to be explained by the Board of Directors.

4. Any director and/or executive officer who have engaged in a transaction provided under Section [1], subsection 4-1 of Exhibit I shall, without delay, provide to the Board of Directors a report concerning the important facts of such transaction.

#### **Article 15 (Abbreviation of Reports)**

When a director, an accounting auditor, or an executive officer notifies all directors of the matters to be reported to the Board of Directors, reports concerning such matters to the Board of Directors are not required.

2. The provision in the preceding paragraph shall not apply to reports made pursuant to the Paragraph 1 of the preceding Article.

### **Chapter 6 (Miscellaneous Regulations)**

#### **Article 16 (Attendance of Persons Concerned)**

When necessary for the deliberation of matters to be resolved and matters to be reported, the chairman may require the attendance of persons concerned, and require such persons to provide explanations regarding necessary matters.

#### **Article 17 (Minutes)**

The proceedings at a Board of Directors meeting shall be recorded in the minutes of the meeting, as provided by applicable laws and ordinances, which shall be signed by, bear the name and seals of, or signed electronically by the directors present at the meeting.

2. The minutes provided under the proceeding paragraph or document or electronic record describing or recording the expression of intent made in accordance with Article 12 must be kept at the head office of the Company for ten (10) years following the date of the meeting of the Board of Directors (including the date on which a Board of Directors' resolution is deemed to be passed in accordance with the provision of Article 12).

#### **Article 18 (Special Rule for the Cases Where there is a Deficiency in the Number of Directors)**

When the Company lacks 3 directors as provided by the Articles of Incorporation, the director who retired from his/her position due to expiration of term of office or resignation shall continue to have the rights and obligations as a director until a new director is elected and assumes the office.

### **Supplementary Provisions**

1. These regulations shall be effective as of October 1, 1982.
2. These amendments to the regulations shall be effective as of July 1, 1998.
3. These amendments to the regulations shall be effective as of June 29, 1999.
4. These amendments to the regulations shall be effective as of April 1, 2002.

5. These amendments to the regulations shall be effective as of June 25, 2003.
6. These amendments to the regulations shall be effective as of June 23, 2004.
7. These amendments to the regulations shall be effective as of May 20, 2005.
8. These amendments to the regulations shall be effective May 12, 2006; provided however, that Article 12 shall be effective only if proposed changes to Article 22 of the Articles of Incorporations are approved at the General Meeting of Shareholders to be held on June 20, 2006.
9. These amendments to the regulations shall be effective as of June 22, 2007.
10. These amendments to the regulations shall be effective as of February 5, 2008.
11. These amendments to the regulations shall be effective as of June 24, 2008.
12. These amendments to the regulations shall be effective as of June 1, 2015.

## Exhibit I

### 1. Matters Subject to Determination on Executions of Business Activities by the Board of Directors

(Matters bracketed by [ ] are the ones that must be resolved.)

	<u>Company Law</u>
1. [Basic management policies]	Article 416I(1)(i)
2. Matters regarding election and removal, relating to a directors' duties, election and dismissal, Board of Directors' meetings, etc.	
2-1.Provision regarding the chairman of the Board of Directors' meetings	—
2-2.Provision regarding Persons Who Convenes Board of Directors meetings	Article 366I, Article 416IV (7)
2-3.[Election] and dismissal of members of each of the Nominating Committee, the Audit Committee, and the Compensation Committee	Article 400II, Article 401I, Article 416IV(8)
2-4.[Determination on the fulfillment of the following required conditions for the Audit Committee members]	
(1) Those with a substantial level of knowledge regarding finance and accounting under the Company Law	Regulations Article 121I(8), SOA Section 407
(2) Those who are Financial Expert under the Sarbanes-Oxley Act (SOA)	
2-5.[Determination of the director who shall receive demand from executive officers to convene Board of Directors' meetings]	Article 416I(1)(ni)
2-6.Provision regarding the director who convenes General Meeting of Shareholders, and the director who serves as chairman of General Meeting of Shareholders	—
2-7.In cases of a lawsuit between a director/executive officer and this Company, the determination as to who shall represent the Company when the Audit Committee member is a party to the lawsuit	Article 408I, Article 416IV (10)
2-8.Enactment, amendment and abolishment of the Regulations of the Board of Directors, Regulations of the Nominating Committee, Regulations of the Audit committee and Regulations of the Compensation Committee.	—
3. Matters relating to election and duties, etc. of the executive officers	
3-1.[Election] and removal of executive officer	Article 402II, Article 403I,
3-2.[Election] and dismissal of the Representative Executive Officer	Article 416IV (9)
3-3.Election and dismissal of CEO, COO, and CFO; titles of executive officers	Article 420I,II, Article 416IV (11)
3-4.[Division of duties of executive officers (excluding matters provided in 3-3)]	Article 416I(ha) Article 416I(ha)
3-5.[Determination of matters regarding mutual relationships among the executive officers (such as giving instructions and orders, etc., excluding matters provided in 3-3)]	Article 416I(ha)
3-6.Election, removal and titles of Group executive officers	—
4. Matters regarding approval of transactions entered into by directors and executive officers, etc. and release of liability	
4-1.Approvals of the following transactions, etc.	
(1) Transactions entered into by directors and/or executive officers that fall into the category of the Company's businesses (including transactions entered into for the benefit of a third party)	

