

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

Washington, D.C. 20549

**FORM 20-F**

(Mark One)

- ☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**OR**
- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended March 31, 2012**  
**OR**
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
**OR**
- ☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
Date of event requiring this shell company report:  
Commission file number: 001-14856

**ORIX KABUSHIKI KAISHA**

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

**ORIX CORPORATION**

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

**Japan**

*(Jurisdiction of incorporation or organization)*

**Mita NN Building, 4-1-23 Shiba, Minato-ku**

**Tokyo 108-0014, Japan**

*(Address of principal executive offices)*

**Yoshiko Fujii**

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

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

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

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

None

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

None

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

As of March 31, 2012, 110,254,422 Shares were outstanding, including Shares that were represented by 2,748,724 ADSs.

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

☒ 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):

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☒ 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) to which the Company and its subsidiaries are primary beneficiaries pursuant to ASC 810-10 ( **Consolidation Variable Interest Entities** ). Unless otherwise stated or the context otherwise requires, all amounts in such financial statements are expressed in Japanese yen.

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

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

The Company's fiscal year ends on March 31. The fiscal year ended March 31, 2012 is referred to throughout this annual report as **fiscal 2012**, and other fiscal years are referred to in a corresponding manner. References to years not specified as being fiscal years are to calendar years.

**FORWARD-LOOKING STATEMENTS**

This annual report contains statements that constitute **forward-looking statements** within the meaning of Section 21E of the Securities Exchange Act of 1934. When included in this annual report, the words **will**, **should**, **expects**, **intends**, **anticipates**, **estimates** and similar expressions, others, identify forward looking statements. Such statements, which include, but are not limited to, statements contained in **Item 3. Key Information Risk Factors**, **Item 5. Operating and Financial Review and Prospects** and **Item 11. Quantitative and Qualitative Disclosures About Market Risk**, inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those set forth in such statements. These forward-looking statements are made only as of the filing date of this annual report. The Company expressly disclaims any obligation or undertaking to release any update or revision to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.



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

Not applicable.

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

Not applicable.

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

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

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

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

	2008	As of and For the Year Ended March 31,				
		2009	2010	2011	2012	
	(Yen and dollars, except ratios and number of employees)					
<b>Key ratios (%)<sup>(3)</sup>:</b>						
Return on ORIX Corporation shareholders' equity ( ROE )	13.8	1.8	3.1	5.1	6.3	
Return on assets ( ROA )	1.97	0.25	0.47	0.82	1.02	
ORIX Corporation shareholders' equity ratio	14.1	13.9	16.8	15.4	16.7	
Allowance/investment in direct financing leases and installment loans	2.1	3.8	4.9	4.0	3.7	

**Per share data and employees:**

ORIX Corporation shareholders' equity per Share <sup>(4)</sup>	¥ 14,010.62	¥ 13,059.59	¥ 12,082.56	¥ 12,273.11	¥ 12,984.69	
Basic earnings per Share for income attributable to ORIX Corporation from continuing operations <sup>(5)</sup>	1,579.22	127.25	308.87	574.83	781.84	
Basic earnings per Share for net income attributable to ORIX Corporation	1,860.63	246.59	370.52	625.88	801.33	
Diluted earnings per Share for net income attributable to ORIX Corporation	1,817.81	233.81	315.91	527.75	670.34	
Dividends applicable to fiscal year per Share	260.00	70.00	75.00	80.00	90.00	
Dividends applicable to fiscal year per Share <sup>(6)</sup>	\$ 2.49	\$ 0.73	\$ 0.81	\$ 0.99	\$ 1.15	
Number of employees	18,702	18,920	17,725	17,578	17,488	

(1) As a result of the recording of discontinued operations in accordance with FASB Accounting Standards Codification ( ASC ) 205-20 ( Presentation of Financial Statements Discontinued Operations ), results of operations that meet the criteria for discontinued operations are reported as a separate component of income, and those related amounts that had been previously reported have been reclassified.

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





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

- (3) Return on ORIX Corporation shareholders' equity is the ratio of net income attributable to ORIX Corporation for the period to average ORIX Corporation shareholders' equity based on fiscal year-end balances during the period. Return on assets is the ratio of net income attributable to ORIX Corporation for the period to average total assets based on fiscal year-end balances during the period. ORIX Corporation shareholders' equity ratio is the ratio as of the period end of ORIX Corporation shareholders' equity to total assets. Allowance/investment in direct financing leases and installment loans is the ratio as of the period end of the allowance for doubtful receivables on direct financing leases and probable loan losses to the sum of investment in direct financing leases and installment loans.
- (4) ORIX Corporation shareholder's equity per share is the amount derived by dividing ORIX Corporation shareholder's equity by the number of outstanding Shares.
- (5) Basic earnings per Share for income attributable to ORIX Corporation from continuing operations is the amount derived by dividing income attributable to ORIX Corporation from continuing operations by the weighted-average number of Shares outstanding based on month-end balances during the fiscal year. The term basic earnings per Share for income attributable to ORIX Corporation from continuing operations as used throughout this annual report has the meaning described above.
- (6) The U.S. dollar amounts represent translations of the Japanese yen amounts using noon buying rates for Japanese yen per \$1.00 in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York in effect on the respective dividend payment dates.

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In certain parts of this annual report, we have translated yen amounts into dollars for the convenience of readers. The rate that we used for translations was ¥82.19 = \$1.00, which was the approximate exchange rate in Japan on March 31, 2012 using the telegraphic transfer rate of the Bank of Tokyo-Mitsubishi UFJ, Ltd. The following table provides the noon buying rates for Japanese yen, expressed in per \$1.00 in New York City for cable transfers in foreign currencies. As of June 15, 2012, the noon buying rate for Japanese yen was ¥78.65 = \$1.00. No representation is made that the yen or dollar amounts referred to herein could have been or could be converted into dollars or yen, as the case may be, at any particular rate or at all.

