ORIX CORP
Form 20-F
June 23, 2016
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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, 2016

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: +81-3-3435-1273

Facsimile: +81-3-3435-1276

(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, 2016, 1,324,058,828 Shares were outstanding, including Shares that were represented by 5,021,883 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, 2016 is referred to throughout this annual report as fiscal 2016, 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 constitute 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

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Item 11. Quantitative and Qualitative Disclosures About Market Risk, inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those set forth in such statements. These forward-looking statements are made only as of the filing date of this annual report. The Company expressly disclaims any obligation or undertaking to release any update or revision to any forward-looking statement contained herein to reflect any change in the Company s expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

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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,				
	2012	2013	2014	2015	2016
	(Millions of yen)				
Income statement data*[1]*[2]:					
Total revenues	¥ 963,721	¥ 1,052,477	¥ 1,375,292	¥ 2,174,283	¥ 2,369,202
Total expenses	841,506	901,624	1,172,244	1,917,454	2,081,461
Operating income	122,215	150,853	203,048	256,829	287,741
Equity in net income of affiliates	1,983	13,836	18,368	30,531	45,694
Gains on sales of subsidiaries and affiliates and liquidation losses, net	3,317	7,883	64,923	20,575	57,867
Bargain purchase gain	0	0	0	36,082	0
Income before income taxes and discontinued operations	127,515	172,572	286,339	344,017	391,302
Income from continuing operations	82,907	118,890	187,786	254,960	270,990
Net income (loss) attributable to the noncontrolling interests	(332)	3,164	3,815	15,339	10,002
Net income attributable to the redeemable noncontrolling interests	2,724	3,985	4,108	4,970	819
Net income attributable to ORIX Corporation shareholders	83,509	111,909	187,364	234,948	260,169

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	As of March 31,				
	2012	2013	2014	2015	2016
	(Millions of yen, except number of shares)				
Balance sheet data*[2]:					
Investment in Direct Financing Leases*[3]	¥ 900,886	¥ 989,380	¥ 1,094,073	¥ 1,216,454	¥ 1,190,136
Installment Loans*[3]	2,769,898	2,691,171	2,315,555	2,478,054	2,592,233
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses	(136,588)	(104,264)	(84,796)	(72,326)	(60,071)
Investment in Operating Leases	1,309,998	1,395,533	1,379,741	1,296,220	1,349,199
Investment in Securities	1,147,390	1,093,668	1,214,452	2,846,257	2,344,792
Property under Facility Operations	194,576	218,697	295,863	278,100	327,016
Others	2,146,670	2,155,525	2,852,073	3,400,869	3,253,601
Total Assets	¥ 8,332,830	¥ 8,439,710	¥ 9,066,961	¥ 11,443,628	¥ 10,996,906
Short-term Debt, Long-term Debt and Deposits	¥ 5,828,967	¥ 5,560,847	¥ 5,367,412	¥ 5,705,110	¥ 5,689,002
Policy Liabilities and Policy Account Balances	405,017	426,007	454,436	2,073,650	1,668,636
Common Stock	144,026	194,039	219,546	220,056	220,469
Additional Paid-in Capital	179,223	229,600	255,449	255,595	257,629
ORIX Corporation Shareholders Equity	1,380,736	1,643,596	1,919,346	2,152,198	2,310,431
Number of Issued Shares	1,102,544,220	1,248,714,760	1,322,777,628	1,323,644,528	1,324,058,828
Number of Outstanding Shares*[4]	1,075,217,210	1,221,433,050	1,309,444,294	1,308,642,971	1,309,514,020

	As of and for the Year Ended March 31,				
	2012	2013	2014	2015	2016
	(Yen and dollars, except ratios and number of employees)				
Key ratios (%)*[5]:					
Return on ORIX Corporation shareholders equity (ROE)	6.2	7.4	10.5	11.5	11.7
Return on assets (ROA)	0.99	1.33	2.14	2.29	2.32
ORIX Corporation shareholders equity ratio	16.6	19.5	21.2	18.8	21.0
Allowance/investment in direct financing leases and installment loans	3.7	2.8	2.5	2.0	1.6
Per share data and employees:					
ORIX Corporation shareholders equity per share*[6]	¥ 1,284.15	¥ 1,345.63	¥ 1,465.77	¥ 1,644.60	¥ 1,764.34
Basic earnings per share for income attributable to ORIX Corporation shareholders from continuing operations*[7]	74.24	103.09	142.00	179.24	198.73
Basic earnings per share for net income attributable to ORIX Corporation shareholders	77.68	102.87	147.75	179.47	198.73
Diluted earnings per share for net income attributable to ORIX Corporation shareholders	65.03	87.37	143.20	179.21	198.52
Dividends applicable to fiscal year per share	9.00	13.00	23.00	36.00	45.75
Dividends applicable to fiscal year per share*[8]	$ 0.12	$ 0.13	$ 0.22	$ 0.29	$ 0.40
Number of employees	17,488	19,043	25,977	31,035	33,333

*[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 of items presented in our consolidated financial statements, 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 ¥319,819 million, ¥236,291 million, ¥155,860 million, ¥123,042 million and ¥94,327 million

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as of March 31, 2012, 2013, 2014, 2015 and 2016, respectively. These sums included: (i) investment in direct financing leases considered 90 days or more past due of ¥17,441 million, ¥15,806 million, ¥13,887 million, ¥15,373 million and ¥12,556 million as of March 31, 2012, 2013, 2014, 2015 and 2016, respectively, (ii) installment loans (excluding loans individually evaluated for impairment) considered 90 days or more past due of ¥8,604 million, ¥7,745 million, ¥6,149 million, ¥6,635 million and ¥8,178 million as of March 31, 2012, 2013, 2014, 2015 and 2016, respectively, and (iii) installment loans individually evaluated for impairment of ¥293,774 million, ¥212,740 million, ¥135,824 million, ¥101,034 million and ¥73,593 million as of March 31, 2012, 2013, 2014, 2015 and 2016, respectively. See Item 5. Operating and Financial Review and Prospects Results of Operations Year Ended March 31, 2016 Compared to Year Ended March 31, 2015 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. The trust held 2,153,800 shares and 1,696,217 shares as of March 31, 2015 and 2016, respectively.

*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 17, 2016, the noon buying rate for Japanese yen was ¥104.20 = $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,				
	2012	2013	2014	2015	2016
	(Yen per dollar)				
Yen per dollar exchange rates:					
High	¥ 85.26	¥ 96.16	¥ 105.25	¥ 121.50	¥ 125.58
Low	75.72	77.41	92.96	101.26	111.30
Average of the last days of the months	78.86	83.26	100.46	110.78	120.13
At period-end	82.41	94.16	102.98	119.96	112.42

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
2015		
December	¥ 123.52	¥ 120.27
2016		
January	¥ 121.05	¥ 116.38
February	121.06	111.36
March	113.94	111.30
April	112.06	106.90
May	110.75	106.34

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) 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.

The world economy has been suppressed with low level of growth due primarily to falling commodity prices such as the price of crude oil and fluctuations in financial markets. Moderate economic growth is expected among developed countries. Meanwhile, economic growth in emerging and developing countries is expected to be weak overall and disparity in economic growth among such countries continues to widen. In addition, political and geopolitical tensions in certain regions need to be monitored carefully.

The Japanese economic outlook is becoming increasingly unclear due primarily to economic slowdown in emerging countries and the adoption of negative interest rate policy by the Bank of Japan in the second half of the fiscal year despite positive corporate earnings during the first half.

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. It is possible that our competitors may seek to compete aggressively on the basis of pricing and other terms through their advantageous funding costs or without regard to their profitability. As a result of such aggressive competition by our competitors, our market share or our profitability may decline.

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

Our business is built upon the confidence of our customers and market participants. Whether based on facts or not, negative rumors about our activities, our industries or the parties with whom we do business could harm our reputation and diminish confidence in our business. In such an event, we may lose customers or business opportunities, which could adversely affect our business activities, financial condition and results of operations, as well as our share price.

(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 excluding Japan, Oceania, the Middle East and Europe. Outside Japan, we have large operations in the United States, Asia, Oceania and Europe. Shifts in commodity market prices and consumer demand, political instability or religious strife in these and other regions could adversely affect our business activities, financial condition and results of operations.

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

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

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

As of June 21, 2016, four of our shareholders have filed large shareholder reports pursuant to the Financial Instruments and Exchange Act (FIEA) indicating, at the time of filing, beneficial ownership, as that term is used in the FIEA, of more than five percent of the total number of our outstanding Shares by the relevant shareholder. Additionally, 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.

If foreign investors reduce their investment in Japanese stocks due to changes in the global economy or political conditions, our share price could be adversely affected because a large percentage of our shares are owned by investors outside of Japan.

2. Credit Risk

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.

Furthermore, if adverse economic or market conditions affect the value of underlying collateral and guarantees, our credit-related costs other than the allowance might increase. If we need to increase our allowance for doubtful receivables on direct financing leases and probable loan losses, or our credit-related costs other than the allowance increase as a result of 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.

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.

From time to time we also enter into joint ventures and other alliances, and the success of these alliances is often dependent upon the operational capabilities, the financial stability and the legal environment 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.

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

(2) We are exposed to risks related to asset 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 when 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.

If any event described above occurs, 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 new businesses, and the results of operations following such entry, are accompanied by various uncertainties, and if any unanticipated risk does occur, it 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.

Though we enter into derivative investments to hedge our market interest and currency risks, we may not be able to perfectly hedge against all risks arising from our business operations in foreign currencies and overseas investments. As a result, a significant change in interest rates or currency exchange rates could have an adverse impact on our business activities, financial condition and results of operations.

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

We use derivative instruments mainly to reduce fluctuations in the value of our investment portfolio and to hedge against interest rate and currency risks. However, it is possible that this risk management strategy may not be fully effective in all circumstances due to our operations failing to grasp their value or executing them properly or at all, or our failure to achieve the intended results of such hedging results due to the unavailability of offsetting or roll-over transactions under sudden turbulence in the market. Furthermore, our derivatives counterparties could fail to honor the terms of their contracts with us. Our derivative transactions may also be adversely affected in case 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)

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 financing 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, and 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 sectors in which we operate. These include laws and regulations applicable to specific industries, 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 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 efforts 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, by causing, for example, delays in the receipt and payment of funds, the leak or destruction of confidential or personal information of our customers or employees, the generation of errors in information used by our management for business decision-making and risk management evaluation and planning, or the suspension of certain products or services we provide to our customers. In such event, our liquidity or the liquidity of customers who rely on us for financing or payment could be adversely affected.

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

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

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

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

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

When we offer new products or services, we must ensure that we have the capacity to properly undertake and perform such operations. If we are unable to do so successfully, we may lose the confidence of the market and our customers which may cause us to suffer decreased profitability or force us to withdraw from such operations.

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

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

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

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

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

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

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

(3) We may 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 may have been a passive foreign investment company (a PFIC) under the U.S. Internal Revenue Code of 1986, as amended, for the year to which this report relates because of the composition of our assets and the nature of our income. In addition, we may be a PFIC in the foreseeable future. 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, with the resulting tax liability subject to interest charges for a deemed deferral benefit. In addition, in the case of any dividends that are not subject to the foregoing rule, the favorable rates of tax applicable to certain dividends received by certain non-corporate U.S. investors would not be available. See Item 10. Additional Information Taxation United States Taxation. Investors are urged to consult their own tax advisors regarding all aspects of the income tax consequences of investing in our Shares or ADSs.

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

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

Shares representing less than one unit, which is equivalent to 20 ADSs, and, as a practical matter, is unable to require ORIX to purchase those underlying Shares. The unit share system, however, does not affect the transferability of ADSs, which may be transferred in lots of any number of whole ADSs.

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

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

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

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

Item 4. Information on the Company

GENERAL

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

CORPORATE HISTORY

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

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

During this time, our marketing strategy shifted from a focus on using the established networks of the trading companies and other initial shareholders to one that concentrated on independent marketing as the number of our branches expanded. In April 1970, we listed our Shares on the second section of the Osaka

Securities Exchange. Since February 1973, our Shares have been listed on the first sections of the Tokyo Stock Exchange and the Osaka Securities Exchange (which was integrated into Tokyo Stock Exchange in 2013). ORIX was also listed on the first section of the Nagoya Stock Exchange from February 1973 to October 2004.

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

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

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

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

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

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

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

In 2006, we entered the investment banking field in the United States with the acquisition of Houlihan Lokey, Inc. (Houlihan Lokey) (whose shares we partially sold through our wholly-owned subsidiary ORIX USA in August 2015). 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.

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In July 2014, we acquired Hartford Life Insurance K.K. (HLIKK) (presently ORIX Life Insurance Corporation). In December 2014, we acquired Yayoi Co., Ltd. (Yayoi), a software service provider targeting small businesses.

In December 2015, ORIX and VINCI Airports S.A.S., an airport concession holder and operator based in France, established Kansai Airports to operate and manage Kansai International Airport and Osaka International Airport.

STRATEGY

Target Performance Indicators

In its pursuit of sustainable growth, ORIX Group will use the following performance indicators: Net income attributable to ORIX Corporation shareholders to indicate profitability, ROE to indicate capital efficiency and ROA to indicate asset efficiency. ORIX aims to achieve a mid-term net income target of ¥300 billion for the fiscal year ending March 31, 2018, and to maintain 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,		
		2014	2015	2016
Net income attributable to ORIX Corporation shareholders	(Millions of yen)	¥ 187,364	¥ 234,948	¥ 260,169
ROE(1)	(%)	10.5	11.5	11.7
ROA(2)	(%)	2.14	2.29	2.32

(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 customer 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 New investment in key areas. With these principles, we will pursue new business arising from the changing business environment.

Organic growth : Deepen our strengths and expertise to further expand our existing operations both in Japan and abroad. Those in Japan include fee business, automobile-related business, facility operation business, and life insurance business. Those abroad include automobile-related business, and further diversification towards non-finance business.

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New investment in key areas : Continue to pursue new investment opportunities in key areas identified as the environment and energy-related business and principal investment in Japan and abroad, the network in Asia, global asset management, and concession business.

Development of business structure toward the realization of management strategies

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

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.

Pursue transactions that are both socially responsible and economically viable: Pursue transactions that are socially responsible from a social and environmental standpoint while providing products and services that are valued by clients and improve ORIX Group s overall profitability.

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 position.

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 fiscal 2014, 2015 and 2016.

	Years ended March 31,		
	2014	2015	2016
	(Millions of yen)		
Corporate Financial Services	¥ 24,874	¥ 25,519	¥ 42,418
Maintenance Leasing	37,062	40,366	42,935
Real Estate	17,956	3,484	42,902
Investment and Operation	95,786	42,414	57,220
Retail	49,871	120,616	51,756
Overseas Business	69,688	104,143	142,879
Total segment profits	295,237	336,542	380,110
Difference between segment total and consolidated amounts	(8,898)	7,475	11,192
Total Consolidated Amounts	¥ 286,339	¥ 344,017	¥ 391,302

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.

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

Corporate Financial Services Segment

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 the good earnings environment in corporate sector with some exceptions, the economy as a whole has been in an economic slowdown phase. The slowing of economic development mainly in emerging countries also has been growing uncertainty about the future of the world economy. Although we see rising stock prices with weak yen supported by the Bank of Japan s monetary easing measures introduced in 2013, volatility of stock market has been rising impacted by the introduction of negative interest rate policy.

While we see an upward trend of loans by financial institutions, not only for large enterprises but medium-sized enterprises, the competition due to the low interest rates on loans is continuing.

Mid-term Strategic Directions

- Shift from finance revenues to services income

- Maximize synergy potential with Yayoi

Utilize domestic network to target growth areas

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.

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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 Segment

Overview of Operation

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

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

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

Operating Environment

Despite the good earnings environment in corporate sector with some exceptions, the economy as a whole has been in an economic slowdown phase. The slowing of economic development mainly in emerging countries also has been growing uncertainty about the future of the world economy. Demand for automobile leasing and truck rentals is expected to rise due to earthquake reconstruction, infrastructure and toughening plan, and an increase of the public works investment for the 2020 Tokyo Olympics and Paralympics.

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.

Mid-term Strategic Directions

- Further expansion of the business while maintaining high profitability
- Capitalize on competitive advantage to increase market shares
- Deepen expertise and develop solution business

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Operating Strategy

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

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

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

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

Real Estate Segment

Overview of Operation

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

In the real estate development and rental business, ORIX Group is involved not only in developing and leasing properties such as office buildings, commercial properties, logistics centers and residences but also in asset management and real estate finance, where ORIX Group has high level of expertise.

The facilities operations business handles hotels, Japanese inns, aquariums, golf courses, training facilities, senior housings, baseball stadiums, and theaters.

Operating Environment

Since the Bank of Japan introduced negative interest rates as part of its monetary easing measures, the Japanese real estate market has been energized.

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

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properties, and has produced several large-scale real estate deals. In the office building market, there is a decline in the vacancy rate. Rental prices are trending upward, but their rates of increase are shrinking. With the upcoming 2020 Tokyo Olympics and Paralympics, Japanese real estate market has gained attention again. Active investments in tourism-related properties such as hotels and Japanese inns are now seen not only in urban areas but provincial areas as well.