Company Law

(2) Transactions between the Company and a director and/or an executive officer (including transactions entered into for the benefit of a third party)	Article 356, Article 416IV(6)
(3) Guarantees of debts owed by directors and/or executive officers	
(4) Other transactions in which there are conflicts of interests between the Company and the director and/or the executive officer	
4-2. Release of liability of directors and/or executive officers	Article 423I, Article 426I, Article 416IV(12)
5. [Matters regarding internal governance]	
5-1. The matters set forth below, which are necessary for the performance of duties of the Audit committee:	
(1) Matters regarding directors/ employees who shall assist the duties of the Audit Committee	Article 416I(1)(ro) Regulations Article 112I(1)
(2) Matters regarding the independence of the directors/ employees from executive officers, provided in (1) above	Article 416I(1)(ro) Regulations Article 112I(2)
(3) Matters to ensure that the Audit Committee instruct effectively to the directors/ employees, provided in (1) above	Article 416I(1)(ro) Regulations Article 112I(3)
(4) Systems regarding reports to the Audit Committee as follows; structure of other reports to be made to the Audit Committee	Article 416I(1)(ro) Regulations Article 112I(4)
i. Systems regarding reports to be made by directors/ executive officers/ employees of the Company to the Audit Committee	Article 416I(1)(ro) Regulations Article 112I(4)(i)
ii. Systems regarding reports to be made by the person who have received reports from directors, corporate auditors, executive officers and employees, etc., of the subsidiaries to the Audit Committee	Article 416I(1)(ro) Regulations Article 112I(4)(ro)
(5) Systems to ensure that the person who have reported in accordance to above (4) should not be treated adversely by reason of the said reports	Article 416I(1)(ro) Regulations Article 112I(5)
(6) Policies regarding the cost or debt liquidation on the duties of the member of the Audit Committee	Article 416I(1)(ro) Regulations Article 112I(6)
(7) Other systems to ensure audits by the Audit Committee to be effectively performed	Article 416I(1)(ro) Regulations Article 112I(7)
5-2. Establishment and improvement of the systems set forth below, which are necessary to ensure the propriety of business activities of ORIX Group:	
(1) Systems regarding storing and managing information relating to the performance of the duties of executive officers of the Company	Article 416I(1)(ho) Regulations Article 112 II(1)
(2) Systems regarding reports to the performance of the duties of directors of the subsidiaries	Article 416I(1)(ho) Regulations Article 112 II(5)(i)
(3) Systems regarding regulations relating to management of risk of loss, etc. in ORIX group	Article 416I(1)(ho) Regulations Article 112 II(5)(ro)
(4) Systems to ensure the duties of executive officers of the Company and directors of the subsidiaries to be performed efficiently	Article 416I(1)(ho) Regulations Article 112 II(5)(ha)
(5) Systems to ensure that the performance of duties of employees of the Company and directors and employees of the subsidiaries comply with laws, regulations and the Articles of Incorporation	Article 416I(1)(ho) Regulations Article 112 II(5)(ni)



