ORIX CORP
Form 20-F
June 29, 2010
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2010

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)

Tatsuhito Yazaki

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, 2010, 110,229,948 Shares were outstanding, including Shares that were represented by 4,062,410 ADSs.

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

x Yes ¨ No

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

¨ Yes x No

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

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

x Yes ¨ No

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

x Yes ¨ No

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

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

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

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

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

¨ Item 17 ¨ Item 18

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

¨ Yes x No

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

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

¨ Yes ¨ No

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

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CERTAIN DEFINED TERMS, CONVENTIONS AND

PRESENTATION OF FINANCIAL INFORMATION

As used in this annual report, unless the context otherwise requires, the Company and ORIX refer to ORIX Corporation and ORIX Group, 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 minority shareholders have substantive participation 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). 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 certain 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, 2010 is referred to throughout this annual report as fiscal 2010, 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.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

SELECTED FINANCIAL DATA

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

	Year ended March 31,					
	2006	2007	2008	2009	2010	2010
	(In millions of yen and millions of dollars)					
Income statement data: (1)						
Total revenues	¥ 906,944	¥ 1,115,482	¥ 1,135,338	¥ 1,053,521	¥ 932,841	$ 10,026
Total expenses	694,589	834,830	949,784	1,000,166	903,270	9,708
Operating income	212,355	280,652	185,554	53,355	29,571	318
Equity in net income (loss) of affiliates	32,054	31,951	48,343	(42,937)	8,550	92
Gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	2,732	1,962	12,222	(1,731)	17,487	188
Income before income taxes, discontinued operations and extraordinary gain	247,141	314,565	246,119	8,687	55,608	598
Income from continuing operations	151,071	188,772	148,448	11,362	32,255	347
Net income attributable to the noncontrolling interests	2,330	2,014	1,952	1,175	704	8
Net income attributable to the redeemable noncontrolling interests	958	3,032	1,950	698	2,476	26
Net income attributable to ORIX Corporation	166,388	196,506	169,597	21,924	37,757	406

	As of March 31, 2006	2007	2008	2009	2010	2010
	(In millions of yen and millions of dollars except number of Shares)					
Balance sheet data: [1]						
Investment in direct financing leases [2]	¥ 1,437,491	¥ 1,258,404	¥ 1,098,128	¥ 914,444	¥ 756,481	$ 8,131
Installment loans [2]	2,926,036	3,490,326	3,766,310	3,304,101	2,464,251	26,486
Subtotal	4,363,527	4,748,730	4,864,438	4,218,545	3,220,732	34,617
Investment in operating leases	720,096	862,049	1,019,956	1,226,624	1,213,223	13,040
Investment in securities	682,798	875,581	1,121,784	926,140	1,104,158	11,868
Other operating assets	91,856	152,106	197,295	189,560	186,396	2,003
Allowance for doubtful receivables on direct financing leases and probable loan losses	(97,002)	(89,508)	(102,007)	(158,544)	(157,523)	(1,693)
Others	1,481,180	1,658,229	1,893,504	1,967,411	2,172,814	23,353
Total assets	¥ 7,242,455	¥ 8,207,187	¥ 8,994,970	¥ 8,369,736	¥ 7,739,800	$ 83,188
Short-term debt	¥ 1,336,414	¥ 1,174,391	¥ 1,330,147	¥ 798,167	¥ 573,565	$ 6,165
Long-term debt	3,236,055	3,863,057	4,462,187	4,453,845	3,836,270	41,233
Common stock	88,458	98,755	102,107	102,216	143,939	1,547
Additional paid-in capital	106,729	119,402	135,159	136,313	178,661	1,920
ORIX Corporation shareholders equity	953,646	1,194,234	1,267,917	1,167,530	1,298,684	13,958
Number of issued Shares	90,289,655	91,518,194	92,193,067	92,217,067	110,229,948	
Number of outstanding Shares	89,890,579	91,233,710	90,496,863	89,400,220	107,484,247	

	As of and For the Year Ended March 31, 2006	2007	2008	2009	2010
	(In yen and dollars, except percentage and number of employees)				
Key ratios (%): [3]					
Return on ORIX Corporation shareholders equity (ROE)	19.80	18.30	13.78	1.80	3.06
Return on assets (ROA)	2.50	2.54	1.97	0.25	0.47
ORIX Corporation shareholders equity ratio	13.17	14.55	14.10	13.95	16.78
Allowance/investment in direct financing leases and installment loans	2.22	1.88	2.10	3.76	4.89
Per share data and employees:					
ORIX Corporation shareholders equity per Share	¥ 10,608.97	¥ 13,089.83	¥ 14,010.62	¥ 13,059.59	¥ 12,082.56
Basic earnings per Share for income attributable to ORIX Corporation from continuing operations [4]	1,675.15	2,037.77	1,585.94	107.61	283.26
Basic earnings per Share for net income attributable to ORIX Corporation	1,883.89	2,177.10	1,860.63	246.59	370.52
Diluted earnings per Share for net income attributable to ORIX Corporation	1,790.30	2,100.93	1,817.81	233.81	315.91
Dividends applicable to fiscal year per Share	90.00	130.00	260.00	70.00	75.00
Dividends applicable to fiscal year per Share [5]	$ 0.81	$ 1.07	$ 2.49	$ 0.73	$ 0.81
Number of employees	15,067	16,662	18,702	18,920	17,725

(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. In addition, as a result of the

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adoption of ASC 810-10-65-1 (Consolidation Non controlling Interests in Consolidated Financial Statements), Income before income taxes, minority interests in earnings of subsidiaries, discontinued operations and extraordinary gain , Net income and Shareholders equity , which were used before the adoption, have been reclassified as Income before income taxes, discontinued operations and extraordinary gain , Net income attributable to ORIX Corporation , and ORIX Corporation shareholders equity , respectively.

(2) The sum of assets considered 90 days or more past due and loans individually evaluated for impairment amounted to ¥120,607 million, ¥134,394 million, ¥203,253 million, ¥495,514 million and ¥386,146 million as of March 31, 2006, 2007, 2008, 2009 and 2010, respectively. These sums included: (i) investment in direct financing leases considered 90 days or more past due of ¥20,494 million, ¥21,149 million, ¥22,637 million, ¥27,949 million and ¥25,682 million as of March 31, 2006, 2007, 2008, 2009 and 2010, respectively, (ii) installment loans (excluding loans individually evaluated for impairment) considered 90 days or more past due of ¥16,455 million, ¥12,656 million, ¥15,333 million, ¥17,860 million and ¥12,321 million, as of March 31, 2006, 2007, 2008, 2009 and 2010, respectively, and (iii) installment loans individually evaluated for impairment of ¥83,658 million, ¥100,589 million, ¥165,283 million, ¥449,705 million and ¥348,143 million as of March 31, 2006, 2007, 2008, 2009 and 2010, respectively. See Item 5. Operating and Financial Review and Prospects Results of Operations Year Ended March 31, 2010 Compared to Year Ended March 31, 2009 Details of Operating Results Revenues, New Business Volumes and Investments Direct financing leases and Installment loans and investment securities.

(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) 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 common shares outstanding based on month-end balances during the fiscal year. The term basic earnings per share for income from continuing operations attributable to ORIX Corporation as used throughout this annual report has the meaning described above.

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

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EXCHANGE RATES

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 ¥93.04 = $1.00, which was the approximate exchange rate in Japan on March 31, 2010 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 25, 2010, the noon buying rate for Japanese yen was ¥89.35 = $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,				
	2006	2007	2008	2009	2010
			(Yen per dollar)		
Yen per dollar exchange rates:					
High	¥ 120.93	¥ 121.81	¥ 124.09	¥ 110.48	¥ 100.71
Low	104.41	110.07	96.88	87.80	86.12
Average of the last days of the months	113.67	116.55	113.61	100.85	92.49
At period-end	117.48	117.56	99.85	99.15	93.40

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
2009		
December	¥ 93.08	¥ 86.62
2010		
January	¥ 93.31	¥ 89.41
February	91.94	88.84
March	93.40	88.43
April	94.51	92.03
May	94.68	89.89

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 European, U.S. and Japanese economies

Although the uncertainty in the European, U.S. and Japanese economies caused by the financial meltdown is gradually subsiding due to successful fiscal measures taken by numerous governments throughout the globe, private demand is still weak, unemployment rates remain high and there are new concerns related to the financial stability of particular countries, such as Greece.

There have been signs of economic recovery in Japan, including an improved business sentiment among large companies for four consecutive quarters as shown in the Bank of Japan s *tankan* (quarterly survey of business sentiment). However, 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.

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) 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 are: 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, 2011. Some of our committed credit lines require us to comply with financial covenants and maintain certain credit ratings. In addition, some of the nonrecourse loans under which we borrow funds to finance specific projects require early repayment in the event that 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 currently the turmoil in the financial and capital markets has calmed down and liquidity has gradually recovered, 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 would 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.

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

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

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(4) 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 industry 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, there is a chance that we will lose customers or business opportunities, which could adversely affect our results of operations and cause our share price to decline.

(5) 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 demands, political instability or religious strife in any such region could adversely affect our operations.

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

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

(7) 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. These events 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, we may be unable to respond to such changing economic conditions in a timely manner, and our results of operations may be adversely affected as a result.

2. Risks related to our financial affairs

(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 nature and characteristics of obligors;
- current economic conditions and trends;

- prior charge-off experience;
- current delinquencies and delinquency trends;
- future cash flows expected to be received from the direct financing leases and loans; and
- the value of underlying collateral and guarantees.

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, which was caused by the meltdown of the global financial and capital markets and the ensuing economic recession. Additionally, a deterioration of the real estate market has increased the risk of delay in payments of principal and interest on loans to real estate-related companies, particularly nonrecourse loans for which cash flow from real estate is the source of repayment. Similarly, the impaired liquidity of the real estate market has caused the vacancy rate of rental properties to rise and rents to fall, resulting in a decline in real estate values. We have endeavored to reduce the amount of outstanding loans to real estate-related companies. However, depending upon future economic condition, we may be required to make additional provisions 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, 2010 Compared to Year Ended March 31, 2009 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 provisions 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, and we may 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.

(2) We may suffer losses on our investment portfolio

We hold investments in debt and equity securities, funds, ships, aircraft and real estate in Japan, the United States and other regions. The market values of our investment assets are volatile and may decline substantially in the current year or future years.

The uncertainty in the European, U.S. and Japanese financial and capital markets has led to significant reductions in the liquidity of securities, greater volatility, widening of credit spreads and a lack of price transparency. In addition, the markets for ships, aircraft and real estate have deteriorated due to economic uncertainty. Although the economic uncertainty in Europe, the United States and Japan has gradually subsided, a recurrence of adverse market conditions could cause us to suffer unexpected losses from declines in the fair market value of securities, funds, ships, aircraft and real estate. We record losses from declines in the fair market value of such assets based on the fair market value as of the fiscal year end in accordance with applicable accounting principles. Due to a decline in liquidity, or to the absence of liquidity, there is no assurance that we would be able to sell any such investments at their recorded price.

(3) 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

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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. Where funds procurement costs are increasing due to a significant increase in market interest rates or the perception that an increase may occur, financing lease terms and loan interest rates for new transactions may diverge from the trend in market interest rates.

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, possibly resulting in defaults. 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.

(4) 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. 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. Risks related to our business overall

(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

As we have proactively expanded the range of our product sales and services in Japan and overseas beyond our traditional businesses, we are exposed to new and increasingly complex risks, some or all of which we may be unable to control, and 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 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.

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 times we made the acquisitions, our acquisitions could result in large future write-downs of goodwill and other assets.

In recent years, the contribution from consolidated subsidiaries and equity method affiliates to our consolidated results of operations has increased and has been 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 financial services, our core 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.

In the event that 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 shall 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) 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) We face various operational risks

Our businesses entail many types of operational risks. Operational risk is defined as the risk of loss resulting from inadequacies in, or failures of, internal processes, people and systems, or from external events. Examples of operational risk include inappropriate sales practices, 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, computer system security failures, 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.

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Our main operational risks are as follows:

(i) 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. This includes 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 prohibited or otherwise restricted by U.S. law from entering into any transactions with countries listed as state sponsors of terrorism. Our compliance and legal risk management structures are designed 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.

(ii) 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. We also offer data center services for our customers. 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 or who utilize our data center services 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.

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(iii) 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, or if such personnel resign, we may not be able to achieve our strategic goals.

(5) The departure of senior management could adversely affect us

Our continued success relies significantly on the ability and skills of our senior management. The departure of current senior management could have an adverse effect on our business activities, financial condition and results of operations.

(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

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.

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, 2009. 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. accounting 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 accounting 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.

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4. Risks related to specific businesses

(1) Our real estate-related operations expose us to various risks

Our real estate-related operations include real estate finance and real estate business. Real estate finance 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 business comprises the development and lease of office buildings, rental housing, commercial facilities and logistics warehouses; the construction and sale of condominiums; asset management services for real estate investment trusts (REITs); and real estate investment advisory business.

These operations are associated with the following risks:

(a) Risks relating to real estate finance

Our real estate finance business is suffering due to severe real estate market conditions. 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 provisions 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, the loss on the collection of loans through the 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.

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

Our real estate development business is subject to various risks. For example, if we are required to amend initial real estate development plans after obtaining relevant government approvals and licenses as a result of discussions with residents neighboring the project site or otherwise, 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 creditability 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.

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.

(c) Risks relating to 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.

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(d) Risks relating to amendments to or changes in real estate-related laws and regulations

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.

If the Building Standards Act, the City Planning Act or any other property-related laws and regulations are amended, we may incur additional responsibilities and our expenses may increase.

(e) Risks relating to casualty insurance coverage

We generally carry comprehensive property and casualty insurance covering our real estate investments acquired as part of our real estate business, with insured limits that we believe are adequate and appropriate 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 do not usually carry insurance for damages caused by natural disasters such as earthquakes or typhoons because insurance coverage for such damages is limited and the insurance premiums are relatively expensive.

In the event that our real estate investments suffer uninsured losses, our investment balances in and revenues from such investments could be adversely affected. In addition, in the event that a building or real estate development project in which we have invested is destroyed or otherwise rendered unusable, we would likely remain liable for indebtedness and other financial obligations relating to the relevant property.

(2) We may suffer losses if we are unable to remarket leased equipment returned to us

We lease equipment to customers under direct financing leases and operating leases. We estimate the residual value at the time of contract and may suffer losses if we are unable to sell or re-lease the equipment at the end of the leasing period for the residual value that we estimated at the beginning of the lease. This risk is particularly significant for operating leases. 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.

(3) 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 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.

(4) 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.

(5) 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 related to operating our industrial waste disposal business, environmental pollution could occur due to an operational error or defect in the disposal facility. 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, in the event that the financial condition of the operator has deteriorated 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.

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

We rent medical instruments to customers. We contract for the inspection of such medical instruments with professionals designated by the manufacturers. The 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 nursing care insurance system is modified to reduce public financial support and the economic burden on the user is thereby increased, the nursing market could shrink and our results of operations could be adversely affected.

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

We provide M&A and financial advisory and consulting services to our customers, including through our subsidiaries ORIX M&A Solutions Corporation and Houlihan Lokey Howard & Zukin (Houlihan Lokey). If such services are insufficient and our customers suffer losses as a consequence, we may be obligated to compensate our customers for those losses.

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We also provide various services such as maintenance services for leasing assets and environment-related solution services, 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, our reputation may be harmed and our business activities may be adversely affected if we fail to meet customer expectations or maintain service quality. If such services are insufficient and our customers suffer losses as a consequence, we may be obligated to compensate our customers for those losses.

(8) 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 changes in regulations in which require ORIX Life Insurance to increase its capital or liability reserves, we may be required to provide financial support through capital contributions. In addition, if ORIX Life Insurance fails to conduct reasonable asset liability management, or ALM, to appropriately manage risks and returns on investment assets and underwriting risks on insurance policy benefits, 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.

(9) 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 our share price could be adversely affected as a consequence.

(10) 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 above events may adversely affect our results of operation.

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

(1) Dispositions of Shares may adversely affect market prices for the 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 are 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 the market price of our Shares.

(2) 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.

(3) 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.

(4) 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

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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.

(5) 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.

(6) 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.

(7) 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 URL is: http://www.orix.co.jp/grp/index_e.htm. 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.

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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 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 (now ORIX Alpha (operations were absorbed by ORIX in 2010)), 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, acquiring ORIX Securities Corporation (ORIX Securities, formerly Akane Securities K.K.) and ORIX Estate Corporation (formerly OSAKA Ichioka Corporation), which is involved in real estate and leisure facility management, in order to expand our array of financial products and services.

In 1988, we acquired one of the twelve professional baseball teams in Japan, the ORIX Buffaloes (formerly the Hankyu Braves), 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.

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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 further 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, which former joint venture is presently a subsidiary of ORIX USA.

In 1999, in order to increase the efficiency of our domestic real estate-related operations, we established our Real Estate Finance Headquarters, which is primarily engaged in real estate-related finance, and ORIX Real Estate Corporation (ORIX Real Estate), which focuses on the development, operation and management of real estate in Japan. Subsequently, we expanded our real estate-related activities to include loan servicing, real estate investment trusts, commercial mortgage-backed securities (CMBS), integrated facilities management and asset management in Japan.

We established our Investment Banking Headquarters in 1999, and have since been attempting to expand our investment banking activities, which include principal investments, corporate rehabilitation and consulting. In January 2008, for the purpose of leveraging our structured finance and investment expertise, we integrated our Real Estate Finance Headquarters into our Investment Banking Headquarters.

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 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 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 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 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 ORIX Credit joint venture in July 2009. 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 ORIX and Monex Group, Inc. concluded a share exchange in which we acquired a 22.5% stake of Monex Group, Inc. in exchange for our 100% stake of ORIX Securities. Subsequently, in May 2010, ORIX Securities and Monex, Inc. were combined to form one of Japan s largest Internet-based securities brokers.

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STRATEGY

Target Performance Indicators

Our swift efforts to strengthen the ORIX Group s financial base through reduction of assets and a capital increase during the global financial crisis resulted in a dramatic increase in stability with ORIX Corporation shareholders equity ratio of 16.8% as of March 31, 2010. We are once again shifting our momentum toward continued future growth. In this context, we will use the following performance indicators: ORIX Corporation shareholders equity ratio to indicate stability, ROE to indicate capital efficiency and net income attributable to ORIX Corporation to indicate profitability. For the foreseeable future, we will strive to improve profitability while maintaining our current ORIX Corporation shareholders equity ratio, and will aim to achieve a medium- to long-term target of around 10% ROE.

Three-year trends in performance indicators are as follows.

		As of March 31,		
		2008	**2009**	**2010**
Net Income Attributable to ORIX Corporation	(millions of yen)	169,597	21,924	37,757
ROE	(%)	13.8	1.8	3.1
ORIX Corporation Shareholders Equity Ratio	(%)	14.1	13.9	16.8

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. While domestic and international financial institutions were forced to record large losses due to the financial crisis, we were able to secure profits through the complimentary nature of our diversified portfolio.

From a funding standpoint, ORIX was able to weather the brunt of the financial crisis by maintaining a roughly 50:50 ratio of direct and indirect funding, through its solid relationships with over 200 domestic and international financial institutions and by actively issuing long-term bonds.

We will focus on the dual management strategy of From Finance to Finance + Services and Expanding Business in Asia and will realize stable operations and steady growth through further enhancement of financial stability and comprehensive risk management.

Our strategies for specific areas for business expansion and promotion are as follows.

From Finance to Finance + Services : After the occurrence of structural changes in the finance business environment caused by the financial crisis, providing additional high value-added services has been deemed essential for pursuing increased profitability in the finance business. We are already providing Finance + Services through our automobile maintenance leasing service and loan servicing operations. We aim to further enhance and expand current operations capitalizing on our accumulated client base, knowledge and expertise.

Expanding Business in Asia : As significant economic growth is observed in emerging countries, business expansion in Asia, especially China, is vital for company growth. The ORIX Group will embrace growth in Asia by expanding operations, capitalizing on local subsidiaries and partner networks and 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.

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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 minimal or no growth of developed nations, contraction of the financial markets, new and impending 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 expect to adapt to the changing operating environment by taking the following steps.

- Further advancement of risk management
- Pursuit of transactions that are both socially responsible and economically viable
- Creation of a fulfilling workplace

Further advancement of risk management: We will seek to further enhance our monitoring and control of each business in accordance with its characteristics, with a particular focus on thoroughness and transparency, while diversifying our businesses based on Finance + Services and Expanding Business in Asia in line with the changing operating environment.

Pursuit of 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 have the potential to improve our profitability.

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

PROFILE OF BUSINESS BY SEGMENT

Our reportable segments are based on ASC 280-10 (Segment Reporting). For a discussion of the basis for the breakdown of segments, see Note 32 in Item 18. Financial Statements. The following table shows a breakdown of profits by segment for the years ended March 31, 2008, 2009 and 2010.

	Years ended March 31,		
	2008	2009	2010
	(In millions of yen)		
Corporate Financial Services	¥ 35,412	¥ (10,451)	¥ (17,581)
Maintenance Leasing	37,235	25,621	21,742
Real Estate	83,065	50,508	9,413
Investment Banking	47,483	(63,397)	(11,960)
Retail	27,463	9,573	31,104
Overseas Business	57,862	20,066	37,142
Total segment profits	288,520	31,920	69,860
Difference between segment total and consolidated amounts	(42,401)	(23,233)	(14,252)
Total Consolidated Amounts	¥ 246,119	¥ 8,687	¥ 55,608

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 balance 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 below.

Corporate Financial Services

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 still serves as the foundation for the entire ORIX Group.

Operating through a nationwide network of 82 offices, we provide capital through loans and leasing for capital investment and other needs to our 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.

During the year, we established new speciality departments within this segment to connect and promote sales throughout the ORIX Group, and these new departments have started activities that we expect to become the foundation for new revenues in the areas of development and promotion of retail facilities, domestic and overseas sales, in addition to the environment and energy business.

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The activities in this segment are conducted primarily through the Domestic Sales Administrative Headquarters. There were 2,616 employees working in this segment as of March 31, 2010.

Operating Environment

There is lingering uncertainty toward the business environment of SMEs, our core client base in this segment. Against the backdrop of a generally stagnant economy, the Japanese government implemented economic stimulus policies, including funding support for SMEs, which contributed to a decrease in the number of corporate bankruptcies in the second half of 2009. Even though large companies have seen improvement in their fund raising opportunities, the severe operating environment surrounding SMEs has continued due to a conservative approach to lending by domestic financial institutions.

Meanwhile, the Japanese government is emphasizing the environment and energy as growth areas to be driven by Japan s strengths in its New Growth Strategy , with the objective of creating over 50 trillion yen in new markets and approximately 1.4 million new jobs within these growth areas by 2020. The main policies include the expansion of renewable energy and turning homes and offices into zero-emissions structures, and other measures aimed at increasing markets by concentrating investment to create an eco-friendly society.

Operating Strategy

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

Moving forward, this segment will seek to expand and accelerate the provision of Finance + Services as a sales platform for the ORIX Group and to broaden our client base by strengthening cooperation among our Group companies in order to leverage our specialized expertise in areas such as the automobile and rental businesses. The automobile and rental businesses have accumulated know-how through their business diversification and are currently providing high value-added services to their customers in the areas of vehicle and IT asset management. By capitalizing on this specialized expertise, this segment will endeavor to fulfill the needs of various industries and uncover new business opportunities with a broader potential client base.

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 ORIX Group will focus on making propositions with regards to the usage of energy-saving measures and renewable energy in addition to proposals related to waste disposal and recycling, which we have already established.

This segment has focused on credit management and will work to maintain asset quality while aiming to build a healthy base of small and diversified assets through detailed and prompt measures and close monitoring.

Maintenance Leasing

Overview of Operation

This segment consists of our automobile and rental operations.

The automobile operations began with automobile leasing in 1973 and expanded to automobile rental in 1985. Since 2002, the ORIX Group has also operated a car sharing business. Our automobile leasing operations started by offering to corporate clients leases that included maintenance services, and today provides a complete range of specialized vehicle management outsourcing services. The segment also offers wide range of services to address the vehicle needs of both corporate and individual clients.

We entered the rental business in 1976 with 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, calibration, and asset management.

The activities in this segment are conducted primarily through ORIX Auto and ORIX Rentec. There were 3,335 employees working in this segment as of March 31, 2010.

Operating Environment

In corporate automobile leasing operations, demand is sluggish due to decreased automobile investment and pressure to reduce costs. The secondary market is also stagnant.

On the other hand, companies have increased their needs for vehicle cost reductions and improvement of fleet operating efficiency and their interest in areas such as compliance and safety. Furthermore, we expect that heightened awareness of environmental issues will stimulate demand for leasing services for hybrid and electric vehicles. An increase is also expected in the number of car sharing participants.

The precision measuring equipment rental industry has comparatively high entry barriers because of significant initial investment requirements and the difficulty of recruiting and retaining personnel with the requisite specialist knowledge. As a result, the competitive landscape in the domestic measuring equipment rental market has been relatively stable. However, decreased capital expenditures resulting from the economic downturn has suppressed demand for rentals, particularly among the major electronics manufacturers.

With respect to the market for IT equipment rentals, going forward the cloud computing market is expected to grow due to lower running costs and system flexibility. IT investments by clients companies will shift from hardware ownership to hardware use as a part of IT service. As a result, growing demand is expected for IT rental companies to provide IT services that can lead to improvements in operating efficiency and reduction of costs by clients, particularly in the information security area.

Operating Strategy

The Maintenance Leasing segment will promote group-wide measures to further expand its high value added services and augment its fee-businesses such as Comprehensive Auto Management Service in the automobile operations and IT Asset Management Service . At the same time, the segment will capitalize on know-how acquired in Japan and enhance the provision of value-added services overseas with the aim of improved performance in the Asian market, particularly in China.

In the automobile leasing business, the segment will utilize the networks of the Corporate Financial Services segment and ORIX Group companies to promote services that combine leasing, automobile rental, and car sharing to provide optimal and low-cost vehicle solutions to current and potential clients. As of March 31, 2010, automobiles under management totaled approximately 835,000.

The corporate automobile leasing operation aims to maintain profitability and clients by addressing all aspects of outsourcing needs related to vehicle management. Also, we are responding to the increasingly specialized and complex needs of our clients by strengthening our consulting services for the needs of legal compliance, environmental services and vehicle management-related risk management (such as accidents and legal restrictions). We will also continue to create business frameworks that deliver high added value for clients, such as sophisticated vehicle management and adjustment of administrative operations, through which we expect to differentiate ourselves from our competitors.

In leasing automobiles to individual clients, we will continue to promote products such as My Car Lease and Car Sharing. Especially in the car sharing business, we will seek to create a new business platform by strengthening relationships with local authorities and public transportation systems.

We will continue to expand the types of equipment we handle in our rental business, while working to enhance ancillary services such as IT equipment asset management. In addition, we expect to maintain our large market share and efficiently turnover assets with the aim of generating stable growth. As of March 31, 2010, the rental business owned more than 675,000 units of equipment spanning about 22,000 types.

We will also work to expand our rental operations of IT equipment to cover pre-installed information security countermeasures and further develop our fee business from technical support services such as the operation and management of IT equipment. We will also seek continued growth in our used rental equipment resale business.

Real Estate

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 in 1999 with the establishment of ORIX Real Estate Corporation. Today, the ORIX Group is involved in:

- development and leasing of properties, such as office buildings and commercial facilities;
- residential condominium development;
- development and operation of hotels, golf courses, training facilities and senior housing; and
- asset management and administration, including Japanese real estate investment trusts.

The activities in this segment are conducted primarily through ORIX Real Estate. There were 3,704 employees working in this segment as of March 31, 2010.

Operating Environment

Despite the dramatic downturn in the domestic real estate market in the wake of the global financial crisis, liquidity has been improving as demonstrated by a resumption of public offerings and issuances of investment corporation bonds by J-REITs. Accordingly, real estate transactions have shown green shoots of recovery, for example, stabilization of expected investor capitalization rates.

However, office vacancy continues to hover at a high rate, reflecting continuing economic stagnation. Competition to attract tenants is intensifying and rent levels continue to be adjusted. In light of these circumstances, in order to succeed, real estate companies will need to demonstrate strong leasing capabilities crucial to maintaining property value as well as the expertise and capability to develop environmentally-friendly properties.

In the residential condominium market, some positive signs have emerged, such as improvement in contract completion rates nearing the key benchmark level of 70% in the Tokyo metropolitan area in 2009. Additionally, a favorable environment for revived demand has been developing due to government policies encouraging home buying including an expansion of tax deductions on housing loans, an increased gift tax exemption for loans to certain family members that are used to purchase a residence and an eco-point system for energy-efficient housing and fixtures, as part of broader economic measures, as well as falling purchase prices due to lower construction costs.

The facility operation business, which includes the operation of hotels, golf courses and training facilities, faces difficult conditions due to corporate cost cutting and waning consumer confidence. However, facilities that can provide high quality service meeting the needs of end users shows strong demand from domestic and overseas clients.

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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.

The strengths of this segment are its real estate value chain functions, including leasing, asset management and property management, as well as the ORIX Group s client base. We will aim to maintain and improve the value of our real estate assets and promote the turnover of properties in our portfolio by capitalizing on these strengths.

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 our leasing capabilities. Although real estate transactions have not seen a full-scale recovery, we will pursue various exit strategies to promote asset turnover.

For our residential condominium development business, we can flexibly respond to changes in the business environment as we outsource the sales of our residential condominiums to other companies. Since the second half of 2007, we have been reducing our condominium supply ahead of our competitors; however, since late 2009 we have steadily resumed the development of suspended projects and new land purchases in response to recovery in consumer demand. After thorough market research, we will supply condominiums mainly within a price range that meets consumer needs.

In our facilities operation business, we will establish a unique position in the market by providing a wide range of services in response to diversified needs and aging customers. We have seen an increase in opportunities to invest in Japanese inns and golf courses with strong brand recognition, as achievement from investments in operating facilities have been well received. Specifically, we expect to diversify our customer base and increase profitability by setting a clear customer target and concept for each facility.

ORIX Real Estate Investment Advisors Corporation is expanding its asset management business, targeting increased fee-based revenue. In addition to managing ORIX Group assets, we will also address the asset management needs outside the ORIX Group by forming private real estate funds to win large-scale property projects.

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

Investment Banking

Overview of Operation

This segment consists principally of the real estate-related finance business and the investment banking business that we began developing during the late 1990s and early 2000s. Operations include:

- a venture capital business established in 1983;
- a real estate-related finance business, including non-recourse loans, established in 1999;
- a loan servicing business that invests in non-performing loans and CMBS management and collection;
- a principal investment business initiated in 2000;
- a securitization business; and
- a mergers and acquisitions and financial advisory business established in 2003.

The activities in this segment are conducted primarily through our Investment Banking Headquarters. There were 2,011 employees working in this segment as of March 31, 2010.

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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. Investments need to be stringently selected as signs of improvement in liquidity are yet to be seen.

The risk tolerance of investors decreased in the wake of the global recession precipitated by the Lehman Brothers bankruptcy in September 2008, which led to a dramatic decline in the volume of real estate transactions and a contraction in the domestic real estate related non-recourse loan market. Although liquidity provided by financial institutions is essential for market recovery, their conservative approach to lending has not changed despite improvements seen in the market.

Moreover, a large amount of CMBS loans in Japan will reach maturity in 2010 and involved parties are currently seeking possible measures upon maturity, such as refinancing or collection through the sales of collateralized properties.

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.

The domestic M&A market has seen a contraction in the number of transactions, reflecting the uncertain economic outlook and the impact of the financial crisis; however, such trend is starting to subside. As listed companies are undertaking restructuring and engaging in strategic de-listing of subsidiaries and, as SMEs are undergoing 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. In particular, we see this as a great opportunity for our Investment Banking segment, which has accumulated knowledge and expertise in arranging loan refinancing as well as loan servicing, to expand its fee-based business. ORIX Asset Management & Loan Services Corporation (OAMLS), the first Japanese servicer to simultaneously receive all three servicer ratings (master, primary and special servicer), in addition to receiving the highest rating (STRONG) from S&P, has expertise in CMBS servicing and a wide information network for CMBS through its real estate related finance business. Capitalizing on these strengths, we will expand our fee-based business by acting as an intermediary in the sales of collateralized properties and as a special servicer while seeking investment opportunities. This segment will also arrange joint investments and serve as an investment platform through its relationships with domestic and international investors. This segment is also expected to arrange co-investments and serve as an investment platform among its relations with domestic and international investors.

For investment banking business, this segment will provide management support such as business succession and corporate rehabilitation (restructuring, transfer and funding arrangement). We will also be actively involved in developing promising businesses as an investor.

For real estate finance business, in light of the significant changes in the real estate market, we will deal with each transaction individually and cautiously. We monitor the terms of individual transactions as well as the condition of underlying assets, and otherwise strive to maximize collections while continuously reducing asset balances. We believe that under the current real estate market conditions, there are cases where revenues can be

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maximized from a mid- to long-term perspective by holding acquired real estate as rental properties, in which case, revenues and risk can be controlled. Therefore, we will aim to maximize profit and focus on increasing the value of acquired real estate with capitalization of group synergies by collaborating with other segments, mainly the Real Estate segment, until the market sees a full-scale recovery.

Capitalizing on our network of our partner financial institutions, we will also seek opportunities for new fee-based businesses such as providing credit evaluation and servicing.

Retail

Overview of Operation

This segment consists of four businesses that primarily serve individual customers. The four businesses are:

- the life insurance business, handled by ORIX Life Insurance, which was founded in 1991 and operates mainly through representatives and mail-order sales;
- the trust and banking business, handled by ORIX Trust and Banking, which is centered on the housing loan business started by ORIX in 1980 and is also engaged in corporate lending and other services;
- the card loan business, which was started with ORIX Credit in 1979 and is currently being managed as a joint venture with Sumitomo Mitsui Banking Corporation pursuant to an alliance established in July 2009; and
- the securities business, which we entered by bringing ORIX Securities into the ORIX Group in 1986 and which now centers on online securities brokerage operations. ORIX Securities merged with Monex, Inc. in May 2010 after a share exchange between ORIX and Monex Group, Inc. in January 2010.

The activities in this segment are conducted primarily through ORIX Life Insurance and ORIX Trust and Banking. There were 1,170 employees working in this segment as of March 31, 2010. Monex Group, Inc. and ORIX Credit are now our affiliates.

Operating Environment

In the life insurance market, demand for distinctive third sector (medical and cancer insurance) products has been increasing most likely due to Japan s low birthrate and relatively high longevity. Introductions of third sector products have intensified competition. Moreover sales channels have diversified with the expansion into retail stores by major joint agencies, availability of complete clearance of insurance sales at bank counters and the arrival of pure-internet-play insurance companies.

