ORIX CORP
Form 20-F
June 24, 2011
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2011

OR

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

OR

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

Commission file number: 001-14856

ORIX KABUSHIKI KAISHA

(Exact name of Registrant as specified in its charter)

ORIX CORPORATION

(Translation of Registrant s name into English)

Japan

(Jurisdiction of incorporation or organization)

Mita NN Building, 4-1-23 Shiba, Minato-ku Tokyo 108-0014, Japan

(Address of principal executive offices)

Yoshiko Fujii

Mita NN Building, 4-1-23 Shiba, Minato-ku Tokyo 108-0014, Japan Telephone: +81-3-5419-5042 Facsimile: +81-3-5419-5901

(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 one-half of one Share	New York Stock Exchange

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

None

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

None

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

As of March 31, 2011, 110,245,846 Shares were outstanding, including Shares that were represented by 3,076,416 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.

Table of Contents

TABLE OF CONTENTS

Table of Contents

CERTAIN DEFINED TERMS, CONVENTIONS AND

PRESENTATION OF FINANCIAL INFORMATION

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

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

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

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

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

The Company s fiscal year ends on March 31. The fiscal year ended March 31, 2011 is referred to throughout this annual report as fiscal 2011, and other fiscal years are referred to in a corresponding manner. References to years not specified as being fiscal years are to calendar years.

FORWARD-LOOKING STATEMENTS

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

Table of Contents

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

SELECTED FINANCIAL DATA

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

	Year ended March 31,					
	2007	2008	2009	2010	2011	2011
	(In millions of yen and millions of dollars)					
Income statement data[1]:						
Total revenues	¥ 1,111,655	¥ 1,125,950	¥ 1,032,486	¥ 912,294	¥ 970,110	$ 11,667
Total expenses	830,730	940,547	978,307	883,584	896,150	10,778
Operating income	280,925	185,403	54,179	28,710	73,960	889
Equity in net income (loss) of affiliates	31,951	48,316	(40,458)	8,364	16,806	202
Gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	1,962	12,232	(1,686)	17,519	1,199	15
Income before income taxes, discontinued operations and extraordinary gain	314,838	245,951	12,035	54,593	91,965	1,106
Income from continuing operations	189,021	148,309	14,633	32,199	64,348	774
Net income attributable to the noncontrolling interests	2,014	1,952	1,175	704	2,373	29
Net income attributable to the redeemable noncontrolling interests	3,032	1,950	698	2,476	2,959	35
Net income attributable to ORIX Corporation	196,506	169,597	21,924	37,757	67,275	809

Table of Contents

	As of March 31,					
	2007	2008	2009	2010	2011	2011
	(In millions of yen and millions of dollars, except number of Shares)					
Balance sheet data:						
Investment in direct financing leases[2]	¥ 1,258,404	¥ 1,098,128	¥ 914,444	¥ 756,481	¥ 830,853	$ 9,992
Installment loans[2]	3,490,326	3,766,310	3,304,101	2,464,251	2,983,164	35,877
Subtotal	4,748,730	4,864,438	4,218,545	3,220,732	3,814,017	45,869
Investment in operating leases	862,049	1,019,956	1,226,624	1,213,223	1,270,295	15,277
Investment in securities	875,581	1,121,784	926,140	1,104,158	1,175,381	14,136
Other operating assets	152,106	197,295	189,560	186,396	235,430	2,831
Allowance for doubtful receivables on direct financing leases and probable loan losses	(89,508)	(102,007)	(158,544)	(157,523)	(154,150)	(1,854)
Others	1,658,229	1,893,504	1,967,411	2,172,814	2,240,609	26,947
Total assets	¥ 8,207,187	¥ 8,994,970	¥ 8,369,736	¥ 7,739,800	¥ 8,581,582	$ 103,206
Short-term debt	¥ 1,174,391	¥ 1,330,147	¥ 798,167	¥ 573,565	¥ 478,633	$ 5,756
Long-term debt	3,863,057	4,462,187	4,453,845	3,836,270	4,531,268	54,495
Common stock	98,755	102,107	102,216	143,939	143,995	1,732
Additional paid-in capital	119,402	135,159	136,313	178,661	179,137	2,154
ORIX Corporation shareholders equity	1,194,234	1,267,917	1,167,530	1,298,684	1,319,341	15,867
Number of issued Shares	91,518,194	92,193,067	92,217,067	110,229,948	110,245,846	
Number of outstanding Shares	91,233,710	90,496,863	89,400,220	107,484,247	107,498,502	

	As of and For the Year Ended March 31,				
	2007	2008	2009	2010	2011
	(In yen and dollars, except ratios and number of employees)				
Key ratios (%)[3]:					
Return on ORIX Corporation shareholders equity (ROE)	18.30	13.78	1.80	3.06	5.14
Return on assets (ROA)	2.54	1.97	0.25	0.47	0.82
ORIX Corporation shareholders equity ratio	14.55	14.10	13.95	16.78	15.37
Allowance/investment in direct financing leases and installment loans	1.88	2.10	3.76	4.89	4.04
Per share data and employees:					
ORIX Corporation shareholders equity per Share[4]	¥ 13,089.83	¥ 14,010.62	¥ 13,059.59	¥ 12,082.56	¥ 12,273.11
Basic earnings per Share for income attributable to ORIX Corporation from continuing operations[5]	2,042.37	1,594.69	146.11	284.43	549.49
Basic earnings per Share for net income attributable to ORIX Corporation	2,177.10	1,860.63	246.59	370.52	625.88
Diluted earnings per Share for net income attributable to ORIX Corporation	2,100.93	1,817.81	233.81	315.91	527.75
Dividends applicable to fiscal year per Share	130.00	260.00	70.00	75.00	80.00
Dividends applicable to fiscal year per Share[6]	$ 1.07	$ 2.49	$ 0.73	$ 0.81	$ 0.99
Number of employees	16,662	18,702	18,920	17,725	17,578

(1) As a result of the recording of discontinued operations in accordance with FASB Accounting Standards Codification (ASC) 205-20 (Presentation of Financial Statements Discontinued Operations), results of

operations that meet the criteria for discontinued operations are reported as a separate component of income, and those related amounts that had been previously reported have been reclassified.

(2) The sum of assets considered 90 days or more past due and loans individually evaluated for impairment amounted to ¥134,394 million, ¥203,253 million, ¥495,514 million, ¥386,146 million and ¥344,855 million as of March 31, 2007, 2008, 2009, 2010 and 2011, respectively. These sums included: (i) investment in direct financing leases considered 90 days or more past due of ¥21,149 million, ¥22,637 million, ¥27,949 million, ¥25,682 million and ¥22,787 million as of March 31, 2007, 2008, 2009, 2010 and 2011, respectively, (ii) installment loans (excluding loans individually evaluated for impairment) considered 90 days or more past due of ¥12,656 million, ¥15,333 million, ¥17,860 million, ¥12,321 million and ¥10,037 million as of March 31, 2007, 2008, 2009, 2010 and 2011, respectively, and (iii) installment loans individually evaluated for impairment of ¥100,589 million, ¥165,283 million, ¥449,705 million, ¥348,143 million and ¥312,031 million as of March 31, 2007, 2008, 2009, 2010 and 2011, respectively. See Item 5. Operating and Financial Review and Prospects Results of Operations Year Ended March 31, 2011 Compared to Year Ended March 31, 2010 Details of Operating Results Revenues, New Business Volumes and Investments Asset quality.

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

(4) ORIX Corporation shareholder s equity per share is the amount derived by dividing ORIX Corporation shareholder s equity by the number of outstanding Shares.

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

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

Table of Contents

EXCHANGE RATES

In certain parts of this annual report, we have translated yen amounts into dollars for the convenience of readers. The rate that we used for translations was ¥83.15 = $1.00, which was the approximate exchange rate in Japan on March 31, 2011 using the telegraphic transfer rate of the Bank of Tokyo-Mitsubishi UFJ, Ltd. The following table provides the noon buying rates for Japanese yen, expressed in per $1.00 in New York City for cable transfers in foreign currencies. As of June 17, 2011, the noon buying rate for Japanese yen was ¥80.10 = $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,				
	2007	2008	2009	2010	2011
	(In yen per dollar)				
Yen per dollar exchange rates:					
High	¥ 121.81	¥ 124.09	¥ 110.48	¥ 100.71	¥ 94.68
Low	110.07	96.88	87.80	86.12	78.74
Average of the last days of the months	116.55	113.61	100.85	92.49	85.00
At period-end	117.56	99.85	99.15	93.40	82.76

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
2010		
December	¥ 84.23	¥ 81.67
2011		
January	¥ 83.36	¥ 81.56
February	83.79	81.48
March	82.98	78.74
April	85.26	81.31
May	82.12	80.12

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) Our business activities, financial condition and results of operations may be adversely affected by sluggishness in the world s economies

The uncertainty in the world s economies caused by the financial meltdown is subsiding, and economies are gradually recovering in part due to implementation of monetary easing policies and fiscal stimulus measures.

