ORIX CORP
Form 20-F
June 25, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2015

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report:

Commission file number: 001-14856

ORIX KABUSHIKI KAISHA

(Exact name of Registrant as specified in its charter)

ORIX CORPORATION

(Translation of Registrant s name into English)

Japan

(Jurisdiction of incorporation or organization)

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

Tokyo 105-6135, Japan

(Address of principal executive offices)

Yukio Uchimura

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

Tokyo 105-6135, Japan

Telephone: +81-3-3435-3121

Facsimile: +81-3-3435-3154

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

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

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

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

None

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

None

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

As of March 31, 2015, 1,323,644,528 Shares were outstanding, including Shares that were represented by 3,329,773 ADSs.

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

x Yes ¨ No

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

¨ Yes x No

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

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

x Yes ¨ No

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

x Yes ¨ No

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

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

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

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

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

¨ Item 17 ¨ Item 18

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

¨ Yes x No

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

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

¨ Yes ¨ No

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

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CERTAIN DEFINED TERMS, CONVENTIONS AND

PRESENTATION OF FINANCIAL INFORMATION

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

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

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

SELECTED FINANCIAL DATA

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

	Year ended March 31,				
	2011	2012	2013	2014	2015
	(Millions of yen)				
Income statement data[1][2]:					
Total revenues	¥ 938,258	¥ 963,721	¥ 1,052,477	¥ 1,375,292	¥ 2,174,283
Total expenses	865,992	841,506	901,624	1,172,244	1,917,454
Operating income	72,266	122,215	150,853	203,048	256,829
Equity in net income of affiliates	16,806	1,983	13,836	18,368	30,531
Gains on sales of subsidiaries and affiliates and liquidation losses, net	1,199	3,317	7,883	64,923	20,575
Bargain purchase gain	0	0	0	0	36,082
Income before income taxes and discontinued operations	90,271	127,515	172,572	286,339	344,017
Income from continuing operations	65,437	82,907	118,890	187,786	254,960
Net income (loss) attributable to the noncontrolling interests	2,373	(332)	3,164	3,815	15,339
Net income attributable to the redeemable noncontrolling interests	2,959	2,724	3,985	4,108	4,970
Net income attributable to ORIX Corporation shareholders	66,021	83,509	111,909	187,364	234,948

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

	As of and for the Year Ended March 31,				
	2011	2012	2013	2014	2015
	(Yen and dollars, except ratios and number of employees)				
Key ratios (%)[5]:					
Return on ORIX Corporation shareholders equity (ROE)	5.1	6.2	7.4	10.5	11.5
Return on assets (ROA)	0.81	0.99	1.33	2.14	2.29
ORIX Corporation shareholders equity ratio	15.3	16.6	19.5	21.2	18.8
Allowance/investment in direct financing leases and installment loans	4.0	3.7	2.8	2.5	2.0
Per Share data and employees:					
ORIX Corporation shareholders equity per Share[6]	¥ 1,215.44	¥ 1,284.15	¥ 1,345.63	¥ 1,465.77	¥ 1,644.60
Basic earnings per Share for income attributable to ORIX Corporation shareholders from continuing operations[7]	55.91	74.24	103.09	142.00	179.24
Basic earnings per Share for net income attributable to ORIX Corporation shareholders	61.42	77.68	102.87	147.75	179.47
Diluted earnings per Share for net income attributable to ORIX Corporation shareholders	51.83	65.03	87.37	143.20	179.21
Dividends applicable to fiscal year per Share	8	9	13	23	36
Dividends applicable to fiscal year per Share[8]	$ 0.10	$ 0.12	$ 0.13	$ 0.22	$ 0.29
Number of employees	17,578	17,488	19,043	25,977	31,035

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

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

(3)