We expect the facilities operation business to remain solid due to the increasing number of elderly persons traveling domestically and foreign tourists visiting Japan.

Mid-term Strategic Directions

- Continue to shift business model towards one with higher stability and profitability
- Develop new value-added services
- Capitalize facility operation expertise in markets abroad

Operating Strategy

In the real estate rental business, we will enhance our portfolio by mainly keeping selling less liquid and economically sensitive properties and by promoting new investments in blue-chip properties.

In the real estate development business, we will promote the development of complex facilities based on accommodations not only in major urban areas but also in provincial areas abundant in tourism resources.

In the fee business, we will make the most of customer base and value-chain functions in the real estate business, that is, the real estate segment s strong points such as asset management, value-adding, leasing and finance.

In the facilities operation business, we will boost selective investments in hotels and Japanese inns. In operating our existing facilities, we will add value which we believe ORIX can generate and make them more attractive so that our customers can be fully satisfied with and want to visit them several more times.

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

Investment and Operation Segment

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. In fiscal 2016, we made decision to invest in a large scale wind power project in India, with the infrastructure development and investment company INFRASTRUCTURE LEASING & FINANCIAL SERVICES LIMITED to further strengthen energy-related business 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.

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In addition, in April 2016 we commenced operation of the Kansai and Osaka International Airport as a concession business.

Operating Environment

In Japan, in the environment and energy-related business, despite signs that the feed-in tariff program for renewable energy may be revamped, renewable energy will be important in the medium to long term, and the scope of our domestic environment and energy-related business continues to expand to areas outside of solar power, including wind power and geothermal power generation. Other industries are entering into this field ahead of the full deregulation of the retail electricity market, which was 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.

Mid-term Strategic Directions

- Target growth opportunities with stable revenue streams
- Push the environment and energy-related business forward to the next stage
- Investment in new business fields

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.

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.

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 Segment

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 Corporation (ORIX Life Insurance) acquired HLIKK, and the two companies merged on July 1, 2015. 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, 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, along with the negative interest introduced, also observed the movement of the price increase of insurance premiums stop selling and new contracts of some products.

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.

Mid-term Strategic Directions

Grow from mid size insurer to a major insurer

Expand card loan business via integrated 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 will focus on first-sector insurance such as life insurance and increasing the number of contracts.

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Regarding sales channel, while supporting continuous growth in the existing agency channel, we intend to expand direct distribution channels. We will also seek to improve our financial strength by improving business efficiency.

ORIX Bank will keep manipulating and raising funds efficiently with high loan-deposit-ratio in order to meet active demand for money. In the housing-loan business, the company will increase its loan balance by making full use of its networks and know-how accumulated over many years.

The card loan business plans to expand in two ways to acquire potential demand in the shrinking market. The first is to increase card loan balance through the collaboration of ORIX Bank and ORIX Credit by taking advantage of their human-and knowledge resources. The second is to expand card loan guarantee to other financial institutions by utilizing ORIX Credit s know-how of credit screening.

Overseas Business Segment

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 origination and servicing and also fund management.

Since first expanding into Hong Kong in 1971, ORIX Group has established an overseas network spanning 544 bases in 36 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, the Federal Reserve ended the quantitative easing program and made a decision to discontinue negative interest rate policy. 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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Mid-term Strategic Directions

Position as the driver for Group s growth and profitability

Expansion of asset management business

Aggressively develop aircraft and shipping business

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 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.

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PROPERTY, PLANT AND EQUIPMENT

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

The following table shows the book values of the primary facilities we own, which include three office buildings, one hotel and one solar power station.

	As of March 31, 2016	
	Book Value (Millions of yen)	Land Space[1] (Thousands of m^2)
Office building (Tachikawa, Tokyo)	¥ 13,941	3
Office building (Shiba, Minato-ku, Tokyo)	30,805	2
Office building (Osaka, Osaka)	10,519	2
Hotel (Beppu, Oita)	11,068	159
Solar power station (Tomakomai, Hokkaido)	13,596	

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

The office building (Roppongi, Minato-ku, Tokyo) reported as of March 31, 2015 has changed to an operating lease property as of March 31, 2016.

We plan to make capital expenditures totaling approximately ¥486,000 million to support the growth and development of our operating lease business and power generation business during fiscal 2017. The following table shows a breakdown of planned capital expenditures and includes the estimated investment amounts and expected methods of financing the expenditures.

	Fiscal 2017	
	Estimated investment amounts (Millions of yen)	Expected methods of financing
Operating lease equipment and property	¥ 450,000	Funds on hand, bank borrowings, etc.
Power generation equipment	36,000	Funds on hand, bank borrowings, etc.
Total	¥ 486,000	

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 ¥120,173 million as of March 31, 2016.

As of March 31, 2016, the acquisition cost of equipment we held for operating leases amounted to ¥1,868,457 million, consisting of ¥1,076,697 million of transportation equipment, ¥239,262 million of measuring and information-related equipment, ¥531,155 million of real estate and ¥21,343 million of others, before accumulated depreciation. Accumulated depreciation on equipment held for operating leases was ¥542,868 million as of the same date.

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SEASONALITY

Our business is not materially affected by seasonality.

RAW MATERIALS

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

PATENTS, LICENSES AND CONTRACTS

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

BUSINESS REGULATION

ORIX and its group companies in Japan are incorporated under, and our corporate activities are governed by, the Companies Act. However, ORIX and its group companies are involved in diverse businesses in overseas jurisdictions, including in Asia, North America, 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, are engaged in the real estate business in Japan, including buying and selling land and buildings. Companies engaged

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in such operations are required to be licensed by the Ministry of Land, Infrastructure and Transport (MoLIT) and relevant prefectural governors under the Building Lots and Buildings Transaction Business Act, and their operations are regulated by such laws, including the maintenance of registered real estate transaction managers on staff and the provision and delivery of material information to counterparties. DAIKYO has the Construction Business License from MoLIT.

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

Car Rental Business

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

Insurance Business

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

Financial Instruments Exchange Business

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

(1) First Class Financial Instruments Exchange Business

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

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(2) Second Class Financial Instruments Exchange Business

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

(3) Investment Management Business

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

(4) Investment Advisory and Agency Business

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

(5) Financial Instruments Intermediary Business

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

Banking and Trust Business

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

Debt Management and Collection Business

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

Waste Management

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

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Regulation on Share Acquisitions

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

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

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

OUTSIDE JAPAN

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

The SEC, the Financial Industry Regulation Authority (FINRA) and various state agencies regulate the issuance and sale of securities and the activities of broker-dealers, investment companies and investment advisers in the United States. ORIX USA s majority-owned 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 wholly-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, and RED Capital Partners, LLC are licensed California Finance Lenders.

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

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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. The FSOC has not as of this date designated ORIX as a systemically important nonbank financial institution.

Outside of the United States, Mariner Europe Ltd. is authorized and regulated by the Financial Conduct Authority (FCA) in UK 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 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, 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, Italy 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

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management, none of the pending legal matters is expected to have a material adverse effect on our financial condition or results of operations. However, there can be no assurance that an adverse decision in one or more of these lawsuits will not have a material adverse effect.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

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OVERVIEW

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

Market Environment

The world economy has been suppressed with low level of growth due primarily to falling commodity prices such as the price of crude oil and fluctuations in financial markets. Moderate economic growth is expected among developed countries. Meanwhile, economic growth in emerging and developing countries is expected to be weak overall and disparity in economic growth among such countries continues to widen. In addition, political and geopolitical tensions in certain regions need to be monitored carefully.

The Japanese economic outlook is becoming increasingly unclear due primarily to economic slowdown in emerging countries and the adoption of negative interest rate policy by the Bank of Japan in the second half of fiscal 2016 despite positive corporate earnings during the first half.

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Results Overview

Net Income Attributable to ORIX Corporation Shareholders for fiscal 2016 increased 11% to ¥260,169 million compared to fiscal 2015, primary due to a significant increase in profits from the Real Estate segment, Overseas Business segment, Corporate Financial Services segment, Investment and Operation segment, and a robust performance from Maintenance Leasing segment, although the Retail segment s profits decreased.

The main factors underlying our performance in fiscal 2016 are outlined below.

The Corporate Financial Services segment s profits increased due primarily to an increase in services income, sales of goods and gains on sales of investment securities.

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

The Real Estate segment s profits increased due primarily to an increase in services income and a decrease in write-downs of long-lived assets.

The Investment and Operation segment s profits increased due primarily to an increase in services income and the recognition of gains on sales of shares of subsidiaries.

The Retail segment s profits decreased due primarily to the recognition of a bargain purchase gain from the acquisition of HLIKK during fiscal 2015. HLIKK was merged into ORIX Life Insurance on July 1, 2015.

The Overseas Business segment s profits increased due primarily to the recognition of a gain on the partial divestment of Houlihan Lokey shares in connection with its initial public offering in the United States and an increase in income from affiliates in the Americas.

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 consolidated 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,

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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 that have indefinite useful lives, measurement of impairment of long-lived assets and recurring measurements of loans held for sale, investments in securities and derivative instruments.

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

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

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

Level 3 Unobservable inputs for the assets or liabilities.

ASC 820 differentiates between those assets and liabilities required to be carried at fair value at every reporting period (recurring) and those assets and liabilities that are only required to be adjusted to fair value under certain circumstances (nonrecurring). We mainly measure loans held for sale, trading securities, available-for-sale securities, other securities, derivatives, reinsurance recoverables in other assets 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 foreign government bonds and 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, 2016:

	March 31, 2016			
	Total Carrying Value in Consolidated Balance Sheets	**Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
	(Millions of yen)			
Financial Assets:				
Loans held for sale	¥ 20,673	¥ 0	¥ 20,673	¥ 0
Trading securities	725,821	37,592	688,229	0
Available-for-sale securities	1,347,890	99,347	1,149,021	99,522
Other securities	17,751	0	0	17,751
Derivative assets	33,747	48	25,491	8,208
Other assets	37,855	0	0	37,855
Total	¥ 2,183,737	¥ 136,987	¥ 1,883,414	¥ 163,336
Financial Liabilities:				

Derivative liabilities	¥ 19,870	¥ 533	¥ 19,337	¥ 0
Policy Liabilities and Policy Account Balances	795,001	0	0	795,001
Total	¥ 814,871	¥ 533	¥ 19,337	¥ 795,001

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, 2016, 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, 2016	
	Significant Unobservable Inputs (Level 3)	Percentage of Total Assets (%)
	(Millions of yen, except percentage data)	
Level 3 Assets:		
Available-for-sale securities	¥ 99,522	1
Corporate debt securities	5	0
Specified bonds issued by SPEs in Japan	3,461	0
CMBS and RMBS in the Americas	38,493	0
Other asset-backed securities and debt securities	57,563	1
Other securities	17,751	0
Investment funds	17,751	0
Derivative assets	8,208	0
Options held/written and other	8,208	0
Other assets	37,855	0
Reinsurance recoverables	37,855	0
Total Level 3 financial assets	¥ 163,336	1
Total assets	¥ 10,996,906	100

As of March 31, 2016, the amount of financial assets classified as Level 3 was ¥163,336 million, financial assets 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 CMBS and RMBS in the Americas and other asset-backed securities and debt securities. CMBS and RMBS in the Americas and other asset-backed securities and debt securities classified as Level 3 available-for-sale securities were ¥38,493 million and ¥57,563 million as of March 31, 2016, which are 39% and 58% of total Level 3 available-for-sale securities, respectively.

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 and other asset-backed securities, 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 and other asset-backed securities.

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

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

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

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

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IMPAIRMENT OF INVESTMENT IN SECURITIES

The company and its subsidiaries recognize impairment of investment in securities (except trading securities) as follows.

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

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

In assessing whether available-for-sale debt securities are other-than-temporarily impaired, the Company and its subsidiaries 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 the Company and its subsidiaries determine the decline in value is other than temporary, the Company and its subsidiaries reduce the carrying value of the security to the fair value and charge against income losses related to these other securities in situations.

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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, mainly based on objective factors, is required in determining whether there are any fact that an impairment loss should be recognized at the balance sheet date. 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, the Company and its subsidiaries 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.

We have the option to perform a qualitative assessment to determine whether to calculate the fair value of a reporting unit under the first step of the two-step goodwill impairment test. If, after assessing the totality of events or circumstances, we determine that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then we do not perform the two-step impairment test. However, if we conclude otherwise, we proceed to perform the first step of the two-step impairment test. The first step of goodwill impairment test, used to identify potential impairment, calculates the fair value of the reporting unit and compares the fair value with the carrying amount of the reporting unit. If the fair value of the reporting unit falls below its carrying amount, 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 goodwill with its carrying amount. If the carrying amount of goodwill exceeds its implied fair value, 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. We test the goodwill either at the operating segment level or one level below the operating segments. We perform the qualitative assessment for some goodwill but bypass the qualitative assessment and proceed directly to the first step of the two-step impairment test for other goodwill.

We have the option to perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, we conclude that it is not more likely than not that the indefinite-lived asset is impaired, then we do not perform the quantitative impairment test. However, if we conclude otherwise, we calculate the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test. If the carrying amount of the indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. We perform the qualitative assessment for some indefinite-lived intangible assets but bypass the qualitative assessment and perform the quantitative assessment for other indefinite-lived intangible assets.

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 operations, 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 regulatory or business environments, including an adverse action or assessment by a relevant regulator;
- acquisition and construction costs substantially exceeding estimates;
- continued operating loss or actual or potential loss of cash flows; or
- potential loss on a planned 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. Our estimates also 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

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

A certain subsidiary elected the fair value option for the entire variable annuity and variable life insurance contracts in accordance with ASC 825 (Financial Instruments) with changes in the fair value recognized in earnings. The changes in fair value of the variable annuity and variable life insurance contracts are linked to the fair value of the investment in securities managed on behalf of variable annuity and variable life policyholders. Additionally, the subsidiary provides minimum guarantees to variable annuity and variable life policyholders under which it is exposed to the risk of compensating losses incurred by the policyholders to the extent contractually required. Therefore, the subsidiary adjusts the fair value of the underlying investments by incorporating changes in fair value of the minimum guarantee risk in the evaluation of the fair value of the entire variable annuity and variable life insurance contracts. The fair value of the minimum guarantee risk is measured using discounted cash flow methodologies based on discount rates, mortality, lapse rates, annuitization rates and other factors.

Certain subsidiaries ceded a portion of its minimum guarantee risk related to variable annuity and variable life insurance contracts to reinsurance companies in order to mitigate the risk and elected the fair value option under ASC 825 (Financial Instruments) for the reinsurance contracts with the remaining risk economically hedged through 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 single-premiums plus interest based on expected rate and fair value adjustments relating to the acquisition of a subsidiary, less withdrawals, expenses and other charges.

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

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ASSESSING HEDGE EFFECTIVENESS AND MEASURING INEFFECTIVENESS

We use foreign currency swap agreements, interest rate swap agreements and foreign exchange contracts for hedging purposes and apply 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 2016 would decrease or increase, respectively, by approximately ¥1,982 million.

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

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If we were to assume a 1% increase in the discount rate, and keep the expected long-term rate of return and other actuarial assumptions constant, pension expense for fiscal 2016 would decrease by approximately ¥2,479 million. If we were to assume a 1% decrease in the discount rate, and keep other assumptions constant, pension expense for fiscal 2016 would increase by approximately ¥2,654 million.

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

INCOME TAXES

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

Significant management judgments are required in determining our provision for income taxes, current income taxes, deferred tax assets and liabilities and any valuation allowance recorded against our deferred tax assets. We file tax returns in Japan and certain foreign tax jurisdictions and recognize the financial statement effects of a tax position taken or expected to be taken in a tax return when it is more likely than not, based on the technical merits, that the position will be sustained upon tax examination, including resolution of any related appeals or litigation processes, and measure tax positions that meet the recognition threshold at the largest amount of tax benefit that is greater than 50 percent 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 carryforwards, before they expire. Although utilization of the net operating loss carryforwards 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 2016.

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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 held for investment and rental 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 2016, as well as the fair value as of the end of fiscal 2016.

Year ended March 31, 2016			
Carrying amount*[1]			
Balance at April 1, 2015	Change amount	Balance at March 31, 2016	Fair value at March 31, 2016*[2]
(Millions of yen)			
¥573,177	¥(59,278)	¥513,899	¥596,687

*[1] Carrying amounts are stated as cost less accumulated depreciation.

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

Investment and rental property revenue and expense for fiscal 2016 were as follows:

Year ended March 31, 2016		
Revenue*[1]	Expense*[2]	Net
¥81,781	¥54,566	¥27,215

*[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.

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, to generate 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 our consolidated statements of income.

The following provides supplemental explanation of certain account captions on our consolidated statements of income:

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 consists of revenues derived from various operations that 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, 2016 Compared to Year Ended March 31, 2015 and Year Ended March 31, 2015 Compared to Year Ended March 31, 2014.