As individual funds continue to flow into deposits instead of investment, ORIX Trust and Banking has steadily expanded its deposits. Separately, opportunities for corporate lending business have also expanded as the value of indirect corporate financing, such as increased support for SME funding, has been re-evaluated. Even in a stagnated real estate market, demand remains firm in the market for investment rental condominium units, a key engine behind the housing loan business, which continues to perform strongly.

In the card loan market, consumer finance companies are finding it difficult to maintain their conventional high-margin business models as the upper limit on interest rates has been lowered and a ceiling on total debt has been created. As a result, the industry has been undergoing restructuring, with large firms forming alliances with banks.

The securities market regained some stability due to successful financial and economic policies implemented by economic powers. Due to heightened expectations for improved company performance, Japan s securities market has been on the recovery trend and retail investor confidence is expected to improve.

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Operating Strategy

In this segment, we expect to maintain our policy of developing new markets for individuals by offering products and services that provide a high level of customer satisfaction and by increasing our 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. We have focused on expanding products such as our medical insurance Cure , as well as our cancer insurance Believe , which were originally introduced to the individual market in September 2006 and March 2010, respectively. As other companies have entered the market with similar products, competition has grown increasingly fierce. ORIX Life Insurance will continue to develop products that meet the needs of its customers and enhance its product lineup. Moreover ORIX Life Insurance will expand its customer base by strengthening agent sales channels, and achieve stable revenue growth. The importance of insurance business to the overall ORIX group has been dramatically increasing, and we will aim to realize profit growth.

In line with this growth in individual oriented business, ORIX Trust and Banking began handling deposits via the Internet for corporate customers in May 2009. On the investment side, in addition to our housing loan business, we seek to establish a well-balanced portfolio of lending by focusing on corporate lending, cultivating a new customer base and strengthening our relationship with trusted clients. As the business grows, we will also work to strengthen risk management and internal control structure.

In the card loan business and securities brokerage business, we have recently formed alliances with trusted business partners under the policy of Operational Realignment .

With investment from the Sumitomo Mitsui Banking Corporation, ORIX Credit will target a stable and increased operating base by attracting different types of customers via the ORIX Group network and greater diversification in its fundraising options, based on its major product, the VIP Loan Card.

The combined Monex, Inc. and ORIX Securities became one of the largest Internet based securities companies in Japan through the joint venture between ORIX and Monex Group, Inc. The new company will further strengthen the bases of both corporate groups and continue to expand its products and services for customers.

Overseas Business

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. Our main operations include equipment leasing, automobile leasing, corporate financial services and ship and aircraft-related operations. Recently, ORIX has also expanded into principal investment, investments in non-performing loans, real estate-related operations and M&A advisory services.

The activities in this segment are conducted primarily through ORIX USA, Global Business and Alternative Investment Headquarters and subsidiaries as well as affiliates in Hong Kong, China, Singapore, Malaysia, Indonesia, the Philippines, Thailand, Sri Lanka, Taiwan, South Korea, Pakistan, India, Oman, Egypt, Saudi Arabia, the UAE, Kazakhstan, Australia, New Zealand, Ireland and Poland. There were 3,209 employees working in this segment as of March 31, 2010.

Operating Environment

In the United States, a succession of bankruptcies, including the collapse of the prominent investment bank Lehman Brothers and the realignment of other major financial institutions, dealt a tremendous blow to the

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world s financial and capital markets. The ensuing deterioration in global financial liquidity triggered a sharp contraction in credit, leading to a significant decline in the operating environment. Despite a slow economic recovery in the United States, unemployment levels have remained high and recovery in consumer spending and the housing market still faces challenges. The U.S. financial market continues to de-leverage as regional financial institutions are still facing a severe operating environment with decreased lending capacity. There is also concern that the impending implementation of financial regulations may further impact the operating environment.

In Asia and the Middle East, where we have extensive business operations, the economies of emerging countries have recovered rapidly despite the effects of the global financial crisis. As a result of high economic growth in recent years, Asia s economy has reached the stage where it consumes a wide range of business, 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 increasing domestic economic disparities.

Operating Strategy

In the United States, we are engaged in investment and financing operations, such as corporate finance and investments in CMBS and other marketable securities and investment banking operations, including advisory services in the areas of mergers and acquisitions, corporate financial restructuring and enterprise valuation. Although the United States was the epicenter of the financial crisis, the expertise we have been able to accumulate there has allowed us to expand our profits even under the turmoil of the current economy. Going forward, we aim to focus on cultivating opportunities to expand Finance + Service based on our expertise. For example, in May 2010, ORIX USA acquired RED Capital Group, a company that arranges specialty loans for real estate companies and obtains fees through loan servicing. This is a typical example of acquiring fee-based revenue without using the balance sheet.

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 the midst of the global recession, Houlihan Lokey has increased earnings opportunities in its corporate financial restructuring advisory operations.

In Asia, Oceania, the Middle East and Europe, we continue to focus on leasing, lending and other financial services closely tied to local communities. We believe we can expect stable growth in our existing leasing operations, particularly in Asia. We will embrace growth of the Asia region by increasing earnings through adding value to existing financial services, while capitalizing on its expertise such as maintenance leasing developed in Japan.

We will strengthen investment and financing operations in the fields of financial related, automobile, ships and aircraft especially in China. As a part of this, we established our Chinese Headquarters in Dalian in December 2009 and integrated existing business under a holding company structure. We are aiming to cultivate trusted clients in China. For other areas, we will further expand our client and business partner networks which already span numerous countries. Moreover, we are working to enhance our resources for supporting Japanese companies looking to move into overseas markets, as well as foreign companies entering Japan.

DIVISIONS, MAJOR SUBSIDIARIES AND AFFILIATES

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

CAPITAL EXPENDITURES AND MAJOR M&A ACTIVITIES

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

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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.

We also have made a number of acquisitions in other companies to expand our operations. Some of our recent acquisitions are described below.

Prior to fiscal 2008, we held a 44% stake in DAIKYO INCORPORATED (DAIKYO). During fiscal 2008, DAIKYO acquired a 100% stake in Fuso Lexel Incorporated through a share swap. As we had held shares of Fuso Lexel Incorporated, we acquired an additional interest in DAIKYO through this share swap. As a result, the interest of the third parties increased and our ownership in DAIKYO decreased to 41%. In June 2008, DAIKYO repurchased 20% of its preferred shares from ORIX at a purchase price of ¥10.4 billion. In March 2009, we acquired preferred shares of DAIKYO for ¥10 billion. Also in March 2009, we transferred our wholly owned subsidiary, ORIX Facilities Corporation, to DAIKYO through a share swap. This resulted in our acquisition of an additional amount of DAIKYO preferred shares valued at ¥9.4 billion. See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions. As of February 2010, our interest in Daikyo declined to 31.7%, primarily due to a public offering and third party allocation of new shares, which was completed in February 2010.

In line with our strategy of pursuing business alliances with financial institutions aiming for future corporate development, we joined forces with Sumitomo Mitsui Banking Corporation to form ORIX Credit joint venture. As a result, ORIX sold a 51% stake of ORIX Credit to Sumitomo Mitsui Banking and realized a capital gain of approximately ¥7 billion during the fiscal year ended March 31, 2010. Also, in January 2010, ORIX formed a capital alliance with the Monex Group, pursuant to which ORIX and Monex Group, Inc. concluded a share exchange in which ORIX acquired a 22.5% stake of Monex Group, Inc. in exchange for our 100% stake of ORIX Securities, and realized capital gain of approximately ¥9 billion. Subsequently, in May 2010, ORIX Securities and Monex, Inc. were combined to form one of Japan s largest Internet-based securities brokers.

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.

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 includes three office buildings, one training facility and one waste disposal facility. We transferred one building with a book value of ¥11,541 million from operating lease to office building due to a change in the specified use of the building in fiscal 2010.

	As of March 31, 2010	
	Book Value (In millions of yen)	**Land Space (*) (In thousands of m²)**
Office building (Shiba, Minato-ku, Tokyo)	¥ 37,362	2
Office building (Tachikawa, Tokyo)	23,098	5

Office building (Roppongi, Minato-ku, Tokyo)	11,524	1
Training facility (Funabashi, Chiba)	10,963	3
Industrial waste disposal facility (Yorii, Saitama)	13,575	

* Land space is provided only for those facilities where we own the land.

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In addition to these major facilities, we are building a new regional headquarters in Osaka that will allow us to manage our Osaka operations from a single location. Construction is expected to be completed by February 2011, and the current estimated costs for the project are ¥30 billion. 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 ¥96,831 million as of March 31, 2010.

As of March 31, 2010, net book value of equipment held for operating leases amounted to ¥1,195,974 million, which consists of ¥580,009 million of transportation equipment, ¥170,047 million of measuring and information-related equipment, ¥826,398 million of real estate and ¥19,267 million for others. Accumulated depreciation on the operating leases was ¥399,747 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

JAPAN

ORIX and its group companies in Japan are incorporated under and our corporate activities are governed by the Companies Act.

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

The major regulations that govern our businesses are as follows:

Moneylending Business

ORIX and certain of our group companies are engaged in the money-lending business in Japan. The money lending business is regulated by the Interest Rate Restriction Act, the Acceptance of Contributions Law, the Deposit Interest Law and the Moneylending Business Act. The Moneylending Business Act requires that all companies engaged in moneylending business register with the Prime Minister and the relevant prefectural governors.

Registered money-lenders are regulated by the FSA, and are required to report to or notify the FSA, providing certain documents such as their annual business reports. Accordingly, pursuant to the Moneylending Business Act, ORIX and certain of our group companies register with the Prime Minister and various prefectural governors and provide the necessary reporting and notification to the FSA. The FSA has the power to issue business improvement orders to suspend all or part of a business s activities, or to revoke the registration of a money-lender that has violated the law. In addition, in December 2006, laws related to the money lending business were amended for the purpose of enhancing borrower protection. The amendments have tightened regulations by, among other things, reducing the maximum interest rate and introducing limits on the maximum amount of money that may be loaned to individuals. These amendments have come into effect over a period or time and as of June 2010 have been fully implemented.

Real Estate Business

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

Car Rental Business

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

Insurance Business

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

Financial Instruments Exchange Business

The Financial Instruments and Exchange Act which became effective in September 2007 supplants the Securities and Exchange Law and includes significant changes. The Financial Instruments and Exchange Act expands its scope to cover many additional subjects (product, business, etc.) for the purpose of establishing comprehensive and cross-sectional protection for investors. Certain businesses conducted by ORIX and our group companies in Japan are governed by the Financial Instruments and Exchange Act. Registered financial instruments traders are regulated by the FSA and are required to file certain reports or notifications with the FSA. The FSA has the power to order improvement of a business, or suspension of a part or the whole of a business, or to revoke the registration of a financial instruments trader that has violated the law. Business regulations to be applied to ORIX and our group companies are as follows:

(1) First Class Financial Instruments Exchange Business

ORIX Whole Sale Securities Corporation (ORIX Whole Sale) is registered with the Prime Minister under the Financial Instruments and Exchange Act. The first class financial instruments exchange business includes the trading of highly liquid financial products, such as the sale and solicitation of listed securities. The Financial

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

(2) Second Class Financial Instruments Exchange Business

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

(3) Financial Instruments Intermediary Business

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

(4) Investment Management Business

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

(5) Investment Advisory and Agency Business

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

Banking and Trust Business

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

Debt Management and Collection Business

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

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Waste Management

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

Also, Funabashi Environmental, under the Waste Management and Public Cleansing Act, has permission to: (i) engage in the installation of an industrial waste disposal facility within Chiba Prefecture, (ii) act as an Collection and Transportation of an industrial waste disposal collector from each governor of Tokyo, Kanagawa, Chiba and Saitama Prefectures, and also from mayors of major six cities in Kanto region and (iii) engage in the business of industrial waste disposal contractor, by the authorization of mayor of Funabashi City.

ORIX Environmental Resources Management and Funabashi Environmental are engaged in the waste management service regulated by the Waste Management and Public Cleansing Act.

Regulation on Share Acquisitions

Certain activities of ORIX and our group companies are regulated by the Foreign Exchange and Foreign Trade Law of Japan and the cabinet orders and ministerial ordinances thereunder (the Foreign Exchange Regulations).

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

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

OUTSIDE JAPAN

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

The SEC and various state agencies regulate the issuance and sale of securities and the conduct of broker-dealers, investment companies and investment advisers in the United States. ORIX USA s majority-owned subsidiaries, Houlihan Lokey Howard & Zukin Capital, Inc. and

Houlihan Lokey Howard & Zukin Financial Advisors, Inc., are a registered broker-dealer and a registered investment adviser, respectively, and as such, are regulated by the SEC. ORIX USA and its other subsidiaries are not subject to these regulations but must comply with U.S. federal and state securities laws.

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

On May 8, 2010, ORIX USA acquired the RED Capital Group, a Columbus, Ohio headquartered provider of debt and equity capital, as well as advisory services, to the housing, health care and real estate industries. The RED Capital Group is registered as a broker-dealer and regulated by the SEC. In addition, the RED Capital Group and its subsidiaries must comply with rules and regulations administered by the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), the Department of Housing and Urban Development and the Federal Housing Administration.

Recent disruptions in the U.S. financial markets have caused lawmakers and regulators to evaluate the effectiveness of their oversight of the financial services industry, and a variety of regulatory initiatives are likely to be proposed by the Obama administration and Congress. It is increasingly probable that the United States will implement new regulations and laws, or significant changes to existing regulations and laws, that will affect ORIX USA.

Outside of the United States, ORIX USA s majority owned subsidiary, Houlihan Lokey (Europe) Limited (HL Europe), is authorized and regulated by the Financial Services Authority in the UK, *inter alia*, to arrange deals in investments and, to advise on investments by others. HL Europe has also established branches in France and Germany under the provisions of the Markets in Financial Instruments Directive and is regulated by the *Bundesanstalt für Finanzdienstleistungsaufsicht* in Germany and the *Autorité des marchés financiers* in France in the conduct of the respective businesses of the branches located in those countries. Other such majority-owned subsidiaries include Houlihan Lokey (China) Limited, which is licensed to conduct regulated activities by Securities and Futures Commission in Hong Kong.

In other regions outside of Japan, our businesses are also subject to regulation and supervision in the jurisdictions in which they operate.

LEGAL PROCEEDINGS

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

Item 4A. Unresolved Staff Comments

None.

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Item 5. Operating and Financial Review and Prospects

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OVERVIEW

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

We recorded ¥37,757 million in net income attributable to ORIX Corporation for the fiscal year ended March 31, 2010 supported by the beneficial effects of business and fundraising diversification, despite worldwide economic stagnation triggered by the global financial crisis. At the same time, de-leveraging continued and our balance sheet decreased significantly through the implementation of the policies Strengthening the Corporate Structure and Operational Realignment resulting in 11% decrease in revenues year on year. However, due to major contributions from the Overseas Business segment, income before income taxes, discontinued operations and extraordinary gain increased more than six-fold, and net income attributable to ORIX Corporation increased 72% year on year.

The main factors underlying performance in fiscal 2010 are outlined below.

Segment profits and losses for this fiscal year were as follows. The Corporate Financial Services, Maintenance Leasing, and Real Estate segments saw a decrease in profits compared to the previous fiscal year. The Investment Banking segment saw a decrease in losses, and the Retail and Overseas Business segments recorded increases in profits.

The Corporate Financial Services segment, the core business of the ORIX Group, continued to record a loss as provisions for doubtful receivables and probable loan losses, primarily for real estate-related loans, remained at a high level.

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The Maintenance Leasing segment saw a decline in profits due to increased depreciation expenses mainly caused by conservative residual value estimates, reflecting the sluggish secondary auto market.

The Real Estate segment s profit decreased substantially due to decline in gains on sales of real estate under operating leases.

The Investment Banking segment recorded a loss. Despite a loss being recorded due to JOINT CORPORATION s filing for protection under the Corporate Rehabilitation Law, the amount of loss recorded for equity in net income (loss) of affiliates improved compared to the previous fiscal year when significant write-downs were recorded.

The Retail segment s profits more than tripled due to increased profits from sales of insurance policies as well as related investment income in the life insurance business. Also, there were significant contributions from gains on the sales of ORIX Credit and ORIX Securities.

The Overseas segment s profits increased due to the strong performance in our U.S. operations resulting from gains from investment securities, caused by improvement in the bond and equity markets, and contributions from fee-based revenue of Houlihan Lokey Howard & Zukin Inc, as well as contributions from profits recognized in the principal investment business in Asia and Oceania.

FAIR VALUE MEASUREMENTS

We have adopted ASC 820-10 (Fair Value Measurements and Disclosures). ASC 820-10, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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

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

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

Level 3 Unobservable inputs for the assets or liabilities.

ASC 820-10 differentiates between those assets and liabilities required to be carried at fair value at every reporting period (recurring) and those assets and liabilities that are only required to be adjusted to fair value under certain circumstances (nonrecurring). We measure mainly trading securities, available-for-sale securities, investment funds, certain investment in affiliates and derivatives at fair value on a recurring basis.

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The following table presents recorded amounts of major financial assets measured at fair value on a recurring basis as of March 31, 2010:

	March 31, 2010 Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Trading securities	¥ 49,596	¥ 1,157	¥ 48,386	¥ 53
Available-for-sale securities	845,234	67,224	376,206	401,804
Other securities	14,692		14,692	
Derivative assets	17,074	1,015	15,531	528
	¥ 926,596	¥ 69,396	¥ 454,815	¥ 402,385
Financial Liabilities:				
Derivative liabilities	¥ 31,975	¥ 660	¥ 31,280	¥ 35
	¥ 31,975	¥ 660	¥ 31,280	¥ 35

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

As of March 31, 2010, financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) and the percentages of total assets are as follows:

	March 31, 2010	
	Significant Unobservable Inputs (Level 3)	Percentage of total assets (%)
	(In millions of yen, except percentage data)	
Level 3 Assets:		
Trading securities	¥ 53	0
Available-for-sale securities	401,804	5
Corporate debt securities	6,841	0
Specified bonds issued by SPEs in Japan	246,305	3
CMBS and RMBS in the U.S., and other asset-backed securities	148,658	2
Derivative assets	528	0
Credit derivatives held/written	528	0
Total Level 3 financial assets	¥ 402,385	5
Total assets	¥ 7,739,800	100

As of March 31, 2010, the amount of financial assets classified as Level 3 is ¥402,385 million, among financial assets that we measured at fair value on a recurring basis. Level 3 assets represent 5% of our total assets.

Available for sale securities classified as Level 3 are mainly mortgage-backed and other asset-backed securities, including specified bonds issued by special purpose entities (SPEs) in Japan and CMBS and RMBS in the United States. Specified bonds issued by SPEs classified as Level 3 available-for-sale securities were ¥246,305 million as of March 31, 2010, which is 61% of Level 3 available-for-sale securities. We classified the specified bonds as Level 3 because we measure their fair value using unobservable inputs. Since the specified bonds do not trade in an open market, no relevant observable market data is available. Accordingly, to measure their fair value we use a discounted cash flow model that incorporates significant unobservable inputs as further discussed below.

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

With respect to the CMBS and RMBS in the United States, we judged that the market had become inactive during fiscal 2009 because there were few recent transactions and because brokers quotes or pricing evaluation from independent pricing service vendors for these securities were not available. As a result, we established internally developed pricing models (Level 3 inputs) using valuation techniques such as present value techniques in order to estimate fair value of these securities and classified them as Level 3. Under the models, we use anticipated cash flows of the security discounted at a risk-adjusted discount rate that incorporates our estimate of credit risk and liquidity risk that a market participant would consider. The cash flows are estimated based on a number of assumptions such as default rate and prepayment speed, as well as seniority of the security.

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

The following table presents a reconciliation of financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during fiscal 2010:

	Year ended March 31, 2010 Millions of yen							
		Gains or losses (realized / unrealized)						
	Balance at March 31, 2009	Included in earnings [(1)]	Included in other comprehensive income	Total	Purchase, sales, and settlements	Transfers in and/ or out of Level 3 (net)	Balance at March 31, 2010	Change in unrealized gains or losses included in earnings for assets still held at March 31, 2010 [(1)]
Trading securities	¥ 166	¥	¥ (170)	¥ (170)	¥ 57	¥	¥ 53	¥
Available-for-sale securities	447,859	(9,394)	(519)	(9,913)	(36,997)	855	401,804	(8,691)
Investment in affiliates	6,954	(6,954)		(6,954)				
Derivative assets	760	206		206		(438)	528	206

(1) Principally, gains and losses from trading securities, available-for-sale securities, investments in affiliates and derivative assets are included in brokerage commissions and net gains (losses) on investment securities, write-downs of securities or life insurance premiums and related investment income, equity in net income (loss) of affiliates and other operating revenues/expenses, respectively.

For more information on fair value measurements, see Note 2 in Item 18. Financial Statements.

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FAIR VALUE OF INVESTMENT AND RENTAL PROPERTY

We own real estate such as rental office buildings, rental logistics centers, rental commercial facilities other than offices, rental condominiums and land which is utilized for development as operating leases. A large portion of our real estate holdings is located around major cities such as Tokyo. The following table sets forth the details of the carrying amount as of the beginning and end of fiscal 2010, as well as the fair value as of the end of fiscal 2010, categorized by the type of real estate under operating leases.

Classification	March 31, 2010 Carrying amount Beginning balance	Change amount	Ending balance	Fair value for ending balance
	(Millions of yen)			
Office buildings	¥ 189,939	¥ 16,179	¥ 206,118	¥ 196,817
Logistics centers	47,563	(10,142)	37,421	47,152
Commercial facilities other than offices	138,057	8,278	146,335	145,948
Rental condominiums	199,414	8,304	207,718	197,791
Properties under development (including lands for development)	185,370	(19,128)	166,242	155,541
Others	166,213	720	166,933	182,055
	¥ 926,556	¥ 4,211	¥ 930,767	¥ 925,304

Notes: 1. Carrying amounts stated as above are cost less accumulated depreciation.
2. Fair value is obtained either by appraisal reports by external qualified appraisers, reports by internal appraisal department in accordance with Real estate appraisal standards, or by other reasonable internal calculation by similar method.

Revenue and expense for these real estate under operating leases in fiscal 2010 consist of the following:

Year ended March 31, 2010				
Revenue [1]	Expense [1]	Operating income	Income from discontinued operations [2]	Net
		(Millions of yen)		
¥ 71,960	¥ 47,609	¥ 24,351	¥ 10,940	¥ 35,291

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management s current judgments. Note 1 of Item 18. Financial Statements includes a summary of the significant accounting policies used in the preparation of our consolidated financial statements. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimates may differ significantly from management s current judgments. We consider the accounting estimates discussed in this section to be critical for us for two reasons. First, the estimates require us to make assumptions about matters that are highly uncertain at the time the

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accounting estimates are made. Second, different estimates that we reasonably could have used in the relevant period, or changes in the accounting estimates that are reasonably likely to occur from period to period, could have a material impact on the presentation of our financial condition, changes in financial condition or results of operations. We believe the following represents our critical accounting policies and estimates.

FAIR VALUE MEASUREMENTS

We have adopted the applicable provisions of ASC 820-10 (Fair Value Measurements and Disclosures). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, a number of significant judgments, assumptions and estimates may be required. If observable market prices are not available, we use internally-developed valuation techniques such as discounted cash flow methodology to measure fair value. These valuation techniques involve determination of assumptions that market participants would use in pricing the asset or liability. This assessment involves significant judgment and use of different assumptions and/or valuation techniques could have a material impact on our financial condition or results of operations. Significant assumptions used in measuring fair values have a pervasive effect on various estimates such as the estimation of the allowance for real estate collateral-dependent loans, measurement of impairment of investment in securities, measurement of impairment of goodwill and intangible assets not subject to amortization, measurement of impairment of long-lived assets and recurring measurements of investment in securities and derivative instruments. For more discussion, see Item 5. Operating and Financial Review and Prospects Fair Value Measurements and Note 2 of Item 18. Financial Statements.

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

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

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

- the nature and characteristics of obligors;
- current economic conditions and trends;
- prior charge-off experience;
- current delinquencies and delinquency trends;
- future cash flows expected to be received from the direct financing leases and loans; and

the value of underlying collateral and guarantees.

In particular, the valuation allowance for large balance non-homogeneous loans is individually evaluated based on the present value of expected future cash flows or the loan s observable market price. If the loans are collateral-dependent, they are evaluated based on the fair value of the collateral securing the loans, using appraisals prepared by independent third-party appraisers or our own staff of qualified appraisers based on recent transactions involving sales of similar assets or other valuation techniques such as discount cash flow methodology. The allowance for losses on smaller-balance homogeneous loans, including individual housing loans which are not restructured, and lease receivables, is collectively evaluated, considering current economic conditions and trends, the value of the collateral and guarantees underlying the loans and leases, prior charge-off experience, delinquencies and non-accruals. If actual future economic conditions and trends, actual future value of underlying collateral and guarantees, and actual future cash flows are less favorable than those projected by management or the historical data we use to calculate these estimates do not reflect future loss experience, additional provisions may be required.

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The allowance is increased by provisions charged to income and is decreased by charge-offs, net of recoveries.

We review delinquencies or other transactions exceeding a specified amount as frequently as three times a month in the case of transactions in Japan. Transactions with payments 90 days or more past-due are reported to the Head of the Risk Management Headquarters. We stop accruing revenues on direct financing leases and installment loans when principal or interest is past-due 90 days or more, or earlier if management determines that it is doubtful that we can collect on direct financing leases and installment loans. The decision to suspend accruing revenues on direct financing leases and installment loans is based on factors such as the general economic environment, individual clients creditworthiness and historical loss experience, delinquencies and accruals. After we have set aside provisions for a non-performing asset, we carefully monitor the quality of any underlying collateral, the status of management of the obligor and other important factors. When we determine that there is little likelihood of continued repayment by the borrower or lessee, we sell the leased equipment or loan collateral, and we record a charge-off for the portion of the lease or loan that remains outstanding.

Under our charge-off policy, we charge off doubtful receivables when it is determined that prospects for further recovery from the obligor are minimal. Our policy requires the exercise of management judgment in assessing when a customer receivable has become worthless and when charge-off is appropriate. In exercising such judgment, management considers criteria set forth in Japanese tax laws which focus on objective characteristics evidencing worthlessness, such as creditor-negotiated restructurings, legal extinguishment or extended suspension of transaction with the obligor beyond one year. These considerations may result in our charge-off of doubtful receivables later than might be the case for companies in other jurisdictions where regulatory or tax policies may not require that a worthlessness assessment be reached prior to charge-off of the receivable. This potential difference in application of charge-off policy may result in our recognizing lower recoveries from charged-off receivables than might be experienced by reporting entities in other jurisdictions.

IMPAIRMENT OF INVESTMENT IN SECURITIES

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

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

For an available-for-sale debt security, we assess whether impairment is other than temporary if the fair value of a debt security is less than its amortized cost basis at the balance sheet date. Under such circumstances, as required by ASC 320-10-65-1 (Investments Debt and Equity Securities Recognition and Presentation of Other-Than-Temporary Impairments), an other-than-temporary impairment is considered to have occurred if (1) we intend to sell the debt security; (2) it is more likely than not that we will be required to sell the debt security before recovery of its amortized cost basis; or (3) we do not expect to recover the entire amortized cost basis of the security. In measuring the impairment, if we intend to sell the security or it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment is recognized in earnings equal to the entire difference between the security s amortized cost basis and its fair value at the balance sheet date. On the other hand, if we do not intend to sell the debt security and it is more likely than not that we will not be required to sell the security prior to recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment is separated into (a) the credit loss component and (b) the non-credit loss component. We recognize the credit component of an other-than-temporary impairment of the debt security in earnings and the non-credit component in other comprehensive income (loss), net of applicable income taxes.

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

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

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

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

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

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS NOT SUBJECT TO AMORTIZATION

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

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

The fair value of a reporting unit under the first step and the second step is determined by estimating the outcome of future events and assumptions made by management. Similarly, estimates and assumptions are used in determining the fair value of any intangible asset that is not subject to amortization. When necessary, we refer to an evaluation by a third party in determining the fair value of a reporting unit; however, such determinations are often evaluated by discounted cash flows analysis performed by us. This approach uses numerous estimates

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and assumptions, including projected future cash flows of a reporting unit, discount rates reflecting the risk inherent and growth rate. If actual cash flows or any items which affect a fair value are less favorable than those projected by management due to economic conditions or own risk of reporting unit, we may charge additional losses to income.

IMPAIRMENT OF LONG-LIVED ASSETS

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

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

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

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

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

UNGUARANTEED RESIDUAL VALUE FOR DIRECT FINANCING LEASES AND OPERATING LEASES

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

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

INSURANCE POLICY LIABILITIES AND DEFERRED POLICY ACQUISITION COSTS

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

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

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

ASSESSING HEDGE EFFECTIVENESS AND MEASURING INEFFECTIVENESS

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

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

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

PENSION PLANS

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

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

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

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

We use March 31 as a measurement date for our pension assets and projected benefit obligation balances under all of our material plans. If we were to assume a 1% increase or decrease in the expected long-term rate of return, holding the discount rate and other actuarial assumptions constant, pension expense would decrease or increase, respectively, by approximately ¥860 million.

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

If we were to assume a 1% increase in the discount rate, and keep the expected long-term rate of return and other actuarial assumptions constant, pension expense would decrease by approximately ¥898 million. If we were to assume a 1% decrease in the discount rate, and keep other assumptions constant, pension expense would increase by approximately ¥1,015 million.

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

INCOME TAXES

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

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

DISCUSSION WITH AND REVIEW BY THE AUDIT COMMITTEE

Our management discussed the development and selection of each critical accounting estimate with our Audit Committee in June 2010.

RESULTS OF OPERATIONS

GUIDE TO OUR CONSOLIDATED STATEMENT OF INCOME

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

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

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

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

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

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

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

Securities investment activities originated by the Company were extended to group companies, such as our U.S. operations. In addition, a securities company we had acquired as a consolidated subsidiary in the mid-1980s contributed to the growth of our securities-related operations. As a result, gains on investment securities have grown and become one of our major revenue sources. With this background, we determined to present gains on investment securities under a separate income statement caption, together with brokerage commissions, because both gains on investment securities and brokerage commissions were derived from our securities operations.

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

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

Expenses reported under an account caption of other operating expenses are directly associated with the sales and revenues separately reported within other operating revenues. Interest expense is based on funds borrowed mainly to purchase equipment for leases, extend loans and invest in securities and real estate operations, which are revenue-generating assets. We also consider the principal part of selling, general and administrative expenses to be directly related to the generation of revenues. Therefore, they have been included within Total expenses constituting Operating Income. We similarly view the provision for doubtful receivables and probable loan losses to be directly related to our finance activities and accordingly have included it within Total expenses . As our principal operations consist of providing financial products and/or finance-related services to our customers, these expenses are directly related to the potential risks and changes in these products and services. See Year Ended March 31, 2010 Compared to Year Ended March 31, 2009 and Year Ended March 31, 2009 Compared to Year Ended March 31, 2008.

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

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

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YEAR ENDED MARCH 31, 2010 COMPARED TO YEAR ENDED MARCH 31, 2009

Performance Summary

Income Statement Data

	Year ended March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Income statement data:				
Total revenues	¥ 1,053,521	¥ 932,841	¥ (120,680)	(11)
Total expenses	1,000,166	903,270	(96,896)	(10)
Operating income	53,355	29,571	(23,784)	(45)
Income before income taxes, discontinued operations and extraordinary gain	8,687	55,608	46,921	540
Net income attributable to ORIX Corporation	21,924	37,757	15,833	72

Total Revenues

	Year ended March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Total revenues:				
Direct financing leases	¥ 63,349	¥ 50,115	¥ (13,234)	(21)
Operating leases	285,384	277,217	(8,167)	(3)
Interest on loans and investment securities	196,164	135,167	(60,997)	(31)
Brokerage commissions and net gains (losses) on investment securities	(12,330)	23,317	35,647	
Life insurance premiums and related investment income	117,751	115,598	(2,153)	(2)
Real estate sales	71,088	40,669	(30,419)	(43)
Gains on sales of real estate under operating leases	24,346	6,841	(17,505)	(72)
Other operating revenues	307,769	283,917	(23,852)	(8)
Total	¥ 1,053,521	¥ 932,841	¥ (120,680)	(11)

Total revenues in fiscal 2010 decreased 11% to ¥932,841 million compared to ¥1,053,521 million in fiscal 2009. Brokerage commissions and net gains (losses) on investment securities returned to profitability particularly due to improvements in the U.S. bond and equity markets in line with recovery of the domestic and international financial markets. However, revenues from direct financing leases and interest on loans and investment securities decreased compared to fiscal 2009 as a result of stringent selection of transactions. In particular, interest on loans significantly decreased due to a reduction in real estate-related finance and the change in status of ORIX Credit from a consolidated subsidiary to an equity-method affiliate. Gains on sales of real estate under operating leases declined compared to fiscal 2009 as we held back on the sales of real estate under operating leases due to stagnation in the real estate market.

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Total Expenses

	Year ended March 31, 2009	2010	Change Amount	Percent (%)
	(In millions of yen, except percentage data)			
Total expenses:				
Interest expense	¥ 102,522	¥ 82,503	¥ (20,019)	(20)
Costs of operating leases	194,216	192,678	(1,538)	(1)
Life insurance costs	105,899	92,348	(13,551)	(13)
Costs of real estate sales	79,058	46,757	(32,301)	(41)
Other operating expenses	185,121	162,839	(22,282)	(12)
Selling, general and administrative expenses	235,328	223,061	(12,267)	(5)
Provision for doubtful receivables and probable loan losses	77,027	71,532	(5,495)	(7)
Write-downs of long-lived assets	3,673	6,977	3,304	90
Write-downs of securities	18,631	23,637	5,006	27
Foreign currency transaction loss (gain), net	(1,309)	938	2,247	
Total	¥ 1,000,166	¥ 903,270	¥ (96,896)	(10)

Total expenses in fiscal 2010 decreased 10% to ¥903,270 million compared to ¥1,000,166 million in fiscal 2009 due to a decline in costs of real estate sales mainly resulting from a decrease in the number of condominiums sold, a decrease in interest expense resulting from a decrease in interest-bearing liabilities, and a decrease in selling, general and administrative expenses resulting from cost reduction programs.

Operating Income, Income before Income Taxes, Discontinued Operations and Extraordinary Gain, and Net Income Attributable to ORIX Corporation

Operating income in fiscal 2010 decreased 45% to ¥29,571 million from ¥53,355 million in fiscal 2009.