The sum of assets considered 90 days or more past due and loans individually evaluated for impairment amounted to ¥344,855 million, ¥319,819 million, ¥236,291 million, ¥155,860 million and ¥123,042 million as of March 31, 2011, 2012, 2013, 2014 and 2015, respectively. These sums included: (i) investment in direct financing leases considered 90 days or more past due of ¥22,787 million, ¥17,441 million, ¥15,806 million, ¥13,887 million and ¥15,373 million as of March 31, 2011, 2012, 2013, 2014 and 2015, respectively, (ii) installment loans (excluding loans individually evaluated for impairment) considered 90 days or more past due of ¥10,037 million, ¥8,604 million, ¥7,745 million, ¥6,149 million and ¥6,635 million as of March 31, 2011, 2012, 2013, 2014 and 2015, respectively, and (iii) installment loans individually evaluated for impairment of ¥312,031 million, ¥293,774 million, ¥212,740 million, ¥135,824 million and ¥101,034 million as of March 31, 2011, 2012, 2013, 2014 and 2015, respectively. See Item 5. Operating and Financial Review and Prospects Results of Operations Year Ended March 31, 2015 Compared to Year Ended March 31, 2014 Details of Operating Results Revenues, New Business Volumes and Investments Asset quality.

(4) The Company s shares held through the Board Incentive Plan Trust, which was established in July 2014 to provide shares at the time of retirement as compensation, are included in the number of treasury stock shares and excluded from the number of outstanding shares. As of March 31, 2015, the trust holds 2,153,800 shares.

(5) Return on ORIX Corporation shareholders equity is the ratio of net income attributable to ORIX Corporation shareholders for the period to average ORIX Corporation shareholders equity based on fiscal year beginning and ending balances for the period. Return on assets is the ratio of net income attributable to ORIX Corporation shareholders for the period to average total assets based on fiscal year beginning and ending balances for the period. ORIX Corporation shareholders equity ratio is the ratio as of the period end of ORIX Corporation shareholders equity to total assets. Allowance/investment in direct financing leases and installment loans is the ratio as of the period end of the allowance for doubtful receivables on direct financing leases and probable loan losses to the sum of investment in direct financing leases and installment loans.

(6) ORIX Corporation shareholders equity per Share is the amount derived by dividing ORIX Corporation shareholders equity by the number of outstanding shares.

(7) Basic earnings per Share for income attributable to ORIX Corporation shareholders from continuing operations is the amount derived by dividing income attributable to ORIX Corporation shareholders from continuing operations by the weighted-average number of shares outstanding based on month-end balances during the fiscal year. The term basic earnings per Share for income attributable to ORIX Corporation shareholders from continuing operations as used throughout this annual report has the meaning described above.

(8) The U.S. dollar amounts represent translations of the Japanese yen amounts using noon buying rates for Japanese yen per $1.00 in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York in effect on the respective dividend payment dates.

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EXCHANGE RATES

The following table provides the noon buying rates for Japanese yen, expressed in Japanese yen per $1.00 in New York City for cable transfers in foreign currencies. As of June 19, 2015, the noon buying rate for Japanese yen was ¥122.70 = $1.00. No representation is made that the yen or dollar amounts referred to herein could have been or could be converted into dollars or yen, as the case may be, at any particular rate or at all.

	Year Ended March 31,				
	2011	2012	2013	2014	2015
	(Yen per dollar)				
Yen per dollar exchange rates:					
High	¥ 94.68	¥ 85.26	¥ 96.16	¥ 105.25	¥ 121.50
Low	78.74	75.72	77.41	92.96	101.26
Average of the last days of the months	85.00	78.86	83.26	100.46	110.78
At period-end	82.76	82.41	94.16	102.98	119.96

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

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

RISK FACTORS

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

1. Risks Related to our External Environment

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

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

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

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

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

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

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

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

We conduct business operations in Japan as well as in the United States, Asia, Oceania, the Middle East and Europe. Our operations in the United States, Asia, Oceania and Europe are especially large. Shifts in commodity market prices and consumer demand, political instability or religious strife in these and other regions could adversely affect our business activities, financial condition and results of operations.