	2008	Year Ended March 31,				
		2009	2010	2011	2012	
		(Yen per dollar)				
<b>Yen per dollar exchange rates:</b>						
High	¥ 124.09	¥ 110.48	¥ 100.71	¥ 94.68	¥ 85.26	
Low	96.88	87.80	86.12	78.74	75.72	
Average of the last days of the months	113.61	100.85	92.49	85.00	78.86	
At period-end	99.85	99.15	93.40	82.76	82.41	

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

	High	Low
<b>2011</b>		
December	¥ 78.13	¥ 76.98
<b>2012</b>		
January	¥ 78.13	¥ 76.28
February	81.10	76.11
March	83.78	80.86
April	82.62	79.81
May	80.36	78.29

**RISK FACTORS**

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

**1. Risks Related to our External Environment**

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

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

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

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

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

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

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

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

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

We conduct business operations in Japan as well as overseas, including in the United States, Asia, Oceania, the Middle East and Europe. Among overseas businesses, operations in the United States, Asia and Oceania are especially large. One of our mid-term management strategies is Embracing growth in emerging markets including Asia. Shifts in commodity market prices and consumer demand, political instability or religious strife in these and other regions, could adversely affect our business activities, financial condition and results of operations.

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

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

event may, among other things, cause unexpectedly large market price movements or an unexpected deterioration of the economic conditions of a country or region. If such a sudden and unpredictable event occurs, our business activities, financial condition and results of operations may be adversely affected as a result.

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

A few of our shareholders hold more than five percent of the total number of outstanding Shares. These shareholders may, for strategic or investment reasons, decide to reduce their shareholdings in ORIX. Dispositions of Shares, particularly dispositions of large numbers of Shares by major shareholders, may adversely affect market prices for the Shares. For information on major shareholders, see Item 7. Major Shareholders and Related Party Transactions.

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

## **2. Credit Risk**

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

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

The operating results of many companies have deteriorated due to restricted credit availability caused primarily by the continued effects of the meltdown of the global financial and capital markets and the ensuing economic recession. In response to such conditions, we endeavored to improve our portfolio management, an exercise which resulted in a decline in doubtful receivables and probable loan losses. However, we may be required to make additional provision in the future.

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

## **3. Market Risk**

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

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Our business activities are subject to risks relating to changes in market interest rates and currency exchange rates in Japan and overseas. Although we conduct asset-liability management ( ALM ), fixed and variable interest rates and terms of fixed-rate assets and liabilities are not uniform among our assets and liabilities. As such, increases or decreases in market interest rates or changes in the yield curve could adversely affect our results of operations.

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

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



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customers and their ability to repay their obligations to us. Alternatively, a decline in interest rates could result in increased prepayments of loans and a decrease in our assets. Changes in market interest rates could have an adverse effect on the credit quality of our assets and our asset structure.

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

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

We utilize derivative instruments to reduce investment portfolio price fluctuations, and to manage interest rate and currency risk. However, we may not be able to successfully manage these risks through the use of derivatives. There exist fears such that counterparties may fail to honor the terms of their derivatives contracts with us, and we may be exposed to additional risks. Alternatively, our ability to enter into derivative transactions may be adversely affected if our credit ratings are downgraded.

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

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

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

We hold investments in listed or non-listed shares, including our affiliates accounted for by the equity method, and bonds in Japan, the United States and other regions. The market values of our investment assets are volatile and may decline substantially in the future. A significant decline in the value of our investment assets could adversely affect our business activities, financial condition and results of operations.

## **4. Business Risk**

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

We engage in a wide range of diversified business and are expanding the range of our businesses to offer new products and services in Japan and overseas. Such expansion may expose us to new and complex risks, which we may be unable to fully control or foresee, and, as a result, we may incur unexpected costs or losses, which may be substantial. In addition, our efforts to offer new products and services may not achieve the

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expected results if business opportunities do not develop or increase as expected or if competitive pressures undermine the profitability of the available opportunities.

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

We enter joint ventures and alliances with foreign and domestic counterparties, and the success of these operations is often dependent upon the financial and legal stability of our counterparties. If one of our joint ventures or alliance counterparties suffers a decline in its financial condition for any reason, or is subject to instability because of a change of the laws governing its operations, we may be required to pay in additional capital, or reduce at a loss our investment in, or close the operations altogether.

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

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

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

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

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

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

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

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

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

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

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

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

Our real estate-related operations include development and lease of real estate, and real estate finance. Our real estate finance business is comprised of non-recourse loans for which cash flow from real estate is the source of repayment, and underwriting specified bonds that are issued by special purpose entities (SPEs), which are secured by real estate.

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

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

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

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

### ***(6) Our life insurance subsidiary is subject to risks that are specific to its business***

We are exposed to the risk of unpredictable and potentially substantial increases in insurance payments for deaths and hospital benefits, in relation to the business of ORIX Life Insurance Corporation. If ORIX Life Insurance suffers valuation or other losses, including from declines in the value of securities or real estate that it purchases for asset management purposes, that affect its ability to maintain its regulatory capital or liability reserve requirements, or if changes in regulations require ORIX Life Insurance to increase its capital or liability reserves, we may be required to provide financial support through capital contributions. In addition, if ORIX Life Insurance fails to conduct reasonable asset liability management, or ALM, to appropriately manage risks and returns on investment assets and underwriting risks on insurance policy benefits, our business activities, financial condition and results of operations may suffer.

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

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

We operate a wide range of diversified businesses in Japan and overseas, including financial services business. In recent years, we have expanded into areas such as environmental business, renewable energy and nursing care. Entry into these industries, and the results of operations

following such entry, are accompanied by various uncertainties, and if any unanticipated risk does eventuate, this may adversely affect our business activities, financial condition and results of operations.

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### **5. Risk Relating to Fund Procurement**

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

Our primary sources of funds from financing activities include: borrowings from banks and other institutional lenders, funding from capital markets (such as offerings of commercial paper, straight bonds and medium-term notes, convertible bonds, asset-backed securities and other debt securities) and deposits. Such sources include a significant amount of short-term debt, such as CP and short-term borrowings from various institutional lenders, and long-term debt maturing in the current fiscal year. Some of our committed credit lines require us to comply with financial covenants and maintain specified credit ratings. In addition, some of the non-recourse loans under which we borrow funds to finance specific projects require early repayment if the relevant projects experience declines in performance.