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

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

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

YEAR ENDED MARCH 31, 2016 COMPARED TO YEAR ENDED MARCH 31, 2015

Performance Summary

Financial Results

	Year ended March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except ratios, per Share data and percentages)			
Total revenues	¥ 2,174,283	¥ 2,369,202	¥ 194,919	9
Total expenses	1,917,454	2,081,461	164,007	9
Income before Income Taxes and Discontinued Operations	344,017	391,302	47,285	14
Net Income Attributable to ORIX Corporation Shareholders	234,948	260,169	25,221	11
Earnings per Share (Basic)	179.47	198.73	19.26	11
(Diluted)	179.21	198.52	19.31	11
ROE*[1]	11.5	11.7	0.2	
ROA*[2]	2.29	2.32	0.03	

*[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 2016 increased 9% to ¥2,369,202 million compared to ¥2,174,283 million during fiscal 2015. Finance revenues increased due primarily to an increase in the average balance of installment loans. In addition, sales of goods and real estate increased due primarily to revenues generated by subsidiaries acquired during fiscal 2015. Meanwhile, given the significant market improvement during fiscal 2015, life insurance premiums and related investment income for fiscal 2016 decreased on a year-on-year basis, due to a significant decrease in investment income from variable annuity and variable life insurance contracts held by HLIKK. HLIKK was merged into ORIX Life Insurance on July 1, 2015.

Total expenses increased 9% to ¥2,081,461 million compared to ¥1,917,454 million during fiscal 2015. Costs of goods and real estate sold increased in line with the aforementioned revenue increases. On the other hand, life insurance costs decreased due to a reversal of liability reserve in line with the aforementioned decrease in investment income from variable annuity and variable life insurance contracts held by HLIKK. In addition, write-downs of long-lived assets decreased compared to fiscal 2015 in which an impairment of large-scale properties under facility operation and leased real estate was recorded.

Equity in net income of affiliates increased due primarily to an increase in the income from the affiliates in the Americas. Gains on sales of subsidiaries and affiliates and liquidation losses, net increased compared to fiscal 2015 due primarily to the recognition of a gain on the partial divestment of shares of Houlihan Lokey, in connection with its initial public offering in the United States and its becoming an equity method affiliate.

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As a result of the foregoing, income before income taxes and discontinued operations for fiscal 2016 increased 14% to ¥391,302 million compared to ¥344,017 million during fiscal 2015, and net income attributable to ORIX Corporation shareholders increased 11% to ¥260,169 million compared to ¥234,948 million during fiscal 2015.

Balance Sheet data

	As of March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen except ratios, per share and percentages)			
Total Assets	¥ 11,443,628	¥ 10,996,906	¥ (446,722)	(4)
(Segment assets)	9,170,249	8,972,449	(197,800)	(2)
Total Liabilities	9,058,656	8,516,620	(542,036)	(6)
(Long- and Short-term debt)	4,417,730	4,290,530	(127,200)	(3)
(Deposits)	1,287,380	1,398,472	111,092	9
ORIX Corporation Shareholders Equity	2,152,198	2,310,431	158,233	7
ORIX Corporation Shareholders Equity per share	1,644.60	1,764.34	119.74	7
ORIX Corporation Shareholders Equity ratio*1	18.8%	21.0%	2.2%	
Adjusted ORIX Corporation Shareholders Equity ratio*2	19.3%	21.6%	2.3%	
D/E ratio (Debt-to-equity ratio) (Long- and Short-term debt (excluding deposits) / ORIX Corporation Shareholders Equity)	2.1x	1.9x	(0.2)x	
Adjusted D/E ratio*2	1.9x	1.7x	(0.2)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 decreased 4% to ¥10,996,906 million compared to ¥11,443,628 million as of March 31, 2015. Installment loans increased due primarily to an increase in the banking business in Japan and an increase in corporate lending in the Americas and installment loans resulted from the acquisition of an auto loan company in Asia. In addition, investment in operating leases increased due primarily to purchases of aircraft in the Overseas Business segment. Meanwhile, investment in securities decreased due primarily to surrender of variable annuity and variable life insurance contracts held by HLIKK and a decrease in investment income from these contracts. Segment assets decreased 2% to ¥8,972,449 million compared to the balance as of March 31, 2015.

We manage our balance of interest-bearing liabilities at an appropriate level taking into account the condition of assets, our liquidity on hand as well as the domestic and overseas financial environments. As a result, long- and short-term debt decreased and deposits increased compared to the balance as of March 31, 2015. In addition, policy liabilities and policy account balances decreased compared to the balance as of March 31, 2015 due to the surrender of variable annuity and variable life insurance contracts held by HLIKK and a reversal of liability reserve in line with the decrease in investment income as mentioned above.

Shareholders equity increased 7% to ¥2,310,431 million compared to the balance as of March 31, 2015 due primarily to an increase in retained earnings.

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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.

For a description of the business activities of our segments, see Item 4. Information on the Company Business Segments. See Note 34 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	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Corporate Financial Services	¥ 85,502	¥ 107,150	¥ 21,648	25
Maintenance Leasing	263,499	271,662	8,163	3
Real Estate	182,321	191,540	9,219	5
Investment and Operation	666,120	1,028,355	362,235	54
Retail	425,977	254,289	(171,688)	(40)
Overseas Business	561,893	526,008	(35,885)	(6)
Segment Total	2,185,312	2,379,004	193,692	9
Difference between Segment Total and Consolidated Amounts	(11,029)	(9,802)	1,227	
Consolidated Amounts	¥ 2,174,283	¥ 2,369,202	¥ 194,919	9

Note: Results of discontinued operations are included in segment revenues of each segment.

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	Year ended March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Profits:				
Corporate Financial Services	¥ 25,519	¥ 42,418	¥ 16,899	66
Maintenance Leasing	40,366	42,935	2,569	6
Real Estate	3,484	42,902	39,418	
Investment and Operation	42,414	57,220	14,806	35
Retail	120,616	51,756	(68,860)	(57)
Overseas Business	104,143	142,879	38,736	37
Segment Total	336,542	380,110	43,568	13
Difference between Segment Total and Consolidated Amounts	7,475	11,192	3,717	50
Consolidated Amounts	¥ 344,017	¥ 391,302	¥ 47,285	14

Note: 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	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Assets:				
Corporate Financial Services	¥ 1,132,468	¥ 1,049,867	¥ (82,601)	(7)
Maintenance Leasing	662,851	731,329	68,478	10
Real Estate	835,386	739,592	(95,794)	(11)
Investment and Operation	660,014	704,156	44,142	7
Retail	3,700,635	3,462,772	(237,863)	(6)
Overseas Business	2,178,895	2,284,733	105,838	5
Segment Total	9,170,249	8,972,449	(197,800)	(2)
Difference between Segment Total and Consolidated Amounts	2,273,379	2,024,457	(248,922)	(11)
Consolidated Amounts	¥ 11,443,628	¥ 10,996,906	¥ (446,722)	(4)

Corporate Financial Services Segment

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

The Japanese economic outlook is becoming increasingly unclear due primarily to economic slowdown in emerging countries and the adoption of negative interest rate policy by the Bank of Japan in the second half of fiscal 2016 despite positive corporate earnings during the first half. The balance of outstanding loans at financial institutions continues to increase and interest rates on loans remain at low levels.

Segment revenues increased 25% to ¥107,150 million during fiscal 2016 compared to ¥85,502 million during fiscal 2015 due to increases in services income and sales of goods primarily from revenue generated by Yayoi, which we acquired on December 22, 2014, and a robust fee business that serves domestic small- and medium-sized enterprise customers. In addition, gains on sales of investment securities were recognized during fiscal 2016, which offset a decrease in finance revenues in line with the decreased average balance of installment loans.

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While segment expenses increased compared to fiscal 2015 due primarily to an increase in selling, general and administrative expenses following the consolidation of Yayoi, segment profits increased 66% to ¥42,418 million during fiscal 2016 compared to ¥25,519 million during fiscal 2015.

Segment assets decreased 7% to ¥1,049,867 million as of March 31, 2016 compared to March 31, 2015 due primarily to decreases in installment loans and investment in direct financing leases.

	Year ended March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 35,624	¥ 34,215	¥(1,409)	(4)
Operating leases	24,473	25,461	988	4
Services income	21,997	35,744	13,747	62
Gains on investment securities and dividends, and other	3,408	11,730	8,322	244
Total Segment Revenues	85,502	107,150	21,648	25
Interest expense	8,627	7,214	(1,413)	(16)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	1,252	(676)	(1,928)	
Other than the above	50,691	58,968	8,277	16
Total Segment Expenses	60,570	65,506	4,936	8
Segment Operating Income	24,932	41,644	16,712	67
Equity in Net income (Loss) of Affiliates, and others	587	774	187	32
Segment Profits	¥ 25,519	¥ 42,418	¥ 16,899	66

	As of March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 461,704	¥ 431,603	¥ (30,101)	(7)
Installment loans	461,277	411,824	(49,453)	(11)
Investment in operating leases	30,329	28,695	(1,634)	(5)
Investment in securities	45,415	36,542	(8,873)	(20)
Property under facility operations	5,930	11,294	5,364	90
Inventories	55	53	(2)	(4)
Advances for investment in operating leases	202	1,737	1,535	760
Investment in affiliates	20,875	22,755	1,880	9
Advances for property under facility operations	772	304	(468)	(61)
Goodwill and other intangible assets acquired in business combinations	105,909	105,060	(849)	(1)
Total Segment Assets	¥ 1,132,468	¥ 1,049,867	¥ (82,601)	(7)

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.

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Revenues have been growing through the high value-added services provided towards the demands in capital investment for boosting competitiveness and further cost reduction while corporate capital investment in general has been decreasing. The volume of new auto leases in Japan during fiscal 2016 was similar to the level of fiscal 2015.

Segment revenues increased 3% to ¥271,662 million during fiscal 2016 compared to ¥263,499 million during fiscal 2015 due primarily to increases in operating leases revenues and finance revenues resulting from the steady expansion of assets in the automobile business and in services income derived from value-added services such as maintenance.

Despite an increase in segment expenses due primarily to increases in the costs of operating leases, services expense, and selling, general and administrative expenses, which were in line with revenue growth, segment profits increased 6% to ¥42,935 million during fiscal 2016 compared to ¥40,366 million during fiscal 2015.

Segment assets increased 10% to ¥731,329 million as of March 31, 2016 compared to March 31, 2015 due primarily to an increase in leasing assets, mainly in the automobile business.

	Year ended March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 11,103	¥ 12,067	¥ 964	9
Operating leases	185,699	188,815	3,116	2
Services income	62,535	66,841	4,306	7
Sales of goods and real estate, and other	4,162	3,939	(223)	(5)
Total Segment Revenues	263,499	271,662	8,163	3
Interest expense	3,690	3,545	(145)	(4)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	374	27	(347)	(93)
Other than the above	218,982	225,148	6,166	3
Total Segment Expenses	223,046	228,720	5,674	3
Segment Operating Income	40,453	42,942	2,489	6
Equity in Net income (Loss) of Affiliates, and others	(87)	(7)	80	
Segment Profits	¥ 40,366	¥ 42,935	¥ 2,569	6

	As of March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 184,907	¥ 245,257	¥ 60,350	33
Investment in operating leases	473,035	481,031	7,996	2
Investment in securities	1,130	1,214	84	7
Property under facility operations	576	718	142	25
Inventories	463	374	(89)	(19)
Advances for investment in operating leases	241	314	73	30

Investment in affiliates	2,074	1,996	(78)	(4)
Goodwill and other intangible assets acquired in business combinations	425	425		
Total Segment Assets	¥ 662,851	¥ 731,329	¥ 68,478	10

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Real Estate Segment

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

The real estate market has remained active due primarily to the quantitative easing policy of the Bank of Japan, including the adoption of negative interest rates. Land prices have been high and office rents and vacancy rates in the Japanese office building market continue to show signs of improvement especially in the Greater Tokyo area. Furthermore, due to an increase in the number of tourists from abroad, we are seeing increases in the occupancy rates and average daily rates of hotels and Japanese inns. Meanwhile, we are also seeing a trend where sales prices of condominiums stopped rising and domestic property acquisitions by foreign funds decreasing.

Segment revenues increased 5% to ¥191,540 million during fiscal 2016 compared to ¥182,321 million during fiscal 2015 due primarily to an increase in services income from the facility operation business, despite a decrease in rental revenues, which are included in operating leases revenues, in line with a decrease in the balance of real estate assets.

Segment expenses decreased compared to fiscal 2015 due primarily to a decrease in write-downs of long-lived assets and decreases in interest expense and costs of operating leases in line with decreased asset balance.

As a result of the foregoing, segment profits increased significantly by approximately twelve times to ¥42,902 million during fiscal 2016 compared to ¥3,484 million during fiscal 2015.

Segment assets decreased 11% to ¥739,592 million as of March 31, 2016 compared to March 31, 2015 due primarily to a decrease in investment in operating leases, which resulted from sales of rental properties, and a decrease in installment loans and investment in securities.

	Year ended March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 4,057	¥ 6,720	¥ 2,663	66
Operating leases	63,765	60,253	(3,512)	(6)
Services income	104,115	110,630	6,515	6
Sales of goods and real estate, and other	10,384	13,937	3,553	34
Total Segment Revenues	182,321	191,540	9,219	5
Interest expense	6,968	4,676	(2,292)	(33)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	29,714	8,338	(21,376)	(72)
Other than the above	151,385	141,609	(9,776)	(6)
Total Segment Expenses	188,067	154,623	(33,444)	(18)

Segment Operating Income		(5,746)		36,917		42,663	
Equity in Net income (Loss) of Affiliates, and others		9,230		5,985		(3,245)	(35)
Segment Profits	¥	3,484	¥	42,902	¥	39,418	

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	As of March 31, 2015	As of March 31, 2016	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 22,277	¥ 21,541	¥ (736)	(3)
Installment loans	22,811	5,821	(16,990)	(74)
Investment in operating leases	423,825	375,050	(48,775)	(12)
Investment in securities	21,718	5,861	(15,857)	(73)
Property under facility operations	172,207	177,510	5,303	3
Inventories	12,484	3,597	(8,887)	(71)
Advances for investment in operating leases	44,666	38,486	(6,180)	(14)
Investment in affiliates	91,275	91,010	(265)	(0)
Advances for property under facility operations	12,055	8,829	(3,226)	(27)
Goodwill and other intangible assets acquired in business combinations	12,068	11,887	(181)	(1)
Total Segment Assets	¥ 835,386	¥ 739,592	¥ (95,794)	(11)

Investment and Operation Segment

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

In Japan, while the government is reassessing its renewable energy purchase program, the significance of renewable energy in the mid- to 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 market, since January 2016, size of M&A transactions appear to have decreased despite an increase in the total number of M&A transactions closed during fiscal 2016 compared to fiscal 2015 in which several large cross-border M&A transactions took place.

Segment revenues increased 54% to ¥1,028,355 million during fiscal 2016 compared to ¥666,120 million during fiscal 2015 due primarily to a significant increase in sales of goods and real estate contributed by subsidiaries acquired during fiscal 2015 and an increase in gains on sale of condominium by DAIKYO. An increase in the amount of services income from the environment and energy-related business also contributed.

Segment expenses also increased compared to fiscal 2015 due to an increase in expenses in connection with subsidiaries including DAIKYO and the environment and energy-related business, each of which increased in line with segment revenues expansion.

As a result of the foregoing and the recognition of gains on sales of shares of subsidiaries, segment profits increased 35% to ¥57,220 million during fiscal 2016 compared to ¥42,414 million during fiscal 2015.

Segment assets increased 7% to ¥704,156 million as of March 31, 2016 compared to March 31, 2015 due primarily to an increase in property under facility operations in the environment and energy-related business and investment in affiliates resulting from the investment in the facility operation business of the Kansai and Osaka International Airports. Meanwhile, installment loans, investment in securities and inventories decreased.

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	Year ended March 31, 2015	2016	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 15,650	¥ 12,625	¥ (3,025)	(19)
Gains on investment securities and dividends	9,309	10,270	961	10
Sales of goods and real estate	371,402	718,902	347,500	94
Services income	260,360	277,163	16,803	6
Operating leases, and other	9,399	9,395	(4)	(0)
Total Segment Revenues	666,120	1,028,355	362,235	54
Interest expense	3,609	3,539	(70)	(2)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	1,297	(424)	(1,721)	
Other than the above	627,411	980,121	352,710	56
Total Segment Expenses	632,317	983,236	350,919	55
Segment Operating Income	33,803	45,119	11,316	33
Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, net, and others	8,611	12,101	3,490	41
Segment Profits	¥ 42,414	¥ 57,220	¥ 14,806	35

	As of March 31, 2015	2016	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 15,092	¥ 21,133	¥ 6,041	40
Installment loans	93,196	75,996	(17,200)	(18)
Investment in operating leases	23,388	24,378	990	4
Investment in securities	112,896	71,705	(41,191)	(36)
Property under facility operations	90,895	130,568	39,673	44
Inventories	116,549	98,016	(18,533)	(16)
Advances for investment in operating leases	16	404	388	
Investment in affiliates	51,108	108,237	57,129	112
Advances for property under facility operations	30,861	38,628	7,767	25
Goodwill and other intangible assets acquired in business combinations	126,013	135,091	9,078	7
Total Segment Assets	¥ 660,014	¥ 704,156	¥ 44,142	7

Retail Segment

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

Although the life insurance business in Japan is affected by macroeconomic factors such as population decline, we are seeing an increasing number of companies launching new insurance products in response to the rising demand for medical insurance. On the other hand, with the introduction of negative interest rate policy, we are also seeing certain discontinued products and increased insurance premium for new contract.