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

Our business activities, financial condition and results of operations may be adversely affected by unpredictable events or any continuing effects caused by such events. Unpredictable events include man-made events, such as accidents, war, terrorism and insurgency, and natural events, such as earthquakes, storms, tsunamis, fires and outbreaks of infectious diseases. If any such event occurs, it may, among other things, cause unexpectedly large market price movements or an unexpected deterioration of economic conditions in a country or region. If such a sudden and unpredictable event occurs, our business activities, financial condition and results of operations may be adversely affected as a result.

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

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

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

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2. Credit Risk

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

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

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

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

3. Business Risk

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

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

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

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

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

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

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

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

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

Valuation losses of our assets are recorded based on the fair market values at the time of revaluation is conducted in accordance with applicable accounting principles. However, losses from the sale of these assets, including as a result of a sudden need for liquidity, may exceed the amount of recorded valuation losses.

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

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

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

(3) Risks related to our other businesses

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

4. Market Risk

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

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

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

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

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

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

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

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

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

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

5. Liquidity Risk (Risk Relating to Fund Procurement)

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

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

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

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

6. Legal Risk

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

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

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

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

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

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

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

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

7. Operational Risk

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

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

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

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

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

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

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

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

(4) Our risk management may not be effective

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

(5) Other operational risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 4. Information on the Company

GENERAL

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

CORPORATE HISTORY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STRATEGY

Target Performance Indicators

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

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ROA to indicate asset efficiency. ORIX aims to achieve a mid-term net income target of ¥300 billion for the fiscal year ending March 31, 2018, and ROE around 11% to 12% by striving to increase asset efficiency through quality asset expansion to capture business opportunities along with increased capital efficiency by strengthening profit-earning opportunities such as fee-based businesses.

Three-year trends in performance indicators are as follows.

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

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

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

Medium- Term Management Targets

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

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

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

Organic growth : Deepen our strength and expertise to further expand our automobile-related business in Japan and abroad, to develop new peripheral businesses based on Yayoi s business platform, further diversify our overseas business portfolios, and expand our life insurance business.

Investment in key areas : Position asset turnover as an important strategy and continue to pursue new investment opportunities in key areas identified as environment and energy-related business, network in Asia, asset management, and principal investment. In conjunction with the new investments, we will also pursue divestments of low-profitability and low-growth assets.

Corporate Challenges to be Addressed

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

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

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2. *Pursue transactions that are both socially responsible and economically viable*. Pursue transactions that are socially and environmentally responsible while providing products and services that are valued by clients and improve ORIX Group s profitability.

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

PROFILE OF BUSINESS BY SEGMENT

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

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

Each of our segments is briefly described below.

BUSINESS SEGMENTS

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

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

Corporate Financial Services

Overview of Operation

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

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

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

Operating Environment

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

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

Overview of Business Strategies

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

Operating Strategy

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

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

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

Maintenance Leasing

Overview of Operation

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

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

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

Operating Environment

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

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

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

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

Overview of Business Strategies

Continue Group-wide sales activities

Expand high value-added services

Further expand market share and develop new markets

Operating Strategy

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

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

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

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

Real Estate

Overview of Operation

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

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

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

Operating Environment

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

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

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

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

Overview of Business Strategies

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

Operating Strategy

In the real estate development and rental business, we aim to promote fee revenues, attractive new investments, including co-investments, and capture capital gains on disposal of assets. To expand fee business, we will leverage the strength of the Real Estate segment s comprehensive value chain, including leasing, asset management, finance and ORIX Group s customer base. For example, not only will joint investments allow us to acquire a high-quality portfolio while minimizing the investment burden, the Real Estate segment s value chain will be deployed to maximum advantage to earn fees at every opportunity from property acquisition to asset management during the investment phase and from sales when exiting the investment.