The increased risks to our financial liquidity will increase the possibility that our ability to raise new funds in the market or to renew existing funding sources may become uncertain; we may be exposed to increased funding costs; we may be more subject to volatility in the credit markets; and our securities may not be attractive in the capital markets. If our access to liquidity is restricted, or if we are unable to obtain our required funding at acceptable costs, our business activities, financial condition and results of operations will be significantly and adversely affected.

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

### **6. Legal Risk**

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

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

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

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

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



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

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

## **7. Operational Risk**

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

We utilize computer systems and other information systems for financial transactions, personal information management, business monitoring and processing and as part of our business decision-making and risk management activities. These information systems may be outsourced.

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

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

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

Our businesses require a considerable investment in human resources and the retention of such resources in order to successfully compete in markets in Japan and overseas. Many of our businesses require employment of talented individuals who have experience and knowledge in the financial field. If we cannot develop, hire or retain the necessary human resources, our business activities, financial condition and results of operations may be adversely affected.

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

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

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

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

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

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

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

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

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

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

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

ORIX is a joint stock company incorporated in Japan. Most or all of ORIX's directors and executive officers are residents of countries other than the United States. Although some of ORIX's subsidiaries have substantial assets in the United States, substantially all of ORIX's assets and the

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

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

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

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

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

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

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

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

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

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

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

**GENERAL**

ORIX is a joint stock corporation (*kabushiki kaisha*) formed under Japanese law. Our principal place of business is at Mita NN Building, 4-1-23 Shiba, Minato-ku, Tokyo 108-0014, Japan, and our phone number is: +81 3 5419 5000. Our general contact URL is [https://ssl.orix-form.jp/ir/inquiry\\_e/](https://ssl.orix-form.jp/ir/inquiry_e/) and our corporate website

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URL is: <http://www.orix.co.jp/grp/en>. The information on our website is not incorporated by reference into this annual report. ORIX USA Corporation ( ORIX USA ) is ORIX's agent in the United States, and its principal place of business is at 1717 Main Street, Suite 900, Dallas, Texas 75201, USA.

## **CORPORATE HISTORY**

ORIX was established on April 17, 1964 in Osaka, Japan as Orient Leasing Co., Ltd. by three trading companies and five banks that included Nichimen Corporation, Nissho Corporation and Iwai Corporation (presently Sojitz Corporation), the Sanwa Bank (presently Mitsubishi UFJ Financial Group Inc.), Toyo Trust & Banking (presently Mitsubishi UFJ Trust and Bank Corporation), the Industrial Bank of Japan and Nippon Kangyo Bank (presently Mizuho Bank, Ltd., Mizuho Holdings, Inc.), and the Bank of Kobe (presently Sumitomo Mitsui Banking Corporation). While we maintain business relationships with these companies, they now hold only a limited number of our Shares in the aggregate.

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

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

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

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

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

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

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

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



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

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

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

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

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

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

## **STRATEGY**

### **Target Performance Indicators**

In its pursuit of sustained growth, the ORIX Group will use the following performance indicators: Net income attributable to ORIX Corporation to indicate profitability, ROE to indicate capital efficiency and ROA to indicate asset efficiency. ORIX aims to achieve its medium-term goal of 10% ROE by striving to increase capital efficiency through quality asset expansion to capture business opportunities along with increased asset efficiency by strengthening profit-earning opportunities such as fee-based and other businesses.

Three-year trends in performance indicators are as follows.

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

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

The ORIX Group believes that it is vital to respond to changes in the market environment with agility and flexibility. The ORIX Group consists of six business segments (Corporate Financial Services, Maintenance Leasing, Real Estate, Investment and Operation, Retail and Overseas Business) that represent a wide range of businesses, and Group-wide risk is controlled through a diversified business portfolio. While domestic and international financial institutions were forced to record large losses due to the financial crisis, ORIX was able to secure profits through the complementary nature of its diversified portfolio.

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

Going forward, ORIX will continue its pursuit of the mid-term management strategies of increasing the pace of Finance + Services and Embracing growth in emerging markets including Asia while focusing on expanding operations through business portfolio diversification. Additionally, ORIX aims for Growth and Innovation of Current Businesses by restructuring the current business platform and capturing new business opportunities in response to the changing environment.

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

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

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

### **Corporate Challenges to be Addressed**

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

1.

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

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

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

**PROFILE OF BUSINESS BY SEGMENT**

Our reportable segments are based on ASC 280-10 (Segment Reporting). For a discussion of the basis for the breakdown of segments, see Note 32 in Item 18. Financial Statements. The following table shows a breakdown of profits by segment for the years ended March 31, 2010, 2011 and 2012.

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

Each of our segments is briefly described below.

**BUSINESS SEGMENTS**

As of April 1, 2008, ORIX reorganized its businesses into six segments to facilitate strategy formulation, resource allocation and portfolio balancing at the segment level. These six business segments are: Corporate Financial Services, Maintenance Leasing, Real Estate, Investment and Operation, Retail and Overseas Business. Management believes that organizing our business into large strategic units allows us to maximize our corporate value by identifying and building strategic advantages vis-à-vis anticipated competitors in each area and by helping the ORIX Group achieve competitive advantages.

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

**Corporate Financial Services**

***Overview of Business Strategies***

Increase the pace of Finance + Services

Expand the client base through strengthened cooperation with group companies

Capture business opportunities presented by the changing environment

***Overview of Operation***

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

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Operating through a nationwide network of 76 offices, ORIX provides capital through loans and leasing for capital investment and other needs to its core customer base of domestic small and medium-sized enterprises (SMEs). In order to maximize synergies, the Corporate Financial Services segment functions as the central point of contact for the entire ORIX Group in responding to needs of other segments, including business succession and overseas business development.

In addition to lending and leasing, this segment serves as a specialist department that engages in commercial facility development and rental as well as construction equipment business activities. By promoting cross-functional tie ups with domestic and overseas business units, this segment provides services backed by expertise to its clients nationwide.