6. Matters relating to General Meetings of Shareholders	
6-1. [Convocation of annual General Meetings of Shareholders and content of the agenda (excluding such that is subject to the authority of a Board Committee) to be presented to the General Meetings of Shareholders]	Article 296I, Article 298I, Article 416IV (4),(5)
6-2. Convocations of General Meetings of Shareholders other than those specified in 6-1 above and content of the agenda (excluding such that is subject to the authority of a Board Committee) to be presented to such General Meetings of Shareholders	Article 296II, Article 298I, Article 416IV(4),(5)
7. Businesses and matters regarding organizational restructuring (requiring approval by resolution of General Meetings of Shareholders)	
7-1. Determination of the following contents of contracts regarding business expansion	
(1) Acquisition of businesses of another company All (large-scale acquisition case: value to be paid for acquisition exceeds 20% of the Company's (unconsolidated) net assets)	Article 467 Article 468II, Article 416IV(15)
(2) Absorption by absorption-type merger (Large-scale merger case: property value to be given to shareholders of the non-surviving company exceeds 20% of the Company's (unconsolidated) net assets)	Article 795 Article 796 II , Article 416IV(16)
(3) Absorption by absorption-type demerger (Large-scale demerger case: property value to be given to shareholders of the demerged company exceeds 20% of the Company's (unconsolidated) net assets)	Article795 Article796 II, Article416IV(17)
(4) Share-swap exchange to make another company a wholly owned subsidiary of the Company (Large-scale share-swap exchange case: property value to be given to shareholders of the wholly owned subsidiary exceeds 20% of the Company's (unconsolidated) net assets.)	Article795 Article796 II, Article 416IV(19)
7-2. Determination of the following contents of contracts and plans regarding business contraction and extinction	
(1) Transfer of the Company's business	
i. All	Article 467
ii. Parts (Important parts: book value of property to be transferred exceeds 20% of the Company's (unconsolidated) gross assets)	Article 416IV(15)
(2) Execution, amendment, and termination of leasing out of all businesses of the Company, entrustment of management of all businesses, contracts to share all business profits and losses with others and any other similar contracts	Article 467 Article 416IV(15)
(3) Non-surviving merger and share-swap exchange and share transfer to become a wholly owned subsidiary	Article 783 Article 804 Article416IV(16)(19)(20)
(4) Demerger of the Company's business (Large-scale demerger case: book value of property to be split off exceeds 20% of the Company's (unconsolidated) gross assets.)	Article 783 Article 784 II, Article 804 805 Article416VI(17)(18)

8. Matters regarding accounts, reserves, and retained earnings	
8-1. Approval of financial statements and business reports, etc.	
(1) [Approval of financial statements and business report pertinent to each fiscal year and their attached detailed statements]	Article 436III, Article 416IV(13)
(2) [Approval of consolidated financial statements]	Article 444V, Article 416IV(13)
(3) Approval of extraordinary financial statements	Article 441III, Article 416IV(13)
8-2. Acquisition of treasury stock for value by agreement (excluding cases in which acquisition is from a specific shareholder)	Article 156I, Article 160I, Article 416IV(12)
8-3. Reduction in the amount of reserves (where the reduction amount does not exceed the amount of deficit as of the date of Board of Directors meeting approving financial statements, etc.)	Article 459I(1) Article 448I, Article 449I, Article 459I (2) Article 416IV(13)
8-4. Amount of disposition of retained earnings (including disposition of losses, funding for voluntary reserves) and other matters provided in the ministerial ordinances	Article 452 Article 459I (3)
8-5. Distribution of Dividends from Retained Earnings (excluding cases where the right to request monetary distribution is not granted at the distribution of assets other than money.)	Article 454I, IV, Article 459I(4)
9. Others	
9-1. Matters delegated to the Board of Directors by resolution of General Meetings of Shareholders	—
9-2. Matters, other than those enumerated above, to be resolved by the Board of Directors as provided for by laws or ordinances.	—
9-3. Important matters involving the management of the Company and the Group Companies*, other than those enumerated above, that are recognized as important, and other matters regarded necessary by Person Who Convenes Board of Directors meetings	—
(*) <i>A Group Company refers to a subsidiary of the Company under the meaning of the Company Law of Japan, or a company in which the Company substantially holds 20% or more of the voting rights and can substantially influence the management and business policies of the company.</i>	

(Note) Under the Company Law, matters provided in subsections 3-6, 8-2, 8-4, 8-5 and 9-3 can be delegated to executive officer, but the Company chooses not to do so.