In the facilities operation business, we endeavor to review our portfolio while further strengthening our robust facilities operation business to improve profitability. At the same time, we will improve service to ensure that ORIX delivers customer satisfaction to generate customer loyalty. In order to add value unique to ORIX facilities, we will promote personnel training and development.

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

Investment and Operation

Overview of Operation

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

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

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

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

Operating Environment

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

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

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

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

Overview of Business Strategies

- Expand investment in environment and energy-related business and further promote of renewable energy power generation business

- Expand principal investment both domestically and overseas

- Pursue new profit opportunities capitalizing on loan servicing expertise

Operating Strategy

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

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

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

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

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Retail

Overview of Operation

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

ORIX Life Insurance was founded in 1991 and operates mainly through agencies and mail order sales. On July 1, 2014, ORIX Life Insurance acquired HLIKK, and the two companies will merge on July 1, 2015. HLIKK discontinued selling insurance products in June 2009 and has focused on policy management including asset management in special accounts and customer services. Regarding the banking business, ORIX Bank Corporation (ORIX Bank) inherited the housing loan business ORIX began handling in 1980 and is now involved in corporate lending and other services. ORIX Bank began card loan operations in March 2012.

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

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

Operating Environment

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

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

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

Overview of Business Strategies

- Develop distinctive new products and enhance the agency network in life insurance business

- Expand card loan business via the consolidated management of ORIX Bank and ORIX Credit

Operating Strategy

In this segment, as an overall strategy, we will continue to provide products with a high level of customer satisfaction and develop a new market aimed at individual customers while continuing to enhance our efficiency and unique expertise in niche markets.

ORIX Life Insurance will continue to enhance its products lineup with new insurance products developed to meet customer needs. In addition to third-sector insurance such as cancer and medical treatment insurance, the company launched a whole life insurance product called Rise in August 2014, and will focus on first-sector insurance such as life insurance and increasing the number of contracts. In addition, it will seek to widen its sales channels by expanding its network of agents and using mail order sales. It will also seek to improve its financial strength by improving business efficiency.

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

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

Overseas Business

Overview of Operation

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

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

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

Operating Environment

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

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

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

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

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Overview of Business Strategies

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

Operating Strategy

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

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

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

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

DIVISIONS, MAJOR SUBSIDIARIES AND AFFILIATES

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

CAPITAL PRINCIPAL EXPENDITURES AND DIVESTITURES

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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The following table shows the book values of the primary facilities we own, which include four office buildings.

	As of March 31, 2015	
	Book Value (Millions of yen)	Land Space[1] (Thousands of m²)
Office building (Tachikawa, Tokyo)	¥ 14,166	3
Office building (Shiba, Minato-ku, Tokyo)	30,924	2
Office building (Osaka, Osaka)	12,217	2
Office building (Roppongi, Minato-ku, Tokyo)	11,172	1

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

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

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

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

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

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

SEASONALITY

Our business is not materially affected by seasonality.

RAW MATERIALS

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

PATENTS, LICENSES AND CONTRACTS

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

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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, Middle East and Europe, and are therefore subject to various regulations and supervision in each jurisdiction in which they operate, including, but not limited to, regulations relating to business and investment approvals, antitrust, anti-bribery, consumer and business taxation, foreign exchange controls, intellectual property and personal information protection.

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

JAPAN

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

The major regulations that govern our businesses are as follows:

Moneylending Business

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

Real Estate Business

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

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

Car Rental Business

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

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Insurance Business

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

Financial Instruments Exchange Business

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

(1) First Class Financial Instruments Exchange Business

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

(2) Second Class Financial Instruments Exchange Business

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

(3) Investment Management Business

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

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(4) Investment Advisory and Agency Business

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

(5) Financial Instruments Intermediary Business

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

Banking and Trust Business

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

Debt Management and Collection Business

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

Waste Management

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

Regulation on Share Acquisitions

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

Under the Foreign Exchange Regulations, ORIX and certain of our group companies in Japan are regulated as residents conducting capital transactions or foreign direct investments.