### ***Operating Environment***

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

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

### ***Operating Strategy***

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

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

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





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### **Maintenance Leasing**

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

Continue Group-wide sales activities

Expand high value-added services and allocate resources to growth areas

Improve profitability by streamlining operations and controlling costs

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

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

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

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

#### ***Operating Environment***

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

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

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

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

### *Operating Strategy*

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

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

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The segment's corporate automobile leasing operations provide solutions based on compliance, environmental response and safety management while at the same time encompassing complete business process outsourcing that draws on the segment's high level of expertise and reliable operational quality. For example, ORIX Telematics Service offers vehicle dispatch control, a service that reduces fuel consumption, promotes efficient vehicle use and takes client employee safety into consideration, through consultations based on analysis of a broad spectrum of driving data. By actively promoting this type of high value-added business, the Maintenance Leasing segment is expanding fee income while differentiating ORIX from other companies. Moreover, we aim to streamline operations and enhance cost control to maintain profitability and competitiveness.

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

In the rental business, we will focus on maintaining our high market share while providing a broad scope of solutions, including technical support, sales of software packages, calibration and asset management.

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

## **Real Estate**

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

Expand business based on the real estate value chain

Expand the stable revenue base by improving the profitability of rental assets and strengthening the operating business

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

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

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

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

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

### *Operating Environment*

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

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

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

## ***Operating Strategy***

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

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

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

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

## **Investment and Operation**

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

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

Capture opportunities for new investment and reestablish the portfolio

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

***Overview of Operation***

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

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

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### ***Operating Environment***

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

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

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

### ***Operating Strategy***

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

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

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

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

As a part of its ongoing energy and environmental activities including provision of waste processing and recycling services, energy conservation services and the sale of solar power systems, as well as the development and operation of power generation businesses, the segment will put

forward innovative new ideas and proposals based on its accumulated know-how. Moreover, considerable energies will be channeled toward investments in and operation of water-related and mega-solar businesses at home and abroad.

**Retail**

***Overview of Business Strategies***

Life Insurance: Develop distinctive new products and enhance the agency network

Banking: Create a balanced portfolio

ORIX Credit: Expand business with current high-tier clients and pursue new guarantees



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

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

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

### ***Operating Environment***

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

In the banking industry, deposits continue to grow as savings attract stability-oriented individuals. Despite signs of a partial recovery in corporate-sector capital expenditure demand, the need for capital in overall terms remains flat. However, even in a stagnant real estate market, capital demand by individual investors remains firm in the market for investment rental condominium units, the backbone of the housing loan business, which continues to perform strongly.

In the card loan market, the number of finance providers has dropped dramatically. At the same time, there has been a continued move toward adopting a new business model. This is largely the result of the reduction in the upper limit placed on interest rates and the ceiling established on total debt. In contrast, there are indications that banks are expanding their individual unsecured lending activities.

### ***Operating Strategy***

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

ORIX Life Insurance, which concentrates mainly on developing and selling products for individuals, has experienced a substantial increase in the number of policies in force. ORIX Life Insurance will continue to enhance its product lineup by developing products that meet the needs of its customers, such as its medical insurance CURE series, its cancer insurance Believe and its Internet-based insurance application service Bridge, a term insurance policy available only online. Moving forward, and in similar fashion to the launch of an Internet-based insurance

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application service last year, the ORIX Group will work to expand sales channels. Through these means, the Group seeks to expand its operations, strengthen operating efficiency and fortify its business foundation.

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

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

## **Overseas Business**

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

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

Expansion of the leasing business and new investment centered on Asia

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

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

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

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

### ***Operating Environment***

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

ORIX has extensive business operations in Asia. Despite a slowdown in the pace of growth due mainly to the crisis in Europe, Asia is expected to enjoy considerable expansion on the back of stable growth mainly in the ASEAN region. As a result of high economic growth in recent years, Asia's economy has reached the stage where it consumes a wide range of products and services from developed countries such as Japan, which

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

### *Operating Strategy*

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

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

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

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

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

## **DIVISIONS, MAJOR SUBSIDIARIES AND AFFILIATES**

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

## **CAPITAL PRINCIPAL EXPENDITURES AND DIVESTITURES**

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

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



**Table of Contents****PROPERTY, PLANT AND EQUIPMENT**

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

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

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

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

Although there are presently no other material plans to construct or improve facilities, we may build or acquire additional offices or make improvements to existing facilities if we believe the expansion of our business so warrants.

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

We own office buildings, apartment buildings and recreational facilities for our employees and others with an aggregate book value of ¥123,338 million as of March 31, 2012.

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

**SEASONALITY**

Our business is not materially affected by seasonality.

#### **RAW MATERIALS**

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

#### **PATENTS, LICENSES AND CONTRACTS**

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



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**BUSINESS REGULATION**

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

The next section describes the laws and regulations of our business in Japan and the United States, our largest area of operation outside Japan.

**JAPAN**

There is no general regulatory regime which governs the conduct of our direct financing lease and operating lease businesses in Japan, although various laws regulate certain aspects of particular lease transactions, depending on the type of leased property.

The major regulations that govern our businesses are as follows:

***Moneylending Business***

ORIX and certain of our group companies are engaged in the moneylending business in Japan. The moneylending business is regulated by the Interest Rate Restriction Act, the Acceptance of Contributions Law, the Deposit Interest Law and the Moneylending Business Act. The Moneylending Business Act requires that all companies engaged in moneylending business register with the Prime Minister and the relevant prefectural governors. Registered moneylenders are regulated by the Financial Services Agency ( FSA ), and are required to report to or notify the FSA, providing certain documents such as their annual business reports. Accordingly, pursuant to the Moneylending Business Act, ORIX and certain of our group companies register with the Prime Minister and various prefectural governors and provide the necessary reporting and notification to the FSA. The FSA has the power to issue business improvement orders to suspend all or part of a business's activities, or to revoke the registration of a moneylender that has violated the law.

***Real Estate Business***

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

***Car Rental Business***

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

***Insurance Business***

ORIX Life Insurance Corporation is engaged in the life insurance business and has a license from the Prime Minister under the Insurance Business Act. The FSA has broad regulatory powers over the life insurance business of ORIX Life Insurance, including the authority to grant or, under certain conditions, revoke its operating license, to request information regarding its business or financial condition and to conduct on-site

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inspections. ORIX Life Insurance generally must also receive FSA approval for the sale of new products and to set new pricing terms. In addition, under the Insurance Business Act regulations, any party attempting to acquire voting rights in an insurance company at or above a specified threshold must receive approval from the Prime Minister. We have received such approval as a major shareholder in ORIX Life Insurance. Insurance solicitation, which we and our group companies conduct, is also governed by the Insurance Business Act. We and certain of our group companies, such as ORIX Auto, are registered as life insurance agents with the Prime Minister.