Table of Contents

Developing economies have steadily expanded, while developed countries have generally experienced more gradual recovery with continued monetary easing policy. However, destabilizing factors, such as political instability in the Middle East and persistent financial problems in certain European countries, still exist.

There are signs of economic recovery in Japan, such as improved earnings and increased production, primarily by large companies, though funding requirements and capital expenditures of domestic companies still remain sluggish amid concerns about Japan s future economic growth, share price and exchange rate volatility and high unemployment rates. Recently, there is heightened concern about Japan s financial deficit, as shown by the downgrade of Japanese sovereign debt. Further, there is concern that damage to production facilities, unstable power supply, decline in consumer confidence and other factors caused by the Great East Japan Earthquake may force the Japanese economy into a slowdown; however, moderate recovery is forecasted from the second half of the fiscal year ending March 31, 2012.

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

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

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

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

Our business depends upon the confidence of customers and market participants. Negative press coverage or rumors (including on the Internet) about our activities, our industries or parties with whom we do business could harm our reputation and diminish confidence in our business. If we become aware of such negative press coverage, we typically assess the situation and take action, if appropriate. However, even if we provide appropriate and timely explanations to the press and other interested parties, there is no assurance that we can prevent an adverse effect on our reputation. If we suffer reputational damage as a result of any negative publicity, we may lose customers or business opportunities, which could adversely affect our financial condition and results of operations, and our share price could decline.

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

We conduct business operations in Japan as well as overseas, including in the United States, Asia, Oceania, the Middle East and Europe. Shifts in commodity market prices and consumer demand, political instability or religious strife in any country of the world, including in such regions, could adversely affect our operations.

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

Enactment of, or changes in, laws and regulations may affect the way that we conduct our business, the products or services that we may offer in Japan or overseas as well as our customers, borrowers, invested

Table of Contents

companies and funding sources. Such enactment or changes are unpredictable and may cause our costs to increase. As a result of such enactment or changes, our business activities, financial condition and results of operations could be adversely affected.

Enactment of, or changes in, 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.

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

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

The Great East Japan Earthquake that occurred on March 11, 2011 and the resulting accident at a nuclear power facility are considerably affecting the Japanese economy. The long-term effects of the disaster, including disruptions of electricity and water supplies as a result of damage to infrastructure, interruption of logistics services, radiation leaking from the damaged nuclear power facility and a general decline in economic activity in the Japanese market, are still unknown. Our exposure in the affected areas is limited; however, these factors and other potential effects of the disaster are still uncertain and difficult to predict and may adversely affect our operating results and financial position.

(7) Risks relating to insurance

We carry comprehensive insurance, as necessary, covering each of our lease assets or our real estate investments acquired as part of real estate business, with coverage limits that we believe are reasonable in light of anticipated losses. However, certain types of losses, such as losses caused by wars, acts of terrorism, willful acts or gross negligence, are uninsurable. In addition, we cover only some assets for damages caused by natural disasters such as earthquakes, tsunamis and flooding because insurance coverage for such damages is limited and the insurance premiums are relatively expensive. Therefore, in the event that we suffer uninsured losses, insurance recoveries will not be available. Also, it is possible that, in the event of bankruptcy of an insurance underwriter, insurance money may not be collectible. In such case, our business activities, financial condition and results of operations could be adversely affected.

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

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

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

[Table of Contents](#)

2. Credit Risk

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

We maintain an allowance for doubtful receivables on direct financing leases and probable loan losses. This allowance reflects our judgment of the loss potential of these items, after considering factors such as:

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

We cannot be sure that our allowance for doubtful receivables on direct financing leases and probable loan losses will be adequate to cover future credit losses. This allowance may be inadequate due to adverse changes in the Japanese and overseas economies in which we operate, or discrete events that adversely affect specific customers, industries or markets.

Recently, the operating results of many companies have deteriorated due to restricted credit availability caused primarily by the meltdown of the global financial and capital markets and the ensuing economic recession. In response to such conditions, we endeavored to improve our portfolio management, an exercise which resulted in a decline in doubtful receivables and probable loan losses. While we will continue in our endeavors to improve our portfolio management, we may be required to make additional provision in the future and our results of operations may be adversely affected. See Item 5 Operating and Financial Review Results of Operations Year Ended March 31, 2011 Compared to Year Ended March 31, 2010 Details of Operating Results Revenues, New Business Volumes and Investments Installment loans and investment securities Asset quality of our owned installment loans for details of our additional provision for doubtful receivables and probable loan losses.

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

3. Market Risk

(1) Changes in market interest rates and currency exchange rates could adversely affect our assets and our 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), fixed and variable interest rates and terms of fixed-rate assets and liabilities are not uniform among our assets and liabilities. As such, increases or decreases in market interest rates or changes in the yield curve could adversely affect our results of operations.

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

Table of Contents

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

We have subsidiaries and affiliates in the United States and other countries outside of Japan. Although we generally attempt to hedge foreign exchange risks that arise from these business operations through matched funding, foreign exchange contracts, currency swaps and other hedging instruments, not all of our foreign exchange risks are perfectly hedged. Similarly, any retained earnings accumulated in foreign currencies at our overseas subsidiaries are also subject to exchange risks. As a result, a significant change in currency exchange rates could have an adverse impact on our financial condition and results of operations.

(2) Our use of derivatives to manage risk and reduce price fluctuations in our investment portfolio may adversely affect our financial condition and results of operations

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

We may also suffer losses from trading activities, a part of which includes the use of derivative instruments. As a result, our financial condition and results of operations could be adversely affected. For a discussion of derivative financial instruments and hedging, see Note 28 in Item 18. Financial Statements.

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

(3) Fluctuations in market prices of stocks and bonds

We hold investments in shares and bonds in Japan, the United States and other regions. The market values of our investment assets are volatile and may decline substantially in the future. A significant decline in the value of our investment assets could adversely affect our results of operations. For a discussion of our investments in securities and affiliates, see Note 9 and Note 12 in Item 18. Financial Statements, respectively.

4. Business Risk

(1) We may be exposed to increased risks as we expand or reduce the range of our products and services, or acquire companies or assets

We have been expanding the range of our businesses beyond our traditional businesses to offer new products and services in Japan and overseas. Such expansion may expose us to new and complex risks, which we may be unable to fully control, and, as a result, we may incur substantial losses. In addition, our efforts to offer new products and services may not achieve the expected results if business opportunities do not develop or increase as expected or if competitive pressures undermine the profitability of the available opportunities. Restructuring of, or withdrawal from, businesses in which we engage could harm our reputation and adversely affect our financial condition and results of operations.

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

Table of Contents

The contribution from our consolidated subsidiaries and equity method affiliates to our consolidated results of operations is an important component of our income. There can be no assurance that this contribution will be maintained. While we will continue to review and selectively pursue investment opportunities, there can be no assurance that we will continue to identify attractive opportunities, or that investments will be as profitable as we originally expected. Our subsidiaries and affiliates have a wide range of business operations, including operations that are very different from our financial services business. Failure to manage investee companies effectively could result in financial losses as well as losses of future business opportunities. In addition, we may not be able to sell or otherwise dispose of investments at times or prices we initially expected. We may also need to provide financial support, including credit support or equity investments, to some investee companies if their financial condition deteriorates. We may lose key personnel in investee companies if such personnel are not satisfied with our management.

If any subsidiary or affiliate to which we transfer our personnel to serve as directors or officers is implicated in a problem of significant public concern, our reputation may be adversely affected irrespective of whether such persons perform their obligations appropriately.