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

OUTSIDE JAPAN

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

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

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

In May 2010 ORIX USA acquired RED Capital Group, LLC, a Columbus, Ohio-headquartered provider of debt and equity capital, as well as advisory services, to the housing, health care and real estate industries. RED Capital Group, LLC, and its subsidiaries must comply with rules and regulations administered by the Government National Mortgage Association, the Federal National Mortgage Association, the Department of Housing and Urban Development and the Federal Housing Administration. RED Mortgage Capital, LLC, is a licensed California Finance Lender, there is also an application pending with California to approve Red Capital Partners, LLC, as a licensed Finance Lender.

In December 2010, ORIX USA acquired MIG Holdings, LLC, the parent company of Mariner. Mariner is registered with the SEC as an investment advisor and is headquartered in Harrison, New York, with additional offices in New York City, Boston, London and Tokyo. In addition, Mariner is registered as a commodity pool operator with the U.S. Commodity Futures Trading Commission and a member of the National Futures Association.

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

Outside of the United States, ORIX USA s majority owned subsidiary, Houlihan Lokey (Europe) Limited (HL Europe), is authorized and regulated by the Financial Conduct Authority in the UK, *inter alia*, to arrange investments and to advise on investments by others. HL Europe has also established branches in France and Germany under the provisions of the Markets in Financial Instruments Directive and is regulated by the

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Bundesanstalt für Finanzdienstleistungsaufsicht in Germany and the *Autorité des marchés financiers* in France in the conduct of the respective businesses of the branches located in those countries. Mariner Europe Ltd. is authorized and regulated by the FCA and as such is subject to minimum regulatory capital requirements. Mariner Europe Ltd. is categorized as a limited license firm by the FCA for capital purposes. It is an investment management firm. Other majority-owned subsidiaries include Houlihan Lokey (China) Limited, which is licensed to conduct regulated activities by the Securities and Futures Commission in Hong Kong, and Mariner Investment Group, LLC, which has a Korean representative office registered with the Korean Ministry of Strategy and Finance.

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

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

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

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

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

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

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

LEGAL PROCEEDINGS

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

Item 4A. Unresolved Staff Comments

None.

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Item 5. Operating and Financial Review and Prospects

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OVERVIEW

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

Market Environment

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

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

Results Overview

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

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

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

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

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

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

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable inputs for the assets or liabilities.

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

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

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

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

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

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As of March 31, 2015, financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) and the percentages of total assets were as follows:

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

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

Available-for-sale securities classified as Level 3 are mainly specified bonds issued by special purpose entities (SPEs) in Japan, CMBS and RMBS in the Americas, and other asset-backed securities. Specified bonds issued by SPEs classified as Level 3 available-for-sale securities were ¥7,280 million as of March 31, 2015, which is 8% of total Level 3 available-for-sale securities. CMBS and RMBS in the Americas and other asset-backed securities classified as Level 3 available-for-sale securities were ¥22,658 million and ¥64,252 million as of March 31, 2015, which are 23% and 66% of total Level 3 available-for-sale securities, respectively. We classified the specified bonds as Level 3 because we measure their fair value using unobservable inputs. Since the specified bonds have not been traded in an open market, no relevant observable market data is available. Accordingly, to measure their fair value we use a discounted cash flow model that incorporates significant unobservable inputs as further discussed below.