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

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

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

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

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

ORIX and certain of our group companies are registered with the Prime Minister under the Financial Instruments and Exchange Act to conduct the second class financial instruments exchange business. The second class financial instruments exchange business includes trading of low-liquidity financial instruments, such as the sale and solicitation of trust beneficiary interests and certain equity investments in partnerships.

#### ***(3) Investment Management Business***

ORIX Asset Management Corporation ( OAM ), a wholly owned subsidiary, is registered with the Prime Minister under the Financial Instruments and Exchange Act as an investment manager. OAM is responsible for the asset management of a real estate investment corporation, ORIX

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

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

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

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

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

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

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

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

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

### ***Waste Management***

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

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

Town to act as a municipal solid waste disposal contractor.

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

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

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

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

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

## **OUTSIDE JAPAN**

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

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

ORIX USA's corporate finance, real estate finance and development, equipment finance, public finance and special servicing businesses are subject to numerous state and federal laws and regulations. Commercial and real estate loans may be governed by the USA PATRIOT Act, the Equal Credit Opportunity Act and Regulation B thereunder, the Flood Disaster Protection Act, the National Flood Insurance Reform Act of 1994 and state usury laws. Real estate transactions are also governed by state real property and foreclosure laws. ORIX USA's equipment finance transactions are governed by the Uniform Commercial Code, as adopted by the various states. ORIX USA is registered with or has obtained licenses from the various state agencies that regulate the activity of commercial lenders in such states.

In May 2010 ORIX USA acquired RED Capital Group, a Columbus, Ohio-headquartered provider of debt and equity capital, as well as advisory services, to the housing, health care and real estate industries. Red Mortgage Capital, LLC, a subsidiary of RED Capital Group, is registered as a broker-dealer and regulated by the SEC and FINRA. In addition, RED Capital Group and its subsidiaries must comply with rules and regulations administered by the Government National Mortgage Association ( Ginnie Mae ), the Federal National Mortgage Association ( Fannie Mae ), the Department of Housing and Urban Development and the Federal Housing Administration.

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

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

become subject to enhanced requirements regarding capital, leverage, liquidity, conflicts and risk management.



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

## **LEGAL PROCEEDINGS**

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

### **Item 4A. Unresolved Staff Comments**

None.

### **Item 5. Operating and Financial Review and Prospects**

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**OVERVIEW**

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

**Market Environment**

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

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

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

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

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

**Results Overview**

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

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

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

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

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

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

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

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

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

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Note 1 of Item 18. Financial Statements includes a summary of the significant accounting policies used in the preparation of our consolidated financial statements. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimates may differ significantly from management's current judgments. We consider the accounting estimates discussed in this section to be critical for us for two reasons. First, the estimates require us to make assumptions about matters that are highly uncertain at the time the accounting estimates are made. Second, different estimates that we reasonably could have used in the relevant period, or changes in the accounting estimates that are reasonably likely to occur from period to period, could have a material impact on the presentation of our financial condition, changes in financial condition or results of operations. We believe the following represent our critical accounting policies and estimates.

## **FAIR VALUE MEASUREMENTS**

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

ASC 820-10 classifies and prioritizes inputs used in valuation techniques to measure fair value into the following three levels:

Level 1 Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

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Level 2 Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 Unobservable inputs for the assets or liabilities.

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ASC 820-10 differentiates between those assets and liabilities required to be carried at fair value at every reporting period (recurring) and those assets and liabilities that are only required to be adjusted to fair value under certain circumstances (nonrecurring). We measure mainly loans held for sale, trading securities, available-for-sale securities, certain investment funds and derivatives at fair value on a recurring basis. A subsidiary measures certain loans held for sale originated on and after October 1, 2011 at fair value on a recurring basis as it elected the fair value option under ASC 825-10 ( Financial Instruments-Fair Value Option ).

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

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

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

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

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

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



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As of March 31, 2012, the amount of financial assets classified as Level 3 was ¥248,948 million, among financial assets and liabilities (net) that we measured at fair value on a recurring basis. Level 3 assets represent 3% of our total assets.

Available-for-sale securities classified as Level 3 are mainly mortgage-backed and other asset-backed securities, including specified bonds issued by special purpose entities (SPEs) in Japan and CMBS and RMBS in the United States. Specified bonds issued by SPEs classified as Level 3 available-for-sale securities were ¥139,152 million as of March 31, 2012, which is 57% of Level 3 available-for-sale securities. We classified the specified bonds as Level 3 because we measure their fair value using unobservable inputs. Since the specified bonds do not trade in an open market, no relevant observable market data is available. Accordingly, to measure their fair value we use a discounted cash flow model that incorporates significant unobservable inputs as further discussed below.

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

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

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

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

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

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



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

business characteristics and financial condition of obligors;

current economic conditions and trends;

prior charge-off experience;

current delinquencies and delinquency trends; and

value of underlying collateral and guarantees.

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

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

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

## **IMPAIRMENT OF INVESTMENT IN SECURITIES**

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

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

For debt securities, we apply ASC 320-10-35 ( Investments Debt and Equity Securities Subsequent Measurement ). For a debt security, we assess whether impairment is other than temporary using all available information about the collectibility if the fair value of a debt security is less than its amortized cost basis. Under such circumstances, as required by ASC 320-10-35 an other-than-temporary impairment is considered to have occurred if (1) we intend to sell the debt security; (2) it is more likely than not that we will be required to sell the debt security before recovery of its amortized cost basis; or (3) we do not expect to recover the entire amortized cost basis of the security. In measuring the impairment, if we intend to sell the security or it is more likely than

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not that we will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment is recognized in earnings equal to the entire difference between the security's amortized cost basis and its fair value.

On the other hand, if we do not intend to sell the debt security and it is more likely than not that we will not be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss, we separate the difference between the amortized cost and the fair value of the debt securities into the credit loss component and the non-credit loss component. The credit loss component is recognized in earnings, and the non-credit loss component is recognized in other comprehensive income (loss), net of applicable income taxes.