In the consumer finance sector, banks and other lenders are expanding their assets to further secure new revenue streams, and competition in the lending business continues to intensify on the back of the current low interest rate environment.

Segment revenues decreased 40% to ¥254,289 million during fiscal 2016 compared to ¥425,977 million during fiscal 2015 due to a significant decrease in investment income from variable annuity and variable life insurance contracts held by HLIKK, offsetting a steady increase in life insurance revenue generated by ORIX Life Insurance and an increase in finance revenues in the banking business.

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Segment expenses decreased compared to fiscal 2015 due primarily to a reversal of liability reserve for the aforementioned decrease in investment income of HLIKK.

As a result of the foregoing and the recognition of a bargain purchase gain from the acquisition of HLIKK during fiscal 2015, segment profits decreased 57% to ¥51,756 million during fiscal 2016 compared to ¥120,616 million during fiscal 2015.

Segment assets decreased 6% to ¥3,462,772 million as of March 31, 2016 compared to March 31, 2015 due primarily to a substantial decrease in investment in securities held by HLIKK, offsetting an increase in installment loans in the banking business.

	Year ended March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 52,510	¥ 55,318	¥ 2,808	5
Life insurance premiums and related investment income	352,537	190,805	(161,732)	(46)
Services income, and other	20,930	8,166	(12,764)	(61)
Total Segment Revenues	425,977	254,289	(171,688)	(40)
Interest expense	5,669	4,654	(1,015)	(18)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	3,975	7,370	3,395	85
Other than the above	332,432	191,304	(141,128)	(42)
Total Segment Expenses	342,076	203,328	(138,748)	(41)
Segment Operating Income	83,901	50,961	(32,940)	(39)
Bargain Purchase Gain, and others	36,715	795	(35,920)	(98)
Segment Profits	¥ 120,616	¥ 51,756	¥ (68,860)	(57)

	As of March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 2,740	¥ 1,198	¥ (1,542)	(56)
Installment loans	1,376,710	1,496,407	119,697	9
Investment in operating leases	50,587	52,359	1,772	4
Investment in securities	2,246,912	1,893,631	(353,281)	(16)
Investment in affiliates	3,785	911	(2,874)	(76)
Goodwill and other intangible assets acquired in business combinations	19,901	18,266	(1,635)	(8)
Total Segment Assets	¥ 3,700,635	¥ 3,462,772	¥ (237,863)	(6)

Overseas Business Segment

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

The world economy has been suppressed with low level of growth due primarily to falling commodity prices such as the price of crude oil and fluctuations in financial markets. While moderate economic growth is expected among developed countries, economic growth in emerging and developing countries is expected to be weak overall and disparity in economic growth among such countries continues to widen. In addition, political and geopolitical tensions in certain regions need to be monitored carefully.

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Segment revenues decreased 6% to ¥526,008 million during fiscal 2016 compared to ¥561,893 million during fiscal 2015 due to a decrease in gains on sales of investment securities and the deconsolidation of Houlihan Lokey, despite increases in sales of goods and finance revenues in the Americas, and increases in operating leases revenues in Asia.

Segment expenses decreased compared to fiscal 2015 due to the deconsolidation of Houlihan Lokey, despite an increase in costs of operating leases.

Segment profits increased 37% to ¥142,879 million during fiscal 2016 compared to ¥104,143 million during fiscal 2015 due primarily to the recognition of a gain on the partial divestment of Houlihan Lokey shares in connection with its initial public offering in the United States and an increase in income from affiliates in the Americas.

Segment assets increased 5% to ¥2,284,733 million as of March 31, 2016 compared to March 31, 2015 due primarily to an increase in investment in operating leases by the aircraft-related operations and an increase in corporate lending in the Americas and an increase in installment loans resulted from the acquisition of an auto loan company in Asia.

	Year ended March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 63,259	¥ 75,004	¥ 11,745	19
Gains on investment securities and dividends	30,466	16,113	(14,353)	(47)
Operating leases	82,113	91,973	9,860	12
Services income	321,527	250,085	(71,442)	(22)
Sales of goods and real estate, and other	64,528	92,833	28,305	44
Total Segment Revenues	561,893	526,008	(35,885)	(6)
Interest expense	29,989	33,356	3,367	11
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	19,921	16,226	(3,695)	(19)
Other than the above	413,180	402,568	(10,612)	(3)
Total Segment Expenses	463,090	452,150	(10,940)	(2)
Segment Operating Income	98,803	73,858	(24,945)	(25)
Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, net, and others	5,340	69,021	63,681	
Segment Profits	¥ 104,143	¥ 142,879	¥ 38,736	37

	As of March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 386,567	¥ 351,010	¥ (35,557)	(9)
Installment loans	344,108	407,870	63,762	19
Investment in operating leases	278,665	375,401	96,736	35

Investment in securities	404,322	383,227	(21,095)	(5)
Property under facility operations	26,867	23,762	(3,105)	(12)
Inventories	35,925	37,782	1,857	5
Advances for investment in operating leases	4,434	5,302	868	20
Investment in affiliates	209,027	305,674	96,647	46
Advances for property under facility operations		39	39	
Goodwill and other intangible assets acquired in business combinations	488,980	394,666	(94,314)	(19)
Total Segment Assets	¥ 2,178,895	¥ 2,284,733	¥ 105,838	5

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Revenues, New Business Volumes and Investments

Finance revenues

	Year ended March 31, 2015	Year ended March 31, 2016	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues:				
Finance revenues	¥ 186,883	¥ 200,889	¥ 14,006	7

Finance revenues increased 7% from fiscal 2015 to ¥200,889 million for fiscal 2016 primarily due to an increase in the average balance of installment loans in the Americas.

Direct financing leases

	As of and for the year ended March 31, 2015	As of and for the year ended March 31, 2016	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Direct financing leases:				
New equipment acquisitions	¥ 595,351	¥ 527,575	¥ (67,776)	(11)
Japan	376,249	329,691	(46,558)	(12)
Overseas	219,102	197,884	(21,218)	(10)
Investment in direct financing leases	1,216,454	1,190,136	(26,318)	(2)

New equipment acquisitions related to direct financing leases decreased 11% to ¥527,575 million compared to fiscal 2015. In Japan, new equipment acquisitions decreased 12% in fiscal 2016 as compared to fiscal 2015, and overseas, new equipment acquisitions decreased 10% in fiscal 2016 compared to fiscal 2015.

Investment in direct financing leases as of March 31, 2016 decreased 2% to ¥1,190,136 million compared to March 31, 2015 due to the effect of yen appreciation and decreases in new equipment acquisitions described above.

As of March 31, 2016, no single lessee represented more than 1% of the balance of direct financing leases. As of March 31, 2016, 71% of our direct financing leases were to lessees in Japan, while 29% were to overseas lessees. Approximately 7% of our direct financing leases were to lessees in Malaysia and approximately 6% of our direct financing leases were to lessees in Hong Kong. No other overseas country represented more than 5% of our total portfolio of direct financing leases.

	As of March 31, 2015	As of March 31, 2016	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases by category:				
Transportation equipment	¥ 432,313	¥ 455,556	¥ 23,243	5
Industrial equipment	245,032	268,208	23,176	9
Electronics	158,289	159,991	1,702	1
Information-related and office equipment	103,580	102,161	(1,419)	(1)
Commercial services equipment	67,805	54,090	(13,715)	(20)
Other	209,435	150,130	(59,305)	(28)
Total	¥ 1,216,454	¥ 1,190,136	¥ (26,318)	(2)

For further information, see Note 5 of Item 18. Financial Statements.

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Installment loans

	As of and for the year ended March 31, 2015	2016	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
New loans added	¥ 1,110,054	¥ 1,102,279	¥ (7,775)	(1)
Japan	843,149	808,075	(35,074)	(4)
Overseas	266,905	294,204	27,299	10
Installment loans	2,478,054	2,592,233	114,179	5

Note: 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 decreased 1% to ¥1,102,279 million compared to fiscal 2015. In Japan, new loans added decreased 4% to ¥808,075 million in fiscal 2016 as compared to fiscal 2015, and overseas, new loans added increased 10% to ¥294,204 million compared to fiscal 2015 due to increased lending activity in the Americas and Asia.

The balance of installment loans as of March 31, 2016 increased 5% to ¥2,592,233 million compared to March 31, 2015 due to increase of housing loans and card loans.

	As of March 31, 2015	2016	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
Consumer borrowers in Japan				
Housing loans	¥ 1,048,216	¥ 1,122,088	¥ 73,872	7
Card loans	243,225	260,533	17,308	7
Other	22,866	23,466	600	3
Subtotal	1,314,307	1,406,087	91,780	7
Corporate borrowers in Japan				
Real estate companies	227,568	230,001	2,433	1
Non-recourse loans	41,535	19,951	(21,584)	(52)
Commercial, industrial and other companies	401,718	365,371	(36,347)	(9)
Subtotal	670,821	615,323	(55,498)	(8)
Overseas				
Non-recourse loans	83,233	61,260	(21,973)	(26)
Commercial, industrial companies and other	367,401	479,039	111,638	30
Subtotal	450,634	540,299	89,665	20
Purchased loans*	42,292	30,524	(11,768)	(28)

Total	¥ 2,478,054	¥ 2,592,233	¥ 114,179	5

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

As of March 31, 2016, ¥15,917 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.

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As of March 31, 2016, ¥290,848 million, or 11%, of the balance of installment loans were outstanding to real estate companies in Japan and overseas. Of this amount, ¥8,612 million, or 0.3% of the balance of installment loans, were loans individually evaluated for impairment. We recognized an allowance of ¥2,140 million on these impaired loans. As of March 31, 2016, we had installment loans outstanding in the amount of ¥101,281 million, or 4% of the balance of installment loans, to companies in the entertainment industry. Of this amount, ¥2,429 million, or 0.1% of the balance of installment loans, were loans individually evaluated for impairment. We recognized an allowance of ¥840 million on these impaired loans.

The balance of installment loans to consumer borrowers in Japan as of March 31, 2016 increased 7% to ¥1,406,087 million compared to the balance as of March 31, 2015, primarily due to an increase in the balance of housing loans. The balance of installment loans to corporate borrowers in Japan as of March 31, 2016 decreased 8%, to ¥615,323 million, compared to the balance as of March 31, 2015, primarily due to a decrease in the balance of non-recourse loans. The balance of installment loans overseas, excluding purchased loans, as of March 31, 2016 increased 20%, to ¥540,299 million, compared to the balance as of March 31, 2015, primarily due to increased lending activity in the Americas.

For further information, see Note 7 of Item 18. Financial Statements.

Asset quality

Direct financing leases

	As of March 31, 2015	2016
	(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	¥ 15,373	¥ 12,556
90+ days past-due direct financing leases as a percentage of the balance of investment in direct financing leases	1.26%	1.06%
Provision as a percentage of average balance of investment in direct financing leases*	0.27%	0.23%
Allowance for direct financing leases	¥ 15,204	¥ 13,380
Allowance for direct financing leases as a percentage of the balance of investment in direct financing leases	1.25%	1.12%
The ratio of charge-offs as a percentage of the average balance of investment in direct financing leases	0.33%	0.34%

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

The balance of 90+ days past-due direct financing leases decreased ¥2,817 million to ¥12,556 million as of March 31, 2016 compared to March 31, 2015. As a result, the ratio of 90+ days past-due direct financing leases decreased 0.2% from March 31, 2015 to 1.06%.

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, 2016 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, 2015	2016
	(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	¥ 6,635	¥ 8,178
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%	0.32%
Provision as a percentage of average balance of installment loans not individually evaluated for impairment*	0.36%	0.42%
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment	¥ 22,743	¥ 24,158
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	0.96%	0.96%
The ratio of charge-offs as a percentage of the average balance of loans not individually evaluated for impairment	0.29%	0.37%

* 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 ¥1,543 million to ¥8,178 million as of March 31, 2016 compared to March 31, 2015.

	As of March 31, 2015	2016
	(Millions of yen)	
90+ days past-due loans not individually evaluated for impairment:		
Consumer borrowers in Japan		
Housing loans	¥ 3,877	¥ 2,267
Card loans	824	657
Other	1,913	3,452
Subtotal	6,614	6,376
Overseas		
Housing loans	21	1,802
Total	¥ 6,635	¥ 8,178

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, 2015	As of March 31, 2016
	(Millions of yen)	
Loans individually evaluated for impairment:		
Impaired loans	¥ 101,034	¥ 73,593
Effect of the application of the accounting standards for the consolidation of VIEs*[1]	11,877	1,296
Impaired loans requiring an allowance	82,630	58,992
Effect of the application of the accounting standards for the consolidation of VIEs*[1]	11,877	1,296
Allowance for loans individually evaluated for impairment*[2]	34,379	22,533
Effect of the application of the accounting standards for the consolidation of VIEs*[1]	6,930	541

*[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 ¥258 million in fiscal 2015 and ¥1,369 million of reversal in fiscal 2016, and charge-off of impaired loans was ¥15,346 million in fiscal 2015 and ¥4,527 million in fiscal 2016. New provision for probable loan losses decreased ¥1,627 million compared to fiscal 2015. Charge-off of impaired loans decreased ¥10,819 million compared to fiscal 2015.

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, 2015	As of March 31, 2016
	(Millions of yen)	
Impaired loans:		
Consumer borrowers in Japan		
Housing loans	¥ 5,354	¥ 4,511
Card loans	3,741	4,123
Other	2,895	4,916
Subtotal	11,990	13,550
Corporate borrowers in Japan		
Real estate companies	15,951	8,612
Non-recourse loans	5,285	5,068
Commercial, industrial and other companies	23,475	17,477
Subtotal	44,711	31,157
Overseas		
Non-recourse loans	16,747	5,989
Commercial, industrial companies and other	12,370	11,884
Subtotal	29,117	17,873

Purchased loans	15,216	11,013
Total	¥ 101,034	¥ 73,593

For further information, see Note 8 of Item 18. Financial Statements.

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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,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Provision for doubtful receivables on direct financing leases and probable loan losses:				
Beginning 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)
Provision (reversal)	11,631	11,717	86	1
Direct financing leases	3,145	2,787	(358)	(11)
Loans not individually evaluated for impairment	8,228	10,299	2,071	25
Loans individually evaluated for impairment	258	(1,369)	(1,627)	
Charge-offs (net)	(25,793)	(17,504)	8,289	(32)
Direct financing leases	(3,774)	(4,062)	(288)	8
Loans not individually evaluated for impairment	(6,673)	(8,915)	(2,242)	34
Loans individually evaluated for impairment	(15,346)	(4,527)	10,819	(71)
Other*	1,692	(6,468)	(8,160)	
Direct financing leases	449	(549)	(998)	(222)
Loans not individually evaluated for impairment	931	31	(900)	(97)
Loans individually evaluated for impairment	312	(5,950)	(6,262)	
Ending balance	72,326	60,071	(12,255)	(17)
Direct financing leases	15,204	13,380	(1,824)	(12)
Loans not individually evaluated for impairment	22,743	24,158	1,415	6
Loans individually evaluated for impairment	34,379	22,533	(11,846)	(34)

* Other mainly includes foreign currency translation adjustments and others.

For further information, see Note 8 of Item 18. Financial Statements.

Investment in Securities

	As of and for the year ended March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in securities:				
New securities added	¥ 1,030,426	¥ 898,230	¥ (132,196)	(13)
Japan	899,144	766,016	(133,128)	(15)
Overseas	131,282	132,214	932	1
Investment in securities	2,846,257	2,344,792	(501,465)	(18)

Note: The balance of investment in securities related to our life insurance operations are included in investment in securities in our consolidated balance sheets; however, income and losses on these investment in securities are recorded in life insurance premiums and related investment income in our consolidated statements of income.

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New securities added decreased 13% to ¥898,230 million in fiscal 2016 compared to fiscal 2015. New securities added in Japan decreased 15% in fiscal 2016 compared to fiscal 2015 primarily due to a decrease in investments in Japanese government bond securities. New securities added overseas increased 1% in fiscal 2016 compared to fiscal 2015.

The balance of our investment in securities as of March 31, 2016 decreased 18% to ¥2,344,792 million compared to March 31, 2015.

	As of March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in securities by security type:				
Trading securities	¥ 1,190,131	¥ 725,821	¥ (464,310)	(39)
Available-for-sale securities	1,356,840	1,347,890	(8,950)	(1)
Held-to-maturity securities	115,599	114,858	(741)	(1)
Other securities	183,687	156,223	(27,464)	(15)
Total	¥ 2,846,257	¥ 2,344,792	¥ (501,465)	(18)

Investments in trading securities decreased 39% in March 31, 2016 compared to March 31, 2015 primarily due to a decrease in the assets under management of variable annuity and variable life insurance contracts. Investments in available-for-sale securities decreased 1% in March 31, 2016 compared to March 31, 2015. Held-to-maturity securities mainly consist of our life insurance business s investment in Japanese government bonds. Other securities decreased 15% in March 31, 2016 compared to March 31, 2015 mainly due to sale of non-marketable equity securities.