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

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

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

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

ALLOWANCE FOR DOUBTFUL RECEIVABLES ON DIRECT FINANCING LEASES AND

PROBABLE LOAN LOSSES

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

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

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

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

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

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

IMPAIRMENT OF INVESTMENT IN SECURITIES

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

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

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

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

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

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

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

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

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

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

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

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS THAT HAVE INDEFINITE USEFUL LIVES

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

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

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

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

The fair value of a reporting unit under the first step and the second step is determined by estimating the outcome of future events and assumptions made by management. Similarly, estimates and assumptions are used in determining the fair value of any intangible asset that have indefinite useful lives. When necessary, we refer to an evaluation by a third party in determining the fair value of a reporting unit; however, such determinations are often made by using discounted cash flows analyses performed by us. This approach uses numerous estimates and assumptions, including projected future cash flows of a reporting unit, discount rates reflecting the inherent risk and growth rate. If actual cash flows or any items which affect a fair value are less favorable than those projected by management due to economic conditions or our own risk in the reporting unit, we may charge additional losses to income.

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The accounting estimates relating to impairment of goodwill and any intangible assets that have indefinite useful lives could affect all segments.

IMPAIRMENT OF LONG-LIVED ASSETS

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

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

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

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

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

UNGUARANTEED RESIDUAL VALUE FOR DIRECT FINANCING LEASES AND OPERATING LEASES

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

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

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INSURANCE POLICY LIABILITIES AND DEFERRED POLICY ACQUISITION COSTS

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

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

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

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

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

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

ASSESSING HEDGE EFFECTIVENESS AND MEASURING INEFFECTIVENESS

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

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

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

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

PENSION PLANS

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

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

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

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

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

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

If we were to assume a 1% increase in the discount rate, and keep the expected long-term rate of return and other actuarial assumptions constant, pension expense for fiscal 2015 would decrease by approximately ¥1,698 million. If we were to assume a 1% decrease in the discount rate, and keep other assumptions constant, pension expense for fiscal 2015 would increase by approximately ¥2,919 million.

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

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INCOME TAXES

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

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

DISCUSSION WITH AND REVIEW BY THE AUDIT COMMITTEE

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

FAIR VALUE OF INVESTMENT AND RENTAL PROPERTY

We own real estate such as rental office buildings, rental logistics centers, rental commercial facilities other than office buildings, rental condominiums and land which is utilized for development as operating leases. A large portion of our real estate holdings is located around major cities in Japan such as Tokyo. The following table sets forth the carrying amount of investment and rental property as of the beginning and end of fiscal 2015, as well as the fair value as of the end of fiscal 2015.

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

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

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

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Revenue and expense for investment and rental property for fiscal 2015 consisted of the following:

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

(1) Revenue consists of revenue from leases and gains on sales of real estate under operating leases. Revenue from leases is composed of real estate-related revenues from Operating leases and Life insurance premiums and related investment income.

(2) Expense consists of costs related to the above revenue such as depreciation expense, repair cost, insurance cost, tax and duty which are included in Costs of operating leases, and Write-downs of long-lived assets.

(3) Income from discontinued operations is income such as the results of operations of subsidiaries, which were classified as held for sale at March 31, 2014.

RESULTS OF OPERATIONS

GUIDE TO OUR CONSOLIDATED STATEMENT OF INCOME

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

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

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

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

The diversified nature of our operations is reflected in our presentation of operating results through the categorization of our revenues and expenses to align with operating activities. We categorize our revenues into finance revenues, gains on investment securities and dividends, operating leases, life insurance premiums and related investment income, sales of goods and real estate and services income, and these revenues are summarized into a subtotal of Total revenues consisting of our Operating Income on the consolidated statements of income.

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

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

Securities investment activities originated by the Company were extended to certain group companies, including our subsidiaries operating in the Americas. As a result, gains on investment securities and dividends have grown and become one of our major revenue sources.

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

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

Services expense is directly associated with the sales and revenues separately reported within services income. Interest expense is based on monies borrowed mainly to fund revenue-generating assets, including to purchase equipment for leases, extend loans and invest in securities and real estate operations. We also consider the principal part of selling, general and administrative expenses to be directly related to the generation of revenues. Therefore, they have been included within Total expenses deducted to derive Operating Income. We similarly view the provision for doubtful receivables and probable loan losses to be directly related to our finance activities and accordingly have included it within Total expenses. As our principal operations consist of providing financial products and/or finance-related services to our customers, these expenses are directly related to the potential risks and changes in these products and services. See Year Ended March 31, 2015 Compared to Year Ended March 31, 2014 and Year Ended March 31, 2014 Compared to Year Ended March 31, 2013.