Losses were recorded for equity in net income (loss) of affiliates in the third quarter of fiscal 2009 due to the write-downs caused by losses stemming from the deteriorated financial conditions and decreases in share prices of equity-method affiliates in Japan. A loss was recorded in the first quarter of fiscal 2010 in connection with an affiliate filing for protection under the Corporate Rehabilitation Law. However, equity in net income (loss) of affiliates returned to profitability due to contributions from overseas equity-method affiliates, recording a gain of ¥8,550 million, up from a loss of ¥42,937 million in fiscal 2009. Regarding gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net, gains on sales of subsidiaries were recorded due to a 51% stake of ORIX Credit being transferred to Sumitomo Mitsui Banking Corporation (SMBC) in July 2009 as well as our exchange of 100% of ORIX Securities shares for a 22% stake in Monex Group, Inc. (Monex Group) in January 2010.

As a result of the foregoing, income before income taxes, discontinued operations and extraordinary gain recorded a more than six-fold increase to ¥55,608 million compared to ¥8,687 million in fiscal 2009, and net income attributable to ORIX Corporation increased 72% to ¥37,757 million from ¥21,924 million in fiscal 2009.

Basic and diluted earnings per share in fiscal 2010 were ¥370.52 and ¥315.91, respectively, compared to ¥246.59 and ¥233.81 in fiscal 2009.

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Total Assets

	As of March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment in direct financing leases	¥ 914,444	¥ 756,481	¥ (157,963)	(17)
Installment loans	3,304,101	2,464,251	(839,850)	(25)
Investment in operating leases	1,226,624	1,213,223	(13,401)	(1)
Investment in securities	926,140	1,104,158	178,018	19
Other operating assets	189,560	186,396	(3,164)	(2)
Allowance for doubtful receivables on direct financing leases and probable loan losses	(158,544)	(157,523)	1,021	(1)
Others	1,967,411	2,172,814	205,403	10
Total assets	¥ 8,369,736	¥ 7,739,800	¥ (629,936)	(8)

Total assets in fiscal 2010 decreased 8% to ¥7,739,800 million from ¥8,369,736 million on March 31, 2009. Investment in securities increased mainly in the Retail segment due to the purchase of bonds, but installment loans and investment in direct financing leases decreased due to the stringent selection of new transactions. Furthermore, installment loans decreased as a result of the deconsolidation of ORIX Credit and ORIX Securities as mentioned above. In addition, investment in affiliates increased as a result of ORIX Credit and Monex Group becoming equity-method affiliates.

ORIX Corporation Shareholders Equity, ROE and ROA

ORIX Corporation shareholders equity increased 11% to ¥1,298,684 million compared to fiscal 2009, due to the issuance of common stock in fiscal 2010, resulting in an increase in common stock by ¥41,677 million and an increase in additional paid-in capital by ¥41,347 million.

As a result, ORIX Corporation shareholders equity ratio increased year on year from 13.95% to 16.78%, and ROE and ROA increased year on year from 1.80% to 3.06%, and from 0.25% to 0.47%, respectively.

Details of Operating Results

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

Revenues, New Business Volumes and Investments

Direct financing leases

	As of and for the year ended March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Direct financing leases:				
Direct financing lease revenues	¥ 63,349	¥ 50,115	¥ (13,234)	(21)
Japan	41,682	34,984	(6,698)	(16)
Overseas	21,667	15,131	(6,536)	(30)
New equipment acquisitions	364,734	232,629	(132,105)	(36)
Japan	235,641	157,012	(78,629)	(33)
Overseas	129,093	75,617	(53,476)	(41)
Investment in direct financing leases	914,444	756,481	(157,963)	(17)
Japan	702,254	578,263	(123,991)	(18)
Overseas	212,190	178,218	(33,972)	(16)

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Direct financing lease transactions have continued to decrease as a result of our selective process for choosing only those assets where the risk and return balance is appropriate and an overall business environment in which new equipment acquisitions have been on the decline in Japan. In the automobile leasing area, the volume of new equipment acquisitions has been shrinking in Japan due to our shift towards operating leases. Overseas, new equipment acquisitions have been decreasing as a result of our selective approach to choosing transactions in Asia.

As a result, revenues from direct financing leases in fiscal 2010 decreased 21% compared to fiscal 2009 to ¥50,115 million. In Japan, revenues from direct financing leases were down 16% to ¥34,984 million compared to ¥41,682 million in fiscal 2009. Overseas, revenues were down 30% to ¥15,131 million compared to ¥21,667 million in fiscal 2009.

The average return we earned on direct financing leases in Japan, calculated on the basis of monthly balances, was up slightly at 5.36% in fiscal 2010 compared to 5.25% in fiscal 2009. The average return on overseas direct financing leases, calculated on the basis of monthly balances, decreased to 8.00% in fiscal 2010 from 8.37% in fiscal 2009 due mainly to lower rates in Asia.

New equipment acquisitions related to direct financing leases decreased 36% to ¥232,629 million compared to fiscal 2009. New equipment acquisitions for operations in Japan decreased 33% in fiscal 2010, as a result of our continuing selective approach to new projects. New equipment acquisitions for overseas operations decreased 41% in fiscal 2010.

Investment in direct financing leases as of March 31, 2010 decreased 17% to ¥756,481 million compared to fiscal 2009. Investments in Japan decreased 18% due to stringent selection of transactions, while overseas investments decreased 16% due to a decrease in new equipment acquisitions in Asia.

As of March 31, 2010, no single lessee represented more than 2% of our total portfolio of direct financing leases. As of March 31, 2010, 76% of our direct financing leases were to lessees in Japan, while 24% were overseas lessees. Approximately 5% of our direct financing leases were to lessees in Malaysia and Indonesia. No other overseas country represented more than 5% of our total portfolio of direct financing leases.

	As of March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment in direct financing leases by category:				
Information-related and office equipment	¥ 100,314	¥ 74,113	¥ (26,201)	(26)
Industrial equipment	139,950	102,137	(37,813)	(27)
Commercial services equipment	80,571	54,481	(26,090)	(32)
Transportation equipment	363,314	311,381	(51,933)	(14)
Other equipment	230,295	214,369	(15,926)	(7)
Total	¥ 914,444	¥ 756,481	¥ (157,963)	(17)

Balances for investment in direct financing leases in the tables above do not include lease assets sold in securitizations. However, gains and losses from securitization are included in direct financing lease revenues. During fiscal 2009 and 2010, we sold ¥37,889 million and ¥27,974 million, respectively, of direct financing lease assets (all of which were in Japan) through securitizations that were treated as sales transactions. The securitization of these assets produced a loss of ¥365 million and a gain of ¥331 million for fiscal 2009 and 2010, respectively, which were included in direct financing lease revenues. The balance of direct financing lease assets treated as sales transactions amounted to

¥222,945 million as of March 31, 2009 and ¥146,337 million as of March 31, 2010. If assets sold in securitizations were included, the total balance of investment in direct financing leases would be ¥1,137,389 million as of March 31, 2009 and ¥902,818 million as of March 31, 2010. For more information on securitization, see Note 10 of Item 18. Financial Statements.

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Asset quality of our owned direct financing leases

	As of March 31,	
	2009	2010
	(In millions of yen, except percentage data)	
90+ days past-due direct financing leases and allowances for direct financing leases:		
90+ days past-due direct financing leases	¥ 27,949	¥ 25,682
90+ days past-due direct financing leases as a percentage of the balance of investment in direct financing leases	3.06%	3.39%
Provisions as a percentage of average balance of investment in direct financing leases (1)	0.93%	0.58%
Allowance for direct financing leases	¥ 27,540	¥ 23,969
Allowance for direct financing leases as a percentage of the balance of investment in direct financing leases	3.01%	3.17%

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

The balance of 90+ days past-due direct financing leases decreased by ¥2,267 million to ¥25,682 million compared to the previous fiscal year. As a result, the ratio of 90+ days past-due direct financing leases increased by 0.33% from the previous fiscal year to 3.39%.

We believe that the ratio of allowance for doubtful receivables as a percentage of the balance of investment in direct financing leases is a reasonable indication that our allowance for doubtful receivables was adequate as of March 31, 2010 for the following reasons:

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

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

The ratio of charge-offs as a percentage of the average balance of investment in direct financing leases was 0.70% and 1.06% for fiscal 2009 and 2010, respectively.

Operating leases

	As of and for the year ended March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Operating leases:				
Operating lease revenues	¥ 285,384	¥ 277,217	¥ (8,167)	(3)
Japan	217,688	221,326	3,638	2
Overseas	67,696	55,891	(11,805)	(17)
New equipment acquisitions	426,715	189,915	(236,800)	(55)

Japan	366,336	161,391	(204,945)	(56)
Overseas	60,379	28,524	(31,855)	(53)
Investment in operating leases	1,226,624	1,213,223	(13,401)	(1)
Japan	1,086,967	1,083,284	(3,683)	(0)
Overseas	139,657	129,939	(9,718)	(7)

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Revenues from operating leases decreased 3% to ¥277,217 million compared to ¥285,384 million in the previous fiscal year. In Japan, despite a sluggish secondary automobile market and weakened demand for operating leases due to the economic downturn in the automobile leasing and the precision measuring and other equipment rental businesses, operating lease revenues slightly increased 2% to ¥221,326 million compared to ¥217,688 million in the previous fiscal year, in connection to an increase in real estate collateral acquired from non-recourse loans in order to maximize collections. Overseas, operating lease revenues were down 17% to ¥55,891 million compared to ¥67,696 million for the previous fiscal year due to a decline in the balance of investment of aircraft leases, as well as the foreign exchange effects of an appreciated yen. In fiscal 2009 and 2010, gains from the disposition of operating lease assets other than real estate were ¥11,426 million and ¥7,552 million, respectively, and are included in operating lease revenues.

New equipment acquisitions related to operating leases decreased 55% to ¥189,915 million compared to the previous fiscal year. New equipment acquisitions by operations in Japan were down year on year by 56% to ¥161,391 million, as the result of a decrease in the purchase of real estate properties. New equipment acquisitions by overseas operations also decreased 53% year on year to ¥28,524 million, due to a decrease in the purchase of transportation equipments.

Investment in operating leases decreased 1% to ¥1,213,223 million compared to the previous fiscal year. In Japan, these investments were flat compared to the previous fiscal year. Overseas, these investments decreased 7% year on year, due to a decline in transportation equipments such as aircrafts and automobile leases.

	As of March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment in operating leases by category:				
Transportation equipment	¥ 388,028	¥ 358,227	¥ (29,801)	(8)
Measuring and information-related equipment	62,303	51,170	(11,133)	(18)
Real estate	754,345	782,272	27,927	4
Other	5,490	4,305	(1,185)	(22)
Accrued rental receivables	16,458	17,249	791	5
Total	¥ 1,226,624	¥ 1,213,223	¥ (13,401)	(1)

Investment in transportation equipment operating leases fell 8% year on year due to decreases in investments in aircraft and automobile leases both in Japan and overseas. Investment in measuring and information-related equipment operating leases fell 18% year on year, mainly because of a decrease in assets in Japan in connection with weakened demand for operating leases. Investment in real estate under operating leases slightly rose 4% year on year, in line with an increase in real estate collateral acquired from non-recourse loans in Japan in order to maximize collections by capitalizing on our real estate value chain as described above.

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Installment loans and investment securities

Installment loans

	As of and for the year ended March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Installment loans:				
Interest on installment loans [1]	¥ 172,406	¥ 114,731	¥ (57,675)	(33)
Japan	144,616	96,121	(48,495)	(34)
Overseas	27,790	18,610	(9,180)	(33)
New loans added	1,055,014	598,046	(456,968)	(43)
Japan	975,315	552,312	(423,003)	(43)
Overseas	79,699	45,734	(33,965)	(43)
Installment loans	3,304,101	2,464,251	(839,850)	(25)
Japan	2,967,475	2,207,943	(759,532)	(26)
Overseas	336,626	256,308	(80,318)	(24)

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

In Japan, although we have been focusing on loans to corporate clients in the Corporate Financial Services and Investment Banking segments, we have maintained a cautious approach for new transactions which we adopted in the second half of fiscal 2008 due to economic uncertainty. In addition, during fiscal 2010 we reduced the loans to real estate companies and changed the status of ORIX Credit (that comprised a large portion of revenues) from a consolidated subsidiary to an equity-method affiliate. As a result, revenues decreased compared to the previous fiscal year in line with the decline in the amount of installment loans outstanding. Overseas, we have also reduced new transactions due to a more cautious approach to new transactions similar to the approach we adopted in Japan. Foreign exchange effects of an appreciated yen also contributed to the decrease in revenues compared to fiscal 2009.

Interest on installment loans decreased 33% compared with the previous fiscal year to ¥114,731 million in fiscal 2010. In Japan, interest on installment loans decreased 34% compared to the previous fiscal year as presented above, and overseas, decreased 33% in fiscal 2010, primarily due to lower market interest rates in the United States, in addition to the above.

The average interest rate earned on loans in Japan, calculated on the basis of monthly balances, decreased to 3.84% in fiscal 2010 compared to 4.36% in fiscal 2009, primarily due to the change in the status of ORIX Credit from a consolidated subsidiary to an equity-method affiliate. The average interest rate earned on overseas loans, calculated on the basis of monthly balances, decreased to 6.53% in fiscal 2010 from 7.72% in fiscal 2009, primarily due to a decline in prevailing market interest rates in the United States.

New loans added decreased 43% to ¥598,046 million in fiscal 2010 as compared to the previous fiscal year, primarily due to our cautious approach for new transactions in Japan and overseas, and the change in the status of ORIX Credit from a consolidated subsidiary to an equity-method affiliate, in addition to the foreign exchange effects of an appreciated yen.

The balance of installment loans as of March 31, 2010 decreased 25% to ¥2,464,251 million compared to the March 31, 2009. The balance of installment loans for borrowers in Japan fell by 26%, and the balance of installment loans for overseas customers decreased 24%, due to a more cautious approach to new transactions in the United States, as well as the foreign exchange effects of an appreciated yen. As of March 31, 2010, 90% of our installment loans were to borrowers in Japan, while 8% were to borrowers in the United States.

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The table below sets forth the balances as of March 31, 2009 and 2010 of our installment loans to borrowers in Japan and overseas, further categorized by the type of borrower (i.e., consumer or corporate) in the case of borrowers in Japan. As of March 31, 2010, ¥99,011 million, or 5%, of our portfolio of installment loans to consumer and corporate borrowers in Japan related to our life insurance operations. We reflect income from these loans as life insurance premiums and related investment income in our consolidated statements of income.

	As of March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Installment loans:				
Consumer borrowers in Japan				
Housing loans	¥ 702,788	¥ 731,184	¥ 28,396	4
Card loans	337,403		(337,403)	
Other	45,081	13,663	(31,418)	(70)
Subtotal	1,085,272	744,847	(340,425)	(31)
Corporate borrowers in Japan				
Real estate companies	651,597	447,181	(204,416)	(31)
Commercial, industrial and other companies	1,097,086	904,729	(192,357)	(18)
Subtotal	1,748,683	1,351,910	(396,773)	(23)
Total (Japan)	2,833,955	2,096,757	(737,198)	(26)
Overseas corporate, industrial and other borrowers	321,162	244,521	(76,641)	(24)
Purchased loans [(1)]	148,984	122,973	(26,011)	(17)
Total	¥ 3,304,101	¥ 2,464,251	¥ (839,850)	(25)

(1) Purchased loans represent loans with evidence of deterioration of credit quality since origination and for which it is probable at acquisition that collection of all contractually required payments from the debtors is unlikely in accordance with ASC 310-30 (Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality) and consist mainly of housing loans, loans to real estate companies and commercial, industrial and other companies in Japan.

As of March 31, 2010, ¥463,895 million, or 19%, of all installment loans were outstanding to real estate companies in Japan and overseas. Of this amount, ¥155,114 million, or 6% of all installment loans, was loans individually evaluated for impairment. We calculated an allowance of ¥53,433 million on these impaired loans. As of March 31, 2010, we had installment loans outstanding in the amount of ¥167,359 million, or 7% of all installment loans, to companies in the entertainment industry. Of this amount, ¥29,586 million, or 1% of all installment loans, was loans individually evaluated for impairment. We calculated an allowance of ¥3,869 million on these impaired loans.

The balance of loans to consumer borrowers in Japan as of March 31, 2010 decreased by 31% to ¥744,847 million compared to the balance as of March 31, 2009, due to a decrease in card loans to customers as a result of the change in the status of ORIX Credit from a consolidated subsidiary to an equity-method affiliate, despite an increase in housing loans. The balance of loans to corporate borrowers in Japan as of March 31, 2010 decreased by 23%, to ¥1,351,910 million, compared to the balance as of March 31, 2009, primarily due to decreased loans to real estate companies.

Balances of installment loans in the tables above do not include assets sold in securitizations. However, the amount of interest on installment loans includes gains from the securitization of installment loans. We sold ¥5,258 million of installment loans through securitizations, which were treated as sales transactions, in fiscal 2009. We did not sell installment loans through securitizations, which were treated as sales transactions, in fiscal 2010. Gains from the securitization of loans of ¥132 million were included in interest on installment loans in

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fiscal 2009. The balance of installment loans treated as sales transactions amounted to ¥130,565 million and ¥111,317 million as of March 31, 2009 and 2010, respectively. If loans sold in securitizations were included, the total balance of installment loans would be ¥3,434,666 million and ¥2,575,568 million as of March 31, 2009 and 2010, respectively. For more information on securitization, see Note 10 in Item 18. Financial Statements.

Asset quality of our owned installment loans

We classify past-due installment loans into two categories: installment loans individually evaluated for impairment and 90+ days past-due loans not individually evaluated for impairment.

	As of March 31, 2009	As of March 31, 2010
	(In millions of yen)	
Loans individually evaluated for impairment:		
Impaired loans	¥ 449,705	¥ 348,143
Impaired loans requiring a valuation allowance	262,145	268,145
Valuation allowance [(1)]	89,236	100,255

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

New provision for probable loan losses was ¥55,140 million in fiscal 2009 and ¥57,615 million in fiscal 2010, and charge-off of impaired loans was ¥3,726 million in fiscal 2009 and ¥42,705 million in fiscal 2010. New provision for probable loan losses increased by ¥2,475 million compared to fiscal 2009. Charge-off of impaired loans increased by ¥38,979 million compared to fiscal 2009 due to our collection of impaired loan receivables through sales of real estate collateral and our determination that prospects for further recovery from the obligor are minimal.

The table below sets forth the outstanding balances of impaired loans by region and type of borrower. Consumer loans in Japan primarily consist of restructured smaller-balance homogeneous loans individually evaluated for impairment. Impaired loans decreased in fiscal 2010 mainly due to a decrease in impaired corporate loans for real estate companies in Japan.

	As of March 31, 2009	As of March 31, 2010
	(In millions of yen)	
Impaired loans:		
Consumer borrowers in Japan	¥ 23,388	¥ 8,996
Corporate borrowers in Japan		
Real estate companies	215,309	152,455
Commercial, industrial and other companies	181,488	141,406
Subtotal	396,797	293,861
Overseas corporate, industrial and other borrowers	12,870	21,265
Purchased loans	16,650	24,021

Total	¥ 449,705	¥ 348,143

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The table below sets forth information as to past-due loans which are not individually significant and accordingly are evaluated for impairment as a homogeneous group.

	As of March 31, 2009	As of March 31, 2010
	(In millions of yen, except percentage data)	
90+ days past-due loans and allowance for installment loans:		
90+ days past-due loans not individually evaluated for impairment	¥ 17,860	¥ 12,321
90+ days past-due loans not individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.63%	0.58%
Provisions as a percentage of average balance of installment loans [(1)]	0.38%	0.37%
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment	¥ 41,768	¥ 33,299
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	1.46%	1.57%

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

The balance of 90+ days past-due loans not individually evaluated for impairment decreased by 31% in fiscal 2010, principally due to a decrease in 90+ days past-due loans in card loans as a result of the change in the status of ORIX Credit from a consolidated subsidiary to an equity-method affiliate.

	As of March 31, 2009	As of March 31, 2010
	(In millions of yen)	
90+ days past-due loans not individually evaluated for impairment:		
Consumer borrowers in Japan		
Housing loan	¥ 10,641	¥ 12,025
Card loans and other	7,211	279
Overseas corporate, industrial and other borrowers	8	17
Total	¥ 17,860	¥ 12,321

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

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

We believe that the level of the allowance as of March 31, 2010 was adequate because we expect to recover a portion of the outstanding balance for 90+ days past-due loans not individually evaluated for impairment primarily because many of our 90+ days past-due loans are housing loans, which are ordinarily made to a diverse group of individuals who we believe generally have a higher credit rating than the population at-large.

The ratio of charge-offs as a percentage of the average balance of installment loans was 0.27% and 0.26% for fiscal 2009 and 2010, respectively.

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Investment securities

We maintain a sizeable portfolio of various investment securities. Our life insurance operations account for approximately 26% of our total investment in securities as of March 31, 2010, and those mainly consist of investments in yen-denominated, fixed-rate corporate debt securities and Japanese government bonds held as held-to-maturity securities.

	As of March 31, 2009		
	Life insurance	Other	Total
	(In millions of yen)		
Investment securities:			
Trading securities	¥	¥ 7,410	¥ 7,410
Available-for-sale debt securities	207,703	476,039	683,742
Available-for-sale equity securities	5,505	40,026	45,531
Other securities [1]	15,974	173,483	189,457
Total	¥ 229,182	¥ 696,958	¥ 926,140

	As of March 31, 2010		
	Life insurance	Other	Total
	(In millions of yen)		
Investment securities:			
Trading securities	¥	¥ 49,596	¥ 49,596
Available-for-sale debt securities	245,133	515,521	760,654
Available-for-sale equity securities	495	84,085	84,580
Held-to-maturity securities	43,732		43,732
Other securities [1]	1,678	163,918	165,596
Total	¥ 291,038	¥ 813,120	¥ 1,104,158

(1) Other securities consist mainly of non-marketable equity securities, preferred capital shares and investment funds.

We present income from investments in separate lines of our consolidated statements of income, depending upon whether the security is held in connection with our life insurance operations.

Interest earned on interest-earning securities held in connection with operations other than life insurance is reflected in our consolidated statements of income as interest on loans and investment securities. Non-interest income and losses (other than foreign currency transaction gains or losses) recognized on securities held in connection with operations other than life insurance are reflected in our consolidated statements of income as brokerage commissions and net gains (losses) on investment securities. All income and losses recognized on securities held in connection with life insurance operations are reflected in our consolidated statements of income as life insurance premiums and related investment income.

Change

	As of and for the year ended March 31, 2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment securities:				
Interest on investment securities	¥ 23,758	¥ 20,436	¥ (3,322)	(14)
Japan	15,554	13,311	(2,243)	(14)
Overseas	8,204	7,125	(1,079)	(13)
New securities added	374,614	519,769	145,155	39
Japan	298,490	450,304	151,814	51
Overseas	76,124	69,465	(6,659)	(9)
Investment in securities	926,140	1,104,158	178,018	19
Japan	812,716	940,938	128,222	16
Overseas	113,424	163,220	49,796	44

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Interest on investment securities other than those held in connection with our life insurance operations in Japan decreased 14% to ¥13,311 million in fiscal 2010 primarily due to a lower average balance of bonds such as specified bonds issued by SPEs in Japan because of stringent selection of new transactions and enhanced collections. Overseas interest on investment securities also decreased 13% to ¥7,125 million in fiscal 2010 primarily due to the foreign exchange effects of an appreciated yen. The average interest rate earned on investment securities in Japan, calculated on a monthly basis, was 2.59% in fiscal 2010 compared to 2.83% in fiscal 2009. The average interest rate earned on overseas investment securities, calculated on a monthly basis, declined to 7.05% in fiscal 2010 compared to 8.73% in fiscal 2009.

New securities added increased 39% to ¥519,769 million in fiscal 2010 primarily due to recovery trend in financial and capital markets and rearrangement of our investment portfolios. New securities added in Japan increased 51% in fiscal 2010. On the other hand, new securities added overseas decreased 9% primarily due to a necessity of a cautious monitoring of investment even though the financial and capital markets tend to be improved in the United States.

The balance of our investment in securities as of March 31, 2010 increased 19% to ¥1,104,158 million compared to fiscal 2009. The balance of our investment in securities in Japan increased 16% primarily due to an investment in Japanese governmental bonds by life insurance business for the purpose of held-to-maturity and an investment in debt securities by trust banking, increasing fair value of investment in securities in accordance with recovery of domestic financial and capital markets. The balance of our investment in securities overseas also increased 44% mainly due to increasing fair value of investment in securities in accordance with recovery of financial and capital markets in the United States.

	As of March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment in securities by security type:				
Trading securities	¥ 7,410	¥ 49,596	¥ 42,186	569
Available-for-sale securities	729,273	845,234	115,961	16
Held-to-maturity securities		43,732	43,732	
Other securities	189,457	165,596	(23,861)	(13)
Total	¥ 926,140	¥ 1,104,158	¥ 178,018	19

Investments in trading securities increased to ¥49,596 million in fiscal 2010 primarily due to increasing balances of municipal bonds and increasing fair value of investment in securities in accordance with recovery of financial and capital markets in the United States. Investments in available-for-sale securities increased 16% in fiscal 2010 primarily due to decreased balances of debt securities containing comparatively high risk such as specified bonds issued by SPEs in Japan and increased balances of government and municipal bonds, which have relatively lower risk As of March 31, 2010, CMBS and RMBS in available-for-sale securities in the United States were ¥63,960 million as compared to ¥72,054 million as of March 31, 2009. Life insurance business started to invest in Japanese government bonds as held-to-maturity securities in fiscal 2010. Other securities decreased 13% in fiscal 2010 mainly due to an increase of new execution of fund investment in accordance with recovery of financial and capital markets overseas, an increase of redemption of preferred capital shares carried at cost in Japan and a decline in the value of non-marketable equity securities, preferred capital shares, and private equity funds.

The above table does not include assets sold in securitizations. There were no sales of investment securities through securitizations in fiscal 2009 and fiscal 2010. The balance of investment securities treated as sales transactions amounted to ¥45,145 million and ¥31,123 million in fiscal 2009 and 2010, respectively. For more information on securitization, see Note 10 in Item 18. Financial Statements.

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

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Brokerage commissions and net gains (losses) on investment securities

All non-interest income and losses (other than foreign currency transaction gains or losses) that we recognize on securities held in connection with operations other than life insurance are reflected in our consolidated statements of income as brokerage commissions and net gains (losses) on investment securities.

	Year ended March 31, 2009	Year ended March 31, 2010	Change Amount	Change Percent (%)
	(In millions of yen, except percentage data)			
Brokerage commissions and net gains (losses) on investment securities:				
Brokerage commissions	¥ 5,025	¥ 3,418	¥ (1,607)	(32)
Net gains (losses) on investment securities	(22,088)	14,826	36,914	
Dividends income	4,733	5,073	340	7
Total	¥ (12,330)	¥ 23,317	¥ 35,647	

We recorded brokerage commissions and net gains (losses) on investment securities of gains of ¥23,317 million in fiscal 2010, compared to losses of ¥12,330 million in fiscal 2009. Our brokerage commissions decreased 32% primarily due to the deconsolidation of ORIX Securities in January 2010. Subsequently, income from the deconsolidated business is recorded as equity in net income (loss) of affiliates. Net gains (losses) on investment securities were gains of ¥14,826 million in fiscal 2010, compared to losses of ¥22,088 million in fiscal 2009, primarily due to revaluation gains from trading debt securities in the United States in accordance with a recovery of the domestic and international financial markets. Dividends income also increased 7% to ¥5,073 million in fiscal 2010 compared to fiscal 2009, primarily due to an increase in distributions from SPEs that invest in real estate.

As of March 31, 2010, gross unrealized gains on available-for-sale securities, including those held in connection with our life insurance operations, were ¥29,399 million, compared to ¥18,767 million as of March 31, 2009. As of March 31, 2010, gross unrealized losses on available-for-sale securities, including those held in connection with our life insurance operations, were ¥17,354 million, compared to ¥27,490 million as of March 31, 2009. Unrealized gains increased primarily due to recovery in the domestic securities market in Japan and overseas and a result of stringent selection of transactions.

Life insurance premiums and related investment income

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

	Year ended March 31, 2009	Year ended March 31, 2010	Change Amount	Change Percent (%)
	(In millions of yen, except percentage data)			
Life insurance premiums and related investment income:				
Life insurance premiums	¥ 115,214	¥ 104,133	¥ (11,081)	(10)
Life insurance-related investment income	2,537	11,465	8,928	352

Total.	¥ 117,751	¥ 115,598	¥ (2,153)	(2)

Life insurance premiums and related investment income decreased 2% to ¥115,598 million in fiscal 2010 compared to fiscal 2009. Life insurance premiums decreased 10%, and life insurance-related investment income increased 352% in fiscal 2010.

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The margin ratio, which subtracted life insurance costs from life insurance premiums increased to 11% in fiscal 2010 compared with 8% in fiscal 2009.

	As of March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investments by ORIX Life Insurance:				
Available-for-sale debt securities	¥ 207,703	¥ 245,133	¥ 37,430	18
Available-for-sale equity securities	5,505	495	(5,010)	(91)
Held-to-maturity securities		43,732	43,732	
Other securities	15,974	1,678	(14,296)	(89)
Total investment in securities	229,182	291,038	61,856	27
Installment loans and other investments	197,356	174,297	(23,059)	(12)
Total	¥ 426,538	¥ 465,335	¥ 38,797	9

Investments in securities increased 27% to ¥291,038 million in fiscal 2010 as the result of increased acquisitions of held-to-maturity securities and an increase in the market value of the securities. On the other hand, installment loans and other investments decreased 12% year on year due to enhanced collection of principal of installment loans.

	As of March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Breakdown of life insurance-related investment income:				
Net gains (losses) on investment securities	¥ (1,280)	¥ 2,228	¥ 3,508	
Interest on loans and investment securities, and others	3,817	9,237	5,420	142
Total	¥ 2,537	¥ 11,465	¥ 8,928	352

Life insurance-related investment income was up 352% due to a decrease in investment securities-related losses recorded in the previously fiscal year in line with recovery in the real estate investment trust market in Japan.

For further information on life insurance operations, see Note 23 of Item 18. Financial Statements.

Real estate sales

	Year ended March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Real estate sales:				
Real estate sales	¥ 71,088	¥ 40,669	¥ (30,419)	(43)

Real estate sales were down 43% year on year to ¥40,669 million and the number of condominiums sold to buyers in Japan decreased from 1,828 units in fiscal 2009 to 856 units in fiscal 2010, due to a decline in new developments since the second half of 2007 due to weak demand.

Gains on sales of real estate under operating leases

	Year ended March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Gains on sales of real estate under operating leases:				
Gains on sales of real estate under operating leases	¥ 24,346	¥ 6,841	¥ (17,505)	(72)

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Gains on sales of real estate under operating leases decreased 72% year on year to ¥6,841 million in fiscal 2010 as sales of real estate under operating leases were held back in the still-weak real estate market, although signs of market recovery are starting to emerge.

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

Other operating revenues

	As of and for the year ended March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Other operations:				
Other operating revenues	¥ 307,769	¥ 283,917	¥ (23,852)	(8)
Japan	255,442	216,124	(39,318)	(15)
Overseas.	52,327	67,793	15,466	30
New assets added	76,269	24,186	(52,083)	(68)
Japan	76,269	24,186	(52,083)	(68)
Overseas				
Other operating assets	189,560	186,396	(3,164)	(2)
Japan	185,872	182,022	(3,850)	(2)
Overseas	3,688	4,374	686	19

Other operating revenues decreased 8% year on year to ¥283,917 million. In Japan, revenues were down 15% to ¥216,124 million compared to ¥255,442 million in fiscal 2009, mainly due to the transfer of our consolidated subsidiary ORIX Facilities Corporation to an affiliate in fiscal 2009 and reductions in revenues from the vehicle maintenance and management services in fiscal 2010. Overseas, revenues were up 30% to ¥67,793 million, compared to ¥52,327 million during fiscal 2009, due to an increase in revenues from advisory services in the United States and from ship-related finance in Asia.

New assets added for other operating transactions were down 68% to ¥24,186 million in fiscal 2010 due to strict controls on the selection of new transactions. Other operating transactions include other operating assets and real estate for sale, such as residential condominiums and commercial real estate.

Other operating assets decreased 2% to ¥186,396 million in fiscal 2010.

Expenses

Interest expense

Interest expense declined 20% to ¥82,503 million compared to fiscal 2009. Our total outstanding short-term debt, long-term debt and deposits declined 11% to ¥5,263,104 million compared to fiscal 2009 as a result of continued reductions of our interest-bearing liabilities.

The average interest rate on our short-term and long-term debt in Japan, calculated on the basis of average monthly balances, decreased to 1.36% in fiscal 2010, compared to 1.40% in fiscal 2009, due to lower interest rates. The average interest rate on our short-term and long-term overseas debt, calculated on the basis of average monthly balances, decreased to 3.04% in fiscal 2010 from 4.13% in fiscal 2009 primarily reflecting lower interest rates in the United States. For information regarding interest rate risk, see Item 3. Key Information Risk Factors.

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Costs of operating leases

Costs of operating leases decreased 1% to ¥192,678 million compared to the previous fiscal year. In Japan, costs of operating leases increased 3% to ¥154,476 million compared to the previous fiscal year due to increased depreciation expenses mainly caused by conservative residual value estimates, reflecting the sluggish secondary automobile market, as well as increased depreciation and other related expenses in line with an increased real estate under operating leases. Overseas, costs of operating leases decreased 14% to ¥38,202 million compared to the previous fiscal year, because of a decrease in number of new transaction and the foreign exchange effects of an appreciated yen.

Life insurance costs

Life insurance costs in fiscal 2010 decreased 13% to ¥92,348 million, corresponding to a decrease in life insurance premiums.

Costs of real estate sales

To minimize risk, new land purchases have been suspended since September 2007 and new projects have been rescheduled since the fiscal year ended March 31, 2008.

Costs of real estate sales decreased 41% to ¥46,757 million compared to the previous fiscal year due to a decrease in the number of condominiums sold to buyers in Japan, and less write-downs recorded on some projects under development in the previous year. We also recorded ¥10,911 million and ¥7,115 million of write-downs for fiscal 2009 and 2010. Costs of real estate sales include the upfront costs associated with advertising and creating model rooms. Margins recorded a loss of ¥6,088 million in fiscal 2010 up slightly from a loss of ¥7,970 million in fiscal 2009 due to aforementioned write-downs, despite decrease in the recognition of a fall in profitability.

Other operating expenses

Other operating expenses were down 12% year on year to ¥162,839 million resulting from the recognition of expenses from companies in which we transferred in the previous fiscal year and correlate with the decrease in other operating revenues.