For further information, see Note 9 of Item 18. Financial Statements.

Gains on investment securities and dividends

	Year ended March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Gains on investment securities and dividends:				
Net gains on investment securities	¥ 50,617	¥ 31,134	¥ (19,483)	(38)
Dividends income, other	5,778	4,652	(1,126)	(19)
Total	¥ 56,395	¥ 35,786	¥ (20,609)	(37)

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

Gains on investment securities and dividends decreased 37% to ¥35,786 million in fiscal 2016 compared to fiscal 2015 mainly due to a decrease in net gains on investment securities. Net gains on investment securities decreased 38% to ¥31,134 million in fiscal 2016 compared to fiscal 2015 primarily due to the gain on the sale of shares in Monex Group Inc., recorded in fiscal 2015. Dividend income, other decreased 19% to

¥4,652 million in fiscal 2016 compared to fiscal 2015.

As of March 31, 2016, gross unrealized gains on available-for-sale securities, including those held in connection with our life insurance operations, were ¥81,231 million, compared to ¥76,643 million as of March 31, 2015. As of March 31, 2016, gross unrealized losses on available-for-sale securities, including those held in connection with our life insurance operations, were ¥16,654 million, compared to ¥2,815 million as of March 31, 2015.

For further information, see Note 22 of Item 18. Financial Statements.

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Operating leases

	As of and for the year ended March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Operating leases:				
Operating lease revenues	¥ 363,095	¥ 373,910	¥ 10,815	3
Costs of operating leases	238,157	245,069	6,912	3
New equipment acquisitions	313,996	463,770	149,774	48
Japan	210,703	195,170	(15,533)	(7)
Overseas	103,293	268,600	165,307	160
Investment in operating leases	1,296,220	1,349,199	52,979	4

Revenues from operating leases in fiscal 2016 increased 3% to ¥373,910 million compared to fiscal 2015 primarily due to an increase in revenue from automobile operations in Japan and other Asian markets, and an increase in aircraft leasing overseas, despite a decrease in revenue from real estate leasing. In fiscal 2015 and 2016, gains from the disposition of operating lease assets that were included in operating lease revenues, were ¥34,425 million and ¥38,340 million, respectively.

Costs of operating leases increased 3% to ¥245,069 million in fiscal 2016 compared to fiscal 2015 primarily due to an increase in depreciation expenses resulting from a year on year increase in the average balance of investment in transportation equipment operating leases, despite a decrease in costs from real estate leasing.

New equipment acquisitions related to operating leases increased 48% to ¥463,770 million in fiscal 2016 compared to fiscal 2015 primarily due to an increase in purchases of aircraft overseas.

Investment in operating leases as of March 31, 2016 increased 4% to ¥1,349,199 million compared to as of March 31, 2015.

	As of March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in operating leases by category:				
Transportation equipment	¥ 644,840	¥ 755,425	¥ 110,585	17
Measuring and information-related equipment	95,652	90,208	(5,444)	(6)
Real estate	528,159	472,021	(56,138)	(11)
Other	6,055	7,935	1,880	31
Accrued rental receivables	21,514	23,610	2,096	10
Total	¥ 1,296,220	¥ 1,349,199	¥ 52,979	4

Investment in transportation equipment operating leases as of March 31, 2016 increased 17% to ¥755,425 million compared to as of March 31, 2015 primarily due to an increase in new equipment acquisitions in aircraft and automobile operations. Investment in real estate operating leases as of March 31, 2016 decreased 11% to ¥472,021 million compared to as of March 31, 2015, primarily due to sales of real estate in Japan.

For further information, see Note 6 of Item 18. Financial Statements.

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Life insurance

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

	Year ended March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Life insurance premiums and related investment income and life insurance costs:				
Life insurance premiums	¥ 186,547	¥ 209,120	¥ 22,573	12
Life insurance-related investment income (loss)	164,946	(19,699)	(184,645)	
Total	¥ 351,493	¥ 189,421	¥ (162,072)	(46)
Life insurance costs	¥ 271,948	¥ 121,282	¥ (150,666)	(55)

	Year ended March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Breakdown of life insurance-related investment income (loss):				
Net income on investment securities	¥ 184,681	¥ (22,003)	¥ (206,684)	
Gains (losses) recognized in income on derivative	(28,227)	1,633	29,860	
Interest on loans, income on real estate under operating leases, and others	8,492	671	(7,821)	(92)
Total	¥ 164,946	¥ (19,699)	¥ (184,645)	

Life insurance premiums and related investment income decreased 46% to ¥189,421 million in fiscal 2016 compared to fiscal 2015.

Life insurance premiums increased 12% to ¥209,120 million in fiscal 2016 compared to fiscal 2015 due to an increase in the number of policies in force.

Life insurance-related investment income was losses of ¥19,699 million in fiscal 2016 compared to gains of ¥164,946 million in fiscal 2015 due to a decrease in net income on investment securities. Net income on investment securities decreased due to a significant decrease in investment income from variable annuity and variable life insurance contracts held by HLIKK, caused by the significant market improvement in fiscal 2015. On the other hand, net gains or losses from derivative contracts held to economically hedge the minimum guarantee risk relating to these variable annuity and variable life insurance contracts increased. In addition, interest on loans, income on real estate under operating leases, and others decreased due to recognition of gains on sales of real estate under operating leases in fiscal 2015.

Life insurance costs decreased 55% to ¥121,282 million in fiscal 2016 compared to fiscal 2015 due to a reversal of liability reserve in line with the aforementioned decrease in investment income from variable annuity and variable life insurance contracts held by HLIKK.

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	As of March 31, 2015	As of March 31, 2016	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investments by life insurance operations:				
Trading securities	¥ 1,165,347	¥ 704,313	¥ (461,034)	(40)
Available-for-sale debt securities	617,094	711,303	94,209	15
Available-for-sale equity securities	12,232	18,873	6,641	54
Held-to-maturity securities	115,160	114,564	(596)	(1)
Other securities	6	6	0	0
Total investment in securities	1,909,839	1,549,059	(360,780)	(19)
Installment loans, real estate under operating leases and other investments	68,139	69,020	881	1
Total	¥ 1,977,978	¥ 1,618,079	¥ (359,899)	(18)

Investment in securities as of March 31, 2016 decreased 19% to ¥1,549,059 million compared to as of March 31, 2015 due to a decrease in trading securities as a result of surrender of variable annuity and variable life insurance contracts held by HLIKK, while available-for-sale debt securities increased.

For further information, see Note 23 of Item 18. Financial Statements.

Sales of goods and real estate, Inventories

	Year ended March 31, 2015	Year ended March 31, 2016	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Sales of goods and real estate, Inventories:				
Sales of goods and real estate	¥ 450,869	¥ 834,010	¥ 383,141	85
Costs of goods and real estate sold	402,021	748,259	346,238	86
Inventories	165,540	139,950	(25,590)	(15)

Sales of goods and real estate increased 85% to ¥834,010 million compared to fiscal 2015 due to contributions from the subsidiaries acquired during fiscal 2015 and an increase in gains on sales of condominiums by DAIKYO.

Costs of goods and real estate sold increased 86% to ¥748,259 million compared to fiscal 2015 due to an increase in expenses in connection with acquired subsidiaries and DAIKYO as described above. We recorded ¥5,241 million and ¥168 million of write-downs for fiscal 2015 and 2016, respectively. Costs of goods and real estate sold include the upfront costs associated with advertising and creating model rooms.

Inventories as of March 31, 2016 decreased 15% to ¥139,950 million compared to as of March 31, 2015.

For further information, see Note 24 of Item 18. Financial Statements.

Services, Property under Facility Operations

	As of and for the year ended March 31, 2015		2016		Change Amount	Percent (%)
	(Millions of yen, except percentage data)					
Services, Property under Facility Operations						
Services income	¥	765,548	¥	735,186	¥ (30,362)	(4)
Services expense		425,676		445,387	19,711	5
New assets added		148,071		164,500	16,429	11
Japan		147,348		163,932	16,584	11
Overseas		723		568	(155)	(21)
Property under Facility Operations		278,100		327,016	48,916	18

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Services income decreased 4% to ¥735,186 million in fiscal 2016 as compared to fiscal 2015 primarily due to sales of subsidiaries, in spite of solid contributions of the environment and energy-related business.

Services expense increased 5% to ¥445,387 million in fiscal 2016 as compared to fiscal 2015 mainly resulting from the recognition of expenses from the environment and energy-related business.

New assets added for other operating transactions include property under facility operations and real estate for sale, such as residential condominiums. New assets added for other operating transactions were up 11% to ¥164,500 million in fiscal 2016 as compared to fiscal 2015 due to purchases of electric power facilities and completion of property under facility operations.

Property under facility operations as of March 31, 2016 increased 18% to ¥327,016 million compared to as of March 31, 2015 due to purchases of electric power facilities and the newly acquired subsidiaries.

For further information, see Note 25 of Item 18. Financial Statements.

Expenses

Interest expense

Interest expense remained relatively flat in fiscal 2016 at ¥72,821 million as compared to ¥72,647 million in fiscal 2015. Our total outstanding short-term debt, long-term debt and deposits as of March 31, 2016 at ¥5,689,002 million remained relatively flat compared to ¥5,705,110 million as of March 31, 2015.

The average interest rate on our short-term debt, long-term debt and deposits in domestic currency, calculated on the basis of average monthly balances, decreased to 0.6 % in fiscal 2016, from 0.8% in fiscal 2015. The average interest rate on our short-term debt, long-term debt and deposits in foreign currency, calculated on the basis of average monthly balances, decreased to 2.7% in fiscal 2016, from 2.9% in fiscal 2015. For more information regarding our interest rate risk, see Item 3. Key Information Risk Factors. For more information regarding our outstanding debt, see Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Short-term and long-term debt and deposits.

Other (income) and expense, net

Other (income) and expense, net included a net expense of ¥23,674 million during fiscal 2015 and a net income of ¥3,729 million during fiscal 2016. Foreign currency transaction losses (gains) included in other (income) and expense, net included gains of ¥27 million in fiscal 2016 as compared to losses of ¥6,129 million in fiscal 2015. We recognized impairment losses on goodwill included in other (income) and expense, net in the amount of ¥325 million in fiscal 2016 compared to ¥9,845 million of impairment losses on goodwill during fiscal 2015. For further information on our goodwill, see Note 13 of Item 18. Financial Statements.

Selling, general and administrative expenses

	Year ended March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Selling, general and administrative expenses:				
Personnel expenses	¥ 265,159	¥ 246,909	¥ (18,250)	(7)
Selling expenses	62,997	70,379	7,382	12
Administrative expenses	94,949	100,294	5,345	6
Depreciation of office facilities	4,711	5,110	399	8
Total	¥ 427,816	¥ 422,692	¥ (5,124)	(1)

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Employee salaries and other personnel expenses accounted for 58% of selling, general and administrative expenses in fiscal 2016, and the remaining portion consists of other expenses, such as rent for office space, communication expenses and travel expenses. Selling, general and administrative expenses in fiscal 2016 decreased 1% year on year mainly due to the deconsolidation of Houlihan Lokey, despite an increase in the number of consolidated subsidiaries.

Write-downs of long-lived assets

As a result of impairment reviews we performed in fiscal 2016 for long-lived assets in Japan and overseas, such as golf courses, office buildings, commercial facilities other than office buildings, condominiums, and land undeveloped or under construction, write-downs of long-lived assets decreased 61% to ¥13,448 million in fiscal 2016 compared to fiscal 2015. These write-downs, which are reflected as write-downs of long-lived assets, consist of impairment losses of ¥8,038 million on eleven office buildings, ¥2,061 million on five commercial facilities other than office buildings, ¥780 million on one condominium, ¥22 million on one parcel of lands undeveloped or under construction, and ¥2,547 million on other long-lived assets, because the assets were classified as held for sale or the carrying amount exceeded the estimated undiscounted future cash flows. In addition, write-downs of other long-lived assets in fiscal 2016 include write-downs of ¥2,338 million of two aircraft. For further information, see Note 26 of Item 18. Financial Statements.

Write-downs of securities

Write-downs of securities in fiscal 2016 were mainly for marketable equity securities. In fiscal 2016, write-downs of securities decreased 50% to ¥4,515 million in fiscal 2016 compared to ¥8,997 million in fiscal 2015. For further information, see Note 9 of Item 18. Financial Statements.

Equity in net income of affiliates

Equity in net income of affiliates increased in fiscal 2016 to ¥45,694 million compared to ¥30,531 million in fiscal 2015 primarily due to contributions from investment in affiliates in the Americas. For further information, see Note 12 of Item 18. Financial Statements.

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

Gains on sales of subsidiaries and affiliates and liquidation losses, net increased to ¥57,867 million in fiscal 2016 as compared to ¥20,575 million in fiscal 2015 due to the recognition of a gain on the partial divestment of shares of Houlihan Lokey, in connection with its initial public offering in the United States and its becoming an equity method affiliate in fiscal 2016. For further information, see Note 3 of Item 18. Financial Statements.

Bargain Purchase Gain

We recognized no bargain purchase gain in fiscal 2016 compared to ¥36,082 million in fiscal 2015 due to the acquisition of HLIKK. For further information, see Note 3 of Item 18. Financial Statements.

Provision for income taxes

Provision for income taxes in fiscal 2016 was ¥120,312 million, compared to ¥89,057 million in fiscal 2015. The increase of ¥31,255 million was primarily due to higher income before income taxes and discontinued operations. For discussion of income taxes and the details of the new Japanese tax law, see Note 16 of Item 18. Financial Statements.

Discontinued operations

In fiscal 2016, there was no income or loss from discontinued operations. For further information, see Note 27 of Item 18. Financial Statements.

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Net income attributable to the noncontrolling interests

Net income attributable to the noncontrolling interests was recorded as a result of the noncontrolling interests in earnings of certain of our subsidiaries. Net income attributable to the noncontrolling interests in fiscal 2016 was ¥10,002 million, compared to ¥15,339 million in fiscal 2015.

Net income attributable to the redeemable noncontrolling interests

Net income attributable to the redeemable noncontrolling interests was recorded as a result of the noncontrolling interests in the earnings of our subsidiaries that issued redeemable stock. Net income attributable to the redeemable noncontrolling interests in fiscal 2016 was ¥819 million, compared to ¥4,970 million in fiscal 2015. For further information, see Note 18 of Item 18. Financial Statements.

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

Performance Summary

Financial Results

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except ratios, per share data and percentages)			
Total revenues	¥ 1,375,292	¥ 2,174,283	¥ 798,991	58
Total expenses	1,172,244	1,917,454	745,210	64
Income before Income Taxes and Discontinued Operations	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 balance.

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.

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

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

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

Balance Sheet data

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen except ratios, per share and percentages)			
Total Assets*[1]*[2]	¥ 9,066,961	¥ 11,443,628	¥ 2,376,667	26
(Segment assets)	7,267,798	9,170,249	1,902,451	26
Total Liabilities*[1]*[2]	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*[3]	21.2%	18.8%	(2.4)%	
Adjusted ORIX Corporation Shareholders Equity ratio*[4]	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*[4]	2.0x	1.9x	(0.1)x	

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

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

*[3] ORIX Corporation Shareholders Equity ratio is the ratio as of the period end of ORIX Corporation Shareholder s Equity to total assets.

*[4] Adjusted ORIX Corporation Shareholders Equity ratio and Adjusted D/E ratio are non-GAAP financial measures presented on an adjusted basis that excludes the effect of consolidating certain VIEs on our assets

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

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

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

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

Details of Operating Results

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

Segment Information

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

Financial information about our operating segments reported below is 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.

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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:				
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

Note: Results of discontinued operations are included in segment revenues of each segment.

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Profits:				
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

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

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	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.

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.

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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, 2014	Year ended March 31, 2015	Change Amount	Change 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, 2014	As of March 31, 2015	Change Amount	Change 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

Maintenance Leasing Segment

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

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.

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

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

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

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

Real Estate Segment

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

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

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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)

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 17,541	¥ 22,277	¥ 4,736	27
Installment loans	42,757	22,811	(19,946)	(47)
Investment in operating leases	527,065	423,825	(103,240)	(20)
Investment in securities	25,074	21,718	(3,356)	(13)
Property under facility operations	166,646	172,207	5,561	3
Inventories	19,418	12,484	(6,934)	(36)

Advances for investment in operating leases	61,575	44,666	(16,909)	(27)
Investment in affiliates	62,504	91,275	28,771	46
Advances for property under facility operations	18,732	12,055	(6,677)	(36)
Goodwill and other intangible assets acquired in business combinations	21,092	12,068	(9,024)	(43)
Total Segment Assets	¥ 962,404	¥ 835,386	¥ (127,018)	(13)

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Investment and Operation Segment

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

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

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

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

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

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

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

Segment Operating Income		27,972		33,803		5,831	21
Equity in Net income (Loss) of Affiliates, and others		67,814		8,611		(59,203)	(87)
Segment Profits	¥	95,786	¥	42,414	¥	(53,372)	(56)

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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	¥ 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 business.