(2) Changes in the legal or financial stability of, or cultural differences with, any counterparties with whom we enter into joint ventures or alliances could adversely affect our results of operations

We operate joint ventures and enter into alliances with foreign and domestic counterparties, and the success of these operations is often dependent upon the financial and legal stability of these counterparties. If one of the counterparties with whom we operate a joint venture or have a business alliance suffers a decline in its financial condition for any reason, or is subject to instability because of a change of the laws governing its operations after we have invested in the joint venture or the business alliance and begun operations, we may not be able to successfully operate the joint venture or alliance, or we may be required to pay in additional capital or close the operations altogether. Likewise, significant differences in corporate culture between us and these partners may come to light, and may result in significant changes to the assumptions that we made when we decided to begin the operations. If our alliance counterparties are unable to perform as expected, or if any unexpected events relating to the alliances occur, then we may not be able to continue those alliances successfully. Our inability to successfully operate joint ventures or alliances may adversely affect our reputation and results of operations.

(3) If our services to customers are insufficient, we may be obligated to compensate our customers

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

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

(4) Risk related to asset value volatility

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

Recent economic turmoil has resulted in stagnant ship, aircraft and real estate markets, and although these markets have gradually recovered, valuation losses may be recorded if this sort of turmoil recurs in the future.

Table of Contents

Additionally, these impairments are recorded based on end-of-period fair value in accordance with applicable accounting principles. However, losses from the sale of these assets may exceed the amount of valuation losses due to a decrease in or lack of liquidity.

We estimate the residual value for operating leases at the time of contract. Our estimates of the residual value of equipment are based on current market values of used equipment and assumptions about when and to what extent the equipment will become obsolete; however, we may need to recognize additional valuation losses if our estimates differ from actual trends in equipment valuation and the secondhand market or may incur losses from not being able to collect the estimated amount.

(5) Leasing equipment distributors inappropriate sales activity may increase the number of customer claims against us and adversely affect our reputation and business performance

Our leasing business and reputation could be affected by the behavior of individual distributors of equipment. In 2005, inappropriate sales activity by equipment distributors was a serious problem in the telephone equipment leasing industry, and we received an increased number of customer claims and inquiries. In response to the industry trend, the Ministry of Economy, Trade and Industry altered its position regarding the application of the Order for Enforcement of the Act on Specified Commercial Transactions in 2005 and has provided guidance to firms in the related industries on compliance measures.

If the same problems recur, whether in relation to telephone equipment or other types of equipment leased by us, leasing contracts may be cancelled before maturity, adversely affecting our business performance, and our reputation may suffer. The measures that we have taken or may take in the future to resolve and address these problems may cause leasing business costs to increase and leasing transactions to decline.

(6) Increased competition or regulatory changes in entertainment-related industries could weaken the financial condition of companies to which we provide credit, which may adversely affect their ability to repay us

We provide credit to companies in entertainment-related industries, such as pachinko hall operators, primarily through direct financing leases and installment loans. Even though we have accumulated credit know-how from past experience and obtain collateral that we consider adequate after thorough examination of the risks presented by these industries, our business activities, financial condition and results of operations could be adversely affected by an intensification of competition or substantial changes in the regulation of these industries, which may adversely affect the financial condition and credit of our customers in these industries.

(7) Accidents in our environment-related business could damage our reputation and cause us to incur financial losses

We began operations of an industrial waste disposal facility through ORIX Environmental Resources Management Corporation in June 2006 as a Private Finance Initiative, or PFI, under contract with Saitama prefecture in Yorii-machi, Saitama. In addition, we acquired Kanematsu Environmental Corporation (now Funabashi Environmental Corporation) in March 2008 to develop an industrial waste disposal business mainly in Funabashi, Chiba. In order to minimize the risk of emitting environmental pollutants, ORIX Environmental Resources Management Corporation utilizes advanced waste disposal techniques. ORIX Environmental Resources Management Corporation has contracted with the waste disposal specialist firm that constructed the facility to serve as operator of the facility. The Funabashi Environmental Corporation has established a facility that minimizes the risk of emitting environmental pollutants. Although we try to reduce the risks in operating our industrial waste disposal business, environmental pollution could occur due to an operational error or defect in the disposal facility. As a result, additional decontamination costs may arise and adversely affect our operating results. Also, if any legal action is taken or negative publicity is received regarding such pollution, our business activities and our reputation could be adversely affected.

Table of Contents

To protect against a variety of such accident risks, ORIX Environmental Resources Management Corporation has ensured that the relevant operator bears responsibility for the operation and maintenance of the facility under its operating agreement and responsibility for defects in the facility under the design and construction contracts.

However, if the financial condition of the operator deteriorates to the point that it cannot perform its contractual obligations or indemnify us for losses, we will be required to bear such losses. Furthermore, we will be responsible for any accident occurring by reason of any event other than those for which the operator is responsible by contract. If such an accident occurs, we will be required to incur loss. Even if we do not incur any direct financial loss, our reputation could be adversely affected.

(8) Our medical business and nursing care business expose us to various risks

We lease medical instruments to customers. We contract for the inspection of such medical instruments with professionals designated by the manufacturers and such manufacturers are responsible for any injuries or damages caused by defects in such medical instruments. However, as a lessor, we also have potential obligations for such defects. Further, even if there is no pecuniary liability, our reputation could be adversely affected by product defects.

We provide housing and elderly care services to senior citizens, including through the operation of at-home nursing care and nursing home facilities. If a nursing service accident occurs, we could be liable for damages and our reputation could be adversely affected. In addition, if the long-term home-healthcare insurance system is modified to reduce public financial support and the economic burden on the user is thereby increased, the long-term home-healthcare market could shrink and our results of operations could be adversely affected.

(9) Risks relating to real estate finance

Our real estate finance business is comprised of nonrecourse loans for which cash flow from real estate is the source of repayment, and underwriting specified bonds that are issued by special purpose entities (SPEs), which are secured by real estate.

Our real estate finance business is faced with a severe environment resulting from the current depressed state of the real estate market. A continuation of the present circumstances or further deterioration of real estate market conditions may decrease the estimated collectable amount and the value of real estate held as collateral, which could require us to increase our provision for doubtful receivables and probable loan losses or purchase the senior portion of debt to protect subordinated debt held by us. If the stagnation of the real estate market continues, losses on the collection of loans through sales of the real estate may exceed the amount that we initially estimated. As a result, our financial condition and results of operations may be adversely affected.

(10) Risks relating to development and lease of real estate

Even after obtaining relevant government approvals and licenses necessary for a particular real estate development project, we may need to amend initial real estate development plans as a result of discussions with residents neighboring the project site. However, if we do not do so, or if the amendments do not satisfy such residents, our reputation as a real estate developer may suffer.

Also, if any of our peer companies are reported to have engaged in misconduct in real estate development projects, the overall credibility of the real estate market could suffer and lead to shifts in consumer preferences. Sales volumes could be adversely affected due to bankruptcy, changes in financial condition or misconduct of our counterparties to joint ventures. These factors could adversely affect our financial condition and results of operations.

Table of Contents

As real estate market conditions have deteriorated, vacancy rates have risen and rents have dropped. If such trends continue, our financial condition and results of operations could be adversely affected.

We invest in the acquisition of real estate and real estate development projects through SPEs. If any such SPE has difficulty repaying a third party, we may contribute additional funds or loans for such repayment.

(11) Risks relating to real estate quality and warranty against defects

When we commence a building construction project, we try to obtain indemnity against any breach of contract or defect of property from the contractor. Also, when we purchase a property, we try to obtain indemnity from the seller to cover losses and expenses caused by any defects of geological condition, building structure or material in relation to such property. If construction work is postponed or cancelled due to the contractor s circumstances, or if there is any defect in a building or facility sold or leased by us, and indemnity is not provided by the contractor or seller or if the indemnity provided is insufficient due to a deterioration of the indemnitor s financial condition, we may be required to indemnify the tenant or purchaser and thereby incur losses. Even if we do not have to indemnify the tenant or purchaser, we may incur additional costs, including additional construction costs, to complete or operate property causing our expenditures to exceed our initial budget. In addition, even if we do not incur financial loss, property defects may adversely affect our reputation due to our involvement as the seller, owner or original developer.