Selling, general and administrative expenses

	Year ended March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Selling, general and administrative expenses:				
Personnel expenses	¥ 133,092	¥ 134,451	¥ 1,359	1

Selling expenses	28,096	19,240	(8,856)	(32)
Administrative expenses	70,421	66,218	(4,203)	(6)
Depreciation of office facilities	3,719	3,152	(567)	(15)
Total	¥ 235,328	¥ 223,061	¥ (12,267)	(5)

Employee salaries and other personnel expenses account for approximately 60% of selling, general and administrative expenses, and the remaining portion consists of selling and other general and administrative expenses, such as rent for office spaces, communication expenses and travel expenses. Selling, general and administrative expenses in fiscal 2010 decreased 5% year on year, due to internal cost reduction programs, despite an increase in personnel expenses in certain subsidiaries.

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Provision for doubtful receivables and probable loan losses

We make provisions for doubtful receivables and probable loan losses for direct financing leases and installment loans. New provisions for doubtful receivables and probable loan losses in fiscal 2010 decreased 7% as compared to the previous year. Provisions for direct financing leases decreased 50% compared to fiscal 2009. Provisions for loans not individually evaluated for impairment decreased 26% due to a decrease in provision for card loans as a result of the change in the status of ORIX Credit from a consolidated subsidiary to an equity-method affiliate. Provisions for loans individually evaluated for impairment increased 4%.

	Year ended March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Provision for doubtful receivables on direct financing leases and probable loan losses:				
Beginning balance	¥ 102,007	¥ 158,544	¥ 56,537	55
Direct financing leases	25,481	27,540	2,059	8
Loans not individually evaluated for impairment	38,445	41,768	3,323	9
Loans individually evaluated for impairment	38,081	89,236	51,155	134
Provisions charged to income	77,027	71,532	(5,495)	(7)
Direct financing leases	9,524	4,807	(4,717)	(50)
Loans not individually evaluated for impairment	12,363	9,110	(3,253)	(26)
Loans individually evaluated for impairment	55,140	57,615	2,475	4
Charge-offs (net)	(19,731)	(57,797)	(38,066)	193
Direct financing leases	(7,232)	(8,744)	(1,512)	21
Loans not individually evaluated for impairment	(8,773)	(6,348)	2,425	(28)
Loans individually evaluated for impairment	(3,726)	(42,705)	(38,979)	1,046
Other [1]	(759)	(14,756)	(13,997)	1,844
Direct financing leases	(233)	366	599	(257)
Loans not individually evaluated for impairment	(267)	(11,231)	(10,964)	4,106
Loans individually evaluated for impairment	(259)	(3,891)	(3,632)	1,402
Ending balance	158,544	157,523	(1,021)	(1)
Direct financing leases	27,540	23,969	(3,571)	(13)
Loans not individually evaluated for impairment	41,768	33,299	(8,469)	(20)
Loans individually evaluated for impairment	89,236	100,255	11,019	12

(1) Other includes foreign currency translation adjustments, amounts reclassified to discontinued operations and decrease in allowance related to sales of subsidiary.

Write-downs of long-lived assets

As a result of the impairment reviews we performed for long-lived assets in Japan and overseas such as golf courses, office buildings, commercial facilities, condominiums, and hotels in accordance with ASC 360-10 (Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets), we recorded write-downs totaling ¥9,483 million in fiscal 2010, an increase of 148% compared to fiscal 2009, which are reflected as write-downs of long-lived assets and income from discontinued operations, net. ¥6,977 million is reflected as write-downs of long-lived assets in the accompanying consolidated statements of income. During fiscal 2010, we recorded impairment losses of ¥1,025 million on four office buildings and ¥1,461 million on four commercial facilities other than office mainly because the carrying amounts exceeded the estimated undiscounted future cash flows, and ¥2,451 million for 43 condominiums primarily in connection to a change in status of such condominiums from held and used to held for sale.

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

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

Write-downs of securities

Write-downs of securities for fiscal 2010 were mainly in connection with non-marketable equity securities and preferred capital shares carried at cost. In fiscal 2010, write-downs increased 27% from ¥18,631 million in fiscal 2009 to ¥23,637 million in fiscal 2010. For information regarding the impairment of investment in securities, see Item 5. Operating and Financial Review and Prospects Critical Accounting Policies and Estimates and Note 9 of Item 18. Financial Statements.

Foreign currency transaction loss (gain), net

We recognized a foreign currency transaction net loss in the amount of ¥938 million in fiscal 2010. For information on the impact of foreign currency fluctuations, see Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Equity in net income (loss) of affiliates

Equity in net income (loss) of affiliates was a gain of ¥8,550 million, up from a loss of ¥42,937 million in fiscal 2009. The loss recorded in fiscal 2009 was due to the write-downs stemming from the deteriorated financial condition and decreases in share prices of equity-method affiliates in Japan. In fiscal 2010, the recorded gain was due to contributions from overseas equity method affiliates, despite an affiliate having filed for protection under the Corporate Rehabilitation Law. Net income from residential condominiums developed through certain joint ventures in Japan decreased to ¥3,567 million from ¥12,527 million for fiscal 2009.

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

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

Gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net was ¥17,487 million in fiscal 2010, up from a loss of ¥1,731 million in fiscal 2009, chiefly due to the gain on the sales of the portion of the ownership interest of ORIX Credit transferred and the remeasurement to fair value of the interest retained by us and the gain on the sale of ORIX Securities by means of a share exchange for a stake in

Monex Group in fiscal 2010, as well as the absence of loss on our shareholdings in The Fuji Fire and Marine Insurance Co., Ltd (Fuji Fire) resulting from the dilution caused by the issuance and sale of shares to a third party which were recorded in fiscal 2009.

Provision for income taxes

Provision for income taxes in fiscal 2010 was ¥23,353 million, compared to a reversal of ¥2,675 million mainly due to the effects of the revision of the Japanese taxation system in fiscal 2009.

In March 2009, the Japanese tax code was revised to reduce the taxes on dividends of foreign subsidiaries by 95%, which resulted in a substantial reduction of our taxes in fiscal 2009. Prior to the 2009 revision, dividends received from foreign subsidiaries were taxed at a rate based on the differences between the Japanese tax rate and applicable income tax rates in the foreign countries. Consequently, deferred tax liabilities related to such additional tax for undistributed earnings of foreign subsidiaries had been recognized except for those earnings designated as indefinitely reinvested. In fiscal 2009, we reversed deferred tax liabilities except for the amount which continued to be taxed under the revised tax code.

As part of our capital allocation plans going forward, we made a decision that for certain foreign subsidiaries where we had not recognized deferred tax liabilities we will no longer reinvest undistributed earnings indefinitely in fiscal 2009. Accordingly, we have recognized deferred tax liabilities for the relevant subsidiaries since fiscal 2009, according to the revised tax code.

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

Discontinued operations

We apply ASC 205-20 (Presentation of Financial Statements Discontinued Operations). Under ASC 205-20, the scope of discontinued operations includes operating results of any component of an entity with its own identifiable operations and cash flow and in which operations we will not have significant continuing involvement. Income from discontinued operations, net refers to net income from the sale or disposal by sale of subsidiaries, business units and real estate under operating leases in which we no longer have significant continuing involvement. Discontinued operations, net of applicable tax effect, decreased 30% compared to the previous fiscal year to ¥8,682 million in fiscal 2010 primarily due to lower gains on sales of real estate under operating leases in Japan.

Net income attributable to the noncontrolling interests

Net income attributable to the noncontrolling interests was recorded as a result of noncontrolling interests in earnings of our subsidiaries. In fiscal 2010, net income attributable to the noncontrolling interests decreased 40% year on year to ¥704 million compared to fiscal 2009.

Net income attributable to the redeemable noncontrolling interests

Net income attributable to the redeemable noncontrolling interests was recorded as a result of noncontrolling interests in the earnings of certain subsidiary that issued redeemable stock. In fiscal 2010, net income attributable to the redeemable noncontrolling interests increased 255% year on year to ¥2,476 million.

Segment Information

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

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

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

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	Year ended March 31, 2009	2010	Change Amount	Percent (%)
	(In millions of yen, except percentage data)			
Segment Revenues [1]				
Corporate Financial Services	¥ 137,712	¥ 113,652	¥ (24,060)	(17)
Maintenance Leasing	235,953	222,952	(13,001)	(6)
Real Estate	270,027	189,530	(80,497)	(30)
Investment Banking	94,645	89,560	(5,085)	(5)
Retail	183,307	155,917	(27,390)	(15)
Overseas Business	167,635	185,906	18,271	11
Total	1,089,279	957,517	(131,762)	(12)
Difference between Segment Total and Consolidated Amounts	(35,758)	(24,676)	11,082	
Total Consolidated Revenues	¥ 1,053,521	¥ 932,841	¥ (120,680)	(11)

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

	Year ended March 31, 2009	2010	Change Amount	Percent (%)
	(In millions of yen, except percentage data)			
Segment Profits [1]**:**				
Corporate Financial Services	¥ (10,451)	¥ (17,581)	¥ (7,130)	
Maintenance Leasing	25,621	21,742	(3,879)	(15)
Real Estate	50,508	9,413	(41,095)	(81)
Investment Banking	(63,397)	(11,960)	51,437	
Retail	9,573	31,104	21,531	225
Overseas Business	20,066	37,142	17,076	85
Total	31,920	69,860	37,940	119
Difference between Segment Total and Consolidated Amounts	(23,233)	(14,252)	8,981	
Total consolidated income before income taxes and discontinued operations	¥ 8,687	¥ 55,608	¥ 46,921	540

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

	As of March 31, 2009	2010	Change Amount	Percent (%)
	(In millions of yen, except percentage data)			
Segment Assets:				
Corporate Financial Services	¥ 1,583,571	¥ 1,236,905	¥ (346,666)	(22)
Maintenance Leasing	648,314	561,462	(86,852)	(13)
Real Estate	1,175,437	1,079,273	(96,164)	(8)
Investment Banking	1,321,491	1,166,722	(154,769)	(12)
Retail	1,554,006	1,578,758	24,752	2
Overseas Business	949,852	860,815	(89,037)	(9)
Total	7,232,671	6,483,935	(748,736)	(10)
Difference between Segment Total and Consolidated Amounts	1,137,065	1,255,865	118,800	10

Total consolidated assets	¥ 8,369,736	¥ 7,739,800	¥ (629,936)	(8)

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Corporate Financial Services Segment

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

The economic environment surrounding SMEs, our main client base, remains severe. Although the number of corporate bankruptcies has decreased compared to the previous fiscal year, the trend has still hovered at a high rate. Given this condition, we have restricted the number of new transactions and have focused on reducing assets, particularly loans to real estate companies. As a result, the average balances of investment in direct financing leases and installment loans decreased 25% year on year, while the decrease in revenues was 17% to ¥113,652 million compared to ¥137,712 million during the previous fiscal year.

Segment expenses decreased compared to the previous fiscal year resulting from a decline in interest expense, selling, general and administrative expenses, and provision for doubtful receivables and probable loan losses. However, this reduction did not completely offset the decrease in revenues. In addition, although the level of provision for doubtful receivables and probable loan losses remained high, new occurrences of non-performing assets have declined significantly since peaking in the third quarter of the previous fiscal year. As a result, the segment recorded a loss of ¥17,581 million compared to a loss of ¥10,451 million in the previous fiscal year.

Segment assets decreased 22% to ¥1,236,905 million compared to March 31, 2009 due to a decline in the balances of investment in direct financing leases and installment loans.

Maintenance Leasing Segment

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

The automobile leasing business was faced with a sluggish secondary auto market in addition to weakened demand from a continued decrease in corporate spending on vehicles and broader cost reduction efforts. In the precision measuring and other equipment rental business, demand has decreased in line with declining capital expenditure due to the economic downturn.

Despite the severe operating environment, the Maintenance Leasing segment has maintained relatively stable revenues by capitalizing on our position as the industry-leader in terms of market share and by providing high value-added services. Segment revenues decreased 6% to ¥222,952 million compared to ¥235,953 million during the previous fiscal year.

Also, selling, general and administrative expenses were down as a result of internal cost reduction programs. However, the decrease in segment expenses was minimal due to increased depreciation expenses mainly caused by conservative residual value estimates, reflecting the sluggish secondary auto market. As a result, segment profits decreased 15% to ¥21,742 million compared to ¥25,621 million during the previous fiscal year.

Segment assets were down 13% to ¥561,462 million compared to March 31, 2009 due to a decrease in new transactions from weakening demand and the sales of low performing assets.

Real Estate Segment

This segment consists of development and rental of commercial real estate and office buildings, condominium development and sales, hotel, golf course, and training facility operation, senior housing development and management, REIT asset management, and real estate investment and advisory services.

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In the office building and commercial real estate development and rental business, the segment has focused on attracting tenants by capitalizing on its leasing expertise and maintaining yields by increasing property values as average rents have continued to decrease. Gains on sales of real estate under operating leases decreased significantly as sales of rental properties under operating leases were held back compared to the previous fiscal year in the still-weak real estate market, although signs of market recovery are starting to emerge.

There is upward momentum in the condominium market as contract rates increase while inventory adjustment continued. However, profits from the condominium development business have decreased due to a decline in the total number of condominiums delivered to 1,530 units from 3,038 units in the previous fiscal year as a result of limiting new developments since the second half of 2007 due to weak demand. Furthermore, revenues and expenses from facilities management services declined as a result of the sale of 100% of ORIX Facilities Corporation shares to DAIKYO INCORPORATED in March 2009.

As a result, segment revenues decreased 30% to ¥189,530 million compared to ¥270,027 million in the previous fiscal year. Despite decreased segment expenses, segment profits decreased 81% to ¥9,413 million compared to ¥50,508 million during the previous fiscal year due to a significant decline in equity in net income (loss) of affiliates related to condominium development joint ventures in addition to the abovementioned drastic decrease in gains on sales of real estate under operating leases.

Segment assets declined 8% to ¥1,079,273 million compared to March 31, 2009 mainly resulting from the decrease in inventories related to the condominium development business.

Investment Banking Segment

This segment consists of real estate finance, commercial real estate asset securitization, loan servicing (asset recovery), principal investment, M&A advisory, venture capital and securities brokerage.

The non-recourse loan market in Japan saw a sudden tightening of liquidity resulting from the global financial crisis. Although there have been slight improvements in liquidity, the market has yet to make a full recovery as financial institutions maintain their conservative stance toward lending.

Under this operating environment, revenues from the real estate finance business decreased as a result of asset reductions and limited new transactions. Although gains on investment securities in the principal investment business improved, segment revenues decreased 5% to ¥89,560 million compared to ¥94,645 million in the previous fiscal year.

Segment expenses increased compared to the previous fiscal year in line with an increase in provision for doubtful receivables and probable loan losses mainly from non-recourse loans and the recognition of write-downs on securities. Despite a loss being recorded due to JOINT CORPORATION s filing for protection under the Corporate Rehabilitation Law, the amount of loss recorded for equity in net income (loss) of affiliates improved compared to the previous fiscal year when significant write-downs were recorded.

As a result, the segment recorded a loss of ¥11,960 million compared to a loss of ¥63,397 million in the previous fiscal year. Segment losses are steadily recovering from the bottom in the third quarter of the previous fiscal year.

Segment assets decreased 12% to ¥1,166,722 million compared to March 31, 2009 due to a decrease in the balances of installment loans and investment in securities.

Furthermore, real estate collateral from non-recourse loans has been acquired in some cases in order to maximize collections by capitalizing on our real estate value chain, and we have been shifting toward a scheme where revenues and risks can be controlled independently.

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Retail Segment

This segment consists of the life insurance operations, the trust and banking business, and the card loan business and the online securities brokerage business operated by affiliates.

Deposits increased steadily in the trust and banking business as the domestic trend toward individual savings over investment continued. Even in the turbulent real estate market, there is still a strong demand for mortgages for rental condominiums for investment purposes, a main driver of the mortgage loan business. Also, trust and banking business profits increased compared to the previous fiscal year as a result of the trust and banking business steadily increasing its corporate loan balance under a strategy of strengthening its corporate finance operations.

In the life insurance business, sales performance has remained strong due to increased contracts for new products despite intensifying competition as the product lineup of high-demand third sector insurance (medical and cancer insurance) has diversified. In addition, life insurance related investment income has significantly improved compared to the previous fiscal year due to market recovery.

Under the policy of Operational Realignment, both the card loan and online securities brokerage businesses have entered into strategic alliances with influential partners. In the card loan business, a 51% stake of ORIX Credit was transferred to SMBC in July 2009 resulting in a gain on sale of a subsidiary. In the online securities brokerage business, we established a business alliance with Monex Group and concluded a share exchange with Monex Group in January 2010 pursuant to which shares of ORIX Securities were exchanged for shares of Monex Group and, as a result a gain on the sale of a subsidiary was recorded. Subsequent income for both businesses is recorded as equity in net income (loss) of affiliates.

Segment revenues decreased 15% to ¥155,917 million compared to ¥183,307 million in the previous fiscal year, due to the change in status of the card loan and online securities brokerage businesses to equity-method affiliates. Segment expenses such as life insurance costs and provision for doubtful receivables and probable loan losses have also decreased. Segment profits more than tripled to ¥31,104 million compared to ¥9,573 million in the previous fiscal year due to significant contributions from gains on sales of subsidiaries.

Segment assets increased 2% to ¥1,578,758 million compared to March 31, 2009 due to increased assets in the trust and banking and life insurance businesses, although the balance of installment loans from the card loan business decreased.

Overseas Business Segment

This segment consists of leasing, lending, investment in bonds, investment banking services, real estate-related operations, and ship- and aircraft-related operations in the United States, Asia, Oceania and Europe.

Despite a moderate economic recovery in the United States as demonstrated by improvement in the bond and equity markets, and to a lesser extent, recovery in consumer spending, the housing markets still face challenges and require continued observation. The Asian region, especially China, is showing a strong recovery.

Segment revenues were up 11% to ¥185,906 million compared to ¥167,635 million in the previous fiscal year. In the United States, net gains on investment securities and fee income from Houlihan, Lokey, Howard & Zukin, Inc. increased. In Asia and Oceania, revenues from operating and direct financing leases decreased mainly as a result of stringent selection of new transactions in the first half of the fiscal year.

Segment expenses were flat year on year as decreases in interest expenses and costs of operating leases were offset by increases in provision for doubtful receivables and probable loan losses and selling, general and administrative expenses.

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Segment profits increased 85% to ¥37,142 million compared to ¥20,066 million in the previous fiscal year due to the abovementioned factors in addition to profits recognized in the principal investment business in Asia and Oceania.

Segment assets decreased 9% to ¥860,815 million compared to March 31, 2009 as a result of decreased investment in direct financing leases and installment loans.

YEAR ENDED MARCH 31, 2009 COMPARED TO YEAR ENDED MARCH 31, 2008

Performance Summary

Income Statement Data

	Year ended March 31, 2008	Year ended March 31, 2009	Change Amount	Change Percent (%)
	(In millions of yen, except percentage data)			
Income statement data:				
Total revenues	¥ 1,135,338	¥ 1,053,521	¥ (81,817)	(7)
Total expenses	949,784	1,000,166	50,382	5
Operating income	185,554	53,355	(132,199)	(71)
Income before income taxes, discontinued operations and extraordinary gain	246,119	8,687	(237,432)	(96)
Net income attributable to ORIX Corporation	169,597	21,924	(147,673)	(87)

Total Revenues

	Year ended March 31, 2008	Year ended March 31, 2009	Change Amount	Change Percent (%)
	(In millions of yen, except percentage data)			
Total revenues:				
Direct financing leases	¥ 78,197	¥ 63,349	¥ (14,848)	(19)
Operating leases	284,064	285,384	1,320	0
Interest on loans and investment securities	226,577	196,164	(30,413)	(13)
Brokerage commissions and net gains (losses) on investment securities	23,520	(12,330)	(35,850)	
Life insurance premiums and related investment income	128,616	117,751	(10,865)	(8)
Real estate sales	88,445	71,088	(17,357)	(20)
Gains on sales of real estate under operating leases	16,756	24,346	7,590	45
Other operating revenues	289,163	307,769	18,606	6
Total	¥ 1,135,338	¥ 1,053,521	¥ (81,817)	(7)

Total revenues in fiscal 2009 decreased 7% to ¥1,053,521 million compared with the previous fiscal year. Revenues from direct financing leases decreased as a result of adverse economic conditions and our prudent selection of leasing assets, choosing only those assets where we felt the risk and return balance to be appropriate. Interest on loans and investment securities were down due to our more cautious approach for new transactions beginning in the latter half of the previous fiscal year, in addition to decline in revenues from the loan servicing (asset recovery) operations and commission revenues. We recorded a loss on brokerage commissions and net gains (losses) on investment securities compared to a gain in the previous fiscal year, due primarily to decline in revenues as a result of further deterioration in the bond and securities markets in the United States and losses in private equity funds since the second quarter of fiscal 2009. Real estate sales were down due to an absence of gains on sales of real estate in Oceania that had been recorded in the previous fiscal year, and the decline in revenues from sales of domestic condominiums.

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Total Expenses

	Year ended March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Total expenses:				
Interest expense	¥ 105,254	¥ 102,522	¥ (2,732)	(3)
Costs of operating leases	182,144	194,216	12,072	7
Life insurance costs	112,869	105,899	(6,970)	(6)
Costs of real estate sales	81,057	79,058	(1,999)	(2)
Other operating expenses	172,405	185,121	12,716	7
Selling, general and administrative expenses	252,885	235,328	(17,557)	(7)
Provision for doubtful receivables and probable loan losses	33,226	77,027	43,801	132
Write-downs of long-lived assets	1,741	3,673	1,932	111
Write-downs of securities	8,290	18,631	10,341	125
Foreign currency transaction loss (gain), net	(87)	(1,309)	(1,222)	1,405
Total	¥ 949,784	¥ 1,000,166	¥ 50,382	5

Total expenses in fiscal 2009 increased 5% compared with the previous fiscal year to ¥1,000,166 million. Costs of operating leases were up primarily due to an increase in depreciation and related costs of automobile operating leases and real estate, despite the decrease in overseas expenses due to the foreign exchange effects of an appreciated yen. Provision for doubtful receivables and probable loan losses was up due primarily to increases made for loans to the real estate sector, reflecting the global economic recession. Write-downs of securities were up due primarily to market valuation losses recorded from equity investments both in Japan and overseas.

Operating Income, Income before Income Taxes, Discontinued Operations and Extraordinary Gain, and Net Income Attributable to ORIX Corporation

Operating income in fiscal 2009 decreased 71% to ¥53,355 million due to decreases in brokerage commissions and net gains on investment securities and interest on loans and investment securities, in addition to increases in provision for doubtful receivables and probable loan losses. Income before income taxes, discontinued operations and extraordinary gain decreased 96% to ¥8,687 million due to equity-method affiliates with net losses and impairment losses resulting from our judgment that the downward stock price movements of equity-method affiliates were other than temporary, in addition to the decrease in operating income.

Net income attributable to ORIX Corporation in fiscal 2009 decreased 87% to ¥21,924 million as a result of the decrease in income before income taxes, discontinued operations and extraordinary gain.

Basic and diluted earnings per share in fiscal 2009 were ¥246.59 and ¥233.81, respectively, compared to ¥1,860.63 and ¥1,817.81 in fiscal 2008.

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Total Assets

	As of March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment in direct financing leases	¥ 1,098,128	¥ 914,444	¥ (183,684)	(17)
Installment loans	3,766,310	3,304,101	(462,209)	(12)
Investment in operating leases	1,019,956	1,226,624	206,668	20
Investment in securities	1,121,784	926,140	(195,644)	(17)
Other operating assets	197,295	189,560	(7,735)	(4)
Allowance for doubtful receivables on direct financing leases and probable loan losses	(102,007)	(158,544)	(56,537)	55
Others	1,893,504	1,967,411	73,907	4
Total assets	¥ 8,994,970	¥ 8,369,736	¥ (625,234)	(7)

Investment in operating leases increased compared to March 31, 2008. Conversely, investment in direct financing leases, installment loans, investment in securities and other operating assets decreased due to continued caution toward new transactions.

ORIX Corporation Shareholders Equity, ROE and ROA

ORIX Corporation shareholders equity declined 8% to ¥1,167,530 million in fiscal 2009 due to continued declines of accumulated other comprehensive income from a loss of ¥19,295 million to a loss of ¥92,384 million, and an increase of ¥17,041 million in treasury stock due to acquisitions of treasury stock.

As a result, ORIX Corporation shareholders equity ratio declined year on year from 14.10% to 13.95% and ROE and ROA declined from 13.78% to 1.80%, and from 1.97% to 0.25%, respectively.

Details of Operating Results

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

Revenues, New Business Volumes and Investments

Direct financing leases

	As of and for the year ended March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Direct financing leases:				
Direct financing lease revenues	¥ 78,197	¥ 63,349	¥ (14,848)	(19)
Japan	53,332	41,682	(11,650)	(22)
Overseas	24,865	21,667	(3,198)	(13)
New equipment acquisitions	574,859	364,734	(210,125)	(37)
Japan	390,377	235,641	(154,736)	(40)
Overseas	184,482	129,093	(55,389)	(30)
Investment in direct financing leases	1,098,128	914,444	(183,684)	(17)
Japan	829,139	702,254	(126,885)	(15)
Overseas	268,989	212,190	(56,799)	(21)

Direct financing lease transactions have been decreasing as a result of our selective process for choosing only those assets where the risk and return balance was appropriate in an environment in which new equipment acquisitions have been on the decline in Japan. In the automobile leasing area, the volume of new equipment acquisitions has been shrinking in Japan due to our shift towards operating leases.

Overseas, the overall balance of direct financing leases has been decreasing as a result of our more stringent selection of new transaction in Asia due to the global recession and of a contraction in the leasing business in the United States.

As a result, revenues from direct financing leases in fiscal 2009 decreased 19% compared to the previous fiscal year to ¥63,349 million. In Japan, revenues from direct financing leases were down 22% to ¥41,682 million compared to ¥53,332 million in the previous fiscal year. Overseas, revenues were down 13% to ¥21,667 million compared to ¥24,865 million in the previous fiscal year.

The average return we earned on direct financing leases in Japan, calculated on the basis of monthly balances, was up slightly at 5.25% in fiscal 2009 compared to 5.12% in fiscal 2008. The average return on overseas direct financing leases, calculated on the basis of monthly balances, decreased slightly to 8.37% in fiscal 2009 from 8.65% in fiscal 2008 due mainly to lower rates in Asia.

New equipment acquisitions related to direct financing leases decreased 37% to ¥364,734 million compared to the previous fiscal year. New equipment acquisitions for operations in Japan decreased 40% in fiscal 2009, as a result of our continuing selective approach to new projects. New equipment acquisitions for overseas operations decreased 30% in fiscal 2009 due primarily to decreases in the United States and our selective approach to choosing transactions in Asia.

Investment in direct financing leases as of March 31, 2009 decreased 17% to ¥914,444 million compared to the previous fiscal year. Investments in Japan decreased 15% due to declines in new equipment acquisitions, while overseas decreased 21% due to a contraction in the United States and a decrease in new equipment acquisitions in Asia. As a result, the balances of all categories of investment in direct financing leases declined.

As of March 31, 2009, no single lessee represented more than 2% of our total portfolio of direct financing leases. As of March 31, 2009, 77% of our direct financing leases were to lessees in Japan, while 23% were to lessees overseas. 6% of the direct financing leases were to lessees in Malaysia and 5% were to lessees in Indonesia. No other overseas country represented more than 5% of our total portfolio of direct financing leases.

	As of March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment in direct financing leases by category:				
Information-related and office equipment	¥ 130,075	¥ 100,314	¥ (29,761)	(23)
Industrial equipment	169,952	139,950	(30,002)	(18)
Commercial services equipment	115,675	80,571	(35,104)	(30)
Transportation equipment	425,694	363,314	(62,380)	(15)
Other equipment	256,732	230,295	(26,437)	(10)
Total	¥ 1,098,128	¥ 914,444	¥ (183,684)	(17)

Balances for investment in direct financing leases in the tables above do not include lease assets sold in securitizations. However, gains and losses from securitization are included in direct financing lease revenues. During fiscal 2008 and 2009, we sold ¥116,445 million and ¥37,889 million, respectively, of direct financing lease assets (all of which were in Japan) through securitizations that were treated as sales transactions. The securitization of these assets produced gains of ¥1,688 million and losses of ¥365 million for fiscal 2008 and 2009, respectively, which were included in direct financing lease revenues. The balance of direct financing lease assets treated as sales transactions amounted to ¥303,034 million as of March 31, 2008 and ¥222,945 million as

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of March 31, 2009. If assets sold in securitizations were included, the total balance of investment in direct financing lease assets would be ¥1,401,162 million as of March 31, 2008 and ¥1,137,389 million as of March 31, 2009. For more information on securitization, see Note 10 of Item 18. Financial Statements.

Asset quality of our owned direct financing leases

	As of March 31,	
	2008	2009
	(In millions of yen, except percentage data)	
90+ days past-due direct financing leases and allowances for direct financing leases:		
90+ days past-due direct financing leases	¥ 22,637	¥ 27,949
90+ days past-due direct financing leases as a percentage of the balance of investment in direct financing leases	2.06%	3.06%
Provisions as a percentage of average balance of investment in direct financing leases (1)	0.73%	0.93%
Allowance for direct financing leases	¥ 25,481	¥ 27,540
Allowance for direct financing leases as a percentage of the balance of investment in direct financing leases	2.32%	3.01%

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

The balance of 90+ days past-due direct financing leases increased by ¥5,312 million to ¥27,949 million compared to the previous fiscal year due to the credit crunch. As a result, the ratio of 90+ days past-due direct financing leases increased by 1.00% from the previous fiscal year to 3.06%.

We believe that the ratio of allowance for doubtful receivables as a percentage of the balance of investment in direct financing leases is a reasonable indication that our allowance for doubtful receivables was adequate as of March 31, 2009 for the following reasons:

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

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

The ratio of charge-offs as a percentage of the average balance of investment in direct financing leases was 0.66% and 0.70% for fiscal 2008 and 2009, respectively.

Operating leases

	As of and for the year ended March 31,		Change	
	2008	2009	Amount	Percent (%)

	(In millions of yen, except percentage data)			
Operating leases:				
Operating lease revenues	¥ 284,064	¥ 285,384	¥ 1,320	0
Japan	207,743	217,688	9,945	5
Overseas	76,321	67,696	(8,625)	(11)
New equipment acquisitions	465,909	426,715	(39,194)	(8)
Japan	366,187	366,336	149	0
Overseas	99,722	60,379	(39,343)	(39)
Investment in operating leases	1,019,956	1,226,624	206,668	20
Japan	850,489	1,086,967	236,478	28
Overseas	169,467	139,657	(29,810)	(18)

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Revenues from operating leases were flat at ¥285,384 million compared to the previous fiscal year. In Japan, revenues increased 5% to ¥217,688 million compared to ¥207,743 million in the previous fiscal year, due to an increase in real estate properties for rental operations and an increasing trend towards operating leases in the automobile leasing business, despite a decline of revenues from the car rental operations and the precision measuring and other equipment rental operations, in addition to decreased gains of sales of properties due to a decline of sales price in secondhand markets. Overseas, we engage in investment and sales of aircraft leases. Gains on sales of aircraft have declined slightly compared to the previous fiscal year, due to our continuous monitoring and responses to severe market trends. Also, in line with the slowdown in the economy, overseas operating lease revenues were down 11% to ¥67,696 million compared to ¥76,321 million for the previous fiscal year chiefly due to a decline in new automobile lease transactions and the foreign exchange effects of an appreciated yen. In fiscal 2008 and 2009, gains from the disposition of operating lease assets other than real estate were ¥15,217 million and ¥11,426 million, respectively, and are included in operating lease revenues.

New equipment acquisitions related to operating leases decreased 8% to ¥426,715 million compared to the previous fiscal year. New equipment acquisitions by operations in Japan were flat year on year at ¥366,336 million, as the result of a decrease in the purchase of automobiles, offset by an increase in purchases of real estate properties. New equipment acquisitions by overseas operations decreased 39% compared to the previous fiscal year to ¥60,379 million, due to a decrease in the purchase of transportation equipment and real estate properties, in addition to the foreign exchange effects of an appreciated yen.

Investment in operating leases increased 20% year on year to ¥1,226,624 million in fiscal 2009. These investments rose 28% year on year in Japan due primarily to an increase in investments in real estate properties for rental operations, despite a decrease of 18% year on year overseas due to declines of transportation equipment mainly including automobiles, in addition to the foreign exchange effects of an appreciated yen.

	As of March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment in operating leases by category:				
Transportation equipment	¥ 383,298	¥ 388,028	¥ 4,730	1
Measuring and information-related equipment	67,871	62,303	(5,568)	(8)
Real estate	546,586	754,345	207,759	38
Other	5,653	5,490	(163)	(3)
Accrued rental receivables	16,548	16,458	(90)	(1)
Total	¥ 1,019,956	¥ 1,226,624	¥ 206,668	20

Investment in transportation equipment operating leases was flat year on year due to an increase in investment in automobile operating leases in Japan, despite a decrease in new equipment acquisitions in automobile and aircraft leases and the foreign exchange effects of an appreciated yen overseas. Investment in measuring and information-related equipment operating leases fell 8% year on year reflecting decreases in assets both in Japan and overseas. Investment in real estate operating leases rose 38% year on year primarily due to an increase in purchases of real estate properties in Japan which are sources of stable cash flows, reflecting a shift in emphasis from asset turnover to prioritizing income gains.

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Installment loans and investment securities

Installment loans

	As of and for the year ended March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Installment loans:				
Interest on installment loans [(1)]	¥ 204,137	¥ 172,406	¥ (31,731)	(16)
Japan	169,189	144,616	(24,573)	(15)
Overseas	34,948	27,790	(7,158)	(20)
New loans added	2,331,331	1,055,014	(1,276,317)	(55)
Japan	2,083,643	975,315	(1,108,328)	(53)
Overseas	247,688	79,699	(167,989)	(68)
Installment loans	3,766,310	3,304,101	(462,209)	(12)
Japan	3,407,568	2,967,475	(440,093)	(13)
Overseas	358,742	336,626	(22,116)	(6)

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

Interest on installment loans decreased 16% compared with the previous fiscal year to ¥172,838 million in fiscal 2009. In Japan, although we have been focusing on loans to corporate clients in the Corporate Financial Services and Investment Banking segments, we adopted a more cautious approach for new transactions beginning in the latter half of fiscal 2008 due to uncertainty in the direction of the economy. As a result, revenues decreased due to the decrease in the amount of installment loans outstanding. Furthermore, revenues from the loan servicing (asset recovery) operations and commission revenues also decreased, and interest on installment loans in Japan decreased 15% compared to the previous fiscal year. Interest on overseas installment loans decreased 20% in fiscal 2009, due primarily to lower market interest rates in the United States, a reduction in new transactions due to a more cautious approach to new transactions similar to the approach we adopted in Japan, and the foreign exchange effects of an appreciated yen.