In making an other-than-temporary impairment assessment for available-for-sale debt securities, we consider all available information relevant to the collectibility of the security, including but not limited to the following factors:

duration and the extent to which the fair value has been less than the amortized cost basis;

continuing analysis of the underlying collateral, age of the collateral, business climate, economic conditions and geographical considerations;

historical loss rates and past performance of similar assets;

trends in delinquencies and charge-offs;

payment structure and subordination levels of the debt security;

changes to the rating of the security by a rating agency; and

subsequent changes in the fair value of the security after the balance sheet date.

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

Determinations of whether a decline is other than temporary often involve estimating the outcome of future events that are highly uncertain at the time the estimates are made. Management's judgment is required in determining whether factors exist that indicate that an impairment loss should be recognized at any balance sheet date, mainly based on objective factors. In view of the diversity and volume of our shareholdings, the highly volatile equity markets make it difficult to determine whether the declines are other than temporary.

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

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

#### **IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS NOT SUBJECT TO AMORTIZATION**

We test for impairment of goodwill and any intangible assets that are not subject to amortization at least annually. Additionally, if events or changes in circumstances indicate that the asset might be impaired, we test for impairment when such events or changes occur.

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

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The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying value, including goodwill. If the carrying value of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss. The second step of the goodwill impairment test compares implied fair value of reporting unit goodwill with the carrying value of that goodwill. If the carrying value of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner used to determine the amount of goodwill recognized in a business combination. Any intangible assets that are not subject to amortization are tested for impairment by comparing the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

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

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

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

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

significant decline in the market value of an asset;

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

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

acquisition and construction costs substantially exceeding estimates;

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

potential loss on sale, having a plan of sale.

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

If the asset is considered impaired, an impairment charge is recorded for the amount by which the carrying amount of the asset exceeds fair value. We determine the fair value using appraisals prepared by independent third-party appraisers or our own staff of qualified appraisers based on recent transactions involving sales of



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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **PENSION PLANS**

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

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

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

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

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We use March 31 as a measurement date for our pension assets and projected benefit obligation balances under all of our material plans. If we were to assume a 1% increase or decrease in the expected long-term rate of return, holding the discount rate and other actuarial assumptions constant, pension expense for fiscal 2012 would decrease or increase, respectively, by approximately ¥859 million.

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

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

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

## **INCOME TAXES**

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

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

## **DISCUSSION WITH AND REVIEW BY THE AUDIT COMMITTEE**

Our management discussed the development and selection of each critical accounting estimate with our Audit Committee in June 2012.

**Table of Contents****FAIR VALUE OF INVESTMENT AND RENTAL PROPERTY**

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

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

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

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

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

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

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

<sup>(2)</sup> Income from discontinued operations is income such as gains on sales of real estate under operating leases which we have sold or have decided to sell, without maintaining significant continuing involvement in the operation of the assets.

**RESULTS OF OPERATIONS****GUIDE TO OUR CONSOLIDATED STATEMENT OF INCOME**

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

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

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

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

The diversified nature of our operations is reflected in our presentation of operating results through the categorization of our revenues and expenses to align with operating activities. We categorize our revenues into direct financing leases, operating leases, interest on loans and investment securities, brokerage commissions and net gains (losses) on investment securities, life insurance premiums and related investment income, real estate sales, gains on sales of real estate under operating leases and other operating revenues, and these revenues are summarized into a subtotal of **Total revenues** consisting of our **Operating income** on the consolidated statements of income.

The following is an additional explanation of certain account captions on our consolidated statements of income to supplement the discussion above:

Interest on investment securities is combined with interest on loans because we believe that capital we deploy is fungible and, whether used to provide financing in the form of loans and leases or through investment in debt securities, the decision to deploy the capital is a banking-type operation that shares the common objective of managing earning assets to generate a positive spread over our cost of borrowings.

Securities investment activities originated by the Company were extended to group companies, such as our U.S. operations. As a result, gains on investment securities have grown and become one of our major revenue sources. With this background, we determined to present gains on investment securities under a separate income statement caption, together with brokerage commissions, because both gains on investment securities and brokerage commissions are derived from our securities operations.

Other operating revenues consist of revenues derived from our various operations which are considered a part of our recurring operating activities, such as integrated facilities management operations, vehicle maintenance and management services, management of golf courses, training facilities and hotels, real estate-related business and commissions for the sale of insurance and other financial products.

Similar to our revenues, we categorize our expenses based on our diversified operating activities. **Total expenses** includes mainly interest expense, costs of operating leases, life insurance costs, costs of real estate sales, other operating expenses and selling, general and administrative expenses.

Expenses reported under an account caption of **Other operating expenses** are directly associated with the sales and revenues separately reported within other operating revenues. Interest expense is based on monies borrowed mainly to fund revenue-generating assets, including to purchase equipment for leases, extend loans and invest in securities and real estate operations. We also consider the principal part of selling, general and administrative expenses to be directly related to the generation of revenues. Therefore, they have been included within **Total expenses** deducted to derive **Operating income**. We similarly view the provision for doubtful receivables and probable loan losses to be directly related to our finance activities and accordingly have included it within **Total expenses**. As our principal operations consist of providing financial products and/or finance-related services to our customers, these expenses are directly related to the potential risks and changes in these products and services. See **Year Ended March 31, 2012 Compared to Year Ended March 31, 2011** and **Year Ended March 31, 2011 Compared to Year Ended March 31, 2010**.



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

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Accordingly, the write-downs were considered to represent an appropriate component of Operating income derived from the related real estate investment activities. Similarly, as we have identified investment in securities to represent an operating component of our financing activities, write-downs of securities are presented under Operating income.

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

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

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

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

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

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

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

decrease in write-downs recorded for non-marketable securities compared to the previous fiscal year.

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

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

**Balance Sheet data**

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

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

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

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

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

**Details of Operating Results**

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

**Table of Contents****Revenues, New Business Volumes and Investments****Direct financing leases**

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

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

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

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

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

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

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

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

**Operating leases**

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

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

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

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

information-related equipment, and new equipment acquisitions by operations overseas decreased due to a decrease in the purchase of aircraft.



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

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

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

**Installment loans**

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

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

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

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

appreciation of the yen in addition to the above-mentioned.