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

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

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

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

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

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

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

Overseas Business Segment

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

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

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

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

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In addition to the foregoing, we recognized a gain on partial sale of shares of STX Energy Co., Ltd. (presently GS E&R Corp., hereinafter, 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	For the year ended March 31, 2015	Change Amount	Change 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	As of and for the year ended March 31, 2015	Change Amount	Change 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, as 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, 2014	2015	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
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

Note: 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, 2014	2015	Change 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*		53,341		42,292	(11,049)	(21)
Total	¥	2,315,555	¥	2,478,054	¥ 162,499	7

* 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	**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*	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%

* 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	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*	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%

* 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.

	As of March 31, 2014	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 loan. 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 and for the year ended March 31,		Change	
	2014	2015	Amount	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*	(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)

* Other mainly includes foreign currency translation adjustments and others.

Investment in Securities

	As of and for the year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in securities:				
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

Note: The balance of investment in securities related to our life insurance operations are included in investment insecurities 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.

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

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

	As of March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
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	¥ 19,412	¥ 50,617	¥ 31,205	161
Dividends income, other	7,769	5,778	(1,991)	(26)
Total	¥ 27,181	¥ 56,395	¥ 29,214	107

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

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

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

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

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

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

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

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Life insurance

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

	Year ended March 31,		Change	
	2014	2015	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Life insurance premiums and related investment income and life insurance costs:				
Life insurance premiums	¥ 145,464	¥ 186,547	¥ 41,083	28
Life insurance-related investment income	9,942	164,946	155,004	
Total	¥ 155,406	¥ 351,493	¥ 196,087	126
Life insurance costs	¥ 108,343	¥ 271,948	¥ 163,605	151

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

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

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

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

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

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

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

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

Sales of goods and real estate, Inventories

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

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

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

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

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Services, Property under Facility Operations

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

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

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

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

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

Expenses

Interest expense

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

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

Other (income) and expense, net

Other (income) and expense, net included a net income of ¥21,001 million during fiscal 2014 and a net expense of ¥23,674 million during fiscal 2015. Foreign currency transaction losses included in other (income) and expense, net increased to ¥6,129 million in fiscal 2015 as compared to ¥747 million in fiscal 2014. We

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recognized impairment losses on goodwill included in other (income) and expense, net in the amount of ¥9,845 million due to reduction in the estimated future cash flow in fiscal 2015 compared to no impairment losses on goodwill during fiscal 2014. For further information on our goodwill, see Note 13 of Item 18. Financial Statements.

Selling, general and administrative expenses

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

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

Write-downs of long-lived assets

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

For a breakdown of long-lived assets by segment, see Note 34 of Item 18. Financial Statements.

Write-downs of securities

Write-downs of securities in fiscal 2015 mainly resulted from non-marketable equity securities. In fiscal 2015, write-downs of securities increased 13% from ¥7,989 million in fiscal 2014 to ¥8,997 million in fiscal 2015. For information regarding the impairment of investments in securities, see Item 5. Operating and Financial Review and Prospects Critical Accounting Policies and Estimates and Note 9 of Item 18. Financial Statements.

Equity in net income of affiliates

Equity in net income of affiliates increased in fiscal 2015 to ¥30,531 million compared to ¥18,368 million in fiscal 2014 primarily due to contributions from real estate joint ventures in Japan. For discussion of investment in affiliates, see Note 12 of Item 18. Financial Statements.

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

Gains on sales of subsidiaries and affiliates and liquidation losses, net decreased to ¥20,575 million in fiscal 2015 as compared to ¥64,923 million in fiscal 2014 due to gain of ¥58,435 million in earnings recorded in fiscal 2014 from the remeasurement to fair value of the previously held equity interest as a result of our consolidation of DAIKYO. For discussion of divestitures, see Note 3 of Item 18. Financial Statements.

Bargain Purchase Gain

We recognized ¥36,082 million in fiscal 2015 due to the acquisition of HLIKK compared to no bargain purchase gain in fiscal 2014. For discussion of acquisitions, see Note 3 of Item 18. Financial Statements.

Provision for income taxes

Provision for income taxes in fiscal 2015 was ¥89,057 million, compared to ¥98,553 million in fiscal 2014. The decrease of ¥9,496 million was primarily due to effect of the new Japanese tax law. For discussion of income taxes and the details of the new Japanese tax law, see Note 16 of Item 18. Financial Statements.

Discontinued operations

Discontinued operations, net of applicable tax effect, was ¥297 million in fiscal 2015. For discussion of discontinued operations, see Note 27 of Item 18. Financial Statements.

Net income attributable to the noncontrolling interests

Net income attributable to the noncontrolling interests was recorded as a result of the noncontrolling interests in earnings of certain of our subsidiaries. In fiscal 2015, net income attributable to the noncontrolling interests was ¥15,339 million.

Net income attributable to the redeemable noncontrolling interests

Net income attributable to the redeemable noncontrolling interests was recorded as a result of the noncontrolling interests in the earnings of our subsidiaries that issued redeemable stock. In fiscal 2015, net income attributable to the redeemable noncontrolling interests increased 21% year on year to ¥4,970 million.

LIQUIDITY AND CAPITAL RESOURCES

Funding Activities

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

In our funding activities during fiscal 2016, we have tried to reinforce our funding structure by diversifying our funding resources, promoting longer maturities, staggering redemption dates and maintaining sufficient liquidity. In fiscal 2016, we also undertook various international funding activities, such as international bond offerings outside Japan. We also have enhanced our use of longer maturities, employed staggered interest and principal repayment dates and endeavored to reduce risk in refinancing by leveling out annual redemption amounts both in borrowing from financial institutions and bonds. As of March 31, 2016, the total balance of cash and cash equivalents and unused committed credit facilities was ¥1,120,323 million. We maintain adequate levels of liquidity and monitor liquidity risk to minimize the effect a sudden market deterioration may have on us and to enable us to sustain our operations.

Our ratio of long-term debt to total debt (excluding deposits) reached 94% as of March 31, 2015 and 92% as of March 31, 2016. On an adjusted basis, our ratio of long-term debt to total debt (excluding deposits) was 93% as of March 31, 2015 and 91% as of March 31, 2016. This ratio is a non-GAAP financial measure presented on an adjusted basis, which excludes payables under securitized leases, loan receivables and other assets. For a discussion of this and other non-GAAP financial measures, including a quantitative reconciliation to the most directly comparable GAAP measure, see Non-GAAP Financial Measures under this Item 5.

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

Group Liquidity Management

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

ORIX Bank and ORIX Life Insurance are our main regulated subsidiaries in terms of liquidity controls, although several other subsidiaries also operate under such regulations. ORIX Bank and ORIX Life Insurance are regulated by Japanese financial authorities. Under relevant regulations, each of them employs prescribed measures to monitor liquidity risk at the entity level and maintains internal policies to manage its portfolios and capital resources on a standalone basis. Each of these subsidiaries met the relevant regulatory threshold relating to measures for monitoring its liquidity risk as of March 31, 2016.

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

Ratings

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

Sources of Liquidity

Borrowings from Financial Institutions

ORIX Group borrows from a variety of sources, including major banks, regional banks, foreign banks, life insurance companies, casualty insurance companies and financial institutions associated with agricultural cooperatives. As of March 31, 2016, the number of our lenders exceeded 200. We have promoted regular face-to-face communications and established positive working relationships with financial institutions in Japan and overseas. The majority of our loan balances consists of borrowings from Japanese financial institutions. As of March 31, 2015 and 2016, short-term debt from Japanese and foreign financial institutions was ¥195,164 million and ¥247,263 million, respectively, while long-term debt from financial institutions was ¥2,687,434 million and ¥2,724,695 million, respectively.

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

Committed Credit Facilities

We regularly enter into committed credit facilities agreements, including syndicated agreements, with financial institutions to secure liquidity. The maturity dates of these committed credit facilities are staggered to prevent an overlap of contract renewal periods. The total amount of our committed credit facilities as of March 31, 2015 and 2016 was ¥475,553 million and ¥464,677 million, respectively. Of these figures, the unused amount as of March 31, 2015 and 2016 was ¥419,356 million and ¥389,903 million, respectively. A part of the facilities are arranged to be drawn down in foreign currencies by ORIX and certain of our subsidiaries.

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

Some of these committed credit facility agreements include financial covenants, such as the maintenance of a minimum ORIX Corporation shareholders equity ratio. In addition, the majority of our committed credit facilities require the relevant obligor to represent and warrant that there has been, among other things, no material negative change in its financial condition since the date of the relevant agreement. As of March 31, 2016, we were in compliance with all of our financial covenants and have been able to make the necessary representations and warranties concerning our financial condition.

Debt from the Capital Markets

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

Bonds and MTNs

We regularly issue straight bonds and MTNs domestically and internationally to diversify our funding sources and maintain longer liability maturities. In fiscal 2016, we issued ¥75,000 million bonds in Japan. We also issued US$300 million, Thai baht 2,000 million, Korean won

110,000 million and Malaysian ringgit 150 million of bonds and MTNs outside Japan.

Domestic straight bond issuances are divided mainly into bonds for institutional investors and bonds for individual investors. As of March 31, 2015 and 2016, the balance of straight bonds issued by ORIX for domestic institutional investors was ¥323,100 million and ¥254,900 million, respectively, while the balance of straight bonds issued by ORIX for individual investors was ¥534,943 million and ¥530,860 million, respectively. The balance of straight bonds issued outside Japan, which includes SEC-registered U.S. dollar-denominated straight bonds, was ¥229,340 million and ¥56,330 million as of March 31, 2015 and 2016, respectively. The balance of bonds issued by subsidiaries as of March 31, 2015 and 2016 was ¥31,383 million and ¥35,414 million, respectively.

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The total balance of MTNs issued as of March 31, 2015 and 2016 was ¥35,110 million and ¥62,653 million, respectively, of which MTNs amounting to ¥9,386 million and ¥9,293 million, respectively, were issued by foreign subsidiaries.

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

CP

We offer CP in the form of direct paper as a direct financing source, and have successfully obtained a diverse range of investors such as investment trusts, life insurance companies, casualty insurance companies and other financial institutions, as well as private corporations. We consider our liquidity levels and stagger the dates of issuance and the maturity over time so as to avoid significant overlap. The balance of outstanding CP as of March 31, 2015 and 2016 was ¥89,621 million and ¥102,361 million, respectively.

Securitization

We securitize leases and loan receivables and other assets in Japan and securitize loan receivables outside Japan. We recognize liabilities consolidated with such investments as our liabilities when required under applicable accounting standards. The total amount of payables under securitized lease and loan receivables and other assets as of March 31, 2015 and 2016 was ¥291,635 million and ¥276,054 million, respectively.

Deposits

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

The majority of deposits are attributable to ORIX Bank, which attracts both corporate and retail deposits, and which has seen sustained growth in deposits outstanding. Deposit balances of ORIX Bank as of March 31, 2015 and 2016 were ¥1,287,057 million and ¥1,396,547 million, respectively.

Short-term and long-term debt and deposits

Short-term Debt

	As of March 31,	Change

	2015	2016	Amount	Percent (%)
		(Millions of yen, except percentage data)		
Short-term debt[1]:				
Borrowings from financial institutions	¥ 195,164	¥ 247,263	¥ 52,099	27
Commercial paper	89,621	102,361	12,740	14
Total short-term debt	¥ 284,785	¥ 349,624	¥ 64,839	23

(1) The above table does not include the following liabilities of consolidated VIEs as of March 31, 2015 and 2016, for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries.

Short-term debt as of March 31, 2016 was ¥349,624 million, representing 8% of total debt (excluding deposits) as of March 31, 2016, while the ratio was 6% of total debt excluding deposits as of March 31, 2015. As of March 31, 2016, 71% of short-term debt was borrowings from financial institutions.

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Long-term debt

	As of March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Long-term debt[(2)]:				
Borrowings from financial institutions	¥ 2,687,434	¥ 2,724,695	¥ 37,261	1
Bonds	1,118,766	877,504	(241,262)	(22)
Medium-term notes	35,110	62,653	27,543	78
Payable under securitized lease, loan receivables and investment in securities	291,635	276,054	(15,581)	(5)
Total long-term debt	¥ 4,132,945	¥ 3,940,906	¥ (192,039)	(5)

(2) The above table includes the following liabilities of consolidated VIEs as of March 31, 2015 and 2016 for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries.

	As of March 31,	
	2015	2016
	(Millions of yen)	
Long-term debt[(2)]:		
Borrowings from financial institutions	¥ 160,594	¥ 201,098
Bonds	1,985	2,000
Payable under securitized lease, loan receivables and investment in securities	291,637	276,054

Long-term debt as of March 31, 2016 was ¥3,940,906 million, representing 92% of total debt (excluding deposits) as of March 31, 2016, while the ratio was 94% of total debt excluding deposits as of March 31, 2015. Borrowings from financial institutions comprised 69% of the long-term debt as of March 31, 2016.

Approximately 50% of interest paid on long-term debt in fiscal 2016 was fixed rate interest, with the remainder being floating rate interest based mainly on TIBOR or LIBOR.

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

We have entered into interest rate swaps and other derivative contracts to manage risk associated with fluctuations in interest rates. For information with respect to derivative financial instruments and hedging, see Note 29 of Item 18. Financial Statements.

Deposits

	As of March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Deposits[3]	¥ 1,287,380	¥ 1,398,472	¥ 111,092	9

(3) VIEs did not have any deposits as of March 31, 2015 and 2016.

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

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CASH FLOWS

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

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

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

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

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

Year Ended March 31, 2016 Compared to Year Ended March 31, 2015

Cash and cash equivalents decreased by ¥97,098 million to ¥730,420 million compared to March 31, 2015.

Cash flows provided by operating activities were ¥510,562 million during fiscal 2016, up from ¥257,611 million during fiscal 2015 due primarily to an increase in net income, a decrease in a previous decrease in policy liabilities and policy account balances and an increase in income taxes payable, net.

Cash flows used in investing activities were ¥552,529 million during fiscal 2016, up from ¥467,801 million during fiscal 2015. This change was primarily due to increases in purchases of lease equipment and investment in affiliates, in addition to decreases in proceeds from sales of operating lease assets and principal collected on installment loans.

Cash flows used in financing activities were ¥48,001 million during fiscal 2016 compared to the inflow of ¥213,432 million during fiscal 2015. This change was primarily due to an increase in repayment of debt with maturities longer than three months.

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

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

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

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

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

COMMITMENTS FOR CAPITAL EXPENDITURES

As of March 31, 2016, we had commitments for the purchase of equipment to be leased in the amount of ¥1,033 million. For information on commitments, guarantees and contingent liabilities, see Note 33 of Item 18. Financial Statements.

OFF-BALANCE SHEET ARRANGEMENTS

USE OF SPECIAL PURPOSE ENTITIES

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

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

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

Investment Products

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

Other Financial Transactions

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

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

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Not applicable.

TREND INFORMATION

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

COMMITMENTS

The table below sets forth the maturities of guarantees and other commitments as of March 31, 2016.

		Amount of commitment expiration per period			
	Total	Within 1 year	1-3 years	3-5 years	After 5 years
			(Millions of yen)		
Commitments:					
Guarantees	¥ 493,125	¥ 72,518	¥ 122,553	¥ 142,863	¥ 155,191
Committed credit lines and other	436,331	122,818	56,338	25,739	231,436
Total commercial commitments	¥ 929,456	¥ 195,336	¥ 178,891	¥ 168,602	¥ 386,627

One of our U.S. subsidiaries is authorized to underwrite, originate, fund and service multi-family and senior housing loans without prior approval from Fannie Mae under Fannie Mae s Delegated Underwriting and Servicing program. As part of this program, Fannie Mae provides a commitment to purchase the loans.

In return for this delegated authority, the subsidiary guarantees the performance of certain housing loans transferred to Fannie Mae and has the payment or performance risks of the guarantees to absorb some of the losses when losses arise from the transferred loans. The amount attributable to the guarantee included in the table above is ¥174,322 million as of March 31, 2016.

The subsidiary makes certain representations and warranties in connection with the sale of loans through Fannie Mae, including among others, that: the mortgage meets Fannie Mae requirements; there is a valid lien on the property; the relevant transaction documents are valid and enforceable; and title insurance is maintained on the property. If it is determined that a representation and warranty has been breached, the subsidiary may be required to repurchase the related loans or indemnify Fannie Mae for any related losses incurred. The subsidiary had no such repurchase claims during fiscal 2016.

For a discussion of commitments, guarantee and contingent liabilities, see Note 33 of Item 18. Financial Statements.

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TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The table below sets forth the maturities of contractual cash obligations as of March 31, 2016.