(12) Risks relating to land contamination

We may have latent liabilities for soil contamination cleanup costs related to certain of our real estate acquisitions. Before the Soil Contamination Countermeasures Act came into effect in February 2003, we did not, at the time of acquisition, investigate land (including land provided as loan collateral) that had been used as a factory site or operating facility in which hazardous materials were used or that otherwise could cause health problems due to soil contamination. If the land is polluted and it is necessary to take countermeasures under the Soil Contamination Countermeasures Act, this could adversely affect the value of the land or the amounts collectable on foreclosure from land held as collateral. Although we have conducted investigations at the time of acquisition with respect to land acquired after the Soil Contamination Countermeasures Act came into effect, our investigations may have failed to identify risk and a subsequent determination that such land is polluted may have the same adverse consequences.

(13) Regarding our licensed businesses

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

(14) Our life insurance subsidiary is subject to risks that are specific to its business

We are exposed to the risk of unpredictable and potentially substantial increases in insurance payments for deaths and hospital benefits, in relation to the business of ORIX Life Insurance Corporation, or ORIX Life Insurance. ORIX Life Insurance may incur valuation losses or losses on sales if the value of securities or real estate that it purchases for asset management purposes decreases. It is also subject to strict regulatory oversight, which includes the maintenance of certain specified capital and liability reserve requirements. If ORIX Life Insurance suffers valuation or other losses that affect its ability to maintain its regulatory capital or liability reserve requirements, or if changes in regulations require ORIX Life Insurance to increase its capital or liability reserves, we may be required to provide financial support through capital contributions. In addition, if ORIX Life

Table of Contents

Insurance fails to conduct reasonable asset liability management, or ALM, to appropriately manage risks and returns on investment assets and underwriting risks on insurance policy benefits, its financial condition and results of operations may suffer.

ORIX Life Insurance is required to make contributions to the Life Insurance Policyholders Protection Corporation of Japan, or the PPC. The PPC was established in 1998 to provide financial support to insolvent life insurance companies. All life insurers in Japan, including ORIX Life Insurance, are members of the PPC and are required to make contributions to the PPC based on their respective share of insurance premiums and policy reserves within the industry. Because a number of life insurers have become insolvent since 1998, the PPC s financial resources have been depleted by financial support provided to those companies. If there are further bankruptcies of life insurers, other members of the PPC, including ORIX Life Insurance, may be required to make additional contributions to the PPC. In such an event, our financial condition and results of operations may be adversely affected.

(15) Ship brokerage exposes us to market and credit risks

We operate a ship brokerage business in which we simultaneously place orders for new ships with shipbuilders and enter into purchase agreements with our customers who purchase the ships for use upon completion. As the process of shipbuilding takes several years from the placement of an order to delivery of the ship, if a purchasing customer defaults under its purchase agreement due to a decline in market conditions or deterioration of its cash flow, we are not excused from our obligation to purchase the ship upon completion. Also, if a shipbuilder becomes unable to complete and deliver a ship for financial or other reasons, we will be obliged to repay the deposit received from the customer regardless of whether or not the advance was repaid by the shipbuilder. Any of these events may adversely affect our results of operation.

(16) If the reputation of our professional baseball team declines, our share price, business activities, financial condition and results of operations could be adversely affected

We own and manage a professional baseball team in Japan, the ORIX Buffaloes. Management of a professional baseball team in Japan, due to its public nature, requires us to consider the various social effects that it may have and the reputation of the team. If the reputation of the baseball team declines, our business activities, financial condition, results of operations and share price could be adversely affected as a consequence.

5. Risk Relating to Fund Procurement

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

Our primary sources of funds from financing activities include: borrowings from banks and other institutional lenders, funding from capital markets (such as offerings of commercial paper, or CP, medium-term notes, straight bonds, convertible bonds, asset-backed securities and other debt securities) and deposits. Such sources include a significant amount of short-term debt, such as CP and short-term borrowings from various institutional lenders, and long-term debt maturing in the current fiscal year ending March 31, 2012. Some of our committed credit lines require us to comply with financial covenants and maintain specified credit ratings. In addition, some of the nonrecourse loans under which we borrow funds to finance specific projects require early repayment if the relevant projects experience declines in performance.

The turmoil in the financial and capital markets led to a reduction in liquidity in Europe, the United States and Japan. Although the turmoil in the financial and capital markets has calmed down recently, there is no guarantee that such problems will not recur in the future.

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

We obtain credit ratings from ratings agencies. See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources for details of our credit ratings. A downgrade in our credit ratings could result in an increase in our interest expenses and could have an adverse effect on our fund-raising ability by increasing costs of issuing CP and corporate debt securities, decreasing investor demand for our securities, increasing our bank borrowing costs or reducing the amount of bank credit available to us. As a result, our financial condition and results of operations may be adversely affected.

Our sources of finance include borrowings from banks and other institutional lenders. There is a risk that, if any such institutional lenders are driven into bankruptcy due to decline in their creditworthiness, capital deficiencies or funding problems, any lendings to us from such lender will be suspended, which could have an adverse effect on our fund-raising ability. As a result, our financial condition and results of operations may be adversely affected.

6. Operational Risk

(1) A failure to comply with regulations to which our businesses are subject could result in sanctions or penalties, 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 of government authorities who implement those laws, relating to the various fields in which we operate. These include laws and regulations applicable to financial institutions, such as the Moneylending Business Act, the Installment Sales Act, the Insurance Business Act, the Banking Act, the Trust Business Act, the Building Lots and Buildings Transaction Business Act and the Building Standards Act, as well as general laws applicable to our business activities, such as the Companies Act, the Financial Instruments and Exchange Act, the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act on the Protection of Personal Information.

Our businesses outside of Japan are also subject to the laws and regulations of the jurisdictions in which they operate and are subject to oversight by the regulatory authorities of those jurisdictions. For example, in addition to being subject to U.S. securities laws, we are also subject to the USA Patriot Act, which prohibits us from entering into any transactions with countries listed as state sponsors of terrorism, and the U.S. Foreign Corrupt Practices Act, which prohibits us from offering bribes to foreign public servants. We implement thorough compliance and legal risk management to prevent violations of such laws and regulations, but they may not be effective in preventing all future violations. We engage in a wide range of businesses and may expand into new businesses through our acquisition activities. We implement various internal control measures for our businesses; however, with the expansion of our operations, these controls may not function adequately. In such cases, we may be subject to sanctions or penalties, and our reputation may be adversely affected. Future violations of laws and regulations could result in regulatory action and harm our reputation, and our business activities, financial condition and results of operations could be adversely affected. Even if there are no violations of laws, if we are investigated by government authorities and the investigation becomes publicly known, our reputation may be harmed and our business activities may be adversely affected.

(2) Risks related to the claims servicing business

We are entrusted with the management and collection of receivables by foreign and domestic investors and rehabilitation funds. ORIX Asset Management & Loan Services Corporation has developed collection activities in Japan, using servicing know-how acquired in the United States. However, in the event that it is not possible to maintain a quality of operations that meets the expectations of investors, or to perform in accordance with the guidelines of the regulating agency, our business activities and reputation could be adversely affected.

Table of Contents

(3) Outsourcing may adversely affect our business activities or reputation

We outsource some of our business functions including the management and development of our main information technology system, the maintenance of our leasing assets and the management and safekeeping of our contracts. If any of our outsourcing vendors are not able to conduct the entrusted business appropriately, whether due to their financial distress, the exposure of misconduct, their lack of ability, the leak or destruction of confidential or personal information owned or held by us or for any other reason, our business activities or reputation may be adversely affected.

(4) Failures in our computer and other information systems could hinder our operations and damage our reputation and relationships with customers

We utilize computer systems and other information systems for financial transactions, personal information management, business monitoring and processing and as part of our business decision-making and risk management activities. System shutdowns, malfunctions or failures, the mishandling of data or fraudulent acts by employees or third parties, or infection by a computer virus could have adverse effects on our operations, for example by causing delay in the receipt and payment of funds, the leak or destruction of confidential or personal information, the generation of errors in information used for business decision-making and risk management and the suspension of other services provided to our customers. In such event, our liquidity could be adversely affected. Alternatively, the liquidity of customers who rely on us for financing or payment could be adversely affected, and our relationships with such customers could also be adversely affected. The occurrence of any of these or any other disruptions could result in our being sued or subject to administrative penalty, or our reputation or credibility could be adversely affected.

Our information system equipment could suffer damage from a large-scale natural disaster or from terrorism. Since information systems serve an increasingly important role in business activities, there is an increasing risk of stoppage of the network or information systems due to disaster or terrorism. If networks or information systems fail, we could experience interruption of business activity, delay in payment or sales, or substantial costs for recovery of functionality.