The average interest rate earned on loans in Japan, calculated on the basis of monthly balances, decreased to 4.36% in fiscal 2009 compared to 4.69% in fiscal 2008 due primarily to a decrease in revenues from loan servicing operations. The average interest rate earned on overseas loans, calculated on the basis of monthly balances, decreased to 7.72% in fiscal 2009 from 9.49% in fiscal 2008 due primarily to a decline in prevailing market interest rates in the United States.

New loans added decreased 55% compared with the previous fiscal year to ¥1,055,014 million in fiscal 2009, as we adopted a more cautious approach for new transactions in Japan and overseas, in addition to the foreign exchange effects of an appreciated yen.

The balance of installment loans as of March 31, 2009, decreased 12% to ¥3,304,101 million compared to the balance as of March 31, 2008. The balance of installment loans for borrowers in Japan fell by 13% due to a more cautious approach to new transactions, while the balance of installment loans for overseas customers decreased 6% due primarily to a more cautious approach to new transactions in the United States, as well as the foreign exchange effects of an appreciated yen.

As of March 31, 2009, 90% of our installment loans were to borrowers in Japan, while 8% were to borrowers in the United States.

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The table below sets forth the balances as of March 31, 2008 and 2009 of our installment loans to borrowers in Japan and overseas, categorized by the type of borrower (i.e., consumer or corporate) in the case of borrowers in Japan. As of March 31, 2009, ¥141,332 million, or 5%, of our portfolio of installment loans to consumer and corporate borrowers in Japan related to our life insurance operations. We reflect income from these loans in our consolidated statements of income as life insurance premiums and related investment income.

	As of March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Installment loans:				
Consumer borrowers in Japan				
Housing loans	¥ 661,634	¥ 702,788	¥ 41,154	6
Card loans	347,632	337,403	(10,229)	(3)
Other	59,916	45,081	(14,835)	(25)
Subtotal	1,069,182	1,085,272	16,090	2
Corporate borrowers in Japan				
Real estate companies	848,787	651,597	(197,190)	(23)
Commercial, industrial and other companies	1,325,552	1,097,086	(228,466)	(17)
Subtotal	2,174,339	1,748,683	(425,656)	(20)
Total (Japan)	3,243,521	2,833,955	(409,566)	(13)
Overseas corporate, industrial and other borrowers	330,514	321,162	(9,352)	(3)
Purchased loans (1)	192,275	148,984	(43,291)	(23)
Total	¥ 3,766,310	¥ 3,304,101	¥ (462,209)	(12)

(1) Purchased loans represent loans with evidence of deterioration of credit quality since origination and for which it is probable at acquisition that collection of all contractually required payments from the debtors is unlikely in accordance with ASC 310-30 (Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality) and consist mainly of housing loans, loans to real estate companies and commercial, industrial and other companies in Japan.

As of March 31, 2009, ¥668,958 million, or 20%, of all installment loans were outstanding to real estate companies in Japan and overseas. Of this amount, ¥215,971 million, or 7% of all installment loans, was loans individually evaluated for impairment. We calculated an allowance of ¥47,592 million on these impaired loans. As of March 31, 2009, we had installment loans outstanding in the amount of ¥205,551 million, or 6% of all installment loans, to companies in the entertainment industry. Of this amount, ¥34,057 million, or 1% of all installment loans, was loans individually evaluated for impairment. We calculated an allowance of ¥3,592 million on these impaired loans.

The balance of loans to consumer borrowers in Japan as of March 31, 2009 increased by 2% to ¥1,085,272 million compared to the balance as of March 31, 2008, due to an increase in housing loans despite a decrease in margin transaction loans to customers of ORIX Securities (which changed the status from consolidated subsidiaries in fiscal 2010) that such loan balances are generally subject to stock market volatility. The balance of loans to corporate borrowers in Japan as of March 31, 2009 decreased by 20% to ¥1,748,683 million compared to the balance as of March 31, 2008, due primarily to decreased loans to real estate companies.

Balances of installment loans in the tables above do not include assets sold in securitizations. However, the amount of interest on installment loans includes gains from the securitization of installment loans. We sold ¥59,161 million and ¥5,258 million of installment loans through securitizations, which were treated as sales transactions, in fiscal 2008 and 2009, respectively. Gains from the securitization of loans of ¥1,155 million and ¥132 million were included in interest on installment loans in fiscal 2008 and 2009, respectively. The balance of

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installment loans treated as sales transactions amounted to ¥152,208 million and ¥130,565 million as of March 31, 2008 and 2009, respectively. If loans sold in securitizations were included, the total balance of installment loans would be ¥3,918,518 million and ¥3,434,666 million as of March 31, 2008 and 2009, respectively. For more information on securitization, see Note 10 in Item 18. Financial Statements.

Asset quality of our owned installment loans

We classify past-due installment loans into two categories: installment loans individually evaluated for impairment and 90+ days past-due loans not individually evaluated for impairment.

	As of March 31, 2008	As of March 31, 2009
	(In millions of yen)	
Loans individually evaluated for impairment:		
Impaired loans	¥ 165,283	¥ 449,705
Impaired loans requiring a valuation allowance	108,921	262,145
Valuation allowance [(1)]	38,081	89,236

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

New provision for probable loan losses was ¥13,664 million in fiscal 2008 and ¥55,140 million in fiscal 2009, and charge-off of impaired loans was ¥4,633 million in fiscal 2008 and ¥3,726 million in fiscal 2009. New provision for probable loan losses increased by ¥41,476 million compared to fiscal 2008 due to an increase in impaired corporate loans as a result of the credit crunch. Despite the increase in impaired loans, charge-off of impaired loans decreased by ¥907 million compared to fiscal 2008 because many of the impaired loans were still expected to recover and had not deteriorated to the point of requiring charge-offs as of March 31, 2009.

The table below sets forth the outstanding balances of impaired loans by region and type of borrower. Consumer loans in Japan primarily consist of restructured smaller-balance homogeneous loans individually evaluated for impairment. Impaired loans increased in fiscal 2009 due mainly to an increase in impaired corporate loans for real estate companies in Japan due to the tighter credit markets.

	As of March 31, 2008	As of March 31, 2009
	(In millions of yen)	
Impaired loans:		
Consumer borrowers in Japan	¥ 20,595	¥ 23,388
Corporate borrowers in Japan		
Real estate companies	37,658	215,309
Commercial, industrial and other companies	80,356	181,488
Subtotal	118,014	396,797
Overseas corporate, industrial and other borrowers	12,080	12,870
Purchased loans	14,594	16,650

Total	¥ 165,283	¥ 449,705

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The table below sets forth information as to past-due loans which are not individually significant and accordingly are evaluated for impairment as a homogeneous group.

	As of March 31, 2008	2009
	(In millions of yen, except percentage data)	
90+ days past-due loans and allowance for installment loans:		
90+ days past-due loans not individually evaluated for impairment	¥ 15,333	¥ 17,860
90+ days past-due loans not individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.43%	0.63%
Provisions as a percentage of average balance of installment loans (1)	0.30%	0.38%
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment	¥ 38,445	¥ 41,768
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	1.07%	1.46%

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

The balance of 90+ days past-due loans not individually evaluated for impairment increased by 16% in fiscal 2009, principally due to increase in 90+ days past-due loans not individually evaluated for impairment in housing loans and in card loans.

	As of March 31, 2008	2009
	(In millions of yen)	
90+ days past-due loans not individually evaluated for impairment:		
Consumer borrowers in Japan		
Housing loans	¥ 9,425	¥ 10,641
Card loans and other	5,861	7,211
Overseas corporate, industrial and other borrowers	47	8
Total	¥ 15,333	¥ 17,860

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

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

We believe that the level of the allowance as of March 31, 2009 was adequate because we expect to recover a portion of the outstanding balance for 90+ days past-due loans not individually evaluated for impairment primarily because many of our 90+ days past-due loans are housing loans, which are ordinarily made to a diverse group of individuals who we believe generally have a higher credit rating than the population at-large.

The ratio of charge-offs as a percentage of the average balance of installment loans was 0.16% and 0.27% for fiscal 2008 and 2009, respectively. The ratio of charge-offs as a percentage of the average balance of installment loans for fiscal 2009 increased compared to that of fiscal 2008 due to an increase in charge-offs of card loans and a decrease in the balance of installment loans.

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Investment securities

We maintain a sizeable portfolio of various investment securities. Our life insurance operations account for approximately 25% of our total investment in securities as of March 31, 2009, and those mainly consist of investments in yen-denominated and fixed-rate corporate debt securities.

	As of March 31, 2008		
	Life insurance	Other	Total
	(In millions of yen)		
Investment securities:			
Trading securities	¥	¥ 34,535	¥ 34,535
Available-for-sale debt securities	297,780	486,621	784,401
Available-for-sale equity securities	12,920	87,456	100,376
Other securities [(1)]	31,179	171,293	202,472
Total	¥ 341,879	¥ 779,905	¥ 1,121,784

	As of March 31, 2009		
	Life insurance	Other	Total
	(In millions of yen)		
Investment securities:			
Trading securities	¥	¥ 7,410	¥ 7,410
Available-for-sale debt securities	207,703	476,039	683,742
Available-for-sale equity securities	5,505	40,026	45,531
Other securities [(1)]	15,974	173,483	189,457
Total	¥ 229,182	¥ 696,958	¥ 926,140

(1) Other securities consist mainly of non-marketable equity securities, preferred capital shares and investment funds.

	As of and for the year ended March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment securities:				
Interest on investment securities	¥ 22,440	¥ 23,758	¥ 1,318	6
Japan	12,682	15,554	2,872	23
Overseas	9,758	8,204	(1,554)	(16)
New securities added	688,148	374,614	(313,534)	(46)
Japan	666,296	298,490	(367,806)	(55)
Overseas	21,852	76,124	54,272	248
Investment in securities	1,121,784	926,140	(195,644)	(17)
Japan	1,021,537	812,716	(208,821)	(20)
Overseas	100,247	113,424	13,177	13

Interest on investment securities other than those held in connection with our life insurance operations in Japan increased 23% to ¥15,554 million in fiscal 2009 due primarily to a higher average balance of available-for-sale debt securities while our overseas income from similar investments decreased 16% to ¥8,204 million in fiscal 2009 primarily due to the foreign exchange effects of an appreciated yen. The average interest rate earned on investment securities in Japan, calculated on a monthly basis, was 2.83% in fiscal 2009 compared to 2.87% in fiscal 2008. The average interest rate earned on overseas investment securities, calculated on a monthly basis, declined to 8.73% in fiscal 2009 compared to 9.76% in fiscal 2008.

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New securities added decreased 46% to ¥374,614 million in fiscal 2009 due primarily to the turmoil in financial and capital markets. New securities added in Japan decreased 55% in fiscal 2009. New securities added overseas increased 248% due primarily to increases in the United States.

The balance of our investment in securities as of March 31, 2009 decreased 17% to ¥926,140 million compared to fiscal 2008. The balance of our investment in securities in Japan decreased 20% due primarily to sales from our life insurance investment portfolio and the overall market declines, while the balance of our investment in securities overseas increased 13% mainly due to newly purchased distressed assets in the United States.

	As of March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investment in securities by security type:				
Trading securities	¥ 34,535	¥ 7,410	¥ (27,125)	(79)
Available-for-sale securities	884,777	729,273	(155,504)	(18)
Other securities	202,472	189,457	(13,015)	(6)
Total	¥ 1,121,784	¥ 926,140	¥ (195,644)	(17)

Investments in trading securities decreased to ¥7,410 million in fiscal 2009 primarily due to revaluation losses related to the market declines caused by the turmoil in financial and capital markets, as well as the influence of foreign exchange rates, in the United States. Investments in available-for-sale securities decreased 18% in fiscal 2009 due primarily to lower balances of equity securities, corporate debt securities and specified bonds issued by SPEs. As of March 31, 2009, CMBS and RMBS in available-for-sale securities in the United States were ¥72,054 million. Other securities decreased 6% in fiscal 2009 due to a decline in the value of non-marketable equity securities and private equity funds.

The above table does not include assets sold in securitizations. We sold ¥10,851 million of investment securities through securitizations, which were treated as sales transactions in fiscal 2008. Gains from the securitization of investment securities of ¥638 million were included in net gains on investment securities in fiscal 2008. There were no sales of investment securities through securitizations in fiscal 2009. The balance of investment securities treated as sales transactions amounted to ¥46,707 million and ¥45,145 million in fiscal 2008 and 2009, respectively. For more information on securitization, see Note 10 in Item 18. Financial Statements.

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

Brokerage commissions and net gains (losses) on investment securities

All non-interest income and losses (other than foreign currency transaction gains or losses) that we recognize on securities held in connection with operations other than life insurance are reflected in our consolidated statements of income as brokerage commissions and net gains on investment securities.

	Year ended March 31,		Change	

	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Brokerage commissions and net gains (losses) on investment securities:				
Brokerage commissions	¥ 6,879	¥ 5,025	¥ (1,854)	¥ (27)
Net gains (losses) on investment securities	13,300	(22,088)	(35,388)	
Dividends income	3,341	4,733	1,392	42
Total	¥ 23,520	¥ (12,330)	¥ (35,850)	

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Brokerage commissions and net gains (losses) on investment securities were losses of ¥12,330 million in fiscal 2009, compared to gains of ¥23,520 million in fiscal 2008. Our brokerage commissions decreased 27% due primarily to a decrease in revenues from our securities brokerage business as a decrease in retail trading transactions in connection with the turmoil of the financial and capital markets. Net gains (losses) on investment securities were losses of ¥22,088 million in fiscal 2009, compared to gains of ¥13,300 million in fiscal 2008, due primarily to losses from CMBS and RMBS, and losses in private equity funds. Dividends income, however, increased 42% to ¥4,733 million in fiscal 2009 compared to fiscal 2008, primarily due to an increase in distributions from real-estate investing SPEs.

As of March 31, 2009, gross unrealized gains on available-for-sale securities, including those held in connection with our life insurance operations, were ¥18,767 million, compared to ¥61,706 million as of March 31, 2008. As of March 31, 2009, gross unrealized losses on available-for-sale securities, including those held in connection with our life insurance operations, were ¥27,490 million, compared to ¥9,222 million as of March 31, 2008. These unrealized gains decreased primarily due to a decline in the domestic securities market in Japan and the deterioration of the credit market in the United States as a result of the turmoil in financial and capital markets.

Life insurance premiums and related investment income

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

	Year ended March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Life insurance premiums and related investment income:				
Life insurance premiums	¥ 120,527	¥ 115,214	¥ (5,313)	(4)
Life insurance-related investment income	8,089	2,537	(5,552)	(69)
Total.	¥ 128,616	¥ 117,751	¥ (10,865)	(8)

Life insurance premiums and related investment income decreased 8% to ¥117,751 million in fiscal 2009 compared to fiscal 2008. Life insurance premiums decreased 4%, and life insurance-related investment income decreased 69% in fiscal 2009.

The gross margin ratio increased to 8% in fiscal 2009 compared with 6% in fiscal 2008.

	As of March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Investments by ORIX Life Insurance:				
Marketable debt securities	¥ 297,780	¥ 207,703	¥ (90,077)	(30)
Marketable equity securities	12,920	5,505	(7,415)	(57)
Other securities	31,179	15,974	(15,205)	(49)
Total investment in securities	341,879	229,182	(112,697)	(33)

Installment loans and other investments	138,866	197,356	58,490	42
Total	¥ 480,745	¥ 426,538	¥ (54,207)	(11)

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Investments in securities decreased to ¥229,182 million as the result of fewer acquisitions and declines in the market value of the securities. On the other hand, installment loans and other investments increased to ¥197,356 million mainly due to the acquisition of ¥46,231 million of real estate under operating leases.

	As of March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Breakdown of life insurance-related investment income:				
Net gains (losses) on investment securities	¥ 1,342	¥ (1,280)	¥ (2,622)	
Interest on loans and investment securities, and others	6,747	3,817	(2,930)	(43)
Total	¥ 8,089	¥ 2,537	¥ (5,552)	(69)

Life insurance-related investments were down 69% compared to the previous fiscal year chiefly due to a decline in investment securities-related operating revenues caused by the deterioration in the markets.

For further information on life insurance operations, see Note 23 of Item 18. Financial Statements.

Real estate sales

	Year ended March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Real estate sales:				
Real estate sales	¥ 88,445	¥ 71,088	¥ (17,357)	(20)

The condominium market continues to stagnate as the real estate market has deteriorated as a result of the financial crisis. Real estate sales were down 20% year on year to ¥71,088 million due to an absence of gains on sales of real estate in Oceania that had been recorded in the previous fiscal year and a decline in the number of condominiums sold to buyers in Japan from 1,931 units in fiscal 2008 to 1,828 units in fiscal 2009.

Gains on sales of real estate under operating leases

	Year ended March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Gains on sales of real estate under operating leases:				
Gains on sales of real estate under operating leases	¥ 16,756	¥ 24,346	¥ 7,590	45

Gains on sales of real estate under operating leases increased 45% year on year to ¥24,346 million in fiscal 2009 due primarily to the increase in real estate under operating leases that were sold but were not included in discontinued operations. Where we have continuing involvement with the cash flows from the real estate under operating leases which have been disposed of, the gains or losses arising from such disposition are separately disclosed as gains on sales of real estate under operating leases, while if we have no continuing involvement with the cash flows from such disposed real estate properties, the gains or losses are reported as income from discontinued operations. For discussion of accounting policy for discontinued operations, see Note 26 in Item 18. Financial Statements.

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Other operations

	As of and for the year ended March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Other operations:				
Other operating revenues	¥ 289,163	¥ 307,769	¥ 18,606	6
Japan	225,143	255,442	30,299	13
Overseas.	64,020	52,327	(11,693)	(18)
New assets added	152,480	76,269	(76,211)	(50)
Japan	152,480	76,269	(76,211)	(50)
Overseas				
Other operating assets	197,295	189,560	(7,735)	(4)
Japan	192,628	185,872	(6,756)	(4)
Overseas	4,667	3,688	(979)	(21)

Other operating revenues increased 6% year on year to ¥307,769 million. In Japan, revenues were up 13% to ¥255,442 million compared to ¥225,143 million in the previous fiscal year due to contributions from the consolidated subsidiary Internet Research Institute, Inc. acquired during the previous fiscal year and increases in revenues associated with real estate management operations, including golf courses and training facilities. Overseas, revenues were down 18% to ¥52,327 million compared to ¥64,020 million from the previous fiscal year, due to reductions in revenues from advisory services in the United States and ship-related finance in Asia, which had been recorded in the previous fiscal year, along with the foreign exchange effects of an appreciated yen.

New assets added for other operating transactions were down 50% to ¥76,269 million in fiscal 2009 due to strict controls on the selection of new transactions. Other operating transactions include other operating assets and real estate for sale, such as residential condominiums and commercial real estate.

Other operating assets decreased 4% to ¥189,560 million.

Expenses

Interest expense

Interest expense was flat year on year at ¥102,522 million. In Japan, the debt balance at the end of fiscal 2009 declined compared to the end of fiscal 2008, however the average debt levels for fiscal 2009 were higher than in fiscal 2008. Furthermore, interest expense in Japan increased 12% compared to fiscal 2008 due to increased funding costs resulting from a shift from short-term to long-term debt at higher interest rates in order to manage liquidity risk. Overseas, interest expense was down 26% compared to the fiscal 2008 due to reduced dollar interest rates and the foreign exchange effects of an appreciated yen.

The average interest rate on our short-term and long-term debt in Japan, calculated on the basis of average monthly balances, increased to 1.40% in fiscal 2009, compared to 1.33% in fiscal 2008, due to higher interest rates following policy action by the Bank of Japan. The average interest rate on our short-term and long-term overseas debt, calculated on the basis of average monthly balances, decreased to 4.13% in fiscal 2009 from 5.41% in fiscal 2008 reflecting lower interest rates in the United States. For information regarding interest rate risk, see Item 3. Key Information Risk Factors.

Costs of operating leases

Costs of operating leases were up 7% to ¥194,216 million compared to the previous fiscal year. In Japan, costs of operating leases increased 14% to ¥149,838 million compared to the previous fiscal year chiefly due to

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an increase in depreciation and related costs of automobile operating leases and real estate. Overseas, due to the foreign exchange effects of an appreciated yen, costs of operating leases decreased 13% to ¥44,378 million compared to the previous fiscal year.

Life insurance costs

Life insurance costs in fiscal 2009 decreased 6% to ¥105,899 million, corresponding to a decrease in life insurance premiums.

Costs of real estate sales

To minimize risk, new land purchases have been suspended since September 2007 and new projects have been rescheduled since the fiscal year ended March 31, 2008.

Costs of real estate sales decreased 2% to ¥79,058 million compared to the previous fiscal year due to costs of real estate in Oceania recorded in the previous fiscal year and the decrease in the number of condominiums sold to buyers in Japan, despite write-downs recorded on some projects under development. We also recorded ¥5,222 million and ¥10,911 million of write-downs for fiscal 2008 and 2009. Costs of real estate sales include the upfront costs associated with advertising and creating model rooms. Margins recorded a loss of ¥7,970 million in fiscal 2009 down from a profit of ¥7,388 million in fiscal 2008 due mainly to the recognition of write-downs and a fall in profitability.

Other operating expenses

Other operating expenses were up 7% year on year to ¥185,121 million resulting from the recognition of expenses from the beginning of the fiscal year from companies in which we invested in the previous fiscal year and correlate with the increase in other operating revenues.

Selling, general and administrative expenses

	Year ended March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Selling, general and administrative expenses:				
Personnel expenses	¥ 135,788	¥ 133,092	¥ (2,696)	(2)
Selling expenses	36,624	28,096	(8,528)	(23)
Administrative expenses	76,416	70,421	(5,995)	(8)
Depreciation of office facilities	4,057	3,719	(338)	(8)
Total	¥ 252,885	¥ 235,328	¥ (17,557)	(7)

Employee salaries and other personnel expenses account for approximately 60% of selling, general and administrative expenses, and the remaining portion consists of selling and other general and administrative expenses, such as rent for office spaces, communication expenses and travel expenses. Selling, general and administrative expenses in fiscal 2009 decreased 7% year on year, due to the absence of one-off write-downs of intangible assets recorded in the previous fiscal year, despite the recognition of expenses from the beginning of this fiscal year from consolidated subsidiaries in which we invested in the previous fiscal year.

Provision for doubtful receivables and probable loan losses

We make provisions for doubtful receivables and probable loan losses for direct financing leases and installment loans. New provisions for doubtful receivables and probable loan losses in fiscal 2009 increased 132% as compared to the previous year. Provisions for direct financing leases increased 7%. Provisions for loans

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not individually evaluated for impairment increased 16% due to growth in provisions for card loans in Japan. Provisions for loans individually evaluated for impairment increased 304% due mainly to an increase in provisions for loans to real estate companies, reflecting a recent slowdown in the economy.

	Year ended March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Provision for doubtful receivables on direct financing leases and probable loan losses:				
Beginning balance	¥ 89,508	¥ 102,007	¥ 12,499	14
Direct financing leases	25,545	25,481	(64)	(0)
Loans not individually evaluated for impairment	34,774	38,445	3,671	11
Loans individually evaluated for impairment	29,189	38,081	8,892	30
Provisions charged to income	33,226	77,027	43,801	132
Direct financing leases	8,868	9,524	656	7
Loans not individually evaluated for impairment	10,694	12,363	1,669	16
Loans individually evaluated for impairment	13,664	55,140	41,476	304
Charge-offs (net)	(18,568)	(19,731)	(1,163)	6
Direct financing leases	(8,085)	(7,232)	853	(11)
Loans not individually evaluated for impairment	(5,850)	(8,773)	(2,923)	50
Loans individually evaluated for impairment	(4,633)	(3,726)	907	(20)
Other [(1)]	(2,159)	(759)	1,400	(65)
Direct financing leases	(847)	(233)	614	(72)
Loans not individually evaluated for impairment	(1,173)	(267)	906	(77)
Loans individually evaluated for impairment	(139)	(259)	(120)	86
Ending balance	102,007	158,544	56,537	55
Direct financing leases	25,481	27,540	2,059	8
Loans not individually evaluated for impairment	38,445	41,768	3,323	9
Loans individually evaluated for impairment	38,081	89,236	51,155	134

(1) Other includes foreign currency translation adjustments and amounts reclassified to discontinued operations.

Write-downs of long-lived assets

In accordance with ASC 360-10 (Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets), we performed an impairment review for long-lived assets in Japan and overseas such as golf courses, corporate dormitories, office buildings, hotel properties and commercial buildings, and condominiums. Write-downs totaling ¥3,829 million were made in fiscal 2009, an increase of 77% compared to fiscal 2008, which are reflected as write-down of long-lived assets and income from discontinued operations. ¥3,673 million is reflected as write-down of long-lived assets in the accompanying consolidated statements of income.

¥3,590 million of write-downs in fiscal 2009 within the write-downs of long-lived assets were associated with five office buildings. Two of the buildings were written down because it was determined that their carrying value exceeded their estimated undiscounted cash flows, while three were written down to fair value when we reclassified them as held and used from held for sale upon our determination that we would not be able to sell the buildings due to the troubled financial condition of the customer.

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

Write-downs of securities

Write-downs for fiscal 2009 were in connection with a decline in the securities market. In fiscal 2009, write-downs increased 125% from ¥8,290 million in fiscal 2008 to ¥18,631 million in fiscal 2009. For information regarding the impairment of investment in securities, see Item 5. Operating and Financial Review and Prospects Critical Accounting Policies and Estimates.

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Foreign currency transaction loss (gain), net

We recognized a foreign currency transaction net gain in the amount of ¥1,309 million in fiscal 2009. For information on the impact of foreign currency fluctuations, see Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Equity in net income (loss) of affiliates

Equity in net income (loss) of affiliates was a loss of ¥42,937 million in fiscal 2009 down from a profit of ¥48,343 million in fiscal 2008. The loss was recorded due to the absence in fiscal 2009 of the equity income recorded in fiscal 2008 as a result of the sale of Korea Life Insurance Co., Ltd. (KLI) in fiscal 2008 and the effects of weaker results from our domestic-based equity-method affiliates, mainly DAIKYO, during fiscal 2009. In addition, impairment losses were recorded, since we determined that the downward stock price movements of a number of equity-method affiliates, chiefly Fuji Fire, were other than temporary. Net income from residential condominiums developed through certain joint ventures in Japan decreased to ¥12,527 million in fiscal 2009 from ¥19,127 million in fiscal 2008. For discussion of investment in affiliates, see Note 12 of Item 18. Financial Statements.

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

Gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net was a loss of ¥1,731 million in fiscal 2009, down from a profit of ¥12,222 million in fiscal 2008, due chiefly to the losses on our shareholdings in Fuji Fire resulting from the dilution caused by the issuance and sale of shares to a third party, despite gains on sales of ORIX Facilities Corporation, as well as the absence of gains on the sales of domestic and Asia-based equity-method affiliates (including KLI) involved in the corporate rehabilitation operations which were recorded in fiscal 2008.

Provision for income taxes

Provision for income taxes in fiscal 2009 consisted of a reversal of ¥2,675 million compared to the provision of ¥97,671 million in fiscal 2008, mainly due to the effects of the 2009 revision of the taxation system.

In March 2009, the Japanese tax code was revised to reduce the taxes on dividends of foreign subsidiaries by 95%, which resulted in a substantial reduction of our taxes in fiscal 2009. Prior to the 2009 revision, dividends received from foreign subsidiaries were taxed at a rate based on the differences between the Japanese tax rate and applicable income tax rates in the foreign countries. Consequently, deferred tax liabilities related to such additional tax for undistributed earnings of foreign subsidiaries had been recognized except for those earnings designated as indefinitely reinvested. In fiscal 2009, we reversed deferred tax liabilities except for the amount which continued to be taxed under the revised tax code.

As part of our capital allocation plans going forward, we made a decision that for certain foreign subsidiaries where we had not recognized deferred tax liabilities we will no longer reinvest undistributed earnings indefinitely. Accordingly, we recognized deferred tax liabilities for the relevant subsidiaries according to the revised tax code in fiscal 2009.

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

Discontinued operations

Discontinued operations, net of applicable tax effect, decreased 48% compared to the previous fiscal year to ¥12,435 million in fiscal 2009 due primarily to lower gains on sales of real estate under operating leases in Japan.

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Net income attributable to the noncontrolling interests

Net income attributable to the noncontrolling interests was recorded as a result of noncontrolling interests in earnings of our subsidiaries. In fiscal 2009, net income attributable to the noncontrolling interests decreased 40% year on year to ¥1,175 million.

Net income attributable to the redeemable noncontrolling interests

Net income attributable to the redeemable noncontrolling interests was recorded as a result of noncontrolling interests in the earnings of certain subsidiary that issued redeemable stock. In fiscal 2009, net income attributable to the redeemable noncontrolling interests decreased 64% year on year to ¥698 million.

Segment Information

As of April 1, 2008, the ORIX Group implemented changes to its internal organization to reorganize its business into six segments to facilitate strategy formulation, resource allocation and portfolio balance determination at the segment level. Our six business segments are: Corporate Financial Services, Maintenance Leasing, Real Estate, Investment Banking, Retail and Overseas Business.

Management believes reorganizing its businesses into these six new segments addresses the significant changes in ORIX Group s operations and lines of business over the past four to five years. Each segment is organized as a large strategic unit that we believe will allow 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 obtain a competitive advantage.

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

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

	Year ended March 31,		Change	
	2008	2009	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Segment Revenues [1]				
Corporate Financial Services	¥ 139,874	¥ 137,712	¥ (2,162)	(2)
Maintenance Leasing	236,411	235,953	(458)	(0)

Real Estate	288,795	270,027	(18,768)	(6)
Investment Banking	127,199	94,645	(32,554)	(26)
Retail	198,858	183,307	(15,551)	(8)
Overseas Business	218,227	167,635	(50,592)	(23)
Total	1,209,364	1,089,279	(120,085)	(10)
Difference between Segment Total and Consolidated Amounts	(74,026)	(35,758)	38,268	
Total Consolidated Revenues	¥ 1,135,338	¥ 1,053,521	¥ (81,817)	(7)

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

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	Year ended March 31, 2008	Year ended March 31, 2009	Change Amount	Change Percent (%)
	(In millions of yen, except percentage data)			
Segment Profits [1]:				
Corporate Financial Services	¥ 35,412	¥ (10,451)	¥ (45,863)	
Maintenance Leasing	37,235	25,621	(11,614)	(31)
Real Estate	83,065	50,508	(32,557)	(39)
Investment Banking	47,483	(63,397)	(110,880)	
Retail	27,463	9,573	(17,890)	(65)
Overseas Business	57,862	20,066	(37,796)	(65)
Total	288,520	31,920	(256,600)	(89)
Difference between Segment Total and Consolidated Amounts	(42,401)	(23,233)	19,168	
Total consolidated income before income taxes, discontinued operations and extraordinary gain	¥ 246,119	¥ 8,687	¥ (237,432)	(96)

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

	As of March 31, 2008	As of March 31, 2009	Change Amount	Change Percent (%)
	(In millions of yen, except percentage data)			
Segment Assets:				
Corporate Financial Services	¥ 1,993,390	¥ 1,583,571	¥ (409,819)	(21)
Maintenance Leasing	649,814	648,314	(1,500)	(0)
Real Estate	1,077,560	1,175,437	97,877	9
Investment Banking	1,698,452	1,321,491	(376,961)	(22)
Retail	1,450,241	1,554,006	103,765	7
Overseas Business	1,037,311	949,852	(87,459)	(8)
Total	7,906,768	7,232,671	(674,097)	(9)
Difference between Segment Total and Consolidated Amounts	1,088,202	1,137,065	48,863	4
Total consolidated assets	¥ 8,994,970	¥ 8,369,736	¥ (625,234)	(7)

Corporate Financial Services Segment

The operating environment drastically changed since the latter half of fiscal 2008. In fiscal 2009, financial institutions have not changed their conservative stance toward lending to the real estate sector and as a result, financial conditions in the construction and real estate industries continued to deteriorate. In collaboration with Risk Management Headquarters, the segment scrutinized the financial and operating conditions of each client, striving to continue maximizing the speed and amount of loan recovery.

Segment revenues were down 2% to ¥137,712 million compared to ¥139,874 million in the previous fiscal year as a result of the decline in revenues in line with decreases in installment loan assets and direct financing lease assets due to the more stringent criteria placed on new transactions. This decline was partially offset by an increase in revenues recorded from the beginning of the fiscal year from consolidated subsidiaries in which we invested in the previous fiscal year.

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There were continued increases in provisions for doubtful receivables and probable loan losses for real estate-related loans due to the absence of buyers and to banks refusing to refinance. Therefore, to minimize secondary losses, we realigned the division structure of the segment and set up a specialist real estate-focused loan recovery unit. In addition, impairment losses of goodwill in consolidated subsidiaries and equity-method affiliates were recognized since we determined that the downward stock price movement was other than temporary. As a result, the segment recorded a loss of ¥10,451 million, down from a profit of ¥35,412 million in the previous fiscal year.

Segment assets decreased 21% to ¥1,583,571 million compared to the end of the previous fiscal year due to strict controls on the selection of new transactions resulting in a reduction in installment loans and direct financing lease assets.

Maintenance Leasing Segment

The operating environment for the automobile leasing business was severe due to the swift decline experienced by the automobile industry from the latter half of fiscal 2009 and due to a falloff in demand from corporate clients as a result of the deteriorating economy. Furthermore, our car rental operations underperformed due to worsening of consumer sentiment. Similarly, our precision measuring and other equipment rental operations saw a declining trend in operating results due to weaker demand in the contracting economy.

Segment revenues were flat year on year at ¥235,953 million due to a decrease of revenues from car rental operations and precision measuring and other equipment rental operations as a result of the severe operating environment, despite an increase in client demand for operating leases in automobile operations. Segment profits decreased 31% to ¥25,621 million compared to ¥37,235 million during the previous fiscal year due to increases in expenses related to depreciation and maintenance parts and services, increases in provisions for doubtful receivables and probable loan losses and reductions in gains on sales of used automobiles due to a declining secondary market.

Segment assets were flat year on year at ¥648,314 million compared to March 31, 2008 due to an increase in operating lease assets in the automobile leasing business, which were offset by a decline in direct financing lease assets.

Real Estate Segment

The domestic real estate market deteriorated as a result of the financial crisis, and from the second half of fiscal 2009 our focus shifted from an emphasis on asset turnover to prioritizing income gains and enhancing the property leasing and facility operations businesses that are sources of stable cash flows. Furthermore, the condominium market continued to stagnate.