	Total	Within 1 year	1-3 years	3-5 years	After 5 years
			Payments due by period (Millions of yen)		
Contractual cash obligations:					
Deposits	¥ 1,398,472	¥ 920,685	¥ 345,021	¥ 132,766	
Long-term debt	3,940,906	858,090	1,372,384	841,886	868,546
Operating leases	67,241	7,959	12,132	9,451	37,699
Unconditional purchase obligations of lease equipment	1,033	462	518	37	16
Unconditional noncancelable contracts for computer systems	10,674	3,385	5,342	1,926	21
Interest rate swaps:					
Notional amount (floating to fixed)	259,556	7,905	83,951	31,043	136,657
Notional amount (fixed to floating)	3,000	0	3,000	0	0
Total contractual cash obligations	¥ 5,680,882	¥ 1,798,486	¥ 1,822,348	¥ 1,017,109	¥ 1,042,939

Items excluded from the above table include short-term debt of ¥349,624 million, trade notes, accounts and other payable of ¥266,216 million and policy liabilities and policy account balances of ¥1,668,636 million as of March 31, 2016. For information on pension plans and derivatives, see Notes 17 and 29 of Item 18. Financial Statements. We expect to fund commitments and contractual obligations from one, some or all of our diversified funding sources depending on the amount to be funded, the time to maturity and other characteristics of the commitments and contractual obligations.

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

RECENT DEVELOPMENTS

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

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

Identify the contract(s) with a customer

Identify the performance obligations in the contract

Determine the transaction price

Allocate the transaction price to the performance obligations in the contract

Recognize revenue when (or as) the entity satisfies a performance obligation

This Update requires an entity to disclose more information about contracts with customers than under the current disclosure requirements.

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In April 2016, Accounting Standards Update 2016-10 (Identifying Performance Obligations and Licensing ASC 606 (Revenue from Contracts with Customers)) was issued as an amendment of the new revenue standard. This Update adds further guidance on identifying performance obligations and also improves the operability and understandability of the licensing implementation guidance. The amendments do not change the core principle of the guidance in ASC 606.

In May 2016, Accounting Standards Update 2016-12, (Narrow-Scope Improvements and Practical Expedients ASC 606 (Revenue from Contracts with Customers)) was issued as an amendment of the new revenue standard. This Update (1) clarifies the objective of the collectibility criterion for applying paragraph 606-10-25-7; (2) permits an entity to exclude amounts collected from customers for all sales (and other similar) taxes from the transaction price; (3) specifies that the measurement date for non-cash consideration is contract inception; (4) provides a practical expedient that permits an entity to reflect the aggregate effect of all modifications that occur before the beginning of the earliest period presented when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations; (5) clarifies that a completed contract for purposes of transition is a contract for which all (or substantially all) of the revenue was recognized under legacy GAAP before the date of initial application, and (6) clarifies that an entity that retrospectively applies ASC606 to each prior reporting period is not required to disclose the effect of the accounting change for the period of adoption.

These Updates are effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2017. Early adoption is permitted only for the fiscal year beginning after December 15, 2016, and interim periods within the fiscal year. An entity should apply the amendments in these Updates using either a retrospective method or a cumulative-effect method. The entity may elect some optional practical expedients when applying these Updates. The entity using the cumulative-effect method would recognize the cumulative effect of initially applying these Updates as an adjustment to the opening balance of retained earnings or net assets at the date of initial application. The Company and its subsidiaries are currently evaluating the effect that the adoption of these Updates will have on the Company and its subsidiaries results of operations or financial position.

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

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

In August 2014, Accounting Standards Update 2014-15 (Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern ASC 205-40 (Presentation of Financial Statements Going Concern)) was issued. This Update requires an entity to perform a going concern assessment by evaluating their

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ability to meet obligations for a look-forward period of one year from the financial statement issuance date (or date the financial statements are available to be issued). Disclosures are required if it is probable an entity will be unable to meet its obligations within the look-forward period. Incremental substantial doubt disclosure is required if the probability is not mitigated by management s plans. This Update is effective for the first fiscal year ending after December 15, 2016 and fiscal years and interim periods thereafter. Early adoption is permitted. The Update only relates to certain disclosure requirements and the adoption will have no effect on the Company and its subsidiaries results of operations or financial position.

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

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

In February 2015, Accounting Standards Update 2015-02 (Amendments to the Consolidation Analysis ASC 810 (Consolidation)) was issued. This Update requires an entity to change the way to evaluate whether reporting entities should consolidate limited partnerships and similar legal entities, fees paid to a decision maker or service provider are variable interest in a VIE, and variable interests in a VIE held by related parties of the reporting entity require the reporting entity to consolidate the VIE. Additionally, the amendments in this Update rescind the indefinite deferral of FASB Statement No.167 (Amendments to FASB Interpretation No.46(R)), included in Accounting Standards Update 2010-10 (ASC 810 (Consolidation)) for certain investment companies and similar entities. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. A reporting entity is permitted to apply the amendments in this Update using either a modified retrospective approach or a full retrospective approach. Early adoption is permitted. If an entity adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries results of operations or financial position.

In April 2015, Accounting Standards Update 2015-03 (Simplifying the Presentation of Debt Issuance Costs ASC 835-30 (Interest Imputation of Interest)) was issued. This Update requires that debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, similar to the presentation of debt discounts or premiums. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. Retrospective application is required to all relevant prior periods. Early adoption is permitted for financial

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statements that have not been previously issued. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries results of operations or financial position.

In July 2015, Accounting Standards Update 2015-11 (Simplifying the Measurement of Inventory ASC 330 (Inventory)) was issued. This Update applies to all inventory except for which is measured using last-in, first-out (LIFO) or the retail inventory method, and requires an entity to measure inventory at the lower of cost and net realizable value. Additionally, this Update defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2016. The amendments in this Update should be applied on a prospective basis. Early adoption is permitted. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries results of operations or financial position.

In September 2015, Accounting Standards Update 2015-16 (Simplifying the Accounting for Measurement-Period Adjustments ASC 805 (Business Combinations)) was issued. This Update requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This Update is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The amendments in this Update should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this Update. Early application is permitted for financial statements that have not yet been issued. Generally, the effect of adopting this Update on the Company and its subsidiaries results of operations and financial position will depend on future transactions.

In January 2016, Accounting Standards Update 2016-01 (Recognition and Measurement of Financial Assets and Financial Liabilities ASC 825-10 (Financial Instruments -Overall)) was issued. This Update revises accounting related to the classification and measurement of equity investments. This Update also revises the presentation of certain fair value changes for financial liabilities measured at fair value. Additionally, this Update amends certain disclosure requirements associated with the fair value of financial instruments. This Update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early application to financial statements of fiscal years or interim periods that have not yet been issued are permitted as of the beginning of the fiscal year of adoption. The amendments in this Update should be applied by means of cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The Company and its subsidiaries are currently evaluating the effect that adoption of this Update will have on the Company and its subsidiaries results of operations or financial position.

In February 2016, Accounting Standards Update 2016-02 (ASC 842 (Leases)) was issued. This Update requires a lessee to recognize most leases on-balance sheet. Lessor accounting remains substantially similar to current U.S.GAAP but with some important changes. This Update is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early application is permitted. The amendments in this Update should be applied by means of cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. The Company and its subsidiaries are currently evaluating the effect that adoption of this Update will have on the Company and its subsidiaries results of operations or financial position.

In March 2016, Accounting Standards Update 2016-07 (Simplifying the Transition to the Equity Method Accounting ASC 323 (Investments Equity Method and Joint Ventures)) was issued. This Update eliminates the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. This Update also requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor s previously held interest and requires that an entity that has an available-for sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. This Update is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The amendments in this Update should be applied prospectively. Early application is permitted. Generally, the effect of adopting this Update on the Company and its subsidiaries results of operations or financial position will depend on future transactions.

NON-GAAP FINANCIAL MEASURES

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

Our management believes these non-GAAP financial measures provide investors with additional meaningful comparisons between our financial condition as of March 31, 2016, as compared to prior periods. Effective April 1, 2010, we adopted ASU 2009-16 and ASU 2009-17, which changed the circumstances under which we are required to consolidate certain VIEs. Our adoption of these accounting standards caused a significant increase in our consolidated assets and liabilities and a decrease in our retained earnings without affecting the net cash flow and economic effects of our investments in such consolidated VIEs. Accordingly, our management believes that providing certain financial measures that exclude the impact of consolidating certain VIEs on our assets and liabilities as a supplement to financial information calculated in accordance with U.S. GAAP enhances understanding of the overall picture of our current financial position and enables investors to evaluate our historical financial and business trends without the large balance sheet fluctuation caused by our adoption of these accounting standards.

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

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

		As of March 31,		
		2014	2015	2016
		(Millions of yen, except ratios and percentage data)		
Total assets	(a)	¥ 9,066,961	¥ 11,443,628	¥ 10,996,906
Deduct: Payables under securitized leases, loan receivables and others*		253,827	291,635	276,054
Adjusted total assets	(b)	8,813,134	11,151,993	10,720,852
Short-term debt	(c)	308,331	284,785	349,624
Long-term debt	(d)	3,852,668	4,132,945	3,940,906
Deduct: Payables under securitized leases, loan receivables and others*		253,827	291,635	276,054
Adjusted long-term debt	(e)	3,598,841	3,841,310	3,664,852
Long- and short-term debt (excluding deposits)	(f) = (c) + (d)	4,160,999	4,417,730	4,290,530
Adjusted long- and short-term debt (excluding deposits)	(g) = (c) + (e)	3,907,172	4,126,095	4,014,476
ORIX Corporation Shareholders Equity	(h)	1,919,346	2,152,198	2,310,431
Deduct: The cumulative effect on retained earnings of applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010		(5,195)	(3,060)	(411)
Adjusted ORIX Corporation Shareholders Equity	(i)	1,924,541	2,155,258	2,310,842
ORIX Corporation Shareholders Equity Ratio	(h) / (a)	21.2%	18.8%	21.0%
Adjusted ORIX Corporation Shareholders Equity Ratio	(i) / (b)	21.8%	19.3%	21.6%
D/E ratio	(f) / (h)	2.2x	2.1x	1.9x
Adjusted D/E ratio	(g) / (i)	2.0x	1.9x	1.7x
Long-term debt ratio	(d) / (f)	93%	94%	92%
Adjusted long-term debt ratio	(e) / (g)	92%	93%	91%

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

RISK MANAGEMENT

Group-Wide Risk Management System

Risk Management System

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

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Risk Control

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

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

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

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

Main Risk Management

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

Credit Risk Management

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

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

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

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

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Business Risk Management

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

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

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

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

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

Market Risk Management

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

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

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

We generally manage exchange rate risk by using foreign currency-denominated loans, foreign exchange contracts and currency swaps to hedge exchange rate volatility in our business transactions in foreign currencies and overseas investments. We properly monitor and manage exchange rate risk of unhedged foreign currency denominated assets and retained earnings of foreign subsidiaries using appropriate indicators such as the VaR (value at risk) and adjusting hedge positions as needed based on changes in the market environment at any given time.

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

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

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

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Liquidity Risk Management (Risk Management Relating to Funding)

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

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

The effect on the business of each subsidiary is monitored by ascertaining liquidity risk in each subsidiary and in every country in which ORIX operates. We take appropriate measures to manage liquidity risk, such as parent-to-subsidiary lending.

ORIX Bank and ORIX Life Insurance are engaged in retail financial activities for individual customers and are regulated by Japanese financial authorities. They are required to manage liquidity risk independently from other ORIX Group companies based on internal regulations formulated according to the relevant regulations.

ORIX Bank maintains the required liquidity levels by holding highly liquid assets such as cash and government and corporate bonds and by setting an upper limit for capital market-based funding. In addition, it regularly monitors the status of these measures, estimates the tightness of cash flows under different scenarios and conducts stage-by-stage management of liquidity risk accordingly.

ORIX Life Insurance conducts stress tests on insured events and ensures the necessary liquidity by holding assets with high liquidity such as cash and cash equivalents and securities above a certain ratio against the balance of a liability reserve and setting maximum limits for holding held-to-maturity securities.

Legal Risk Management

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

To avoid, prevent and mitigate transactional legal risk in Japan, we generally require that the credit department, the legal department and the compliance department be involved in evaluating and/or executing transactions. In addition to establishing and maintaining internal rules designed to facilitate compliance with applicable laws that are currently in effect, we take steps to ensure that we will be in compliance with revisions to laws as they take effect.

For business transactional agreements, we have established an approval process involving the legal department in accordance with our prescribed internal rules. In addition, depending on the size and importance of a given transaction, we might also utilize the expertise of outside lawyers. To ensure that proper legal procedures are followed in connection with potential disputes and litigation, we require that the legal department, the compliance department and the credit department be involved in the management of such disputes and litigation, including lawsuits that have been, or are expected to be, brought against us and lawsuits that we bring, or expect to bring, against third parties.

The administration department monitors the use of intellectual property and takes necessary measures, if and when potential infringement of third party intellectual property rights is discovered.

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

Operational Risk Management

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

Operational risk is inherent in our business and includes compliance risk and fiduciary risk. Compliance risk is the risk of financial loss, regulatory sanction or damage to our reputation resulting from a failure by ORIX Group to comply with applicable laws and regulations where it conducts its business and ORIX Group s internal policies, rules and procedures and may encompass legal risk when applicable laws and regulations are violated. Fiduciary risk is the risk of loss resulting from a failure to properly exercise discretion when acting on behalf of our customers and clients.

Each ORIX department conducts a compliance annual program to address material risks at the Group level. The internal audit department conducts monitoring activities based on an annual internal audit plan that focuses on material risks. The department endeavors to prevent the occurrence of events that could negatively affect Group management and seeks to strengthen the risk management function through monitoring activities.

The compliance department supports the business and operations functions by implementing and maintaining compliance programs designed to identify and manage compliance risks in each jurisdiction where ORIX does business and to support a strong culture of compliance throughout the Group.

In fiscal 2016, ORIX undertook to enhance compliance risk management in its global businesses and in connection with that effort updated its Principles of Conduct and introduced a Code of Conduct and Ethics to increase compliance awareness among its directors, executive officers and employees throughout the Group.

IT planning department and ORIX Computer Systems Corporation endeavor to reduce operational risk including risks of cyber-attacks and other information security threats through the maintenance and operational administration of internal systems.

We have established internal rules to manage risks associated with natural disasters, which are designed to protect management resources and minimize losses, while giving priority to the safety of our executives and employees.

Individual Business Risk Management

We engage in a broad spectrum of businesses, including financial service operations. We perform complete and transparent monitoring and risk management according to the characteristics of each business segment.

Corporate Financial Services Segment

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

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

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

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

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Maintenance Leasing Segment

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

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

Cost fluctuation is the main risk of providing various services such as outsourcing. In response to this, we analyze initial cost planning and performance, monitor future forecasts and control costs at an appropriate level.

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

We also conduct credit examinations of individual transactions to manage credit risk.

Real Estate Segment

In the Real Estate segment, the main risk for business involving real estate development, rental and operation is business risk.

With respect to real estate investment, before making an investment decision we evaluate the actual cash flow performance of the target as against the initial plan and forecasts, and monitor investment strategies and schedules after execution. Upon a major divergence from the initial forecast, we reevaluate our strategy. In addition, when we invest in large scale or long term projects, we consider diversifying risk by making joint investments with our partners.

For development and leasing properties, we monitor development and retention schedules and NOI yield. We capitalize on the Group s network to improve occupancy rates and promote sales.

In our facility operation business, we monitor performance indicators such as occupancy, utilization rates and profitability. We conduct market analysis and take initiatives to improve the desirability of our facilities, such as through renovations. To improve the quality of our services and facilities, we strive to take into consideration customers feedback and also implement training programs for our employees.

Investment and Operation Segment

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

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

When making investment decisions in the principal investment business, we conduct a credit evaluation, analyzing the investee s credit risk and assessing its cash flow, as is done for credit examinations. In addition, we perform a multi-faceted evaluation on the characteristics of the business operation and investment scheme, in which administrative departments such as the accounting and legal departments are also involved. After the initial investment, individual transactions are monitored for divergence from the initial scenario.

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

In the loan servicing business, we seek to reduce credit and operational risks by conducting periodic internal auditing and monitoring and by implementing business operations based on work procedures in accordance with the applicable supervision and guidance from regulatory authorities. In addition, OAMLS has designated an outside lawyer as a company director and has streamlined its organization to place legal and compliance-related affairs under the control of its legal and compliance department to cope with diversified legal issues, which could occur with any stakeholders, from a professional and multi-faceted viewpoint.

Retail Segment

The main risk in the life insurance business is business risk and market risk, in particular, the risk associated with underwriting insurance contracts.

When underwriting insurance contracts, while implementing strict assessment standards based on documents such as statements of health condition and medical examination reports, ORIX Life Insurance cultivates employees with expert knowledge and hires sufficient staff, checks the status of insurance solicitation and takes rigorous measures to prevent the underwriting of fraudulent contracts. In addition, ORIX Life Insurance educates and instructs representative branch staff and agents to enhance compliance with applicable laws and regulations regarding the privacy of personal information, as well as insurance sales practices, and regularly checks whether these measures are carried out.