(5) We may not be able to hire or retain human resources to achieve our strategic goals

Our businesses require a considerable investment in human resources and the retention of such resources in order to successfully compete in markets in Japan and overseas. Many of our businesses require employment of talented individuals who have experience and knowledge in the financial field. If we cannot develop, hire or retain the necessary human resources, we may not be able to achieve our strategic goals.

(6) If our independent registered public accounting firm finds that our internal controls over financial reporting are insufficient, investors may lose confidence in the reliability of our financial statements, adversely affecting our share price, financial condition and reputation

We have developed and operate an internal control system in order to manage the company soundly for achieving management objectives and to perform our business appropriately and efficiently. In particular, internal controls in relation to appropriate financial reporting are essential for the company s sound management, and we are subject to various regulations in this regard in the U.S. and Japan.

The U.S. Securities and Exchange Commission (the SEC), as directed by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring each SEC-registered foreign private issuer to include in its Annual Report on Form 20-F a report containing an assessment by management of the effectiveness of the company s internal control over financial reporting. In addition, the company s independent registered public accounting firm must provide an attestation report on the effectiveness of the company s internal controls over financial reporting. These requirements are reflected in our Annual Reports filed on Form 20-F for the fiscal years ended March 31, 2007 and thereafter.

Table of Contents

Similarly, the Financial Instruments and Exchange Act was enacted in June 2006 in Japan. Article 24-4-4 thereof requires that a listed company shall submit its internal control report with an audit certificate issued by an independent registered public accounting firm together with its annual securities report. These requirements are applicable to annual securities reports issued for the fiscal year ended March 31, 2011. Pursuant to the provisions of the Cabinet Office Ordinance on the System for Ensuring Appropriateness of Statements on Finance and Accounting and Other Information (2007, No. 62) (the Cabinet Office Ordinance), our internal control reports required under the Financial Instruments and Exchange Act are prepared in conformity with the requirements under U.S. standards for the terms, form and preparation method of internal control reports and by including additional information regarding significant differences between the reports prepared in accordance with Japanese standards.

Although we have established and assessed our internal controls over financial reporting in a manner intended to ensure compliance with the requirements of various laws and regulations, in future periods our independent registered public accounting firm may identify material weaknesses in our internal controls over financial reporting and may issue a report that our internal controls over financial reporting are ineffective. These possible outcomes could have a negative impact on our share price, reputation, business activities, financial condition or results of operations due to a loss of investor confidence in the reliability of our financial statements.

(7) Our risk management may not be effective

We continuously seek to improve our risk management function. However, due to the rapid expansion of our business or significant changes in the business environment, our risk management may not be effective in some cases. We operate in a wide variety of businesses and geographic areas, and if we are unable to effectively manage new or existing risks, our financial condition and results of operations could be adversely affected.

(8) Other operational risks

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

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

7. Risks related to holding or trading our Shares and ADRs

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

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

Table of Contents

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

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

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

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

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

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

One unit of the Shares is comprised of 10 Shares. Each unit of the Shares has one vote. A holder who owns Shares other than in multiples of 10 will own less than a whole unit (i.e., for the portion constituting fewer than 10 Shares.) The Companies Act imposes significant restrictions on the rights of holders of shares constituting less than a whole unit, which include restrictions on the right to vote. Under the unit share system, a holder of Shares constituting less than a unit has the right to require ORIX to purchase its Shares and the right to require ORIX to sell it additional Shares to create a whole unit of 10 Shares. However, a holder of ADRs is not permitted to withdraw underlying Shares representing less than one unit, which is equivalent to 20 ADSs, and, as a practical matter, is unable to require ORIX to purchase those underlying Shares. The unit share system, however, does not affect the transferability of ADSs, which may be transferred in lots of any size.

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

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

Table of Contents

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

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

Item 4. Information on the Company

GENERAL

ORIX is a joint stock corporation *(kabushiki kaisha)* formed under Japanese law. Our principal place of business is at Mita NN Building, 4-1-23 Shiba, Minato-ku, Tokyo 108-0014, Japan, and our phone number is: +81 3 5419 5000. Our general contact URL is https://ssl.orix-form.jp/ir/inquiry_e/ 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 900, Dallas, Texas 75201, USA.

CORPORATE HISTORY

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

Our initial development occurred during the period of sustained economic growth in Japan during the 1960s and the early 1970s. During this time, strong capital spending by the corporate sector fueled demand for equipment and led to the first wave of newly established leasing companies in Japan. Under the leadership of Tsuneo Inui, who served as president from 1967 to 1980, we capitalized on the growing demand in this period by expanding our portfolio of leasing assets.

It was also during this time that our marketing strategy shifted from a focus on using the established networks of the trading companies and other initial shareholders to one that concentrated on independent marketing as the number of our branches expanded. In April 1970, we listed our Shares on the second section of the Osaka Securities Exchange, which at the time was the fastest listing by a new company in post-World War II Japan. Since February 1973, our Shares have been listed on the first sections of the Tokyo Stock Exchange and the Osaka Securities Exchange. In September 1998, ORIX listed on the New York Stock Exchange (NYSE) with the ticker symbol IX. ORIX was also listed on the Nagoya Stock Exchange from February 1973 to October 2004.

The 1970s saw the gradual maturing of the Japanese leasing industry, and the Japanese economy was adversely affected by the two oil shocks of 1973 and 1979, resulting in reduced growth in capital spending and

Table of Contents

increased volatility in foreign exchange rates. Despite these difficulties, we continued to grow rapidly by expanding and diversifying our range of products and services to include ship and aircraft leasing along with real estate collateralized loans. Furthermore, in 1972, we established Orient Leasing Interior (renamed ORIX Alpha Corporation in April 1989 and merged with ORIX in April 2011), which concentrated on leasing furnishings and fixtures to retailers, hotels, restaurants and other businesses. We subsequently set up a number of specialized leasing companies to tap promising new markets, including ORIX Auto Leasing Corporation (now ORIX Auto) in 1973 and Orient Instrument Rentals (now ORIX Rentec) in 1976. We established Family Consumer Credit (now ORIX Credit) in 1979, with the aim of entering the consumer finance sector.

During the 1970s, we expanded overseas, establishing our first overseas office in Hong Kong in 1971, followed by Singapore in 1972, Malaysia in 1973, the United States in 1974, Indonesia in 1975, South Korea in 1975, the Philippines in 1977 and Thailand in 1978.

Yoshihiko Miyauchi became president and CEO in 1980. During the 1980s, we continued to expand the range of our products and services, and placed increased emphasis on strengthening synergies among our group companies by emphasizing knowledge sharing and cooperation to make optimal use of corporate resources. This included a focus on cross-selling a variety of products and services to our customers, a focus that continues to this day.

During the 1980s, we began using mergers and acquisitions to expand operations, investing in Akane Securities (renamed ORIX Securities in March 1995 and merged with MONEX, Inc. in May 2010) and Osaka Ichioka Corporation (integrated into ORIX Interior Corporation in December 2005) to expand our array of financial products and services.

In 1988, we acquired one of the twelve professional baseball teams in Japan, the Hankyu Braves (now ORIX Buffaloes), which has helped raise our name recognition and promote our corporate image. 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 the 1990s, the Japanese economy experienced a protracted period of industrial stagnation and, in the later half of the decade, instability within the financial sector. Notwithstanding these adverse conditions, we continued to develop and expand our financial activities and products and began to focus our attention on retail operations. For example, in 1991 we entered the life insurance business by establishing ORIX Omaha Life Insurance (now ORIX Life Insurance), and, from 1997, we began to offer ORIX Direct Life Insurance, a new life insurance product offered directly to individual customers. In April 1998, we acquired Yamaichi Trust & Bank, Ltd. (now ORIX Trust and Banking), which has since concentrated primarily on housing loans. Furthermore, with the deregulation of brokerage commissions in May 1999, ORIX Securities began ORIX Online, an Internet-based brokerage aimed at individual investors. We also entered the loan servicing business overseas in 1997 through a joint venture with Bank One Corporation of the United States. The entity that succeeded this joint venture is presently a subsidiary of ORIX USA.