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

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

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

Performance Summary

Financial Results

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

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

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

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

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

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

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

25% to ¥234,948 million compared to ¥187,364 million during fiscal 2014.

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

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

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

Balance Sheet data

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

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

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

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

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

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

Details of Operating Results

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

Segment Information

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

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

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

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

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

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues[1]:				
Corporate Financial Services	¥ 78,825	¥ 85,502	¥ 6,677	8

Maintenance Leasing	251,328	263,499	12,171	5
Real Estate	203,382	182,321	(21,061)	(10)
Investment and Operation	236,879	666,120	429,241	181
Retail	211,612	425,977	214,365	101
Overseas Business	412,157	561,893	149,736	36
Segment Total	1,394,183	2,185,312	791,129	57
Difference between Segment Total and Consolidated Amounts	(18,891)	(11,029)	7,862	
Consolidated Amounts	¥ 1,375,292	¥ 2,174,283	¥ 798,991	58

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

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

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

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

Corporate Financial Services Segment

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

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

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

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

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

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

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

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Maintenance Leasing Segment

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

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

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

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

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

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

	As of March 31,		Change	

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

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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 advisory services.

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

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

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

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

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

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 6,132	¥ 4,057	¥ (2,075)	(34)
Operating leases	66,624	63,765	(2,859)	(4)
Services income	101,836	104,115	2,279	2
Sales of goods and real estate, and other	28,790	10,384	(18,406)	(64)
Total Segment Revenues	203,382	182,321	(21,061)	(10)
Interest expense	9,018	6,968	(2,050)	(23)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	21,819	29,714	7,895	36
Other than the above	159,483	151,385	(8,098)	(5)
Total Segment Expenses	190,320	188,067	(2,253)	(1)

Segment Operating Income	13,062	(5,746)	(18,808)	
Equity in Net income (Loss) of Affiliates, and others	4,894	9,230	4,336	89
Segment Profits	¥ 17,956	¥ 3,484	¥ (14,472)	(81)

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

Investment and Operation Segment

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

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

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

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

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

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

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

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

Retail Segment

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

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

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

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

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

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

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

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 50,406	¥ 52,510	¥ 2,104	4
Life insurance premiums and related investment income	155,822	352,537	196,715	126
Gains on investment securities and dividends, and other	5,384	20,930	15,546	289
Total Segment Revenues	211,612	425,977	214,365	101
Interest expense	5,593	5,669	76	1
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	3,485	3,975	490	14
Other than the above	156,582	332,432	175,850	112
Total Segment Expenses	165,660	342,076	176,416	106
Segment Operating Income	45,952	83,901	37,949	83
Bargain Purchase Gain, and others	3,919	36,715	32,796	837
Segment Profits	¥ 49,871	¥ 120,616	¥ 70,745	142

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 4,679	¥ 2,740	¥ (1,939)	(41)
Installment loans	1,276,837	1,376,710	99,873	8
Investment in operating leases	76,873	50,587	(26,286)	(34)
Investment in securities	776,091	2,246,912	1,470,821	190
Investment in affiliates	10,971	3,785	(7,186)	(65)
Goodwill and other intangible assets acquired in business combinations	21,535	19,901	(1,634)	(8)
Total Segment Assets	¥ 2,166,986	¥ 3,700,635	¥ 1,533,649	71

Overseas Business Segment

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

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

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

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

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

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

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

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 332,635	¥ 386,567	¥ 53,932	16
Installment loans	246,845	344,108	97,263	39
Investment in operating leases	263,978	278,665	14,687	6
Investment in securities	323,288	404,322	81,034	25
Property under facility operations	89,570	26,867	(62,703)	(70)
Inventories	3,888	35,925	32,037	824