**2. Matters Delegated to the Representative Executive Officer (Pursuant to Article 5)**

1. Matters relating to shares and stock acquisition rights	
1-1. Invitations of share subscribers to shares, any stock acquisition rights and treasury stock to be disposed	Articles 199, Article 201, Article 204, Article 238, Article 240, Article 243

	<u>Company Law</u>
1-2. Gratuitous allocation of shares and stock acquisition rights	Articles 186, Article 278
1-3. Stock splits	Article 183
1-4. cancellations of shares and stock acquisition rights	Articles 178, Article 276
1-5. decrease in number of shares that constitute one Unit, and the repeal of the provision of the Articles of Incorporation thereof	Article 195I
1-6. public auctions and sale owned by shares of shareholders to whom notice did not reach, etc.	Article 197
1-7. Acquisition from subsidiary of stock issued by the Company	Article 163, Article 156I
2. Businesses and matters regarding organizational restructuring (not requiring approval by resolution of General Meetings of Shareholders)	
2-1. Determination of the following contents of contracts regarding business expansion	
(1) Acquisition of businesses of another company	Article 467, Article 468II, Article 416IV(15)
i. All (Non-large scale acquisition case: value to be paid for acquisition does not exceed 20% of the Company's (unconsolidated) net assets.)	
ii. Part	
(2) Merger by absorption-type merger (Non-Large scale merger case: property value to be given to shareholders of the non-surviving company does not exceed 20% of the Company's (unconsolidated) net assets.)	Article 795, Article 796 II, Article 416IV(16)
(3) Absorption by absorption-type demerger (Non-Large scale demerger case: property value to be given to shareholders of the demerged company does not exceed 20% of the Company's (unconsolidated) net assets.)	Article 795 Article 796 II, Article 416IV(17)
(4) Share-swap exchange to make another company a wholly owned subsidiary of the Company (Non-Large scale share-swap exchange case: property value to be given to shareholders of the wholly owned subsidiary does not exceed 20% of the Company's (unconsolidated) net assets.)	Article 795 Article 796 II, Article 416IV(19)
2-2. Determination of the following contents of contracts regarding business contraction and extinction	
(1) Transfer of the Company's businesses	Article 467 Article 468
i. Parts (Unimportant parts: book value of property to be transferred does not exceed 20% of the Company's (unconsolidated) gross assets)	Article 416IV(15)
(2) Demerger of the Company's business (Non- large-scale demerger case: book value of property to be split off does not exceed 20% of the Company's (unconsolidated) gross assets)	Article 783 Article 784 II Article 804,805 Article 416IV(17)(18)
3. Specific Important Matters (Matters to be resolved at the meeting of the Board of Directors for a Company with the Board of Directors, which is not for a Company with Nominating Committees, etc.)	
3-1. Disposal and acquisition of important property	Article 362IV(1) Article 416IV
3-2. Significant amount of borrowing	Article 362IV(2) Article 416IV

	<u>Company Law</u>
3-3. Appointment and removal of registered general managers and other important employees	Article 362IV(3) Article 416IV
3-4. Establishment, change and abolishment of branch office and other important organizations	Article 362IV(4) Article 416IV
3-5. Important matters regarding invitation to subscription of bonds	Article 362IV(5) Article 416IV
4. General Business Operation	
Determination on execution of all business activities, other than the following matters:	
i. Matters to be resolved at General Meetings of Shareholders	Article 416I(1)
ii. Matters listed in Section 1	
iii. Matters listed in Section 2 subsections 1, 2 and 3	

## **Exhibit II**

### **2. Matters to be Reported on Regular Basis**

1. Status of execution of matters delegated to the Representative Executive Officer pursuant to Article 5 (excluding matters listed under Section[2], subsection4 of Exhibit I)
2. Reports on the business performance of the current fiscal year based on quarterly financial reports (including an overall report for the matters listed under Section[2], subsection4 of Exhibit I).
3. Other matters determined by the Board of Directors

**Exhibit 7.1**

Ratios in the annual report have been calculated in the manner described therein.