We established our Investment Banking Headquarters in 1999 and have since been attempting to expand our investment banking activities, which include loan servicing, principal investments, corporate rehabilitation and consulting.

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

In June 2008, to promote further diversification within ORIX s operations throughout Asia, Oceania, the Middle East and Europe, we consolidated our International Business Headquarters and our Alternative Investment and Development Headquarters to create the International Administrative Headquarters, which we

Table of Contents

subsequently converted into our Global Business and Alternative Investment Headquarters in January 2009. In December 2009, as part of our strategy to expand local business and investments in China, we established ORIX (China) Investment Co., Ltd. in Dalian.

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

In 1999, to increase the efficiency of our domestic real estate-related operations, we established our Real Estate Finance Headquarters primarily to engage in real estate-related finance (later transferred to the Investment Banking segment), and ORIX Real Estate Corporation (ORIX Real Estate), which focuses on the development, operation and management of real estate in Japan. In October 2010, we transferred the real estate finance business to the Real Estate segment with the aim for improved operational efficiency.

In December 2005, as a part of our business restructuring in the United States, we sold part of our loan servicing business, including primary and master servicing departments and entrusted servicing assets. In January 2006, we entered the investment banking field in the United States with the acquisition of Houlihan Lokey. Houlihan Lokey established operations in Hong Kong and Japan in 2007 and is expanding its financial advisory services across a broad range of operations, including advisory operations and valuation support for cross-border mergers and acquisitions. In May 2010, we acquired RED Capital Group, a U.S.-based company that provides financing for multi-family, senior living and healthcare-related real estate development projects in the United States through programs of the Federal Housing Administration (FHA) and the Federal National Mortgage Association (Fannie Mae). In December 2010, we acquired Mariner Investment Group LLC, a leading independent SEC-registered hedge fund founded in 1992.

STRATEGY

Target Performance Indicators

In our pursuit of sustained growth, we will use the following performance indicators: Net income attributable to ORIX Corporation to indicate profitability, ROE to indicate capital efficiency and ROA to indicate asset efficiency. For the foreseeable future, we will strive to expand profit-earning opportunities in line with increased assets for fee-based and other businesses, pursue increased profitability by replacing assets, and will aim to achieve the medium-term target of around 10% ROE.

Three-year trends in performance indicators are as follows.

		As of March 31,		
		2009	2010	2011
Net Income Attributable to ORIX Corporation	(millions of yen)	¥ 21,924	¥ 37,757	¥ 67,275
ROE	(%)	1.80	3.06	5.14
ROA	(%)	0.25	0.47	0.82

Medium- and Long-Term Corporate Management Strategies

We believe that it is vital to respond to changes in the market environment with agility and flexibility. The ORIX Group consists of six business segments (Corporate Financial Services, Maintenance Leasing, Real Estate, Investment Banking, Retail and Overseas Business) that represent a wide range of businesses, and Group-wide risk is controlled through a diversified business portfolio. At the same time, ORIX is able to capture profit-earning opportunities from various angles by the Group-wide sharing of information garnered from its wide-ranging domestic and international business and client base.

Table of Contents

As for funding, our ratio of funding from financial institutions is kept at around 50%. We maintain a stable funding base with solid relationships with over 200 domestic and international financial institutions together with a high share of long-term debt in the form of bonds.

Going forward, we will continue our pursuit of the mid-term management strategies of increasing the pace of Finance + Services and Embracing growth in emerging markets including Asia while focusing on expanding operations through business portfolio diversification.

Increase the pace of Finance + Services. After the occurrence of structural changes in the finance business environment caused by the financial crisis, we have emphasized providing additional high value-added services as such services have been deemed essential for pursuing increased profitability in the finance business. We are already providing Finance + Services through our maintenance leasing service and loan servicing operations. We will capitalize on our accumulated Group-wide client base, know-how and expertise to develop new business areas and provide more advanced services.

Embracing growth in emerging markets including Asia. As significant economic growth is observed in emerging markets, business expansion in Asia, especially China, is vital for company growth. We will embrace growth in these countries by expanding operations capitalizing on local subsidiaries and partner networks we have established in emerging markets including Asia in addition to leveraging our successful investment track record.

We will also further strengthen and enhance our existing operating platform in the deployment of these strategies. In addition, we will create a new operating base by continually developing new products and services and making proposals valued by clients and society.

Corporate Challenges to be Addressed

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

- Further advancement of risk management;
- Pursue transactions that are both socially responsible and economically viable; and
- Create a fulfilling workplace.

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

Pursue transactions that are both socially responsible and economically viable. We will pursue transactions that are socially responsible from a compliance and environmental standpoint, while providing products and services that are valued by our clients and improving our profitability.

Create a fulfilling workplace. We will focus on our strength as a global organization to create a fulfilling work environment for all of our employees regardless of nationality, age, gender, background or type of employment.

Table of Contents

PROFILE OF BUSINESS BY SEGMENT

Our reportable segments are based on ASC 280-10 (Segment Reporting). For a discussion of the basis for the breakdown of segments, see Note 32 in Item 18. Financial Statements. The following table shows a breakdown of profits by segment for the years ended March 31, 2009, 2010 and 2011.

	Years ended March 31,		
	2009	2010	2011
	(In millions of yen)		
Corporate Financial Services	¥ (10,702)	¥ (18,983)	¥ 10,247
Maintenance Leasing	28,015	23,307	26,203
Real Estate	59,185	138	54
Investment Banking	(74,217)	(2,848)	13,000
Retail	9,573	31,104	23,777
Overseas Business	20,066	37,142	45,639
Total segment profits	31,920	69,860	118,920
Difference between segment total and consolidated amounts	(19,885)	(15,267)	(26,955)
Total Consolidated Amounts	¥ 12,035	¥ 54,593	¥ 91,965

Each of our segments is briefly described below.

BUSINESS SEGMENTS

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

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

Corporate Financial Services

Overview of Business Strategies

Increase the pace of Finance + Services

Expand the client base through strengthened cooperation with ORIX Auto and ORIX Rentec

Capture new business opportunities presented by the changing environment

Overview of Operation

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

Operating through a nationwide network of 81 offices, ORIX provides capital through loans and leasing for capital investment and other needs to its core customer base of domestic small and medium enterprises (SMEs). In order to maximize synergies, the Corporate Financial Services segment functions as the central point of contact for the entire ORIX Group in responding to needs of other segments, including business succession and overseas business development.

22

Table of Contents

In addition to lending and leasing, this segment includes environment and energy business, commercial facility development and rental business, a department specializing in construction equipment. By promoting cross-functional tie ups with domestic and overseas segments, this segment provides services backed by high expertise to its customers nationwide.

Operating Environment

The business environment of SMEs, the segment s core client base, is expected to remain severe in the short-term due to direct and indirect effects of the Great East Japan Earthquake such as plant and equipment damage and low production levels due to rolling blackouts. However, some movement toward recovery is seen depending on industry and scale of the company.

For example reconstruction demand such as investment in construction is anticipated, and there is potential for increased investment in power-saving, private power generation and renewable energy business, particularly solar power.

Operating Strategy

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

As a sales platform for the Group, this segment seeks to expand its client base while continuing to strengthen cooperation with Group companies with specialist expertise. ORIX will increase the pace of its Finance + Services strategy by leveraging the Group s high level of expertise such as the know-how accumulated through the diversification of the automobile and rental businesses, the provision of credit and servicing functions, and the competitive life insurance operation to discover new business opportunities in response to client needs.

Furthermore, we have developed a framework to swiftly provide solutions for client needs by collecting and sharing successful case studies through the Group s nationwide network. We also expect to capitalize on our overseas network and over 40 years of international operations experience to respond to the increasingly complex and diverse needs of our clients.

In addition, as an offshoot to this segment s leasing business, which includes the collection and disposal of end-of-lease assets, we have been involved in the environment and energy-related business for more than ten years. The segment has been promoting the usage of energy-saving measures and renewable energy in addition to making waste disposal and recycling related proposals. Furthermore, we will enhance our pursuit of new opportunities in the environment and energy fields in light of the change in social structure and awareness as a result of the recent earthquake.

This segment will continue to build a diversified, quality asset base by capitalizing on its nationwide sales network and responding to the needs of its broad clientele.