Advances for investment in operating leases	17,541	4,434	(13,107)	(75)
Investment in affiliates	143,454	209,027	65,573	46
Advances for property under facility operations	27,066	0	(27,066)	(100)
Goodwill and other intangible assets acquired in business combinations	523,873	488,980	(34,893)	(7)
Total Segment Assets	¥ 1,972,138	¥ 2,178,895	¥ 206,757	10

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Revenues, New Business Volumes and Investments

Finance revenues

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

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

Direct financing leases

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

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

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

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

As of March 31, 2015, no single lessee represented more than 2% of our total portfolio of direct financing leases. As of March 31, 2015, 68% of our direct financing leases were to lessees in Japan, while 32% were to overseas lessees. Approximately 8% of our direct financing leases were to lessees in Malaysia and approximately 5% of our direct financing leases were to lessees in Indonesia. No other overseas country represented more than 5% of our total portfolio of direct financing leases.

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases by category:				
Transportation equipment	¥ 386,913	¥ 432,313	¥ 45,400	12
Industrial equipment	199,731	245,032	45,301	23
Electronics	151,885	158,289	6,404	4
Information-related and office equipment	95,719	103,580	7,861	8
Commercial services equipment	70,781	67,805	(2,976)	(4)
Other	189,044	209,435	20,391	11
Total	¥ 1,094,073	¥ 1,216,454	¥ 122,381	11

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Installment loans

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

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

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

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

The following table sets forth the balance of our installment loans to borrowers in Japan and overseas as of March 31, 2014 and 2015, further categorized by the type of borrower (i.e., consumer or corporate) for borrowers in Japan. As of March 31, 2015, ¥13,933 million, or 1%, of our portfolio of installment loans to consumer and corporate borrowers in Japan related to our life insurance operations. We reflect income from these loans as life insurance premiums and related investment income in our consolidated statements of income.

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
Consumer borrowers in Japan				
Housing loans	¥ 973,439	¥ 1,048,216	¥ 74,777	8
Card loans	228,868	243,225	14,357	6
Other	24,875	22,866	(2,009)	(8)
Subtotal	1,227,182	1,314,307	87,125	7
Corporate borrowers in Japan				
Real estate companies	228,062	227,568	(494)	(0)
Non-recourse loans	72,625	41,535	(31,090)	(43)
Commercial, industrial and other companies	409,846	401,718	(8,128)	(2)
Subtotal	710,533	670,821	(39,712)	(6)

Overseas				
Non-recourse loans	101,579	83,233	(18,346)	(18)
Commercial, industrial companies and other	222,920	367,401	144,481	65
Subtotal	324,499	450,634	126,135	39
Purchased loans[1]	53,341	42,292	(11,049)	(21)
Total	¥ 2,315,555	¥ 2,478,054	¥ 162,499	7

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

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

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

Asset quality

Direct financing leases

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

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

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

We believe that the ratio of allowance for doubtful receivables as a percentage of the balance of investment in direct financing leases provides a reasonable indication that our allowance for doubtful receivables was appropriate as of March 31, 2015 for the following reasons:

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

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

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Loans not individually evaluated for impairment

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

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

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

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

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

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

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Loans individually evaluated for impairment

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

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

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

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

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

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

Subtotal	28,411	29,117
Purchased loans	23,075	15,216
Total	¥ 135,824	¥ 101,034

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Provision for doubtful receivables and probable loan losses

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

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

(1) Other mainly includes foreign currency translation adjustments and others.

Investment in Securities

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

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

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

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

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

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

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

Gains on investment securities and dividends

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

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

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

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

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Operating leases

	As of and for the year ended March 31, 2014	2015	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Operating leases:				
Operating lease revenues	¥ 330,606			