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

Regarding each housing loan we extend for the purchase of condominiums and apartments for investment purposes, we conduct screenings through individual interviews, which consist of a comprehensive evaluation including not only the client s ability to repay but also the cash flows that can be derived from the property and its collateral value. Throughout this process, we utilize the real estate market information, industry know-how and network we have built for many years.

Decision making for corporate loans is based on an investigation of the client s performance, business plan, the purpose of the loan, the expected source of repayment and industry trends. We also reduce risks by avoiding overconcentration in particular business types and products in our portfolio.

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

Overseas Business Segment

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

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Individual transactions in this segment are conducted in a manner similar to those in the domestic business segments. The credit department monitors the portfolio according to country risk. Information regarding the portfolio of the respective local subsidiaries, the business condition of major clients, the condition of those assets requiring extra monitoring and the clients of particular concern is shared internally.

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

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

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

Regarding credit risk, at the time on investment is made, we assign an internal credit rating to each investment or loan taking into consideration the credit status and the collateral status and continuously monitor the credit status. For any investments and/or loans of which the rating has reached or exceeded the caution level, our policy requires management to determine the necessity of a provision for doubtful receivables and probable loan losses or an impairment.

Regarding market risk, we monitor market values while referring to credit risk information and manage risk by pursuing early sales as appropriate to secure profits or minimize losses.

Operational risk is the main risk for the loan servicing business in the United States. We arrange loans and conduct servicing operations thereof under public financing schemes such as the Federal National Mortgage Association and the Federal Housing Administration. We conduct our operations based on the designated operating procedures set forth by these public financial institutions, and monitor and manage service quality through internal auditing.

Business risk and operational risk are the main risks for the asset management business and the advisory business.

Regarding business risk, in addition to monitoring to maintain and ensure satisfactory quality levels, we review the content of our products and services to constantly maintain and improve quality in response to changes in the business environment and evolving customer needs.

In the asset management business, we have established an internal compliance system to manage operational risk and manage our operations to abide by the compliance standards established by the supervisory authority.

Regarding operational risk in the advisory business, we maintain and ensure quality and operational procedures that meet the operating standards set forth by authorities through an internal quality control committee and other oversight so that high-quality advice and/or evaluation services can be supplied to customers according to proper operating procedures.

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GOVERNMENTAL AND POLITICAL POLICIES AND FACTORS

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

In January 2014, the Financial Stability Board (FSB) an international standard-setting authority proposed a methodology for assessing and designating non-bank non-insurer global systemically important financial institutions (NBNI G-SIFIs). In March 2015, the FSB and the International Organization of Securities Commissions, jointly published a revised proposal for public comment, and in July 2015, the FSB announced its decision to wait to finalize the assessment methodologies until it completes its assessment of financial stability risks from asset management activities. It is currently unclear when the assessment methodologies framework will be finalized, what form a final framework may take, what policy measures will be recommended to apply to NBNI G-SIFIs, and whether ORIX or any of its affiliates ultimately would be designated as a NBNI G-SIFI.

Item 6. Directors, Senior Management and Employees

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

CORPORATE GOVERNANCE SYSTEM

ORIX believes that a robust corporate governance system is a vital element of effective enhanced management and therefore has established sound and transparent corporate governance to carry out appropriate business activities in line with our core policies and ensure objective management.

ORIX s corporate governance system is characterized by:

- separation of operation and oversight through a Company with Nominating Committee, etc. board model;
- Nominating, Audit and Compensation Committee are each formed entirely by non-executive directors and the Audit Committee is formed entirely by outside directors;
- all outside directors satisfy strict conditions for independence; and
- all outside directors are highly qualified in their respective fields.

Rationale behind adopting ORIX s Corporate Governance System and history of the system

We believe that swift execution of operations is vital to effectively respond to changes in the business environment. Furthermore, we believe that ORIX s governance system promotes improved management transparency by creating a system in which outside directors with expertise in their respective fields monitor and advise on legal compliance and appropriate execution of operations.

Based on these principles, our board of directors possesses oversight function and, under the Company with Nominating Committee, etc. board model which we adopted in June 2003, delegates certain responsibilities to three committees to carry out the role of effective governance. Please see the history of ORIX s corporate governance system below.

Oversight by directors is separate from the execution of operations within the three committees (Nominating, Audit and Compensation Committees) that form the heart of the board of directors. Each committee is formed entirely by non-executive directors to help avoid conflicts of interest with our shareholders.

In addition, all outside directors must meet the specific conditions necessary for director independence as set forth by the Nominating Committee (described below under Nominating Committee).

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Below is a summary of the history of ORIX s corporate governance system;

June 1997	Established Advisory Board
June 1998	Introduced Corporate Executive Officer System
June 1999	Introduced Outside Directors
June 2003	Adopted the Company with Committees board model
May 2006	Adopted the new Company with Committees board model in line with the enactment of the Companies Act of Japan
May 2015	Adopted the new Company with Nominating Committees, etc. board model in line with the amendment of the Companies Act of Japan

The Company with Nominating Committees, etc. board model, as stipulated under the Companies Act of Japan, requires the establishment of three board of director committees: the Nominating, Audit and Compensation Committees. Each committee is required to consist of three or more directors, a majority of whom must be outside directors. Directors may serve on more than one committee. The term of office of committee members is not stipulated under the Companies Act of Japan. However, as a committee member must be a director of the Company, the term expires at the close of the first annual general meeting of shareholders after his or her election. Under the Companies Act of Japan, an outside director is defined as a director who does not have a role in executing the Company s business, meaning those who have not assumed in the past ten years the position of a representative director or a director with the role of executing the business, executive officer (*shikkou-yaku*), manager or any other employee of the Company or its subsidiaries, and who does not currently assume such position of such company or subsidiaries. (See Item 16G Corporate Governance .)

Board of Directors

The board of directors has the ultimate decision-making responsibility for our important affairs. It also monitors the performance of the directors and executive officers and receives performance reports from the executive officers and others. The Articles of Incorporation of ORIX provide for no fewer than three directors. Directors are elected at general meetings of shareholders. The term of office for any director, as stipulated under the Companies Act of Japan, for companies that adopt a Company with Nominating Committees, etc board model, expires at the close of the first annual general meeting of shareholders after his or her election.

The board of directors carries out decisions related to items that, either as a matter of law or pursuant to our Articles of Incorporation, cannot be delegated to executive officers, and important items as determined by the regulations of the board of directors. The board of directors is responsible for deciding and monitoring ORIX s policies on a regular basis, which include corporate planning such as capital management, fund procurement, personnel strategies and policy of internal control. Aside from such items, the board of directors delegates decision-making regarding operational execution to representative executive officers. The board of directors also receives reports from executive officers and committees regarding the status of business operations and finances.

With the exception of the aforementioned items, the board of directors may delegate substantial management authority to representative executive officers. Representative executive officers make decisions on management issues as delegated by the board of directors and execute the business of the Company. For example, the board may delegate to representative executive officers the authority to approve issuances of shares of capital stock and bonds. In addition, the Companies Act of Japan permits an individual to simultaneously be a director and a representative executive officer of the Company.

From April 1, 2015 through March 31, 2016, the board of directors met eight times. The attendance rate of directors for these meetings was 97%.

The board of directors as of June 23, 2016 includes 13 members, six of whom are outside directors.

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Composition and size of Board of Directors

The board of directors is composed of directors, including outside directors, that possess broad knowledge and experience. The number of directors on the board is also maintained at the level we consider to be appropriate for effective and efficient board discussion.

Structure and Activities of the Three Committees

As of June 23, 2016, all three committees (Nominating, Audit and Compensation Committees) consisted of non-executive directors, and the Audit Committee consisted entirely of outside directors. The members of each committee along with the number of committee meetings and attendance rates are shown below.

	Nominating Committee	Audit Committee	Compensation Committee
Members as of June 23, 2016	6 Members (Outside Directors: 5)	4 Members (Outside Directors: 4)	5 Members (Outside Directors: 4)
	Nobuaki Usui (Chairperson)	Eiko Tsujiyama (Chairperson)	Robert Feldman (Chairperson)
	Robert Feldman	Nobuaki Usui	Eiko Tsujiyama
	Takeshi Niinami	Ryuji Yasuda	Takeshi Niinami
	Ryuji Yasuda	Heizo Takenaka	Ryuji Yasuda
	Hideaki Takahashi		Hideaki Takahashi
	Heizo Takenaka		
Number of meetings held during fiscal 2016 (Attendance rate)	Three (3) meetings (89%)	Ten (10) meetings (98%)	Five (5) meetings (92%)

Nominating Committee

The Nominating Committee is authorized to propose the slate of director appointment or dismissal to be submitted to the annual general meeting of shareholders. Directors shall be elected and dismissed by a resolution of the annual general meeting of shareholders. In addition, the Nominating Committee deliberates on the appointment or dismissal of our executive officers, although this is not required under the Companies Act of Japan.

Furthermore, the Nominating Committee ensures that composition of the board of directors overall possesses the right balance of knowledge, experience, and expertise, and the diversity of which, by setting certain criteria for the decision making process of directors appointment. The Nominating Committee also nominates executive officer candidates to the board of directors following assessment of the candidates past experience, knowledge, and his/her fit for the position to execute business decisions in the company s existing and new businesses.

Nomination criteria for director candidates:

(Internal Director)

- An individual with a high degree of expertise in ORIX Group s business
- An individual with excellent business judgment and business administration skills

(Outside Director)

- An individual with a wealth of experience as a business administrator
- An individual with professional knowledge in fields such as economics, business administration, law and accounting, as they relate to corporate management
- An individual with extensive knowledge in areas such as politics, society, culture and academics, as they relate to corporate management

The Nominating Committee determines whether the conditions for director independence have been met in accordance with nomination criteria for outside directors, which are:

(1) No individual may be a principal trading partner*, or an executive officer (including operating officers, hereinafter the same) or employee of a principal trading partner of ORIX Group. If such circumstances existed in the past, one year must have passed since that person s retirement from such office or employment.

* A principal trading partner refers to an entity with a business connection with ORIX Group with a transaction amount equivalent to more than the greater of 2% of consolidated total sales (or consolidated total revenues) or one million U.S. dollars in any fiscal year of the preceding four fiscal years.

(2) No individual may receive directly a large amount of compensation (10 million yen or higher in a fiscal year) excluding compensation as a director from ORIX Group in any fiscal year of the preceding four fiscal years. Further, any corporation or other entity in which such individual serves as consultant, account specialist or legal expert may not receive a large amount of compensation (equivalent to more than the greater of 2% of consolidated total sales (or consolidated total revenues of ORIX Group) or one million U.S. dollars) from ORIX Group. If such circumstances existed in the past, one year must have passed since that corporation or other entity received such compensation.

(3) No individuals may be a major shareholder of ORIX (10% or higher of issued shares) or representative of the interests of a major shareholder.

(4) No individuals may have served as an executive officer of a company having a relationship of concurrent directorship* with ORIX in any fiscal year of the preceding four fiscal years.

* Concurrent directorship refers to a relationship in which an executive officer of ORIX or its subsidiaries also serves as a director of a company in which the individual has been an executive officer and an outside director of ORIX.

(5) No individuals may be a member of the executive board (limited to those who execute business) or be a person executing business (including an officer, corporate member or employee who executes business of the organization) of any organization (including public interest incorporated associations, public interest incorporated foundations and non-profit corporations) that have received a large amount of donation or assistance (annual average of 10 million yen or higher over the past three fiscal years) from the ORIX Group.

(6) No individuals may have served as an accounting auditor or accounting counselors (*kaikei san-yo*), a certified public accountant (or a tax accountant) or a corporate member, a partner or an employee of an audit firm (or a tax accounting firm) who personally performed the audit work (excluding engagement as a supporting role) for ORIX Group in any fiscal year of the preceding four fiscal years.

(7) None of the individuals family members* falls under any of the following:

i) A person who was an executive officer or important employee of the ORIX Group during the past three years.

ii) A person who falls under one of the criteria specified in (1) through (3), (5) and (6) above; provided, however, that criterion (1) is limited to an executive officer, criterion (2) is limited to a corporate member or a partner of the corporation or other entity and criterion (6) is limited to an executive officer or an employee who performs the audit on the ORIX Group in person.

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

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

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Audit Committee

The Audit Committee monitors the operational execution of the directors and executives and prepares audit reports. In addition, the Audit Committee proposes the appointment or dismissal, or the passage of resolutions refusing the reappointment of the Company s independent certified public accountants to the annual general meeting of shareholders. Eiko Tsujiyama, chairperson of the Audit Committee, is qualified as a certified public accountant and has extensive knowledge in finance and accounting as a professional accountant.

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

Compensation Committee

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

Executive Officers

Under the Company with Nominating Committees, etc. board model, and within the scope of laws and ordinances, corporate decisions reached at the board of directors meeting are delegated to the executive officers to accelerate and achieve efficiency in business operations. The representative executive officer makes our important business execution decisions after deliberations by the Investment and Credit Committee (ICC) in accordance with the various regulations of the Company. The business execution duties of executive officers are decided by the board of directors and the representative executive officer and these duties are carried out based upon the various regulations of the Company. Group executives are appointed by the board of directors from among directors and executive officers of Group companies.

Important decision-making related to business execution, monitoring, discussions, and information sharing is carried out by the following bodies:

Investment and Credit Committee

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

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Group Executive Officer Committee

The Group Executive Officer Committee, in which executive officers and group executives of the Company participate, are held on a monthly basis to share important information related to the business execution of ORIX Group.

Monthly Strategy Meetings

Monthly Strategy Meetings include meetings between top management and the management in charge of individual departments and business units to discuss matters such as the state of achievement of strategic targets and changes in the business environment. Matters of key importance discussed at Monthly Strategy Meetings are deliberated and decided by the ICC and reported to the board of directors as necessary.

Information Technology Management Committee

The Information Technology Management Committee includes members of the top management and the executive officer in charge of information technology (IT) systems, and meets once a month to deliberate and approve important matters concerning fundamental policies for IT operations and IT systems. The committee determines the needs of and priorities for IT investment based on ORIX Group s fundamental IT strategies. This method enables ORIX to ensure that IT decisions are consistent with its business strategies. Furthermore, this enables ORIX to pursue its goal of making IT investments that contribute to business growth and help risk reduction.

Disclosure Committee

The Disclosure Committee, which plays a key role in our disclosure control, is chaired by the CFO and consists of the executive officers in charge of various departments, including: Corporate Planning Department, Treasury Headquarters, Accounting Headquarters, Risk Management Headquarters, Legal and External Relations Department, Group Compliance Department, Group Human Resources and Corporate Administration Headquarters, Group Internal Audit Department and Corporate Communications Department. Upon receiving material information from an executive officer of ORIX Group or the person in charge of an ORIX Group company department, the committee discusses whether or not any timely disclosure is necessary, and takes steps to provide appropriate disclosure of such information.

Policies on Auditing and Auditing System

The Audit Committee has established the following five items as its fundamental policies.

The Committee shall always emphasize a consolidated management standpoint in auditing.

The Committee shall monitor and verify the formulation and state of operations of the Group s internal control systems. In particular, it shall consider the validity and effectiveness of compliance systems, systems to ensure the credibility of financial reporting, and risk management systems.

The Committee shall monitor and verify whether directors, executive officers, and employees under the supervision of executive officers are complying with laws, ordinances, and the provisions of the Articles of Incorporation in fulfilling their obligations of loyalty and due diligence, as well as any other legal obligations to the Group.

The Committee shall monitor and verify whether executive officers are determining the execution of their duties and carrying out said duties appropriately and efficiently in accordance with basic management policies, medium-term management plans, and other plans and policies established by the Board of Directors.

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To ensure the fairness and credibility of audits, the Committee shall monitor and verify whether the accounting auditor is maintaining its independent position and conducting appropriate audits as a professional expert.

Based on these fundamental policies, the Audit Committee verifies the status of performance of duties and the formulation and state of operations of internal control systems with the representative executive officer and the heads of internal control-related and accounting departments, and shares information with the executive officers responsible for the Group Internal Audit Department, the accounting auditor, and others as necessary.

The Auditing function of the Company is as follows.

Function	Number of Personnel	Responsibilities
Audit Committee	4 outside directors	Members evaluate the Company s internal control systems from the independent standpoint of outside directors. The Company bears the costs and expenses associated with the Audit Committee conducting its duties. The Audit Committee may appoint outside experts to conduct its duties if necessary.
Audit Committee Secretariat	3 staff	Supports the work of the Audit Committee under the Audit Committee s instructions. The appointment and evaluation of, changes to, and disciplinary action toward the staff of the Audit Committee Secretariat are carried out by the executive officer responsible for the Group Internal Audit Department with the approval of the Audit Committee. Regarding operations carried out by the Audit Committee Secretariat pursuant to instructions from the Audit Committee, all executive officers shall cooperate, and direct others to cooperate.
Executive Officers Responsible for Group Internal Audit Department	1 executive officer	Supports the Audit Committee in collecting information; entrusted by the Audit Committee with attending important meetings within the ORIX Group and accurately reporting information essential to auditing activities to the Audit Committee in a timely manner.
Group Internal Audit Department		