Maintenance Leasing

Overview of Business Strategies

Continue Group-wide sales activities

Expand high value-added services

Improve profitability by streamlining operations and controlling costs

Table of Contents

Overview of Operation

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

The automobile leasing business began in 1973, with automobile rentals starting in 1985 and expanding to include car sharing in 2002. Automobile leasing operations started by offering leases including maintenance to corporate clients, and today provides a complete range of specialized vehicle maintenance outsourcing services requiring increased expertise such as solutions that meet clients compliance, environmental and safety management needs. This segment also offers a wide range of services both to corporate and individual clients.

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

Operating Environment

The severe operating environment of the domestic corporate automobile operations is expected to continue due to sluggish demand from a continued decrease in automobile investment and cost reductions in addition to a trend toward using smaller automobiles. However, business opportunities are increasing in line with changes in corporations attitudes toward vehicle management.

In particular, need for vehicle maintenance and administrative cost reductions has increased among corporations, as has interest in areas such as compliance and safety management. Furthermore, we expect that heightened awareness of environmental issues will stimulate demand for leasing services for hybrid vehicles. An increase is also expected in the number of car sharing participants.

Although, signs of a full recovery of corporate capital expenditures are yet to be seen, the competitive landscape in the domestic precision measuring equipment rental market is relatively stable, due to comparatively high barriers to entry caused by the need for significant initial investment and the difficulty in obtaining personnel with specialized know-how.

Going forward, IT investment by client companies will shift from hardware ownership to hardware use as a part of IT service as the market continues to pursue reduced system operating costs and the flexible cloud computing market continues to grow. In addition, increased needs related to backup systems for business continuity in the event of a disaster are predicted as a result of the earthquake.

Operating Strategy

The Maintenance Leasing segment will cultivate new clients and provide new services to meet their needs through the continuation of Group-wide sales activities.

In the automobile leasing business, the segment will combine leasing, automobile rental and car sharing to provide optimal and low-cost vehicle solutions. As of March 31, 2011, the number of automobiles under management totaled approximately 870,000.

The corporate automobile leasing operation provides solutions based on compliance, environmental response and safety management. One example is the corporate automobile leasing operation that achieves complete business process outsourcing based on its high level of expertise and reliable operational quality. Additionally, ORIX Telematics Service offers vehicle dispatch control, a service that reduces fuel consumption, promotes efficient vehicle use and takes client employee safety into consideration through consultations based on analysis of a broad spectrum of driving data. Promotion of this type of high value-added fee business in addition to the asset business such as leasing and automobile rental increases fee revenues and differentiates ORIX from other companies. In addition, we aim to streamline operations and enhance cost control to maintain profitability and competitiveness.

Table of Contents

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

In the rental business, we will continue to focus on maintaining our high market share while providing a broad scope of solutions, including technical support, sales of software packages, calibration and asset management. We will expand our services to include the rental of medical and environmental analytic equipment, and establish a base of SME clients by capitalizing on our Group network, centering on the Corporate Financial Services segment. As of March 31, 2011, the rental business owned more than 780,000 units of rental equipment spanning about 29,000 types.

Real Estate

Overview of Business Strategies

- Expand business based on the real estate value chain
- Realize balanced growth by expanding the stable revenue base
- Enhance the asset management business to expand fee-business and promote joint investment with outside investors

Overview of Operation

The Real Estate segment began with corporate dormitory rental operations in 1986, and started developing residential condominiums in 1993. Real estate operations gained momentum with the establishment of ORIX Real Estate in 1999 and the start of the real estate finance business including non-recourse lending in the same year. Today, the ORIX Group is involved in development and leasing of properties, such as office buildings and commercial facilities; residential condominium development and operation of hotels, golf courses, training facilities and senior housing; asset management and administration; and real estate finance.

Operating Environment

Despite trends of recovery in the residential condominium market such as contract completion rates surpassing the key benchmark level of 70% in the Tokyo and Osaka metropolitan areas, worsening consumer sentiment resulting from the earthquake is cause for concern.

Vacancy rates have increased and rental rates are decreasing in the office building market as a result of new buildings supplied to the market. The impact of the earthquake must also be taken into consideration, and it is difficult to forecast when market conditions will hit bottom.

The scale of the real estate finance market shrank as a result of a decrease in investor risk appetite and significant decline in real estate transactions due to the effects of the global economic slowdown that was triggered by the Lehman shock in September 2008. However, financial institutions stance toward lending is improving.

Operating Strategy

Even in a sluggish real estate market, we expect to secure stable revenue sources by managing and reducing business risks through capitalizing on our expertise in the areas of diversified small and medium-sized property investment, cash flow focus and risk sharing with business partners through joint ventures.

This segment will capitalize on and further expand its wide-ranging real estate-related expertise to increase the value of its held assets while promoting the provision of new value. The segment will also aim to make full

Table of Contents

use of its value chain through such means as joint investments with outside investors. Furthermore, we aim to realize balanced growth by controlling asset size and by swiftly establishing a stable revenue base through the further pursuit of businesses such as the real estate operating business that are not directly influenced by the real estate market.

In the real estate development and rental business, we will strive to improve occupancy rates and rental income by leveraging the characteristics of our small and diversified rental property portfolio and leasing capabilities. Although real estate transactions have not seen a full-scale recovery, we will pursue various exit strategies such as sales to overseas investors to promote asset turnover.

In the residential condominium development business, we have reduced our supply since the second half of 2007, ahead of our competitors. We are now carefully researching the market as customer demand recovers and will focus on those condominiums mainly within a price range that meets customer needs.

In our facilities operation business, we will establish a unique position in the market by developing a wide range of unique services in response to diversified needs and aging customers. We will continue to diversify our customer base and increase profitability by setting a clear customer target and concept for each operating facility including Japanese inns, golf courses and aquariums.

The asset management business targets increased fee-based revenue by addressing asset management needs outside the Group in addition to managing Group assets.

The real estate finance business will continue to take its project-by-project approach. It will reduce asset levels by actively monitoring the terms and conditions as well as backing assets for each project and maximizing collections.

We will also create new value by promoting large-scale projects such as the North Yard, a redevelopment project next to Osaka Station.

Investment Banking

Overview of Business Strategies

Capitalize on high-quality servicer function with a large market share for CMBS-related profit opportunities and strengthen the corporate rehabilitation business

Exit from existing investments and capture opportunities for new investments

Overview of Operation

This segment consists of a venture capital business established in 1983; a loan servicing business that invests in non-performing loans and CMBS management and collection, which was established in 1999; a principal investment business initiated in 2000; a securities brokerage; and a mergers and acquisitions and financial advisory business established in 2003.

Operating Environment

The global financial crisis triggered a significant change in the operating environment surrounding the Investment Banking segment. Japan s economic recovery has been slow and uncertainties in the financial and capital markets are expected to continue. Therefore, investments need to be stringently selected.

Opportunities for investment in non-performing loans are limited as financial institutions continue to reduce their disposals of large-scale assets. However, investment opportunities are expected to arise as foreign corporations withdraw from Japan, funds are divested and the selection and concentration of companies accelerates.

Table of Contents

The domestic M&A market has seen a reduction in the number of transactions, reflecting the uncertain economic outlook and the impact of the financial crisis; however, this trend is starting to subside. As listed companies undertake restructuring and engage in strategic de-listing of subsidiaries, and as SMEs undergo business succession, the use of M&A as a corporate management strategy has become increasingly widespread in Japan. We see this as an opportunity to promote our financial advisory services and other corporate advisory services.

Operating Strategy

The Investment Banking segment is focusing on preserving and enhancing the value of existing loans and portfolio companies while taking advantage of investment opportunities presented by the changing environment.

In Japan, we believe there are business opportunities related to CMBS loans reaching maturity. ORIX Asset Management & Loan Services Corporation (OAMLS) has expertise in financial arrangement and servicing and a wide ranging information network through its servicing business, and capitalizing on these strengths, we will take advantage of opportunities to further expand our fee-based business by acting as an intermediary in the sales of collateralized properties and as a special servicer.

This segment will provide management support such as business succession and corporate rehabilitation (restructuring, transfer and funding arrangement) to our wide range of clients. We will also be actively involved in developing promising businesses as an investor in addition to the provision of services. For example, we provide joint investment arrangements and offer an investment platform acquired through our relationships forged with both domestic and overseas investors, in addition to pursuing investment in cross-border companies that are expanding into Asia.