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

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

The balance of installment loans as of March 31, 2012 decreased 7% to ¥2,769,898 million compared to March 31, 2011. The balance of installment loans for borrowers in Japan decreased 5%, and the balance of installment loans for overseas customers decreased 12% as mentioned above. As of March 31, 2012, 72% of our installment loans were to borrowers in Japan, while 25% were to borrowers in the United States.

The table below sets forth the balances of our installment loans to borrowers in Japan and overseas as of March 31, 2011 and 2012, further categorized by the type of borrower (i.e., consumer or corporate) in the case of borrowers in Japan. As of March 31, 2012, ¥46,303 million, or 2%, of our portfolio of installment loans to consumer and corporate borrowers in Japan related to our life insurance operations. We reflect income from these loans as life insurance premiums and related investment income in our consolidated statements of income.

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

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

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

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

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

**Asset quality****Direct financing leases**

	As of March 31,	
	2011	2012
	(Millions of yen, except percentage data)	
<b>90+ days past-due direct financing leases and allowances for direct financing leases:</b>		
90+ days past-due direct financing leases	¥ 22,787	¥ 17,441
90+ days past-due direct financing leases as a percentage of the balance of investment in direct financing leases	2.74%	1.94%
Provision as a percentage of average balance of investment in direct financing leases <sup>(1)</sup>	0.51%	0.31%
Allowance for direct financing leases	¥ 21,201	¥ 16,852
Allowance for direct financing leases as a percentage of the balance of investment in direct financing leases	2.55%	1.87%

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

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

We believe that the ratio of allowance for doubtful receivables as a percentage of the balance of investment in direct financing leases provides a reasonable indication that our allowance for doubtful receivables was appropriate as of March 31, 2012 for the following reasons:

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

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

The ratio of charge-offs as a percentage of the average balance of investment in direct financing leases was 0.88% and 0.81% for fiscal 2011 and 2012, respectively.



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

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

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

The balance of 90+ days past-due loans not individually evaluated for impairment which are not individually significant and accordingly are evaluated for impairment as a homogeneous group decreased by 14% to ¥8,604 million in fiscal 2012.

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

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

We make provision against losses for these homogenous loans by way of general reserves for installment loans included in the allowance for doubtful receivables. We make allowance for housing loans in Japan after careful evaluation of the value of collateral underlying the loans, past loss experience and any economic conditions that we believe may affect the default rate.

We determine the allowance for our other items on the basis of past loss experience, general economic conditions and the current portfolio composition.

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The ratio of charge-offs as a percentage of the average balance of loans not individually evaluated for impairment was 0.14% and 0.09% for fiscal 2011 and 2012, respectively.



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

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

- (1) These are the ending balances attributable to VIEs which were newly consolidated at the beginning of fiscal 2011 due to the application of the new accounting standards for consolidation of VIEs under ASU 2009-16 and ASU 2009-17.
- (2) The allowance is individually evaluated based on the present value of expected future cash flows, the loan's observable market price or the fair value of the collateral securing the loans if the loans are collateral dependent.

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

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

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



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

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

	As of March 31, 2011	2012	Change Amount	Percent (%)
(Millions of yen, except percentage data)				
<b>Provision for doubtful receivables on direct financing leases and probable loan losses:</b>				
Beginning balance	¥ 157,523	¥ 154,150	¥ (3,373)	(2)
Direct financing leases	23,969	21,201	(2,768)	(12)
Loans not individually evaluated for impairment	33,299	35,626	2,327	7
Loans individually evaluated for impairment	100,255	97,323	(2,932)	(3)
Effect of the application of the new accounting standards <sup>(1)</sup>	32,181			
Direct financing leases	158			
Loans not individually evaluated for impairment	3,799			
Loans individually evaluated for impairment	28,224			
Beginning balance after the application of the new accounting standards	189,704	154,150	(35,554)	(19)
Direct financing leases	24,127	21,201	(2,926)	(12)
Loans not individually evaluated for impairment	37,098	35,626	(1,472)	(4)
Loans individually evaluated for impairment	128,479	97,323	(31,156)	(24)
Provision charged to income	31,103	19,215	(11,888)	(38)
Direct financing leases	4,322	2,568	(1,754)	(41)
Loans not individually evaluated for impairment	3,493	(4,949)	(8,442)	
Loans individually evaluated for impairment	23,288	21,596	(1,692)	(7)
Charge-offs (net)	(61,654)	(36,259)	25,395	(41)
Direct financing leases	(7,505)	(6,783)	722	(10)
Loans not individually evaluated for impairment	(4,090)	(2,190)	1,900	(46)
Loans individually evaluated for impairment	(50,059)	(27,286)	22,773	(45)
Other <sup>(2)</sup>	(5,003)	(518)	4,485	(90)
Direct financing leases	257	(134)	(391)	
Loans not individually evaluated for impairment	(875)	(158)	717	(82)
Loans individually evaluated for impairment	(4,385)	(226)	4,159	(95)
Ending balance	154,150	136,588	(17,562)	(11)
Direct financing leases	21,201	16,852	(4,349)	(21)
Loans not individually evaluated for impairment	35,626	28,329	(7,297)	(20)
Loans individually evaluated for impairment	97,323	91,407	(5,916)	(6)

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

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

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

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

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

Interest on investment securities other than those held in connection with our life insurance operations in Japan decreased 13% to ¥9,576 million in fiscal 2012 compared to fiscal 2011 primarily due to a lower average balance of bonds such as specified bonds issued by SPEs in Japan because of stringent selection of new transactions and enhanced collection efforts. Overseas interest on investment securities also decreased 16% to ¥5,593 million in fiscal 2012 compared to fiscal 2011 primarily due to decreased balances of CMBS and RMBS in the U.S. and the foreign exchange effects of an appreciated yen. The average interest rate earned on investment securities in Japan, calculated on a monthly basis, was 1.88% in fiscal 2012 compared to 2.20% in fiscal 2011. The average interest rate earned on overseas investment securities, calculated on a monthly basis, declined to 6.32% in fiscal 2012 compared to 6.54% in fiscal 2011.