Gains on sales of real estate under operating leases (including income from discontinued operations) declined as a result of the market conditions. Profits from condominium operations greatly declined due to a fall in profitability and an increase in write-downs on projects under development. Furthermore, 3,038 units were delivered, a decrease from 3,710 units sold in the previous fiscal year, and write-downs of some projects under development were ¥11,560 million in this fiscal year.

As a result, segment revenues were down 6% to ¥270,027 million compared to the previous fiscal year and segment profits were down 39% to ¥50,508 million compared to ¥83,065 million during the previous fiscal year. Segment assets increased 9% to ¥1,175,437 million compared to March 31, 2008 due to increased levels of real estate under operating leases in line with strengthening of the rental property and management operations.

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Investment Banking Segment

This segment faced increasingly severe conditions as its business portfolio was being affected by the tightening of liquidity in the domestic real estate sector and deterioration in the capital and financial markets. In order to maintain asset stability in this environment, there was a need for enhanced risk management and monitoring of existing real estate-related finance transactions as well as companies in which we have invested.

Real estate-related finance business saw a decline in installment loan levels and revenues due to stricter selection criteria for new transactions. Furthermore, provisions for doubtful receivables and probable loan losses increased due to the credit crunch. Revenues also declined in the loan servicing (asset recovery) business, due to the adverse economic environment. In our principal investment operations, there was a decline in equity in net income of affiliates, particularly due to the deterioration in the operating results of domestic equity-method affiliates. Furthermore, we recorded impairment losses since we determined that the downward stock price movement of Fuji Fire was other than temporary. Revenues from private equity funds and alternative investments have also significantly decreased.

Under these circumstances, segment revenues decreased 26% to ¥94,645 million compared to the previous fiscal year, and the segment recorded a loss of ¥63,397 million compared to a profit of ¥47,483 million for the previous fiscal year. Segment assets decreased 22% to ¥1,321,491 million compared to March 31, 2008.

Retail Segment

Profits from the card loan business remained flat year on year, as we controlled expenses through cost-cutting programs despite slight increases in provisions for doubtful receivables and probable loan losses from the latter half of fiscal 2009. Profits from trust and banking operations declined due to increases in selling, general and administrative expenses from expanded operations, and to an increase in provisions for doubtful receivables and probable loan losses. Commissions from the securities brokerage business declined due to a decrease in retail trading transactions. Operating revenues from the life insurance business decreased significantly due to declines in the market value of the securities. Furthermore, due to increases in provisions for doubtful receivables and probable loan losses on installment loans, profits from the life insurance business declined.

In this fiscal year, we injected ¥25 billion of additional capital into the life insurance business in order to enhance our financial position and maintain stability. Under these circumstances, segment revenues declined 8% to ¥183,307 million compared to the previous fiscal year, and segment profits declined 65% to ¥9,573 million compared to ¥27,463 million during the previous fiscal year.

Targeting future growth, our trust and banking business has begun to diversify its business by expanding into corporate finance to supplement its mortgage loans to individuals, and has increased its deposit base. As a result, segment assets were up 7% to ¥1,554,006 million compared to March 31, 2008.

Overseas Business Segment

The U.S. market experienced a severe credit crunch. In the United States, where the economic situation was uncertain, we were continuously striving to limit future losses by maintaining stringent portfolio management while prioritizing investment in stable and profitable assets for new transactions.

The global economic downturn also severely affected Asian and Middle Eastern countries. Existing operations were managed taking into careful consideration the overriding operating environments in the Asian and Middle Eastern regions. Additionally, in collaboration with our long-term local business partners, we cautiously looked for new revenue-generating opportunities centered on investments in distressed assets.

Segment profits declined due to expansion of losses from investments in high yield bonds, mortgage backed securities and equity caused by deterioration in the bond and equity markets in the United States, a decline in installment loan revenues caused by the foreign exchange effects of an appreciated yen combined with a lowering of market interest rates and decreases in gains on sales of ship-related revenues in Asia. The segment also recorded a decline in profits due to the absence of equity in net income of affiliates from KLI, which had substantially contributed to profits during the previous fiscal year.

Under these circumstances, segment revenues decreased 23% to ¥167,635 million from ¥218,227 million in the previous fiscal year, and segment profits decreased 65% to ¥20,066 million compared to ¥57,862 million in the previous fiscal year. Segment assets were down 8% year on year to ¥949,852 million.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We require capital resources at all times for maintaining working capital and for the expansion of our business. We have put our main emphasis on ensuring stable funding and reducing our funding costs by diversifying our funding methods and procuring capital from a variety of sources.

In response to the global financial crisis after the Lehman Brothers bankruptcy filing, we have implemented various measures to strengthen our financial condition, including:

- Decreasing interest bearing debt and improving our debt-to-equity ratio.
- Strengthening our funding structure by:
  - Stabilizing cashflow by reducing CP and retaining excess liquidity through cash, deposit and committed credit facilities;
  - Conducting a global offering of our common stock in July 2009, raising net proceeds of approximately ¥83 billion; and
  - Capitalizing on recovery of the capital markets by resuming domestic and international issuances of straight bonds.

We believe that these and other efforts have successfully strengthened our funding structure. However, we plan to continue to focus on strengthening our funding structure in preparation for potential market risks.

Our funding mainly consists of borrowings from financial institutions and funding from capital markets. We maintain a flexible funding strategy by adjusting the ratio of funding obtained from the capital markets based on domestic and foreign financial market conditions. The ratio of funding from capital markets to total debt was 34% as of March 31, 2009 and 35% as of March 31, 2010 (not including off-balance sheet funding, such as the securitization of assets). During the fiscal year ended March 31, 2010, we resumed issuing straight bonds to acquire long-term and stable funds. We expect to continue to issue straight bonds, based on capital market trends, while managing proper balance between borrowings from financial institutions and funding from capital markets. Also in the fiscal year ended March 31, 2010, we slightly increased our outstanding amount of CP; however, we have maintained the total amount outstanding at a relatively reduced level.

Our ratio of long-term debt to total debt was 85% as of March 31, 2009 and 87% as of March 31, 2010. Of our long-term debt, floating rate funding and fixed rate funding amounted to 48% and 52%, respectively, as of March 31, 2009 and 2010.

Although we obtain our capital resources primarily from financial institutions and capital markets in Japan, we also procure funds from overseas markets based on the location of our assets to reduce exchange rate risk. The ratio of domestic (Japanese) funding to total debt was 90% and 91% as of March 31, 2009 and March 31, 2010, respectively. The ratio of domestic segment assets to the total assets for all segments was 87% as of

March 31, 2009 and 2010. (We calculate the ratio of domestic funding using the amount borrowed by companies that are located in Japan, even though some or all of the funding may be used outside Japan, for example, for acquiring assets in overseas operations).

Our main domestic and foreign subsidiaries produce annual financial plans in consultation with us, and we monitor the management of funds as necessary. We employ a cash management system for supplying to, and absorbing capital efficiently from our domestic subsidiaries, concentrating the management of domestic cash flow for the group at ORIX. Our overseas subsidiaries conduct local funding activities and also receive loans from ORIX, in response to market and business conditions where each subsidiary is located. Procured funds provide the resources for increasing assets or repaying debt for the relevant subsidiary.

The ability to readily secure capital resources is extremely important in meeting the needs of our current and potential customers and the demand of our transactions. We strive for timely and flexible capital resource procurement by monitoring the funding requirements from our sales and investment operations, and by monitoring the balance between funding supply and our funding needs.

Ratings

As of the date of this filing, our domestic unsecured straight bonds and our Euro Medium-Term Note Program (Euro MTN Program) were rated A by Rating and Investment Information, Inc. (R&I) and A by Japan Credit Rating Agency, Ltd. (JCR). Standard & Poor s has assigned A- as our long-term senior debt securities and counterparty credit ratings, and Moody s has assigned an A3 long-term unsecured debt securities and long-term issuer rating. Our domestic CP is rated a-1 by R&I and J-1 by JCR.

For a discussion of short-term and long-term debt, see Note 14 of Item 18. Financial Statements.

Sources of Liquidity

Borrowings from Financial Institutions

ORIX Group s borrowings are procured from a variety of sources including major banks, regional banks, foreign banks, life insurance companies, casualty insurance companies and financial institutions associated with agricultural cooperatives. The number of financial institutions from which we procured borrowings exceeded 200 as of March 31, 2010. The majority of our loan balance consists of borrowings from Japanese financial institutions. As of March 31, 2009 and March 31, 2010, short-term debt from financial institutions was ¥568,676 million and ¥271,234 million, respectively, while long-term debt was ¥2,676,129 million and ¥2,314,377 million, respectively.

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

Committed Credit Facilities

We regularly enter into many committed credit facilities agreements, including syndicate-type agreements, with financial institutions as a means for securing liquidity. The maturity dates of these committed credit facilities are staggered to prevent an overlap of contract renewal periods. The total amount of our committed credit facilities as of March 31, 2009 and March 31, 2010 was ¥537,196 million and ¥426,729 million, respectively. Of these figures, the available amount as of March 31, 2009 and March 31, 2010 was ¥270,507 million and ¥385,892 million, respectively. The decision to enter into a committed credit facility is made based on our outstanding amounts of CP and cash.

Compliance with covenant conditions is required under committed credit facilities, and some of these covenants include financial restrictions, such as the maintenance of a minimum ORIX Corporation shareholders equity ratio, and specified credit ratings. In addition, the majority of our committed credit facilities require the relevant debtor to represent and warrant that there has been no material negative change in its financial condition, among other factors, since a specified time. We are currently in compliance with our financial covenants and have been able to make the requested representations and warranties concerning our financial condition.

Funding from the Capital Markets

Funding from the capital markets includes financing such as the issuance of straight bonds, CP, Euro MTN, securitization of leasing receivables or loans receivables, convertible bonds (CB) and stock or other forms of equity finance.

Straight Bonds

We have been issuing straight bonds to diversified investors domestically and internationally. Domestic straight bond issuances are divided mainly into bonds for institutional investors and bonds for individuals. As of March 31, 2009 and March 31, 2010, the balance of straight bonds issued by ORIX for domestic institutional investors (including private offerings) was ¥610,000 million and ¥564,300 million, respectively, while the balance of straight bonds issued by ORIX for individual investors was ¥418,000 million and ¥383,000 million, respectively. The balance of bonds issued by domestic subsidiaries as of March 31, 2009 and March 31, 2010 was ¥13,379 and ¥6,779 million, respectively. The balance of straight bonds issued outside Japan as of March 31, 2009 and March 31, 2010 was ¥89,184 million and ¥74,915 million, respectively. Because the straight bonds market had been essentially closed since the bankruptcy of Lehman Brothers we had refrained from issuing new bonds. However, due to recovery in the global capital markets, we were able to issue ¥175,000 million domestic straight bonds in the second half of fiscal year ended March 31, 2010. We also issued $750 million aggregate principal amount of U.S. dollar-denominated senior notes in a SEC-registered offering outside of Japan in April 2010. We plan to continue to issue straight bonds in a balanced manner to both institutional and individual investors in accordance with our basic policy of maintaining our long-term debt ratio and the diversity of our funding sources.

CP

The investors in our CP include investment trusts, life insurance companies, casualty insurance companies and other financial institutions, as well as private corporations. The date of issuance and the terms are spread out over time so as to avoid significant overlap. Our balance of outstanding CP rose slightly to ¥282,781 million as of March 31, 2010 from ¥225,991 million as of March 31, 2009. Although the market has recovered, we still keep the balance at a relatively reduced level due to remaining concerns of the financial markets.

Euro MTN

In addition to borrowing from local financial institutions, we have sought to increase our overseas funding by establishing a Euro MTN program. As of March 31, 2010, ORIX and three overseas subsidiaries are participants in a Multi-Issuer Euro MTN program with a maximum issuance limit of $4,000 million. Our Euro MTN issuance is determined and flexibly handled by ORIX s Treasury Department based on funding needs of the participant issuers. The total balance of Euro MTN issued as of March 31, 2009 and March 31, 2010 was ¥102,893 million and ¥123,860 million, respectively, of which a total of ¥66,725 million and ¥55,681 million, respectively, were for the foreign local subsidiaries.

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Securitization

We securitize leasing receivables, installment loans, and certain investment securities, primarily in Japan. As of March 31, 2009 and March 31, 2010, the total balance of each of these assets removed from our balance sheet through securitization was ¥398,655 million and ¥288,777 million, respectively, while the total balance of notes and accounts payable reflected on our balance sheet as secured borrowings was ¥358,969 million and ¥202,224 million, respectively, due to a decline in our overall assets available for securitization. In July 2009, we sold a 51% interest in ORIX Credit to SMBC. As a result of this sale, we have seen a proportional decline in the amount of funding from the securitization of ORIX Credit s loans assets, as ORIX Credit is no longer accounted for as a consolidated subsidiary but rather as an equity-method affiliate.

CB and Stock or Other Forms of Equity Finance

In December 2008, ORIX issued ¥150,000 million in the third series of unsecured convertible bonds with stock acquisition rights due March 2014. The total balance of unsecured bonds with stock acquisitions (convertible and non-convertible) as of March 31, 2009 and March 31, 2010 was ¥188,791 million and ¥186,365 million, respectively. In July 2009, we conducted a global offering of common stock and American Depositary Shares for net proceeds of approximately ¥83 billion.

For a discussion of short-term and long-term debt, see Note 14 of Item 18. financial Statements.

Deposits

ORIX Trust and Banking has been seeking to expand its business by diversifying its asset portfolio and strengthening its fund procurement through deposits. Utilizing the convenience of on-line banking, ORIX Trust and Banking has successfully expanded its deposits over the course of the past year. Deposits balances as of March 31, 2009 and March 31, 2010 were ¥667,627 million and ¥853,269 million, respectively.

LEVELS OF BORROWINGS

Our procurement of capital resources is not influenced by seasonal factors. There are occasions where capital demand is concentrated at the end of our fiscal year, according to specific operational circumstances. Nevertheless, such factors are included in our annual funding plans, and seasonal factors such as concentration of capital demand are not thought to have a serious influence on our capital resource procurement. Generally speaking, there is no limit on the use of funds under borrowed debt; however, funds such as those borrowed under non-recourse loans are generally limited to specific purposes.

Short-term Debt

	As of March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Short-term debt:				
Borrowings from financial institutions	¥ 568,676	¥ 271,234	¥ (297,422)	(52)
Commercial paper	225,991	282,781	56,790	25
Medium-term notes	3,500	19,550	16,050	459
Total short-term debt	¥ 798,167	¥ 573,565	¥ (224,602)	(28)

Short-term debt as of March 31, 2010 was ¥573,565 million, representing 13% of the total amount of long-term and short-term debt and deposits as of March 31, 2010, and 15% as of March 31, 2009. As of March 31, 2010, 47% of the short-term debt is borrowings from financial institutions.

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Long-term Debt

	As of March 31,		Change	
	2009	2010	Amount	Percent (%)
	(In millions of yen, except percentage data)			
Long-term debt:				
Borrowings from financial institutions	¥ 2,676,129	¥ 2,314,377	¥ (361,752)	(14)
Bonds	1,319,354	1,215,359	(103,995)	(8)
Medium-term notes	99,393	104,310	4,917	5
Payable under securitized lease, loan receivables and investment in securities	358,969	202,224	(156,745)	(44)
Total long-term debt	¥ 4,453,845	¥ 3,836,270	¥ (617,575)	(14)

Long-term debt as of March 31, 2010 was ¥3,836,270 million, representing 87% of the total amount of long-term and short-term debt and deposits as of March 31, 2010, and 85% as of March 31, 2009. Borrowings from financial institutions comprised 60% of the long-term debt as of March 31, 2010.

Approximately 52% of the interest paid on long-term debt borrowings in fiscal 2010 was fixed rate interest, with the remainder being floating rate interest based mainly on TIBOR or LIBOR.

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

We have entered into interest rate swaps and other derivative contracts to manage risk associated with fluctuations in interest rates. For information with respect to derivative financial instruments and hedging, see Note 28 of Item 18. Financial Statements.

Deposits

In addition to the short-term and long-term debt described above, ORIX Trust and Banking and ORIX Asia Limited also accepts deposits. The deposit balance as of March 31, 2010 was ¥853,269 million, an increase of 28% or ¥185,642 million over March 31, 2009. For further information with respect to deposits, see Note 15 of Item 18. Financial Statements.

CASH FLOWS

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

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

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

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

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

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Year Ended March 31, 2010 Compared to Year Ended March 31, 2009

In fiscal 2010, cash and cash equivalents increased by ¥179,118 million to ¥639,087 million compared to March 31, 2009.

Cash flows from operating activities provided ¥209,311 million in fiscal 2010, down from ¥308,779 million in fiscal 2009, as a result of a decrease in new investment in for-sale real estate such as condominiums, an increase in trading securities, and an adjustment of net income such as depreciation and amortization, provision for doubtful receivables and probable loan losses and equity in net income (loss) of affiliates (excluding interest on loans), despite an increase in net income compared to fiscal 2009.

Cash flows from investing activities provided ¥432,788 million in fiscal 2010, up from ¥171,183 million in fiscal 2009, due to decreases in purchases of lease equipment and installment loans made to customers, reflecting a policy of stringent selection of new transactions, and also due to return of investments in connection to the sales of subsidiaries, net of cash disposed.

Cash flows from financing activities used ¥466,924 million in fiscal 2010, compared with ¥334,587 million used during fiscal 2009, due to reduction of interest-bearing debt despite fundraising through the issuance of new shares, in line with the policy to enhance financial stability.

Cash balance has increased and cash management is stable resulting from operating and investing activities providing cash inflows.

Year Ended March 31, 2009 Compared to Year Ended March 31, 2008

Cash and cash equivalents increased by ¥139,314 million to ¥459,969 million compared to March 31, 2008 in line with our policy of increasing liquidity on hand.

Cash flows from operating activities provided ¥308,779 million in fiscal 2009 and provided ¥156,287 million in fiscal 2008, resulting from a decrease in volume of new investments in real estate for sale such as residential condominiums, a decrease in loans held for sale, and operating cash flow adjustments such as depreciation and amortization and provision for doubtful receivables and probable loan losses, in addition to a decrease in net income compared to fiscal 2008.

Cash flows from investing activities provided ¥171,183 million in fiscal 2009 and used ¥838,331 million in fiscal 2008 due to a decrease in purchases of lease equipment, a decrease in purchases of available-for-sale securities and a decrease in installment loans made to customers which was less than the principal collected on installment loans resulting from the implementation of a more prudent stance towards new transactions compared to fiscal 2008.

Cash flows from financing activities used ¥334,587 million in fiscal 2009 and provided ¥792,966 million in fiscal 2008 due to decreased levels of commercial paper to reduce interest-bearing debt.

COMMITMENTS FOR CAPITAL EXPENDITURES

As of March 31, 2010, we had commitments for the purchase of equipment to be leased in the amount of ¥8,308 million. For information on commitments, guarantees and contingent liabilities, see Note 31 of Item 18. Financial Statements.

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OFF BALANCE SHEET ARRANGEMENTS

USE OF SPECIAL PURPOSE ENTITIES

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

In the securitization process, the assets for securitization are sold to SPEs, which issue asset-backed securities to investors. SPEs are generally organized as trusts. Our use of SPEs for securitizations is consistent with conventional practices in the securitization market, to isolate the sold receivables from creditors of other entities, including the seller of the assets. SPEs can be structured to be bankruptcy-remote, and if structured in this manner (and subject to certain other conditions) the assigned assets are removed from the balance sheet. A portion of the SPEs that we utilize meet the definition of qualifying special purpose entities, or QSPEs, as defined in ASC 860 (Transfers and Servicing), and, in accordance with ASC 860, we do not consolidate the assets and liabilities of the QSPEs. These SPEs are also designed so that investors have no recourse against our other assets in the event of any failure of payment on the assigned assets. In addition, we do not make any payment guarantees to investors in these transactions, eliminating exposure to contingent liabilities. When assets are securitized in this manner, we recognize subordinated residual interests on our consolidated balance sheets. The subordinated interests, with the right to receive dividends and principal redemptions out of the remaining balance after the SPE operating expense and dividends and principal redemption money to preferred investors are deducted from the cash flow generated from the assigned assets, are affected by the performance of the assigned assets (credit risk, advanced redemption, interest levels, etc.). We may repurchase a portion of the assets that we securitized as required under the terms of the contract such as violation of the representation and warranty set forth in the assignment agreement and other related agreements, termination of assigned lease contracts and other conditions that trigger repurchase, and the event triggering the repurchase is outside of our control. From time to time, we may act as an investor, servicer or administrator in SPE transactions. The effects of these transactions are reflected in our consolidated financial statements.

We do not dispose of troubled leases, loans or other problem assets through unconsolidated SPEs. None of our officers, directors or employees holds any equity interests in these SPEs or receives any direct or indirect compensation from them. The SPEs do not own any Shares or other equity interests and no contractual rights permitting the SPEs to acquire our Shares or other equity interests exist.

SPEs do not issue CP, nor will they in the future. In addition, SPEs are not scheduled to issue any additional bonds, beneficiary rights or the like for refinancing or other purposes after issuing bonds, beneficiary rights and the like at the time that the assets are sold to SPEs.

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

Investment Products

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

Other Financial Transactions

We occasionally make loans, leases, equity or other investments in SPEs in connection with finance transactions related to aircrafts, ships and real estate, as well as transactions involving investment funds, in addition to real estate purchases and development projects. All transactions involving use of SPE structures are evaluated to determine if we hold a variable interest that would result in our being defined as the primary beneficiary of the SPE pursuant to ASC 810-10 (Consolidation Variable Interest Entities). When we are considered to own the primary beneficial interest in the SPEs, the SPEs are fully consolidated into our consolidated financial statements. In all other circumstances our loan, lease, equity or other investments are recorded on our consolidated balance sheets as appropriate.

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

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Not applicable.

TREND INFORMATION

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

COMMITMENTS

The table below sets forth the maturities of guarantees and other commitments as of March 31, 2010.

		Amount of commitment expiration per period			
	Total	Within 1 year	1-3 years	3-5 years	After 5 years
	(In millions of yen)				
Commitments:					
Guarantees	¥ 114,563	¥ 42,071	¥ 54,881	¥ 6,309	¥ 11,302
Committed credit lines and other	248,360	111,661	71,685	39,297	25,717
Total commercial commitments	¥ 362,923	¥ 153,732	¥ 126,566	¥ 45,606	¥ 37,019

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

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TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The table below sets forth the maturities of contractual cash obligations as of March 31, 2010.

		Payments due by period			
	Total	Within 1 year	1-3 years	3-5 years	After 5 years
	(In millions of yen)				
Contractual cash obligations:					
Deposits	¥ 853,269	¥ 460,316	¥ 258,892	¥ 134,061	¥
Long-term debt	3,836,270	1,202,924	1,816,809	680,561	135,976
Operating leases	26,918	3,870	5,364	3,333	14,351
Unconditional purchase obligations of lease equipments	8,308	8,294	14		
Unconditional non-cancelable contracts for computer systems	1,088	718	370		
Interest rate swaps:					
Notional amount (floating to fixed)	174,289	106,392	36,785	9,512	21,600
Notional amount (fixed to floating)	5,000		2,000		3,000
Total contractual cash obligations	¥ 4,905,142	¥ 1,782,514	¥ 2,120,234	¥ 827,467	¥ 174,927

Other items excluded from the above table are short-term debt, security deposits, trade notes and accounts payable and policy liabilities. The amounts of such items were ¥573,565 million, ¥125,479 million, ¥289,678 million and ¥409,957 million, respectively, as of March 31, 2010. For information on pension plans and derivatives, see Notes 17 and 28 in Item 18. Financial Statements. We expect to fund commitments and contractual obligations from one, some or all of our diversified funding sources depending on the amount to be funded, the time to maturity and other characteristics of the commitments and contractual obligations.

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

RECENT DEVELOPMENTS

ECONOMIC CONDITIONS

The global economy remains stagnant, with signs of recovery starting to be seen in each country at a different pace. Recovery in advanced economies is still largely dependent on governmental stimulus measures, while emerging markets, such as Asia including China, are showing a strong recovery. Europe has yet to see a recovery in the labor market and concerns about the financial stability of particular countries, such as Greece, remain acute.

In the United States, despite moderate recovery encouraged by increased consumer demand, continuing stagnation in the real estate market and high unemployment still require particular attention. The U.S. government is starting to phase out stimulus measures and is closely watching the economy for signs of underlying strength.

In Japan, the number of corporate bankruptcies is decreasing and the government announced in March 2010 that it had made an upward revision to the overall assessment of the nation s economy for the first time in eight months: signs that the economic stimulus measures have taken effect. Corporate profits are improving with increases in both export levels and industrial production. Signs of recovery are also visible in real estate transactions. On the other hand, risks such as advancing deflation and high unemployment continue to be present, raising concern that a full recovery will take additional time.

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NEW ACCOUNTING PRONOUNCEMENTS

Consolidations of Variable Interest Entity

In June 2009, FASB Statement No. 166 (Accounting for Transfers of Financial Assets an amendment of FASB Statement No.140), which was codified by Accounting Standards Update, or ASU, 2009-16 (ASC 860 (Transfers and Servicing)), was issued. ASU 2009-16 removes the concept of a qualifying special-purpose entity (QSPE) and removes the exception from applying ASC 810-10 (Consolidation Variable Interest Entities) to variable interest entities that are QSPEs. ASU 2009-16 also modifies the financial-components approach and limits the circumstances in which a transferor derecognizes a portion or component of a financial asset.

In June 2009, FASB Statement No. 167 (Amendment of FASB Interpretation No.46(R)), which was codified by ASU 2009-17 (ASC 810 (Consolidation)), was issued. ASU 2009-17 removes the exception from applying FIN 46(R) (ASC 810-10) to variable interest entities that are QSPEs and requires an enterprise to perform a qualitative analysis to identify the primary beneficiary of variable interest entities. An enterprise that has both of the following characteristics is considered to be the primary beneficiary who shall consolidate a variable interest entity:

The power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance; and

The obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity.

Additionally, ASU 2009-17 requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity.

ASUs 2009-16 and 2009-17 are effective as of the beginning of the fiscal year that begins after November 15, 2009, for interim periods within that fiscal year and for fiscal years and interim periods thereafter. We adopted them on April 1, 2010.

Our financial conditions would be most affected by adopting these ASUs mainly in the following two types of transactions.

(1) Securitizations accounted for as a sale in prior periods

We have securitized various financial assets, such as lease receivables and loan receivables. In the securitization process, these financial assets are transferred to various vehicles (the SPEs), such as trusts and special-purpose entities, and the SPEs issue beneficial interests of the securitization trusts and securities backed by the financial assets to investors. Most of our securitization has senior and subordinate interest structure in the scheme. We continue to hold the subordinate interest in the securitization and act as a servicer. Under the previous accounting standards, if the SPEs met the criteria for QSPE in accordance with ASC 860, or if we were not the primary beneficiaries of the SPEs, it was not necessary to consolidate the SPEs and we accounted for the transfer of the financial assets as a sale when control over the financial assets was surrendered. A gain (loss) on sales of financial assets was recorded in our consolidated statements of income.

ASU 2009-16 now removes the concept of QSPEs and ASU 2009-17 related to variable interest entities also removes the exception for QSPE, therefore, the status of whether SPEs are QSPEs or not does not affect our consolidation assessment.

For most of our securitizations accounted for as a sale in prior periods, we consider that we have (i) the power to direct the activities that most significantly impact the economic performance of these SPEs by designing the securitization scheme and conducting servicing activities, and (ii) the obligation to absorb losses of these SPEs that could potentially be significant to the entities through the subordinated interests that continue to be held. As a result, we determined to consolidate these SPEs, and therefore, the securitized financial assets and the beneficial interests and securities issued by the SPEs will be recognized as assets and liabilities, respectively, on our consolidated balance sheets as of April 1, 2010.

(2) Involvement with Securitizations Originated by Third Parties

In the United States, we are engaged in investment and financing operations, such as corporate finance and investments in CMBS and other marketable securities, as well as investment banking operations, including advisory services in the areas of mergers and acquisitions, corporate financial restructuring and enterprise valuation. In terms of servicing business in the United States, we currently have only special servicing operation, having sold our primary and master servicing operations.

As part of our securities investment business in the United States, we have investments in subordinated portion of CMBS originated by third parties. In some cases, we also act as special servicers for these securitization transactions in which we have subordinated interests. As the special servicer, we have a right to dispose of real estate collateral related to the securitized loans underlying the CMBS.

Under ASU 2009-17, if we could potentially absorb/receive significant losses/benefits by holding the subordinated portions and have the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance through our special servicing contracts that includes the right to dispose of the collateral properties, we would be considered to be the primary beneficiaries of the variable interest entities in the securitizations. ASU 2009-17 would then require us to consolidate the variable interest entities. As a result, the securitized financial assets and the related securities issued by the variable interest entities would be recorded as assets and non-recourse liabilities, respectively, on our consolidated balance sheets.

Furthermore, in some cases, these variable interest entities issue interest-only strips in the securitization transactions. Interest-only strips are the rights to receive the excess interest spread between interest received on the underlying securitized loans and interest paid on the securities issued by the entities and do not have principal amounts. If interest-only strips held by third parties are recorded as non-recourse liabilities at fair value when consolidating variable interest entities by the adoption of ASU 2009-17, retained earnings at the beginning of the first fiscal year of adoption would be reduced by the corresponding amount, net of applicable tax effect, if any. Subsequent to the consolidation of those variable interest entities, while the interest payments received from the securitized loans are recorded as income, portions of the payments applied to reduce the liability balance of the interest-only strips would not be recognized as interest expense and the resulting increase in retained earnings is expected to have an offsetting effect against the reduction of beginning balance of retained earnings recorded at the time of initially recognizing the interest-only strips as liabilities.

According to our preliminary analysis based on the information currently obtained, the effect of adopting ASUs 2009-16 and 2009-17 on our financial conditions at the initial adoption date is an increase of approximately ¥1,140 billion on our total assets, an increase of approximately ¥1,165 billion on our total liabilities and a decrease of approximately ¥25 billion on our retained earnings, net of tax, respectively, in our consolidated balance sheets.

Although our total assets and liabilities are expected to increase by the consolidation of the SPEs described above, the net cash flow and economics effects of our investments in these entities have not changed. The initial reduction of retained earnings recorded at adoption is mainly caused by the recognition at fair value of the liabilities related to interest-only strips, and the reduction of retained earnings at initial adoption related to the interest-only strips will recover through earnings during the remaining periods as discussed above. In addition, the creditors of the liabilities of the consolidated SPEs have no recourse to other assets of ours.

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Other Pronouncements

In December 2007, FASB Statement No. 141 (revised 2007) (Business Combinations), which was replaced by ASC 805 (Business Combinations) was issued. ASC 805 requires the acquiring entity in a business combination to recognize the full fair value of assets acquired, liabilities assumed and noncontrolling interest in the transaction at the acquisition date (whether a full or partial acquisition); requires expensing of acquisition-related transaction and restructuring costs; and requires the acquirer to disclose to investors and other users all of the material information needed to evaluate and understand the nature and financial effect of the business combination. We adopted ASC 805 as of April 1, 2009. The application of ASC 805 did not have significant effect on our consolidated results of operations or financial position in fiscal 2010.

In December 2007, FASB Statement No. 160 (Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51), which was replaced by ASC 810-10-65-1 (Consolidation Noncontrolling Interests in Consolidated Financial Statements), was issued. ASC 810-10-65-1 requires noncontrolling interests in subsidiaries to be classified as a separate component of equity. Under ASC 810-10-65-1, increases and decreases in the parent s ownership interest that leave control intact are accounted for as equity transactions. On the other hand, in a transaction that results in the loss of control, the gain or loss recognized in income includes the realized gain or loss related to the portion of ownership interest sold and the gain or loss on the remeasurement to fair value of the interest retained. We adopted ASC 810-10-65-1 as of April 1, 2009. As a result, noncontrolling interests that were previously classified between liabilities and equity, except for redeemable noncontrolling interests, are included in equity, and presentation of consolidated statements of income is reclassified. In the same way, the financial statements that had been previously reported are reclassified for certain amounts relating to noncontrolling interests and redeemable noncontrolling interests; prior period financial statements have also been reclassified to conform to the current period s presentation.

In June 2008, EITF Issue No. 07-5 (Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity s Own Stock), which was replaced by ASC 815-40 (Derivatives and Hedging Contracts in Entity s Own Equity), was ratified. ASC 815-40 provides guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity s own stock. ASC 815-40 is effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. We adopted ASC 815-40 as of April 1, 2009. By the adoption, a certain convertible note issued by us is considered not to be indexed to our own stock and therefore, we bifurcated the conversion right as a derivative. As a result, we made certain reclassification adjustments mainly to the retained earnings at the beginning of this fiscal year, and the effect of the adjustments to the beginning balance of retained earnings was a gain, net of tax, of ¥1,758 million.

In October 2008, FASB Staff Position (FSP) No. FAS 157-3 (Determining Fair Value of a Financial Asset When the Market for That Asset Is Not Active), which was replaced by ASC 820-10-65-2 (Fair Value Measurements and Disclosures Financial Assets in a Market That Is Not Active), was issued. ASC 820-10-65-2 clarifies the application of ASC 820-10 (Fair Value Measurements and Disclosures) in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. ASC 820-10-65-2 was effective upon issuance, including prior periods for which financial statements have not been issued. We adopted ASC 820-10-65-2 for the period ended September 30, 2008, but ASC 820-10-65-2 was subsequently superseded by ASC 820-10-65-4 (see below). The adoption of ASC 820-10-65-2 did not have a significant effect on our results of operations or financial position.

In January 2009, FSP No. EITF 99-20-1 (Amendments to the Impairment Guidance of EITF Issue No. 99-20), which was replaced by ASC 325-40-65-1 (Investments Other Beneficial Interests in Securitized Financial Assets), was issued. ASC 325-40-65-1 amends the impairment guidance in ASC 325-40 (Investments Other Beneficial Interests in Securitized Financial Assets) to achieve more consistent determination of whether an other-than-temporary impairment has occurred. ASC 325-40-65-1 was effective prospectively for interim and annual reporting periods ending after December 15, 2008. The adoption did not have a significant effect on our results of operations or financial position.

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In April 2009, FSP No. FAS 157-4 (Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly), which was replaced by ASC 820-10-65-4 (Fair Value Measurements and Disclosures Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly), was issued. ASC 820-10-65-4 provides additional guidance for estimating fair value in accordance with ASC 820-10 (Fair Value Measurements and Disclosures) when the volume and level of activity for the asset or liability have significantly decreased. ASC 820-10-65-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. ASC 820-10-65-4 was effective prospectively for interim and annual reporting periods ending after June 15, 2009. Early adoption was permitted for periods ending after March 15, 2009 and we early adopted ASC 820-10-65-4 for the period ended on March 31, 2009. The adoption of this Codification Section did not have a significant effect on our results of operations or financial position.