We are also considering offering certain of our domestically-developed, solution-oriented businesses to financial institutions overseas, especially Asia, including NPL investment, corporate rehabilitation. Fund management and joint operations of corporate rehabilitation support through a capital alliance with a financial institution.

We aim to improve the corporate value of our existing investments by capitalizing on our characteristic hands-on approach while at the same time pursuing exit strategies. This segment is also constantly considering expansion and supplementation of its functions through such means as M&A.

Retail

Overview of Business Strategies

- Life Insurance: Develop distinctive third sector (medical and cancer insurance) products, expand agencies channel and raise business efficiency

Trust and Banking: Enhance corporate customer platform and build a well-balanced portfolio

Overview of Operation

This segment consists of the life insurance business, the trust and banking business, and the card loan business operated by an affiliate. ORIX Life Insurance was founded in 1991 and operates mainly through representative agencies and mail order sales. ORIX Trust and Banking started in 1980 with housing loans and is also engaged in corporate lending and other services. ORIX entered the card loan business with ORIX Credit in 1979, which is currently being managed as a joint venture with Sumitomo Mitsui Banking Corporation pursuant to an alliance established in July 2009.

Operating Environment

In the domestic life insurance market, the number of individual insurance policies has continued to decrease, with demand for traditional life insurance products particularly sluggish. On the other hand, customer need for

Table of Contents

distinctive third sector products, i.e., products centered on medical and cancer insurance have been growing. A rapid succession of third sector product introductions by various companies has intensified competition. Moreover, sales channels have diversified with the availability of complete clearance of insurance sales at bank counters, the arrival of pure-internet-play insurance companies, and an increased number of retail stores. The investment environment continues to be one where it is difficult to secure yields, as the long-term interest rate remains low.

In the banking industry, deposits have continued to grow as savings have continued to attract stability-oriented individuals. Meanwhile, demand for corporate capital expenditure is weak and need for capital continues to falter. However, even in a stagnant real estate market, capital demand for individual investors remains firm in the market for investment rental condominium units, the backbone of the housing loan business, which continues to perform strongly.

In the card loan market, a change in business models is required as the upper limit on interest rates has been lowered and a ceiling on total debt has been created.

Operating Strategy

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

ORIX Life Insurance, which concentrates mainly on developing and selling products for individuals, has experienced a substantial increase in the number of policies in force. ORIX Life Insurance will continue to enhance its product lineup by developing products that meet the needs of its customers, such as its cancer insurance Believe, which was originally introduced to the individual market in March 2010, and its medical insurance Cure, introduced in September 2010. Additionally, ORIX Life Insurance enhanced convenience and low insurance premiums that customers demand in May 2011 with the launch of an internet-based insurance application service and the release of Bridge, a term insurance policy available only online. The importance of the insurance business to the overall ORIX Group has been dramatically increasing and going forward, we will expand our operations by strengthening agent sales channels, and fortify our foundation by increasing business efficiency.

In line with its business expansion, ORIX Trust and Banking is steadily increasing deposits through e-Direct Deposits, internet-based fixed deposits for retail customers and corporate deposits. In March 2011, the deposit balance (including negotiable deposits) exceeded 1 trillion yen for the first time. On the lending side, in addition to the housing loan business, we have been seeking to establish a well-balanced loan portfolio by launching the corporate lending business in 2009, cultivating a new customer base and strengthening our relationship with trusted clients. Going forward, ORIX Trust and Banking will seek to differentiate itself from other banks by further increasing its transactions with SMEs and offering consulting services that leverage the ORIX Group s collective strength.

ORIX Credit, which handles the card loan business, seeks to expand its business utilizing Sumitomo Mitsui Financial Group s business platform, focusing on its ORIX VIP Loan Card.

Overseas Business

Overview of Business Strategies

United States: Expand Finance + Services centered on asset management based on a high level of expertise

Asia: Capitalize on ORIX s network to embrace growth in emerging markets such as Asia.

Find highly profitable transactions in China based on alliances with local partners

Table of Contents

Overview of Operation

Since expanding to Hong Kong in 1971, ORIX has built a broad overseas network spanning the United States, Asia and the Pacific, the Middle East, North Africa and Europe. Main operations include equipment leasing, automobile leasing, corporate financial services, ship- and aircraft-related operations, real estate-related operations and investment banking operations such as principal investment, investment in non-performing loans, investment in securities, M&A advisory and fund operation.

Operating Environment

The U.S. economy is headed toward recovery due to government stimulus measures. However, caution is still necessary as unemployment levels have remained high and recovery in consumer spending and the housing market still faces challenges. The U.S. financial market will continue to de-leverage as the high leverage financial business model has collapsed.

In Asia, where we have extensive business operations, the economies of emerging countries have recovered rapidly despite the effects of the global financial crisis and are on a track for further growth. As a result of high economic growth in recent years, Asia s economy has reached the stage where it consumes a wide range of products and services from developed countries such as Japan, which should lead to various business opportunities. China is a particularly attractive country in terms of economic scale and has garnered global attention as a promising market despite structural problems such as inflation and widening domestic economic disparity.

Operating Strategy

In the United States, we are engaged in corporate finance in addition to investment banking operations such as investments in CMBS and municipal bonds, advisory and enterprise valuation, loan structuring and servicing and fund management. The expertise we have been able to accumulate in the United States has allowed us to expand our profits even in the midst of the economic turmoil.

Investment banking operations are carried out by Houlihan Lokey, which has maintained a strong reputation in the United States for decades in financial advisory services, financial opinion services and financial restructuring services. In addition, in May 2010 we acquired RED Capital Group, a company that arranges specialty loans for real estate companies and obtains fees through loan servicing, and, in December 2010, we acquired Mariner Investment, a major independent hedge fund manager. Both companies are quintessential examples of capturing fee revenues without using the balance sheet, and will increase profitability by expanding their services going forward. Also, we are evaluating the possibility of re-entering the Latin American market through this segment to seek business opportunities by leveraging the experience with a local business partnership developed from 1970 until 2000.

In Asia, Oceania, the Middle East and Europe, we continue to secure stable revenues based on our platform of leasing, lending and other financial services closely tied to local communities, and will provide high value-added services from expertise accumulated in Japan and overseas. In Asia, we will embrace the growth in the region by providing various services such as maintenance leasing that match the stage of growth and needs of each country in addition to the stable growth of the existing leasing business. Especially in China, where the market is booming, we will continue to cultivate trusted clients and business partners and focus on various high profitability investments such as finance, automobiles, ships and aircraft, capitalizing on the Greater China network, including Taiwan and Hong Kong, primarily through our Chinese headquarters, which we established in December 2009.

We are also working to further promote our business and capitalize on our global network by supporting Japanese companies looking to move into overseas markets and foreign companies entering Japan and through joint investments in Japanese real estate with overseas investors.

Table of Contents

DIVISIONS, MAJOR SUBSIDIARIES AND AFFILIATES

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

CAPITAL PRINCIPAL EXPENDITURES AND DIVESTITURES

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

	As of March 31, 2011	
	Book Value (In millions of yen)	**Land Space[1] (In thousands of m²)**
Office building (Shiba, Minato-ku, Tokyo)	¥ 37,221	2
Office building (Tachikawa, Tokyo)	22,552	5
Office building (Roppongi, Minato-ku, Tokyo)	11,464	1
Training facility (Funabashi, Chiba)	10,859	3
Industrial waste disposal facility (Yorii, Saitama)	12,802	

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

In addition to these major facilities, we have built a new regional headquarters in Osaka that allows us to manage our Osaka operations from a single location, and started moving in from April 2011. Although there are presently no other material plans to construct or improve facilities, we may build or acquire additional offices or make improvements to existing facilities if we believe the expansion of our business so warrants.

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

We own office buildings, apartment buildings and recreational facilities for our employees and others with an aggregate book value of ¥102,403 million as of March 31, 2011.

As of March 31, 2011, net book value of equipment held for operating leases amounted to ¥1,270,295 million, which consists of ¥624,958 million of transportation equipment, ¥176,304 million of

Table of Contents

measuring and information-related equipment, ¥836,953 million of real estate and ¥19,152 million of others, before accumulated depreciation. Accumulated depreciation on the operating leases was ¥402,697 million as of the same date.

SEASONALITY

Our business is not materially affected by seasonality.

RAW MATERIALS

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

PATENTS, LICENSES AND CONTRACTS

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

BUSINESS REGULATION

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

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