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

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

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

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Total	¥ 1,175,381	¥ 1,147,390	¥ (27,991)	(2)
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Investments in trading securities decreased to ¥12,817 million in fiscal 2012 primarily due to selling municipal bonds in the U.S. Investments in available-for-sale securities remained flat in fiscal 2012 primarily due to decreased balances of debt securities such as specified bonds issued by SPEs in Japan and increased balances of government and municipal bonds. As of March 31, 2012, CMBS and RMBS in available-for-sale securities in the U.S. were ¥31,024 million as compared to ¥37,772 million as of March 31, 2011. Our life insurance business invests in Japanese government bonds as held-to-maturity securities. Other securities increased 16% in fiscal 2012 mainly due to an increased new execution of investments in a life insurance company in South Korea.

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

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

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

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

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

**Life insurance**

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

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

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(Millions of yen, except percentage data)

**Life insurance premiums and related investment income and life insurance costs:**

Life insurance premiums	¥ 107,860	¥ 116,836	¥ 8,976	8
Life insurance-related investment income	10,455	11,471	1,016	10
Total	¥ 118,315	¥ 128,307	¥ 9,992	8
Life insurance costs	¥ 91,426	¥ 95,353	¥ 3,927	4

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

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

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

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

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

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

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

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



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

### *Real estate sales*

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

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

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

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

***Gains on sales of real estate under operating leases***

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

Gains on sales of real estate under operating leases decreased 57% year on year to ¥2,215 million in fiscal 2012, mainly due to a decrease in profit related to the sale of real estate in Japan.

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

***Other operations***

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

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Overseas	14,688	16,816	2,128	14
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Other operating revenues were up 5% year on year to ¥258,178 million. In Japan, revenues were up 6% to ¥196,322 million compared to ¥185,361 million in fiscal 2011, mainly due to an increase in earnings of hotels and nursing facilities and an increase of commissions on life insurance agencies. Overseas, revenues were up 3% to ¥61,856 million compared to ¥60,183 million in fiscal 2011, due to revenues from car-related business, despite the decrease in revenues from advisory services in the United States.

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

New assets added for other operating transactions were down 7% to ¥37,876 million in fiscal 2012 due to a decrease in the number of condominiums completed. New assets added for other operating transactions include other operating assets and real estate for sale, such as residential condominiums.

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

**Expenses****Interest expense**

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

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

**Selling, general and administrative expenses**

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

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Employee salaries and other personnel expenses account for 65% of selling, general and administrative expenses in fiscal 2012, and the remaining portion consists of selling and other general and administrative expenses, such as rent for office spaces, communication expenses and travel expenses. Selling, general and administrative expenses in fiscal 2012 decreased 4% year on year.

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

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

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¥385 million on seven commercial facilities other than office buildings, ¥1,377 million on 30 condominiums and ¥9,203 million on eight lands undeveloped or under construction, ¥7,621 million on 27 other assets, because the assets were classified as held for sale or the carrying amounts exceeded the estimated undiscounted future cash flows.

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

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

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

Write-downs of securities for fiscal 2012 were mainly in connection with non-marketable equity securities, preferred capital shares carried at cost and specified bonds issued by SPEs in Japan. In fiscal 2012, write-downs of securities decreased 24% from ¥21,747 million in fiscal 2011 to ¥16,470 million in fiscal 2012. For information regarding the impairment of investment in securities, see Item 5. Operating and Financial Review and Prospects Critical Accounting Policies and Estimates and Note 9 of Item 18. Financial Statements.

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

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

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

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

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

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

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

***Provision for income taxes***

Provision for income taxes in fiscal 2012 was ¥44,631 million, compared to ¥26,143 million in fiscal 2011. The increase of ¥18,488 million was primarily due to higher income before income taxes and discontinued operations.

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

### ***Discontinued operations***

We apply ASC 205-20 ( Presentation of Financial Statements Discontinued Operations ). Under ASC 205-20, the scope of discontinued operations includes operating results of any component of an entity with its own identifiable operations and cash flow and in which operations we will not have significant continuing involvement. Income from discontinued operations, net refers to net income from the sale or disposal by sale of subsidiaries, business units and real estate under operating leases in which we no longer have significant continuing involvement. Discontinued operations, net of applicable tax effect, decreased 51% compared to fiscal 2011 to ¥2,689 million in fiscal 2012 primarily due to lower gains on sales of real estate under operating leases in Japan.

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

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

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

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

Net income attributable to the redeemable noncontrolling interests was recorded as a result of the noncontrolling interests in the earnings of our subsidiaries that issued redeemable stock. In fiscal 2012, net income attributable to the redeemable noncontrolling interests decreased 8% year on year to ¥2,724 million.

## **Segment Information**

Our business is organized into six segments to facilitate strategy formulation, resource allocation and portfolio rebalancing at the segment level. Our six business segments are: Corporate Financial Services, Maintenance Leasing, Real Estate, Investment and Operation, Retail and Overseas Business.

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





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For a description of the business activities of our segments, see Item 4. Information on the Company Profile of Business by Segment. See Note 32 of Item 18. Financial Statements for additional segment information, a discussion of how we prepare our segment information and the reconciliation of segment totals to consolidated financial statement amounts.

	Year ended March 31,		Amount	Change Percent (%)
	2011	2012		
	(Millions of yen, except percentage data)			
Segment Revenues <sup>(1)</sup> :				
Corporate Financial Services	¥ 79,305	¥ 72,449	¥ (6,856)	(9)
Maintenance Leasing	225,830	231,951	6,121	3
Real Estate	217,590	222,631	5,041	2
Investment and Operation	89,595	73,293	(16,302)	(18)
Retail	148,768	160,071	11,303	8
Overseas Business	176,875	187,240	10,365	6
Segment Total	937,963	947,635	9,672	1
Difference between Segment Total and Consolidated Amounts	8,915	25,249	16,334	183
Consolidated Amounts	¥ 946,878	¥ 972,884	¥ 26,006	3

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

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

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

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

***Corporate Financial Services Segment***

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

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

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

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

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

***Maintenance Leasing Segment***

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

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

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

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

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

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

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

The office building market is still in an adjustment phase. However, investors such as J-REITs and overseas investors are starting to consider the acquisition of new properties. Under this environment, the real estate investment business is pursuing a policy of turning over assets while carefully monitoring the market and making appropriate asset sales.

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

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

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

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