In April 2009, FSP No. FAS 115-2 and FAS 124-2 (Recognition and Presentation of Other-Than-Temporary Impairments), which was replaced by ASC 320-10-65-1 (Investments Debt and Equity Securities Recognition and Presentation of Other-Than-Temporary Impairments), was issued. ASC 320-10-65-1 amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in financial statements. ASC 320-10-65-1 was effective for interim and annual reporting periods ending after June 15, 2009. Early adoption was permitted for periods ending after March 15, 2009 and we early adopted ASC 320-10-65-1 for the period ended March 31, 2009. The adoption of ASC 320-10-65-1 did not have significant effect on our results of operations or financial position. For more information, see Note 9 of Item 18. Financial Statements .

In May 2009, FASB Statement No. 165 (Subsequent Events), which was replaced by ASC 855-10 (Subsequent Events), was issued. ASC 855-10 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. We adopted ASC 855-10 as of April 1, 2009. Additionally, in February 2010, Accounting Standards Update 2010-09 (Amendment to Certain Recognition and Disclosure Requirements ASC 855 (Subsequent Events)) was issued. ASU 2010-09 requires an SEC filer to evaluate subsequent events through the date that the financial statements are issued and removes potential conflicts with the SEC s literature. ASU 2010-09 is effective upon issuance, except for certain issuers. We adopted ASU 2010-09 for the period ended March 31, 2010. The adoption of ASC 855-10 and ASU 2010-09 did not have a significant effect on our consolidated results of operations or financial position.

In June 2009, FASB Statement No.168 (FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No.162), which was replaced by ASC 105 (Generally Accepted Accounting Principles), was issued. Except for rules and interpretive releases of the Securities and Exchange Commission for SEC registrants, ASC 105 became the single source of authoritative U.S. generally accepted accounting principles, and is effective for interim and annual reporting periods ending after September 15, 2009. We adopted ASC 105 for the interim period that ended September 30, 2009. Under ASC 105, all GAAP references were updated from conventional statements. The adoption did not have effect on our results of operations or financial position.

In September 2009, Accounting Standards Update 2009-12 (Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) ASC 820 (Fair Value Measurements and Disclosures)) was issued. ASU 2009-12 improves financial reporting by permitting use of the net asset value per share (or its equivalent) provided by the investee when measuring the fair value of an alternative investment that does not have a readily determinable fair value if certain conditions are met. The amendments are effective for interim and annual periods ending after December 15, 2009 and early application is permitted. We adopted ASU 2009-12 for the interim period that ended December 31, 2009. The adoption did not have a material effect on our results of operations or financial position.

In January 2010, Accounting Standards Update 2010-02 (Accounting and Reporting for Decreases in Ownership of a Subsidiary a Scope Clarification ASC 810 (Consolidation)) was issued. ASU 2010-02

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clarifies the scope of the decrease in ownership provisions including deconsolidation and removes the conflict with certain other U.S. generally accepted accounting principles, and expands disclosures. The amendments are effective retrospectively to the first period that an entity adopted FASB Statement No.160 (Noncontrolling Interests in Consolidated Financial Statement an amendment of ARB No. 51), which was replaced by ASC 810-10-65-1 (Consolidation Noncontrolling Interests in Consolidated Financial Statements). We adopted ASU 2010-02 as of April 1, 2009, retrospectively. The adoption did not have material effect on our results of operations or financial position.

In January 2010, Accounting Standards Update 2010-06 (Improving Disclosures about Fair Value Measurements ASC 820 (Fair Value Measurements and Disclosures)) was issued. ASU 2010-06 improves existing disclosures and adds new disclosures. Disclosures in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early adoption is permitted. Other disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, and we adopted those other disclosure requirements for the period ended March 31, 2010. The adoption did not have material effect on our results of operations or financial position.

In February 2010, Accounting Standards Update 2010-10 (Amendments for Certain Investment Funds ASC 810 (Consolidation)) was issued. ASU 2010-10 defers adoption of FASB Statement No. 167 (Amendment of FASB Interpretation No.46(R)) which was codified by ASU 2009-17 (ASC 810 (Consolidation)) for a reporting entity s interest in an entity:

- That has all the attributes of an investment company or

- For which it is industry practice to apply measurement principles for financial reporting purposes that are consistent with those followed by investment companies.

The amendments in ASU 2010-10 are effective as of the beginning of a reporting entity s first annual period that begins after November 15, 2009, and for interim periods within that first annual reporting period. The adoption will not have a material effect on our results of operations or financial position.

RISK MANAGEMENT

Risk Control

The ORIX Group allocates management resources by taking into account group-wide risk preference based on management strategies as well as the strategy of individual business units. Our board of directors and executives regularly review the performance of each business unit, evaluate the progress and profitability of each unit s plan being carried out based on their respective strategy, and take responsive measures they deem appropriate or necessary in light thereof. This process enables us to control the balance sheet and to allocate more management resources to business units viewed as having greater growth potential.

The ORIX Group, in addition to the unit monitoring, also monitors risk on an individual transaction and total portfolio basis.

For individual transactions, the operating environment, strategy, risk and profitability are evaluated prior to the transaction, and changes to the operating environment and cash flow are monitored after execution. For new transactions requiring monitoring, transactions exceeding a certain monetary amount or transactions for which there has been a major change in circumstance or strategy, the responsible department head, may, in his discretion, report the transaction to the appropriate executive committee.

In analyzing a total portfolio, the following characteristics are monitored: client tier, region, transaction type, risk type, debt status and concentration of major debtors. Some of these are scrutinized and analyzed by each operating department according to its industry characteristics and some are analyzed from a group perspective by the Risk Management Headquarters. Monitoring results are regularly reported to the executive committee, and measures are taken to rapidly understand and minimize all types of risk.

Main Risk Management

We view credit risk, market risk, business risk, risk related to fund procurement, legal risk and other operational risk as the main risks facing us. Each risk is managed according to its individual characteristics.

Credit Risk Management

We define credit risk as uncertainty in future investment recovery caused by the fluctuation of cash flow from debtors and investees. As our main business is financial services, we manage credit risk in almost all of our business segments, in particular Corporate Financial Services, Investment Banking and Overseas Business.

Credit Risk Management mainly consists of (i) credit evaluation for each transaction, (ii) portfolio management and (iii) implementation of corrective actions for the management of problem assets.

Credit evaluation for each transaction is performed by periodically monitoring such elements as performance, collateral and progress of collection. As risk management of individual debtors is especially important, we also emphasize credit evaluation at the beginning of each transaction and continuous risk monitoring of individual credit after the transaction has been made, with a focus on sufficiency of collateral and guarantees, liquidation of debt and the distribution of debtors and their business fields.

In connection with each credit transaction, the relevant sales and marketing department and the Risk Management Headquarters each performs a comprehensive customer credit evaluation based on the relevant customer s business performance, financial position and projected cash flow. The evaluation also covers the collateral or guarantees, terms and conditions and potential profitability of the transaction. The profitability is based on the corporate value contribution spread (calculated from investment yield, default rates, preservation situation, funding cost, capital cost and administrative cost), which helps us to evaluate risk quantitatively.

Regular evaluation of individual debtors, and of our comprehensive portfolio, as well as measures to set credit line limits, allow us to control exposures to the markets with potentially high risks.

Under the current business environment, taking prompt corrective action for the management of problem assets is the most important task. We seek to identify problem assets quickly, and we respond promptly based on various conditions of each transaction. Problem assets include debtors who have petitioned for bankruptcy or civil rehabilitation, or other insolvency proceedings, whose bank transactions are suspended, whose bills are dishonored, whose debts are not collected for three months or more, and whose businesses have deteriorated or who are involved in fraud.

In making collections, we believe an early response is extremely important. When information is received regarding the emergence of problem assets, the relevant sales and marketing departments, in cooperation with the Risk Management Headquarters, take steps to secure collateral or other guarantees and to begin the collection process. The Risk Management Headquarters plays an important role in the collection process by drawing on its accumulated experience and by working closely with our sales and marketing departments. The accumulated experience is reflected in our evaluation criteria of each credit transaction and portfolio analysis.

Market Risk Management

We define market risk as the risk of negative impact on our portfolio or on the market value of our financial assets caused by variation in market conditions, such as interest rates, exchange rates, stock prices, product prices

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or credit spreads. For a further discussion regarding our interest rate risks and exchange rate risks related to fund procurement, please see Risk Management Relating to Fund Procurement Interest Rate Risk and Exchange Rate Risk Management below.

We manage market risks in the following segments:

1. Investment Banking: Private equity investment, venture capital investment, proprietary investment;

2. Retail: Investment in securities in our life insurance business; and

3. Overseas Business: Investment in securities in the United States, private equity investment.

We monitor risks in our portfolio by quantifying risks based on market fluctuations and defining acceptable risk levels. Risks are quantified based on statistical methods, qualitative scenario analyses, stress tests and sensitivity analyses.

As non-trading assets are mainly impacted by credit risk, we set appropriate market risk parameters based on types of assets or on specific business portfolios and evaluate the impact of market fluctuation.

In connection with investments in securities by ORIX Life Insurance in Japan and ORIX USA in the United States, our investment departments regularly monitor interest rate policies, economic conditions and securities and financial market trends. We also analyze on a daily basis price movements of securities, profits and losses on each investment and financial conditions of companies in which we invest, as well as other factors. Our risk management departments review and compare daily reports against internal guidelines and macro- and microeconomic conditions.

Business Risk Management

Various risks are inherent to our daily business, such as the risks associated with our judgment in our investments, our selection of new products for development and our competitors marketing strategies or pricing. We define business risk as risks related to entry into the market, uncertainty of future business performance caused by changes in business and competitive environment and market fluctuation risks in the used car and real estate markets.

We monitor the scenario analyses and stress tests for each of our business risks. The evaluation and verification of the cost of withdrawal from a business is also subject to monitoring.

We manage market risks in the Maintenance Leasing and Real Estate segments. A principal risk relating to operating leases in the Maintenance Leasing segment is the risk of fluctuation in the residual value of the leased properties. In order to control fluctuations in residual value, we monitor our inventories of leased items, market environments and the overall business environment.

We primarily limit our ship and aircraft operating leases to general-purpose ships and aircraft that are comparatively easy to re-lease, as these operating lease items have high residual value risks. We monitor the market values of these ships and aircraft and sell assets as necessary or desirable to reduce our exposure to downward trends in the market or take advantage of upward trends.

The automobile industry has a well-established market for used cars, so most of our vehicles are able to be sold. We keep current on trends in the used car market by continuously monitoring the ratio of residual value to purchase cost, selling price trends and other indicators, thereby adjusting estimated residual value in new transactions.

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Risk Management Relating to Fund Procurement

We view liquidity risks, interest rate risks and exchange rate risks as significant risks associated with fund procurement. We establish ALM rules so that we can maintain an accurate understanding of these risks and appropriately respond to them. We analyze and understand the risk management situation, and the Financial Control Headquarters reports the results to the CFO and executive officers for taking necessary actions.

Liquidity Risk Management

Liquidity risk is the risk that we will be unable to obtain the necessary funds to meet our commitments and obligations, or be forced to procure funds at unusually high interest rates, due to market turmoil or deterioration in our financial condition. The important objective of our liquidity risk management is to create a liquidity structure that matches asset size and structure to our management s goals. In order to achieve this, we place emphasis on maintaining a highly flexible balance sheet. At the same time, we seek to diversify funding sources to reduce refinancing risks, which may be caused by large market fluctuations. Specifically, we monitor liquidity by projecting future cash flow from the maturity of assets and liabilities, conducting liquidity risk analysis including future trends and assuming such environmental stresses as financial market turmoil and a reduction of ORIX s credit ratings. Measures we use to manage liquidity risk include diversifying funding sources, establishing committed credit lines with financial institutions and adjusting the balance of short-term and long-term debt, taking into account prevailing market conditions.

Interest Rate Risk and Exchange Rate Risk Management

Interest rate risk represents our exposure to assets and liabilities whose values fluctuate with interest rates. For example, we may incur a loss if the fair value of our assets and liabilities declines due to a change in interest rates, or earnings may decline if an increase in interest rates causes interest expenses to increase by an amount greater than the increase in interest received. We analyze these risks from a variety of perspectives, including basis point value, slope point value, value at risk (VaR), as well as the potential effect on income for a given period. After making quantitative and qualitative assessments of interest rate risk, we manage our business to keep the overall amount of interest rate risk within a fixed range.

We manage exchange rate risk by using foreign currency loans, foreign exchange contracts, currency swaps and other instruments to hedge the exchange rate fluctuation risks that arise in connection with our business transactions in foreign currencies and overseas investments. For unhedged foreign currency-denominated assets and investments to overseas subsidiaries, we monitor and manage exchange rate risks as in managing interest rate risks, in addition to utilizing VaR and other metrics.

Derivative Risk Management

We may use derivatives as hedges if we decide to hedge interest rate risk and exchange rate risk after consulting our ALM rules. We use derivatives to mitigate or offset changes in cash flow or the fair value of assets and liabilities due to interest rate fluctuations. Derivatives used to hedge interest rate risk include interest rate swaps and caps. To hedge exchange rate risk accompanying our business transactions in foreign currencies and overseas investments, we employ currency swaps, foreign exchange contracts and other derivatives. We also use foreign currency borrowings to hedge these exchange rate risks.

The use of derivatives exposes us to credit risk on such derivative transactions. We monitor the notional principal amounts, current prices, transaction types and other variables for each counterparty on a regular basis.

We set derivative transaction management rules and guidelines for each of our group companies based on Group-wide policies, and we have a system of internal controls for derivative transactions.

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Legal Risk Management

Transactional legal risk is a major type of legal risk that we face in our business. Transactional legal risk includes the risk that the contracts into which we enter contain unintended conditions, are not legally effective or the contemplated transactions cannot be carried out as stipulated in the contract, or that the transactions in which we participate involve activities that violate, or are not in strict compliance with, applicable laws. When we consider a new transaction, new product development or other new business activities, our risk management system requires an examination of these types of legal risks.

In an attempt to prevent and mitigate such legal risks, in Japan we require, in principle, that the Legal and Compliance Department and the Risk Management Headquarters be involved in transactions from initial consideration through the documentation process in which transaction-related contracts are prepared for internal review and final approval. Contracts may not be approved internally unless they follow our prescribed rules and guidelines. The Legal and Compliance Department and the Risk Management Headquarters are also involved in the process for the approval of such contracts in accordance with our internal rules. Depending on the size and importance of a given transaction, we may also utilize the expertise of outside lawyers. To ensure that proper legal procedures are followed in connection with legal disputes and litigation, we require that the Legal and Compliance Department and the Risk Management Headquarters be involved in such disputes and litigation, including lawsuits that have been, or are expected to be, brought against us and lawsuits that we bring, or expect to bring, against third parties. The status of any lawsuits is reported to the Group Executive Officer meetings regularly.

In addition to establishing internal regulations necessary to observe applicable laws, we also monitor potential changes in relevant laws, as new information becomes available. As necessary or appropriate, we may also initiate preparatory measures to address the requirements of new laws that are expected to take effect in the future and implement steps to ensure that we are, and continue to be, in compliance with new laws as they take effect.

Overseas, each Group company works to avoid, prevent and mitigate risks through an in-house lawyer and, when necessary, with the involvement of outside lawyers and others.

In addition, the Legal and Compliance Department and the Risk Management Headquarters conduct monitoring activities to prevent the violation of intellectual property rights, and to quickly take necessary measures if and when violations are discovered.

Other Operational Risk Management

As our business has expanded in recent years, operational risk management has become a significant component of our overall risk management. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. As part of operational risk management, we are also continually seeking to strengthen our internal control and compliance functions.

The Risk Management Headquarters conducts quantitative and qualitative evaluation and regular monitoring of risk. ORIX Computer Systems works to reduce operational risk by the maintenance and operational administration of internal systems. The Internal Audit Department monitors the effectiveness and efficiency and compliance with applicable rules and regulations by our various operations; the status of improvements to and compliance with our internal rules; and the status of each department s self-examinations based on an annual internal audit plan that focuses on material risks. As a result of monitoring, we evaluate the current status of internal controls and make improvements as necessary.

Additionally, in order to raise awareness of compliance issues among employees, the Legal and Compliance Department has produced a compliance manual and distributed it to all employees in Japan. The department also plans and executes a compliance improvement plan for each Group company in accordance with their respective business profiles, which plans are based on annual Group-wide compliance policies. We consider the results to improve the effectiveness of our compliance systems.

Regarding natural disaster risk, we have established Natural Disaster Risk Management Regulations. We have developed a system in which the Human Resources and Corporate Administration Headquarters supervises the coordination of recovery activities after the occurrence of a natural disaster in Japan, while the Global Business and Alternative Investment Headquarters handles the overseas function. By distributing a natural disaster manual to all its employees in Japan and carrying out disaster drills in accordance with these regulations, we maintain a framework to respond appropriately to a natural disaster.

Individual Business Risk Management

We have a large portfolio, including financial service operations, and we perform complete and transparent monitoring and control according to the characteristics of each operation. The risk situation for each business unit is analyzed both quantitatively and qualitatively on both the individual transaction and portfolio levels, and the necessary measures to minimize changes in profitability are implemented. Contents of individual business unit level analyses are shared throughout the Group, and risk related to decreased profitability is controlled by capitalizing on a diverse business portfolio through measures including managing risk through intra- business unit cooperation.

Corporate Financial Services Segment

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

We reduce risk by diversifying borrowers and industries and by emphasizing credit screening at the beginning of each transaction. After a transaction has been made, the sales departments regularly monitor the performance, collateral and progress of collection of customers whose balance exceeds a certain level. The Risk Management Headquarters regularly checks customers with large credit balances.

We analyze the current condition and outlook for specific industries and sectors, and also analyze the potential impact on the debtor while making decisions about future transactions in that specific industry or sector.

We take appropriate actions by thoroughly analyzing the condition of each problem asset. Specifically, in transactions collateralized by real estate, we take various measures such as capitalizing on the networks of our real estate-related departments to sell properties or introduce tenants.

Maintenance Leasing Segment

The main risk of the Maintenance Leasing segment is business risk.

For instance, this segment has commodity market fluctuation risks for property under operating leases. We continuously monitor market environments and fluctuation in the resale value of leased property, and adjust residual value estimates of leased items in new transactions accordingly.

Cost fluctuation (prime cost) is the main risk of providing various services such as outsourcing. We analyze initial preconditions and performance, monitor future forecasts, and control costs at an appropriate level.

Additionally, there is the risk that the quality level of our services may fall below the required level due to changes in the operating environment or changes and diversification of client needs. We monitor our service quality level quantitatively and qualitatively, and continuously strive to improve our level of service according to the operating environment.

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We also conduct credit monitoring on individual transactions to address credit risks.

Real Estate Segment

The main risk of the Real Estate segment is business risk.

We focus on cash flow when making investment or project decisions. We reduce risk related to real estate price fluctuations by comparing cash flow performance to the initial plan and by improving the occupancy rate.

We invest mainly in small properties, and diversify risk by investing in large properties through joint ventures with partners.

Furthermore, emphasis is placed on monitoring investment strategies and schedules. The strategy is reevaluated in the case of a major divergence from the initial forecast.

The following factors are considered for condominiums: development and sales schedule, unit sales progress, and rate of return.

The following factors are considered in the case of development and rental properties: development and retention schedule and NOI yield. We capitalize on the Group s network in order to improve occupancy rates and promote sales.

We monitor occupancy rates and rates of return and focus on creating manuals and educating employees in order to minimize business and operational risk in our operating asset business.

Investment Banking Segment

ORIX recognizes market risk and credit risk as the major risks to the real estate finance business under a normal operating environment.

Because of this, in our non-recourse loan business we monitor the loan-to-value ratio, the debt-service coverage ratio and other terms and conditions such as equity provided by other companies, interest reserve and guarantees, in addition to controlling risk through swift response to changes in the market. However, in a stress-case such as a significant drop in market liquidity, we diligently monitor the cash flow from the properties to improve the terms and conditions of our loans. In addition, capitalizing on our real estate expertise, we can flexibly respond to the changing business environment by taking on business risk as a profitable operation through the acquisition and holding of the collateral.

Credit risk and market risk are the main risks of the principal investment business conducted by the Investment Banking segment, which varies according to the stage of development. Credit risk is high for companies for which we are raising corporate value due to the focus on cash flow. Market risk increases as time for collection nears, due to measuring the corporate value by referencing the corporate values of similar industries.

When making our initial investment decision, we do a credit evaluation, analyzing the company s credit risk and assessing its cash flow. Also, we perform a multi-faceted evaluation, engaging administrative departments such as the accounting and legal departments to consider the characteristics of the operation and investment scheme. Specifically, we analyze the operating environment, corporate strategy and method for increasing corporate value, and verify the adequacy of profitability, estimated investment timeline and exit strategy scenarios.

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After an investment has been made, each transaction is monitored for deviations in cash flow, increased corporate value, exit strategy, corporate strategy, and business environment from the original scenario. The frequency of monitoring has been increased during these times of rapid changes in the business environment, and we are simultaneously verifying the adequacy of investment scenarios and swiftly taking the necessary actions. We are working to enhance the management of investments that have a significant impact on the profitability of ORIX Group through such measures as the dispatch of management personnel.

Retail Segment

Credit risk is the main risk of trust and banking business.

The housing loan business (for the purchase of properties for self-occupancy and investment purposes, and apartments) manages individual screenings, each of which consists of a comprehensive evaluation including the cash flows that can be derived from the property, collateral value and the client s potential to repay.

Decision making for corporate loans is based on a detailed investigation of client performance, business plan, purpose of the loan, source of repayment as well as industry trends. In addition to individual screenings when loans are arranged, we also reduce risks by diversifying the industry and products of our portfolio.

The main business risk in the life insurance business is risk associated with accepting insurance contracts.

Before finalizing insurance contracts, ORIX Life Insurance takes thorough measures to prevent the acceptance of fraudulent contracts by rigorously examining health condition declarations and medical examination reports as well as by taking steps to check the status of other insurance contracts. These measures promote the fair and equitable treatment of policyholders and, because they are important determinants of future insurance-related profitability, ORIX Life Insurance promotes their effective execution by ensuring the hiring of sufficient staff and encouraging staff to acquire specialized know-how. ORIX Life Insurance also educates and instructs representative branch staff and agents to enhance compliance regarding the prevention of personal information leaks and regarding the solicitation of insurance.

Overseas Business Segment

Operations in Asia and Oceania

Credit risk is the main risk of the leasing and loan businesses operated by local subsidiaries mainly in Asia.

When making a transaction we emphasize credit evaluation and require adequate guarantees and collateral, in addition to diversifying small transactions. We monitor the portfolio by industry, location and type of collateral. We regularly monitor the performance of major credit exposure.

In addition, we take appropriate actions for problem assets by thoroughly analyzing condition of each asset.

The Risk Management Headquarters monitors the country risk of the overseas portfolio. In addition, it shares information regarding the portfolios of local subsidiaries, performance of major clients, condition of problem assets, and clients of particular concern. Risk management in the principal investment business, which is mainly in Asia, is conducted in a similar manner as the Investment Banking segment.

The main risk for ship and aircraft related business is the high volatility in the residual value of operating lease assets. To address this risk, in addition to restricting the lease to ships and aircrafts with general versatility, we constantly monitor the valuation of our portfolio and consider the possibility of selling each vessel based on prevailing market conditions.

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U.S. Operations

The main risks for the investment and finance business in the U.S. are credit risk, market risk and operational risk.

At the time of origination, we assign an internal credit rating for each investment and loan taking into consideration the credit status of the borrower or company in which we are investing and the collateral for the transaction.

For investments and loans with a rating requiring attention, we produce an objective evaluation regarding the possibility of collection of such investments and loans, and decide management policies such as provisions and impairments.

Regarding market risk, we monitor on a daily basis the market value and mark-to-market valuation of our investments and loans. In addition, we proactively manage risk by referring to the credit risk information for each investment and loan that we acquired during the credit risk management process and by conducting early exits to secure profits or minimize losses.

Regarding operational risk, finance provider and manager are separated. Each acts independently according to the financing process manual. Also, the Internal Audit Department regularly inspects the performance of our investing and lending operations.

The main risk of Houlihan Lokey, which handles our investment banking business in the United States is operational risk.

Houlihan Lokey complies with operating standards set forth by authorities responsible for overseeing the investment banking business such as the U.S. Financial Industry Regulatory Authority (FINRA) and U.K. Financial Services Authority (FSA). It is vital that the advice and evaluation forms provided as a part of the investment banking business maintain quality and operational methods that meet these standards. In order for Houlihan Lokey to provide high-quality advisory and evaluation services according to the appropriate methods, operational risk is managed through such methods as an internal quality control committee.

GOVERNMENTAL AND POLITICAL POLICIES AND FACTORS

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

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Item 6. Directors, Senior Management and Employees

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPANY WITH COMMITTEES BOARD MODEL

Since the establishment in June 1997 of an Advisory Board, which included experienced and resourceful individuals from outside the Company, ORIX has strengthened its corporate governance framework with the aim of objectively determining whether its business activities are emphasizing the interests of its shareholders. In June 1998, we introduced a Corporate Executive Officer system to help separate strategic decision-making functions from day-to-day administrative operations. In June 1999, ORIX reduced the number of members on its board of directors, arranged for three Advisory Board members to fill two positions as independent directors and one position as an advisor to the Board, and phased out the Advisory Board. In addition, the Nominating Committee and the Compensation Committee were established to operate as support units for the board of directors.

At the 40th annual general meeting of shareholders held in June 2003, shareholders of ORIX passed a resolution to amend ORIX s articles of incorporation and allow the Company to adopt a Company with Committees board model, which became possible as a result of the amendment to the Law for Special Provisions for the Commercial Code of Japan (the old Commercial Code), effective April 2003. The Company with the Committees board model replaced the former system that required corporate auditors to monitor the board on behalf of shareholders.

When the Companies Act of Japan (the Companies Act) came into effect in May 2006, ORIX automatically became a company with a revised Company with Committees board model under the related enacting provisions for the Companies Act, through which any company with a Company with Committees board structure under the old Commercial Code was deemed to have amended its articles of incorporation, to include a provision regarding the structure of the board of directors, committees and accounting auditors. There are no substantial differences between the system for companies with a Company with Committees board model under the old Commercial Code and the revised system for companies with a Company with Committees board model under the Companies Act.

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

The Nominating Committee determines the conditions necessary for director independence. Presently, all outside directors meet such conditions. We believe that opinions from outside directors based on his/her expertise and having no material interest with ORIX, will promote increased management transparency and objectivity.

Board of Directors

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

Under the Company with Committees board model, the board of directors carries out decisions on the day-to-day administration related to items that, either as a matter of law or dictated by our articles of incorporation, cannot be entrusted to executive officers, and important items as determined by the regulations of the board of directors. The board of directors is responsible for approving and monitoring on a regular basis, ORIX s policies which includes corporate planning such as capital management, fund procurement and personnel strategies. Aside from such items, the board of directors delegates decision making regarding operational execution to representative executive officers. The board of directors also receives reports from executive officers and committees regarding the status of business execution.

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

From April 1, 2009 through March 31, 2010 the board of directors met eight times. The attendance rate of directors for these meetings was 97%.

The board of directors includes 13 members, six of whom are outside directors.

Nominating Committee

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

From April 1, 2009, through March 31, 2010, the Nominating Committee met five times. The attendance rate of these meetings was 88%.

The Nominating Committee comprises five members: Takeshi Sasaki (Chairman), Yoshinori Yokoyama, Hirotaka Takeuchi, Robert Feldman, Takeshi Niinami. All five members are outside directors.

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

No individuals, or any of their family members[1], may receive a compensation of more than ¥10 million annually excluding compensation as an employee for family members, and excluding the individual s compensation as outside directors, from ORIX or its subsidiaries.

No individuals, or any of their family members[1], may be a major shareholder of ORIX (more than 10% of issued shares) or represent the interests of a major shareholder.

No individuals may have served as an executive officer or an employee of ORIX or its subsidiaries within the past five years. None of their family members[1] may have served as an executive officer of ORIX or its subsidiaries within the past five years.

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There must be no concurrent directorship relationship between the company for which the individual is serving as executive officer and ORIX, defined as being a relationship in which the company for which the individual is serving as an executive officer has a director that is also an executive officer of ORIX or its subsidiaries.

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

Note: (1) Family members include a spouse, those related within the second degree by consanguinity or affinity, or other kin living with the outside director.

Audit Committee

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

The Audit Committee decides the person responsible in each department who will report to the Audit Committee, and evaluates the administration of executive officers and internal controls of the Company by considering the following five points: First, the Audit Committee confirms the report related to the results of the audit and items indicated for improvement that has been prepared by the executive officer responsible for the corporate audit. Second, the Audit Committee engages in discussions which are the basis of our business strategy, after it receives explanations from the heads of each business department and presidents of group companies that focuses, in particular, on risk control. Third, the Audit Committee confirms the business environment through reports, which it receives from the executive officer responsible for the accounting department, which covers the revenue composition of each department and any problem areas related to the business. Fourth, the Audit Committee confirms the quarterly reports regarding the direction of the company and the execution of important business matters that it receives from the representative executive officer. Fifth, the Audit Committee confirms the reports that it receives from the independent certified public accountants regarding whether there are any material items relating to the audit.

The Audit Committee Secretariat was established to provide advice to the Audit Committee regarding the execution of its duties.

The Audit Committee met eight times from April 1, 2009 through March 31, 2010. The attendance rate of these meetings was 91%.

Eiko Tsujiyama (Chairman), Yoshinori Yokoyama, and Takeshi Sasaki comprise the Audit Committee. All three members are outside directors.

Eiko Tsujiyama is qualified as a certified public accountant and has extensive knowledge in finance and accounting as a professional accountant.

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Compensation Committee

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

Policy of Determining Compensation of Directors and Executive Officers

Our business objective is to increase shareholder value over the medium- and long-term. We believe in each director and executive officer responsibly performing his or her duties and in the importance of cooperation among different business units in order to achieve continued growth of the ORIX Group. The Compensation Committee at ORIX believes that in order to accomplish such business objectives, directors and executive officers should place emphasis not only on performance during the current fiscal year, but also on medium- and long-term results. Accordingly, under the basic policy that compensation should provide effective incentives, we take such factors into account when making decisions regarding the compensation system and compensation levels for our directors and executive officers. Taking into consideration this basic policy, we have established separate policies for the compensation of directors and that of executive officers in accordance with their respective roles.

Compensation Policy for Directors

The compensation policy for directors who are not also executive officers aims for a level and composition of compensation that is effective in maintaining supervisory and oversight functions of executive officers performance in business operations, which is the main duty of directors. Specifically, while aiming to maintain competitive compensation standards, our compensation structure consists of a fixed compensation component based on duties performed, and a shares component of compensation(1).

Compensation Policy for Executive Officers

The compensation policy for executive officers, including those who are also directors, aims for a level of compensation that is effective in maintaining business operation functions, while incorporating in its composition a component that is linked to current period business performance. Specifically, while aiming to maintain competitive compensation standards, our compensation structure consists of a fixed compensation component based on positions and duties performed, a performance-linked component, and a shares component of compensation(1).

From April 1, 2009 through March 31, 2010, the Compensation Committee met four times to determine policies. The attendance rate of these meetings was 88%.

The Compensation Committee is comprised of Yoshinori Yokoyama (Chairman), Hirotaka Takeuchi, Takeshi Sasaki, Eiko Tsujiyama, and Takeshi Niinami. All five members are outside directors.

Note: (1) The shares component of compensation is a program in which points are annually allocated to directors and executive officers based upon prescribed standards and the compensation provided is the amount equal to the accumulated number of points multiplied by the stock price at the time of retirement. Under this program, directors and executive officers have an obligation to purchase shares from the company at the stock price that prevails at the time of their retirement using the after-tax compensation provided.

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AUDITORS INDEPENDENCE

The ORIX Group must appoint independent certified public accountants, who have the statutory duty of examining the non-consolidated financial statements prepared in accordance with accounting principles generally accepted in Japan (Japanese GAAP). The independent certified public accountants must present an auditor s report to the Audit Committee and the executive officers specified by the board of directors. The independent certified public accountants are also responsible for auditing financial statements that are submitted to the Kanto Local Finance Bureau of the Ministry of Finance (Kanto Local Finance Bureau). The board of directors is required to submit the audited consolidated and non-consolidated financial information to the annual general meeting of shareholders, and this information is also required to be submitted to the Tokyo Stock Exchange, the Osaka Securities Exchange and the Kanto Local Finance Bureau.

Presently, our independent certified public accountants are KPMG AZSA & Co. The independence of KPMG AZSA & Co. has been considered and confirmed by our audit committee.

In addition to the non-consolidated financial statements that are prepared under Japanese GAAP, we also prepare consolidated financial statements in accordance with U.S. GAAP. U.S. GAAP consolidated financial information is used by management for evaluating our performance and forms the basis for presentation of financial information to our shareholders. The consolidated financial statements prepared in accordance with U.S. GAAP that are reported at the annual general shareholders meeting and included in this annual report filed with the SEC have been audited by KPMG AZSA & Co. which is registered with the PCAOB in the United States.

In the opinion of management, the provision of non-audit services did not in any way influence the independence of the audits conducted by KPMG AZSA & Co. because management took full responsibility for decisions relating to the activities affected by these services and KPMG AZSA & Co. and its affiliates did not assume any of management s authority and duties.

THE DIRECTORS

The directors of ORIX as of June 29, 2010 are as follows:

Name (Date of birth)	Current positions and principal outside positions		Business experience	Shareholdings as of June 29, 2010
Yoshihiko Miyauchi[1]	Director,	Aug. 1960	Joined Nichimen & Co., Ltd. (currently Sojitz Corp.)	39,380
(Sep. 13, 1935)	Representative Executive Officer,	Apr. 1964	Joined ORIX	
		Dec. 1967	General Manager of the Office of the President	
		Mar. 1970	Director	
	Chairman and Chief Executive Officer	Nov. 1973	Corporate Senior Vice President	
		May. 1976	Corporate Executive Vice President	
		Nov. 1977	Representative Director	
		Dec. 1979	Deputy President	
		Dec. 1980	President and Chief Executive Officer	
		Apr. 2000	Chairman and Chief Executive Officer	
		Mar. 2003		

	Outside Director of SHOWA SHELL SEKIYU K.K.
Apr. 2006	Outside Director of ACCESS Co., Ltd.