## LIST OF SUBSIDIARIES

Name	Country of Incorporation	Principal Business	ORIX Voting Power <sup>1</sup>
Yayoi Co., Ltd.	Japan	Development, marketing, and support of business management software and related services	99%
ORIX Auto Corporation	Japan	Automobile Leasing, Rentals, Car Sharing, Sales of Used Automobiles	100%
ORIX Rentec Corporation	Japan	Rental and Leasing of Test and Measurement Instruments and IT-Related Equipment	100%
ORIX Real Estate Corporation	Japan	Real Estate Development and Rental, Facilities Operation	100%
ORIX Golf Holdings Corporation	Japan	Golf Course Management	100%
ORIX Real Estate Investment Advisors Corporation	Japan	Real Estate Investment and Advisory Services	100%
ORIX Living Corporation	Japan	Senior Housing Management	98%
Osaka City Dome Co., Ltd.	Japan	Multipurpose Hall Management	90%
ORIX Asset Management Corporation	Japan	REIT Asset Management	100%
ORIX Eco Services Corporation	Japan	Trading of Recycled Metals and other Resources, Collection and Transportation of Industrial Waste, and Intermediate Waste Processing	100%
ORIX Asset Management & Loan Services Corporation	Japan	Loan Servicing	100%
DAIKYO INCORPORATED	Japan	Real Estate Development and Sales, Urban development	64%
ORIX Life Insurance Corporation	Japan	Life Insurance	100%
ORIX Bank Corporation	Japan	Banking	100%
ORIX Credit Corporation	Japan	Consumer Finance Services	100%
Hartford Life Insurance K.K.	Japan	Life Insurance	100%
ORIX USA Corporation	U.S.A.	Corporate Finance, Investment Banking	100%
ORIX Asia Limited	China (Hong Kong)	Leasing, Automobile Leasing, Lending, Investment Banking	100%
ORIX Leasing Malaysia Berhad	Malaysia	Leasing, Lending, Hire Purchase	100%
PT. ORIX Indonesia Finance	Indonesia	Leasing, Automobile Leasing	85%
ORIX Australia Corporation Limited	Australia	Automobile Leasing, Truck Rentals	100%
ORIX Aviation Systems Limited	Ireland	Aircraft Leasing, Asset Management, Aircraft-Related Technical Services	100%
ORIX (China) Investment Co., Ltd.	China	Leasing, Equity Investment, Other Financial Services	100%
ORIX Capital Korea Corporation	South Korea	Automobile Leasing, Leasing, Lending	100%
Thai ORIX Leasing Co., Ltd	Thailand	Leasing, Automobile Leasing and Rentals	96%
ORIX Taiwan Corporation	Taiwan	Leasing, Installment Loans, Insurance Agency Services	100%
Robeco Groep N.V.	Netherlands	Asset Management	90%
Another 739 Subsidiaries			

(1) ORIX voting power includes ORIX's indirect voting power.

**ORIX Corporation**

**Code of Ethics**

Date of final amendment: April 18, 2014

The Chief Executive Officer,  
the Chief Financial Officer,  
and the Executive Officer of Accounting Department  
(each, a “Covered Officer”) of ORIX Corporation (the “Company”) are bound by the following specific policies  
(the “Code of Ethics”):

1. Covered Officers have an obligation to conduct themselves in an honest and ethical manner and act in the best interest of the Company. All Covered Officers shall not engage in acts or transactions or the like that create or may create actual or apparent conflicts of interest between the Company and themselves.
2. Covered Officers are responsible for full, fair, accurate, timely and understandable disclosure in (a) reports and documents that the Company files with, or submits to, the United States Securities and Exchange Commission and (b) the Company’s other communications with the public, including both written and oral disclosures, statements and presentations.
3. Covered Officers shall comply with all applicable laws, rules and regulations. No Covered Officer shall commit an illegal act, or instruct others to do so.
4. Covered Officers shall promptly bring to the attention of the Company’s Executive Officer of Group Compliance Department or, in the case of accounting, internal accounting controls, auditing or other matters where he or she deems it appropriate, directly to the Company’s Audit Committee, any information he or she may have concerning any violation of the Code of Ethics.
5. Covered Officers are expected to comply with all of the provisions of this Code of Ethics. The Code of Ethics will be strictly enforced and violations will be dealt with immediately. Allegations of non-compliance will be investigated whenever necessary and evaluated at the proper level. Those found to be in violation of the Code of Ethics will be subject to appropriate disciplinary action. Criminal misconduct will be referred to the appropriate legal authorities for prosecution.

This Code of Ethics is a statement of certain fundamental principles, policies and procedures that govern the Company’s Covered Officers in the conduct of the Company’s business. It is not intended to and does not create any rights in any employee, customer, supplier, competitor, shareholder or any other person or entity.



**CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Makoto Inoue, certify that:

1. I have reviewed this annual report on Form 20-F of ORIX KABUSHIKI KAISHA (the “company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: June 25, 2015

By: \_\_\_\_\_ /s/ MAKOTO INOUE  
Name: Makoto Inoue  
Title: Chief Executive Officer

**CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Kazuo Kojima, certify that:

1. I have reviewed this annual report on Form 20-F of ORIX KABUSHIKI KAISHA (the “company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: June 25, 2015

By: \_\_\_\_\_ /s/ KAZUO KOJIMA  
Name: Kazuo Kojima  
Title: Chief Financial Officer