Name (Date of birth)	Current positions and principal outside positions		Business experience	Shareholdings as of June 29, 2010
Yukio Yanase[(2)]	Director,	Apr. 1968	Joined Saitama Bank (currently Resona Bank, Ltd.)	1,882
(Jun. 15, 1944)	Representative Executive Officer,	Oct. 2001	President	
		Nov. 2003	Joined ORIX as Advisor	
		Feb. 2004	Corporate Executive Vice President	
	President and Chief Operating Officer	Feb. 2005	Deputy President	
		Jun. 2005	Director	
		Jan. 2008	Representative Executive Officer, President and Chief Operating Officer	
		Jun. 2009	Outside Director of TDK Corp.	
Hiroaki Nishina	Director,	Apr. 1968	Joined ORIX	3,786
(Sep. 18, 1944)	Deputy President	Jan. 1990	General Manager of Sales Department I of Tokyo Sales Headquarters	
	Group Corporate Sales Administrative Headquarters	Jun. 1993	Director	
		Jun. 1998	Executive Officer	
		Jun. 2000	Corporate Senior Vice President	
	Investment Banking Headquarters	Apr. 2002	Corporate Executive Vice President	
		Feb. 2005	Deputy President	
		Jan. 2009	Responsible for Group Corporate Sales Administrative Headquarters	
	Group Osaka Representative	Mar. 2009	Group Osaka Representative	
	Chairman, ORIX Real Estate Corporation		Outside Director of DAIKYO	
		Jan. 2010	Responsible for Investment Banking Headquarters	
	President, ORIX Baseball Club Corporation			
Haruyuki Urata	Director,	Apr. 1977	Joined ORIX	1,487
		Feb. 2004	Deputy Head of the Risk Management Headquarters	
(Nov. 8, 1954)	Deputy President and Chief Financial Officer	Feb. 2005	Executive Officer	
		Aug. 2006	Corporate Senior Vice President	
	Corporate Planning Department	Jun. 2007	Director	
		Jan. 2008	Deputy President	
		Jan. 2009	Chief Financial Officer	
	Corporate Communications Department	Jun. 2009	Responsible for Financial Control Headquarters	
		Nov. 2009	Responsible for Corporate Communications Department	
	Financial Control Headquarters	Jun. 2010	Responsible for Corporate Planning Department	
			Outside Director of Monex Group, Inc.	

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Name (Date of birth)	Current positions and principal outside positions		Business experience	Shareholdings as of June 29, 2010
Makoto Inoue	Director,	Apr. 1975	Joined ORIX	1,000
		Jan. 2003	Deputy Head, Investment Banking Headquarters	
(Oct. 2, 1952)	Corporate Executive Vice President	Feb. 2005	Executive Officer	
		Jan. 2006	Corporate Senior Vice President	
		Jan. 2009	Responsible for Global Business and Alternative Investment Headquarters	
	Global Business and Alternative Investment Headquarters	Jun. 2009	Corporate Executive Vice President	
		Jun. 2010	Director Deputy President	
Kazuo Kojima	Director,	Apr. 1980	Joined ORIX	2,617
		Apr. 2003	Deputy Head of Real Estate Finance Headquarters	
(Jul. 5, 1956)	Corporate Executive Vice President	Feb. 2005	Executive Officer	
		Jan. 2007	Corporate Senior Vice President	
		Jan. 2008	Corporate Executive Vice President	
	Domestic Sales Administrative Headquarters	Jun. 2008	Director	
		Jan. 2010	Responsible for Domestic Sales Administrative Headquarters	
Yoshiyuki Yamaya	Director,	Apr. 1980	Joined ORIX	2,280
		Apr. 2001	General Manager of the Office of the President	
(Oct. 20, 1956)	Corporate Executive Vice President	Feb. 2005	Group Executive	
		Aug. 2006	Executive Officer	
		Jan. 2008	Group Senior Vice President	
	Real Estate Headquarters	Jan. 2009	Corporate Senior Vice President Responsible for Real Estate Headquarters	
	President, ORIX Real Estate Corporation	Jun. 2009	Director Corporate Executive Vice President	
Yoshinori Yokoyama	Outside Director	Apr. 1966	Joined Kunio Maekawa & Associates (Tokyo)	600
		Sep. 1973	Joined Davis, Broady & Associates (New York)	
(Sep. 16, 1942)	Outside Director, Sumitomo Mitsui Financial Group,	Sep. 1975	Joined McKinsey and Company, Inc.	
		Jul. 1987	Director	
		Jun. 1999	Advisor of ORIX	
	Outside Director, Sumitomo Mitsui Banking Corporation	Jun. 2002	Outside Director of ORIX	
		Jun. 2006	Outside Director, Sumitomo Mitsui Financial Group and Sumitomo Mitsui Banking Corp	

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Name (Date of birth)	Current positions and principal outside positions		Business experience	Shareholdings as of June 29, 2010
Hirotaka Takeuchi (Oct. 16, 1946)	Outside Director Professor, Harvard Business School Outside Director, Trend Micro Incorporated	Apr. 1969	Joined McCann-Erickson Hakuhodo Co., Ltd. (currently McCann-Erickson Japan, Inc.)	0
		Sep. 1976	Lecturer at Harvard Business School	
		Dec. 1977	Assistant Professor	
		Apr. 1983	Assistant Professor at Hitotsubashi University s School of Commerce	
		Apr. 1987	Professor	
		Apr. 1998	Dean of the Graduate School of International Corporate Strategy, Hitotsubashi University	
		Jun. 2000	Corporate Auditor of ORIX	
		Jun. 2004	Outside Director of ORIX	
		Mar. 2005	Outside Director of Trend Micro Incorporated	
		Jul. 2010	Professor at Harvard Business School (to be appointed)	
Takeshi Sasaki (Jul. 15, 1942)	Outside Director Professor, Gakushuin University, Faculty of Law, Department of Political Studies, Outside Director, East Japan Railway Company, Outside Director, TOSHIBA Corporation	Apr. 1968	Assistant Professor at the University of Tokyo, School of Law	0
		Nov. 1978	Professor	
		Apr. 1991	Professor at the University of Tokyo Graduate Schools for Law and Politics	
		Apr. 1998	Dean of the University of Tokyo Graduate Schools for Law and Politics and School of Law	
		Apr. 2001	President of the University of Tokyo	
		Jun. 2003	Chairman of The Japan Association (currently, incorporated) of National Universities	
		Apr. 2005	Professor at Gakushuin University, Faculty of Law, Department of Politics	
		Jul. 2005	Advisor of ORIX	
		Jun. 2006	Outside Director of East Japan Railway Co. Outside Director of ORIX	
		Jun. 2007	Outside Director of TOSHIBA Corp.	

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Name (Date of birth)	Current positions and principal outside positions		Business experience	Shareholdings as of June 29, 2010
Eiko Tsujiyama	Outside Director	Nov. 1973	Certified Public Accountant	0
		Aug. 1980	Assistant Professor at Ibaraki University s School of Humanities	
(Dec. 11, 1947)	Professor, Waseda University s School of Commerce and the Graduate School of Commerce	Apr. 1985	Assistant Professor at Musashi University s School of Economics	
		Apr. 1991	Professor at Musashi University s School of Economics	
	Corporate Auditor, Mitsubishi Corporation	Apr. 1996	Dean of Musashi University s School of Economics	
		Apr. 2003	Professor at Waseda University s Faculty of Commerce and the Graduate School of Commerce	
		Jun. 2008	Corporate Auditor of Mitsubishi Corporation	
		Jun. 2010	Outside Director of ORIX	
Robert Feldman	Outside Director	Oct. 1983	Economist, International Monetary Fund	0
		Apr. 1990	The Chief Economist, Salomon Brothers Inc.(currently Citigroup Global Markets Japan Inc.)	
(Jun. 12, 1953)	Managing Director and Head of Japan Economic Research, Morgan Stanley MUFG Securities Co., Ltd.	Feb. 1998	Joined Morgan Stanley Securities, Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.) as Managing Director and Chief Economist Japan	
		Apr. 2003	Managing Director, Co-Director of Japan Research and Chief Economist, Morgan Stanley Japan Securities Co., Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.)	
		Dec. 2007	Managing Director and Head of Japan Economic Research, Morgan Stanley Japan Securities Co., Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.)	
		Jun. 2010	Outside Director of ORIX	

Name (Date of birth)	Current positions and principal outside positions		Business experience	Shareholdings as of June 29, 2010
Takeshi Niinami	Outside Director	Jun. 1995	President of Sodex Corporation	0
		Apr. 2001	Unit Manager of Lawson Business and Mitsubishi s Dining Logistical Planning team, Consumer Industry division, Mitsubishi Corporation	
(Jan. 30, 1959)	President and CEO, Lawson, Inc			
	Outside Director, ACCESS, Co, Ltd.	May. 2002	President and Executive Officer, Lawson, Inc	
		Mar. 2005	President and CEO, Lawson, Inc	
		Apr. 2006	Outside Director, ACCESS, Co, Ltd.	
		Jun. 2010	Outside Director of ORIX	

Notes: (1) Yoshihiko Miyauchi started his career at Nichimen & Co., Ltd. currently Sojitz Corporation, in 1960. After four years, he joined Orient Leasing Co., Ltd., now ORIX Corporation, as one of the founding 13 members. In 1980, he was appointed President and CEO. Under his leadership, ORIX has become an integrated financial services company that is consistently at the forefront of innovation. He has been a strong advocate of deregulation, and he served as the President of the Council for Promoting Regulatory Reform, an organization reporting directly to the Cabinet, until October 2006. He earned a BA from Kwansei Gakuin University in 1958 and an MBA from the University of Washington in the USA in 1960.

(2) Yukio Yanase held a number of positions at Saitama Bank currently Resona Bank, Ltd. including roles in human resources, international operations, risk management, corporate planning and corporate communications, and investor relations. In October 2001, he was appointed President of Asahi Bank (currently Resona Bank). He joined ORIX Corporation as an Advisor in November 2003. The following year, he was appointed executive officer for ORIX s overseas operations in addition to his responsibilities for the Office of the President. In February 2005, he was named Deputy President and was additionally given responsibility for the Alternative Investment & Development Headquarters. He became a director in June 2005, and was appointed president and COO of ORIX Corporation in January 2008. He graduated from Waseda University s School of Law in 1968.

(3) All ORIX directors are engaged full-time except Messrs. Yoshinori Yokoyama, Hirotaka Takeuchi, Takeshi Sasaki, Eiko Tsujiyama, Robert Feldman and Takeshi Niinami.

EXECUTIVE OFFICERS

In 1998, ORIX implemented a corporate executive officer system, which was adopted voluntarily to help separate strategic decision-making functions from day-to-day administrative operations. Under this system, the board of directors were mainly responsible for the strategic decision-making function of ORIX s operations while the corporate executive officers were responsible for carrying out the decisions made by the board of directors. Also, a group executive system was set up to share information with management of certain subsidiaries.

With the adoption in June 2003 of the new corporate governance Company with Committees board model, executive officers were nominated as stipulated under the old Commercial Code. Before the adoption of the Company with Committees board model, the term *shikkou yakuin* (corporate executive officer) was used by us to refer to those executives responsible for executing the decisions made by the board of directors, but there was no specific Japanese law covering the responsibilities and duties of corporate executive officers as this system was voluntarily adopted. Since we adopted the Company with Committees board model under the old Commercial Code, our executive officers have borne responsibilities to the Company and to third parties, as the case may be, in a manner similar to the responsibilities borne by directors of companies that still employ a traditional corporate governance system.

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When the Companies Act came into effect in May 2006, the Company adopted the Company with Committees board model under the Companies Act. There is no substantial difference between the Company with Committees board model under the Commercial Code of Japan and under the Companies Act.

The representative executive officer makes our important business execution decisions after deliberations by the Investment and Credit Committee in accordance with the various regulations of the Company. The business execution duties of executive officers are decided by the board of directors and the representative executive officer and these duties are carried out based upon the various regulations of the Company.

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

Investment and Credit Committee

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

Group Executive Officer Meetings

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

Monthly Strategy Meetings

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

Information Technology Management Committee

The Information Technology Management Committee includes members of the top management and the executive officer in charge of information technology (IT) systems, and meets once a month to deliberate and approve important matters concerning fundamental policies for IT operations and IT systems. The committee determines the needs of and priorities for IT investment based on the ORIX Group s fundamental

IT strategies. This method enables ORIX to ensure that IT decisions are consistent with its business strategies. Furthermore, this enables ORIX to pursue its goal of making IT investments that contribute to business growth and help reduce risk.

Disclosure Committee

ORIX believes that disclosure control occupies an important position within the overall scheme of corporate governance. We have set up an information disclosure system with the Disclosure Committee playing a central role in facilitating the appropriate and timely disclosure of information to investors.

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

The executive officers of the ORIX Group as of June 29, 2010, excluding those who are also directors as listed above are as follows:

Name	Title	Areas of duties	Shareholdings as of June 29, 2010
Tamio Umaki	Corporate Executive Vice President	Chief Information Officer, Human Resources & Corporate Administration Headquarters, IT Planning Office	6,159
Mitsuo Nishiumi	Corporate Senior Vice President	Investment Banking Headquarters Securitization and Capital Markets Office President ORIX Capital Corporation	1,210
Yuki Oshima	Executive Officer	Chairman, ORIX USA Corporation	990
Katsutoshi Kadowaki	Executive Officer	Domestic Sales Administrative Headquarters: Head of District Sales	1,850
Hisayuki Kitayama	Executive Officer	Investment Banking Headquarters President, ORIX Asset Management and Loan Services Corporation	620
Hiroshi Yasuda	Executive Officer	Investment Banking Headquarters	3,702
Katsunobu Kamei	Executive Officer	Domestic Sales Administrative Headquarters: Head of Kinki Sales, Group Osaka Deputy Representative	986
Kenichi Miyauchi	Executive Officer	Risk Management Headquarters	1,470
Yuichi Nishigori	Executive Officer	Financial Control Headquarters	629
Takao Kato	Executive Officer	Financial Control Headquarters President, ORIX Management Information Center Corporation	368
Kazutaka Shimoura	Executive Officer	Risk Management Headquarters	325
Komei Ikebukuro	Executive Officer	Legal and Compliance Department Internal Audit Department	607
Hideo Ichida	Executive Officer	Global Business and Alternative Investment Headquarters	366
Eiji Mitani	Group Senior Vice President	President, ORIX Auto Corporation	1,310

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Name	Title	Areas of duties	Shareholdings as of June 29, 2010
Tetsuo Matsumoto	Group Senior Vice President	Deputy President, ORIX Real Estate Corporation Deputy Head, Real Estate Headquarters	3,460
Izumi Mizumori	Group Senior Vice President	President, ORIX Life Insurance Corporation	1,039
Yoshitaka Fujisawa	Group Executive	President, ORIX Computer Systems Corporation	955
Masatoshi Kenmochi	Group Executive	President, ORIX Credit Corporation	400
Keiji Ito	Group Executive	President, ORIX Rentec Corporation	699

EMPLOYEES

As of March 31, 2010, we had 17,725 full-time employees, compared to 18,920 as of March 31, 2009 and 18,702 as of March 31, 2008. We employ 2,616 staff in the Corporate Financial Services segment, 3,335 staff in the Maintenance Leasing segment, 3,704 staff in the Real Estate segment, 2,011 staff in the Investment Banking segment, 1,170 staff in the Retail segment, 3,209 staff in the Overseas Business segment and 1,680 staff as part of our headquarters function as of March 31, 2010. With the exception of the Overseas segment all other staff are located in Japan. As of March 31, 2010, we had 6,210 temporary employees. Some of our employees are represented by a union. We consider our labor relations to be excellent.

The mandatory retirement age for our employees is 60, and varies for our subsidiaries and affiliates. ORIX announced in April 2010 an early voluntary retirement program which is available to ORIX employees who are at least 45 years old. Employees who take advantage of this program receive their accrued retirement package plus an incentive premium.

ORIX and some of its subsidiaries have established contributory and non-contributory funded pension plans covering substantially all of their employees. The contributory funded pension plans include defined benefit pension plans and defined contribution pension plans. Under the plans, employees are entitled to lump sum payments at the time of termination of their employment or, if enrollment period requirements have been met, to pension payments. Defined benefit pension plans consist of a cash balance plan and a plan in which the amount of the payments are determined on the basis of length of service and remuneration at the time of termination. Our funding policy in respect of these plans is to contribute annually the amounts actuarially determined to be required. Assets of the plans are invested primarily in interest-bearing securities and marketable equity securities. In July 2004, ORIX introduced a defined contribution pension program. In November 2004, we received permission from the Japanese Ministry of Health, Labor and Welfare to transfer the substitutional portion benefit obligation from our employer pension fund to the government and these assets were transferred back to the government in March 2005. Total costs (termination or pension plans for both employees and directors and corporate auditors) charged to income for all benefit plans (including defined benefit plans) were ¥2,978 million, ¥3,947 million and ¥5,243 million in fiscal 2008, 2009 and 2010, respectively.

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SHARE OWNERSHIP

As of June 29, 2010, the directors, executive officers and group executives of the Company directly held an aggregate of 80,177 Shares, representing 0.07% of the total Shares then in issue.

COMPENSATION

To ensure greater management transparency, we established the executive nomination and compensation committee in June 1999. Its functions included recommending executive remuneration. With the move to a Company with Committees board model in June 2003, the committee was replaced with separate Nominating and Compensation Committees. For discussion of these committees, see Item 6. Directors, Senior Management and Employees Nominating Committee and Compensation Committee.

At the shareholders meeting held on June 25, 2003, with our adoption of the Company with Committees board model, ORIX terminated its program for retirement payments to directors and corporate auditors. In connection with the termination of this system, shareholders approved payments of an aggregate maximum amount of ¥3,250 million to directors and ¥50 million to corporate auditors for the accumulated amounts under these payments. The amount, timing and method of payment was approved for each director and corporate auditor by the Compensation Committee. The payments to individual directors and corporate auditors were based on the length of service and remuneration at the time of termination.

Compensation for directors, executive officers and group executives in fiscal 2010 was ¥1,453 million in the aggregate. Of the aggregate amount, the six non-executive directors received ¥67 million (including ¥59 million for outside directors) in fixed compensation and ¥10 million (including ¥8 million for outside directors) in stock options and the 34 executive officers and group executives (including executive directors) received ¥994 million in fixed compensation, ¥135 million in compensation linked to the performance of the Company and ¥133 million in stock options.

Compensation for Yoshihiko Miyauchi, Representative Executive Officer, Chairman and Chief Executive Officer, was ¥165 million in fixed compensation and ¥18 million in stock options.

In addition, in June 2005, we introduced a share component of compensation. The total number of points granted to directors, executive officers and group executives for fiscal 2010 is equivalent to 38,558 points. Under this system, ¥191 million, which is equivalent to 30,653 points accumulated up to the time of retirement, was paid to executive officers and group executive who retired during fiscal 2010. As a result, the balance to directors, executive officers and group executives as of March 31, 2010 was 93,283 points.

In addition, in June 2005 we established guidelines for ownership of our shares for directors, executive officers and group executives.

There are no service contracts between any of our directors, executive officers or group executives and the Company or any of its subsidiaries providing for benefits upon termination of employment.

The following table shows the names of directors, executive officers and group executives who received stock options, and the number of Shares for which they were granted options, under the stock option plans for each year from 2000 to 2008. No stock options were granted for 2009 and 2010. Each unit of the Shares has one vote. We have not issued any preferred shares. Titles for each individual as of June 29, 2010 unless otherwise described, are as follows:

Name	Title	2000-2008 stock option plans
Yoshihiko Miyauchi	Director, Chairman and Chief Executive Officer	138,200
Yukio Yanase	Director, President and Chief Operating Officer	17,800
Hiroaki Nishina	Director, Deputy President	45,500
Haruyuki Urata	Director, Deputy President and Chief Financial Officer	10,600
Makoto Inoue	Director, Deputy President	11,300
Kazuo Kojima	Director, Corporate Executive Vice President	11,600
Yoshiyuki Yamaya	Director, Corporate Executive Vice President	11,600
Yoshinori Yokoyama	Outside Director	6,700
Hirotaka Takeuchi	Outside Director	5,200
Takeshi Sasaki	Outside Director	1,200
Eiko Tsujiyama	Outside Director	0
Robert Feldman	Outside Director	0
Takeshi Niinami	Outside Director	0
Tamio Umaki	Corporate Executive Vice President	28,900
Mitsuo Nishiumi	Corporate Senior Vice President	9,700
Yuki Oshima	Executive Officer	10,600
Katsutoshi Kadowaki	Executive Officer	8,100
Hisayuki Kitayama	Executive Officer	6,900
Hiroshi Yasuda	Executive Officer	6,280
Katsunobu Kamei	Executive Officer	6,500
Kenichi Miyauchi	Executive Officer	5,400
Yuichi Nishigori	Executive Officer	2,840
Takao Kato	Executive Officer	4,740
Kazutaka Shimoura	Executive Officer	5,580
Komei Ikebukuro	Executive Officer	2,040
Hideo Ichida	Executive Officer	4,580
Eiji Mitani	Group Senior Vice President	18,200
Tetsuo Matsumoto	Group Senior Vice President	24,200
Izumi Mizumori	Group Senior Vice President	19,200
Yoshitaka Fujisawa	Group Executive	4,300
Masatoshi Kenmochi	Group Executive	6,600
Keiji Ito	Group Executive	5,580

STOCK OPTION PLAN

We have adopted various incentive plans. The purpose of our stock option plan is to enhance the awareness of the option holders of the link between management, corporate performance and stock price, and, in this way, improve our business results. These plans are administered by the Human Resources Group of ORIX. For further discussion of the stock-based compensation, see Note 19 in Item 18. Financial Statements.

Stock Option Plans

Our shareholders approved stock option plans at the annual general meetings of shareholders in the years from 1997 to 2000 inclusive, under which Shares were purchased from the open market and were held by ORIX for transfer to directors and executive officers and some employees of ORIX upon the exercise of their options.

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Shareholders also approved a stock subscription rights plan in 2001 and stock acquisition rights plans from 2002 to 2005. From 2006 to 2008, the Compensation Committee approved granting stock acquisition rights plans to our directors and executive officers, and shareholders approved granting the said plans to a portion of our employees, as well as directors, executives and a portion of employees of our subsidiaries and affiliates. In 2009 and 2010, no stock option plans were adopted for our directors, executive officers, employees, or those of our subsidiaries and affiliates.

Options granted under stock option plans generally expire one year after the termination of the option holder s service with the ORIX Group.

An outline of the stock option plans authorized since 2000 is as follows.

	Shares granted	Exercise price per Share	Option expiration date
2000 Stock Option Plan	316,700	¥ 15,733	June 29, 2010
2001 Stock Subscription Rights Plan	300,900	¥ 11,921	June 28, 2011
2002 Stock Acquisition Rights Plan	453,300	¥ 7,206	June 26, 2012
2003 Stock Acquisition Rights Plan	516,000	¥ 6,991	June 25, 2013
2004 Stock Acquisition Rights Plan	528,900	¥ 11,720	June 23, 2014
2005 Stock Acquisition Rights Plan	477,400	¥ 18,903	June 21, 2015
2006 Stock Acquisition Rights Plan	194,200	¥ 29,611	June 20, 2016
2007 Stock Acquisition Rights Plan	144,980	¥ 31,009	June 22, 2017
2008 Stock Acquisition Rights Plan	147,900	¥ 16,888	June 24, 2018

Item 7. Major Shareholders and Related Party Transactions

MAJOR SHAREHOLDERS

The following table shows our major shareholders as of March 31, 2010 registered on our Register of Shareholders. Each unit of the Shares (1 unit = 10 Shares) has one vote and our major shareholders have no different voting rights. We do not issue any preferred shares.

Name	Number of Shares held (thousands)	Percentage of Issued shares (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	11,718	10.63
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,869	9.86
The Chase Manhattan Bank 385036	4,694	4.25
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,123	3.74
State Street Bank and Trust Company	2,952	2.67
OD05 Omnibus China Treaty 808150	2,162	1.96
Nats Cumco	2,032	1.84
Mizuho Corporate Bank, Ltd.	1,500	1.36
Northern Trust Company AVFC Re Fidelity Funds	1,459	1.32
Nippon Life Insurance Company	1,385	1.25

ORIX is not directly or indirectly owned or controlled by any corporations, natural or legal persons, severally or jointly. As of March 31, 2010, the percentage of outstanding Shares held by overseas corporations and individuals was 56.98%. On March 31, 2010, approximately 4,062,410 ADSs were outstanding. This is equivalent to 2,031,205 or approximately 1.84% of the total number of Shares outstanding on that date. On that date, all our ADSs were held by 3 record holders in the United States.

In June 2010, we received a copy of a filing made by Fidelity Group to the Kanto Local Finance Bureau on June 11, 2010, indicating the Fidelity Group, primarily through FMR LLC, held 16,117,388 Shares, representing 14.62% of ORIX s outstanding Shares, as part of Fidelity Group s assets under management.

In June 2010, we received a copy of a filing made by Nomura Group to the Kanto Local Finance Bureau on June 7, 2010 indicating the Nomura Group, primarily through NOMURA INTERNATIONAL PLC, held 11,062,995 Shares (including 5,557,558 residual securities), representing 9.55% of ORIX s outstanding Shares, as part of Nomura Group s assets under management.

In May 2010, we received a copy of a filing made by Alliance Bernstein Group, to the Kanto Local Finance Bureau on May 19, 2010 indicating Alliance Bernstein Group, primarily through Alliance Bernstein L.P., held 11,629,866 Shares, representing 10.55% of ORIX s outstanding Shares, as part of Alliance Bernstein Group s assets under management.

In April 2010, we received a copy of a filing made by JP Morgan Asset Management Company, to the Kanto Local Finance Bureau on April 7, 2010 indicating that the JP Morgan Asset Management and several companies of JP Morgan Group held 6,055,517 Shares (including 339,192 residual securities), representing 5.48% of ORIX s outstanding Shares.

In July 2009, we received a copy of a filing made by Mitsubishi UFJ Financial Group to the Kanto Local Finance Bureau on July 21, 2009 indicating the Mitsubishi UFJ Financial Group, primarily through Mitsubishi UFJ Trust Bank Ltd., held 4,286,037 Shares (including 263,314 residual securities), representing 4.63% of ORIX s outstanding Shares, as part of the Mitsubishi UFJ Financial Group s assets under management.

In July 2009, we received a copy of a filing made by Barclays Group to the Kanto Local Finance Bureau on July 31, 2009 indicating the Barclays Group, primarily through Barclays Global Investors, N.A., held 4,454,299 Shares (including 88,999 residual securities), representing 4.04% of ORIX s outstanding Shares, as part of the Barclays Group s assets under management.

RELATED PARTY TRANSACTIONS

As of March 31, 2010, no person was the beneficial owner of more than 10% of any class of the Shares which might give that person significant influence over us. In addition, we are not directly or indirectly owned or controlled by, or under common control with, any enterprise.

We may enter into transactions with the Alliance Bernstein Group, the Fidelity Group, the JP Morgan Group, the Nomura Holdings Group, or other shareholders or potential large investors in the ordinary course of our business. We may also enter into transactions in the ordinary course of our business with certain key management personnel or with certain companies over which we, or our key management personnel, may have a significant influence. Our business relationships with these companies and individuals cover many of the financial services we provide our clients generally. We believe we conduct our business with these companies and individuals in the normal course and on terms equivalent to those that would exist if they did not have equity holdings in us, if they were not our key management personnel, or if we or our key management personnel did not have significant influence over them, as the case may be. None of these transactions is or was material to us or, to our knowledge, to the other party.

Other than as outlined below, since the beginning of our preceding three fiscal years, there have been no transactions or outstanding loans, including guarantees of any kind, and there are none currently proposed, that are material to us, or to our knowledge, to the other party, between us and any (i) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, us; (ii) associates; (iii) individuals owning, directly or indirectly, an interest in the voting power of us that gives them significant influence over us, and close members of any such individual s family; (iv) key management personnel, including directors and senior management of companies and close members of such individuals families; or (v) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (iii) or (iv) or over which such a person is able to exercise significant influence.

One of our subsidiaries, ORIX Eco Services Corporation, has entered into an agreement to act as the distribution agent for Aemotech Corporation in Japan for the purchase and sale of Aemotech s asbestos measuring instruments. Until February 2010, Aemotech was owned by one of our outside directors, Yoshinori Yokoyama. He also had previously served as the director of Aemotech, but resigned as of February 2010. Although this contract is not material to us, it may be material to Aemotech.

One of our subsidiaries, ORIX Living Corporation has entered into a customer referral agreement with ICZ Corporation. As a result, we have had a few transactions with ICZ during fiscal 2009 and 2010. A son of Yoshihiko Miyauchi, one of our directors, is a representative director of ICZ. Although the agreement and related transactions were made in the ordinary course of business and are not material to us, they may be a material to ICZ.

There are no outstanding loans (including guarantees of any kind) made by us or any of our subsidiaries to or for the benefit of any of the persons listed in clauses (i) through (v) in the foregoing paragraphs except as follows. Certain of our affiliates may fall within the meaning of a related party under clauses (i) or (ii) of the foregoing paragraph. The amount of outstanding loans (including guarantees of any kind) made by us to or for the benefit of all our affiliates, including those which may fall within the meaning of a related party, totaled ¥116 billion as of March 31, 2010 and did not exceed ¥117 billion at any time during fiscal 2010. Of the total amount of related party loans, ¥97 billion consisted of term loans to ORIX Credit, with interest rates ranging from 1.76 to 3.37%. Most of these loans were entered into while ORIX Credit was still a wholly owned consolidated subsidiary. During fiscal 2010 ORIX Credit became an equity-method affiliate after we sold a 51% stake to Sumitomo Mitsui Banking Corporation in July 2009. The highest outstanding amount of loans to ORIX Credit during fiscal 2010, after ORIX Credit became an equity-method affiliate, was ¥100 billion.

We have extended a ¥20 billion debt assumption facility on behalf of our affiliate, DAIKYO, whereby we agreed to purchase accounts receivable originated by DAIKYO from certain of its suppliers at a discount. The debt assumption was cancelled in August 2009, and as of March 31, 2010 no amount remained outstanding of such accounts receivable that we had purchased under this facility. In fiscal 2010, ORIX Real Estate Corporation, our subsidiary, entered into various real estate transactions with DAIKYO. These dealings are done at fair prices based on third-party appraisal, and consist of less than 5% of DAIKYO s total sales. We also enter into certain ordinary course of business transactions, including financing leases, with DAIKYO. These transactions are not material to either us or DAIKYO.

In connection with our sale of ORIX Facilities Corporation to DAIKYO in fiscal 2009, ORIX Corporation and ORIX Real Estate Corporation have signed a business collaboration agreement with ORIX Facilities Corporation, which gives ORIX Facilities Corporation certain ordering priorities, subject to reasonable conditions in regard to the management of real estate owned or subdivided by the ORIX Group. Any orders made under the collaboration agreement would be on market terms, and we do not view either the sale of ORIX Facilities nor any transactions contemplated by the collaboration agreement to be material to us, although they may be to ORIX Facilities Corporation or DAIKYO.

Other than those mentioned above, the amount of loans to companies included in the related parties described in (ii) and (v) above totaled ¥1 billion as of March 31, 2010. We believe these loans were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectibility or present other unfavorable features.

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Item 8. Financial Information

All relevant financial statements are attached hereto. See Item 18. Financial Statements.

LEGAL PROCEEDINGS

See Item 4. Information on the Company Legal Proceedings.

DIVIDEND POLICY AND DIVIDENDS

See Item 10. Additional Information Dividend Policy and Dividends.

SIGNIFICANT CHANGES

None.

Item 9. The Offer and Listing

TOKYO STOCK EXCHANGE

The primary market for the Shares is the Tokyo Stock Exchange. The Shares have been traded on the First Section of the Tokyo Stock Exchange since 1973 and are also listed on the First Section of The Osaka Securities Exchange. The Shares were delisted from the Nagoya Stock Exchange on October 23, 2004.

The Tokyo Stock Exchange is the principal Japanese stock exchange. The most widely followed price index of stocks on the Tokyo Stock Exchange is the Nikkei Stock Average, an index of 225 selected stocks traded on the First Section of the Tokyo Stock Exchange.

The following table shows the reported high and low sales prices of the Shares on the Tokyo Stock Exchange, excluding off-floor transactions. High and low sales price quotations from the Tokyo Stock Exchange have been translated in each case into dollars per ADS at the noon buying rate for yen expressed in yen per $1.00 in New York City for cable transfer in foreign currencies on the relevant date or the noon buying rate for yen on the next business day if the relevant date is not a New York business day.

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TOKYO STOCK EXCHANGE PRICE PER SHARE

	Price per Share (¥)		Translated into dollars per ADS	
	High	Low	High	Low
Fiscal Year ended March 31, 2006	36,800	13,330	157	63
Fiscal Year ended March 31, 2007	38,150	24,330	162	104
Fiscal Year ended March 31, 2008	35,200	11,930	146	123
Fiscal Year ended March 31, 2009				
First fiscal quarter	21,240	13,640	101	67
Second fiscal quarter	17,700	11,500	82	55
Third fiscal quarter	13,290	3,710	65	20
Fourth fiscal quarter	5,590	1,707	30	9
Fiscal Year ended March 31, 2010				
First fiscal quarter	6,710	3,200	34	16
Second fiscal quarter	7,450	4,890	40	26
Third fiscal quarter	6,760	5,260	38	29
Fourth fiscal quarter	8,480	6,290	45	34
Recent Six Months				
December 2009	6,550	5,870	37	34
January 2010	7,320	6,290	40	34
February 2010	7,140	6,670	39	37
March 2010	8,480	6,760	45	38
April 2010	8,770	7,980	47	43
May 2010	8,440	6,350	46	35

NEW YORK STOCK EXCHANGE

The ADSs are listed on the New York Stock Exchange under the symbol IX.

Two ADSs represent one share. On March 31, 2010, approximately 4,062,410 ADSs were outstanding. This is equivalent to 2,031,205 or approximately 1.84% of the total number of Shares outstanding on that date. On that date, all our ADSs were held by 3 record holders in the United States.

The following table provides the high and low closing sales prices and the average daily trading volume of the ADSs on the New York Stock Exchange based on information provided by Bloomberg L.P.

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NYSE PRICE PER ADS

	Price per ADS ($)		Average daily trading volume
	High	Low	(shares)
Fiscal Year ended March 31, 2006	155.47	64.49	8,411
Fiscal Year ended March 31, 2007	160.03	106.75	13,694
Fiscal Year ended March 31, 2008	144.79	61.00	36,090
Fiscal Year ended March 31, 2009			
First fiscal quarter	98.79	72.00	42,309
Second fiscal quarter	78.74	56.05	34,817
Third fiscal quarter	63.67	22.81	63,778
Fourth fiscal quarter	29.81	9.72	136,906
Fiscal Year ended March 31, 2010			
First fiscal quarter	33.03	17.35	46,571
Second fiscal quarter	39.55	27.34	87,978
Third fiscal quarter	37.21	29.37	31,009
Fourth fiscal quarter	44.29	34.72	19,477
Recent Six Months			
December 2009	36.31	34.12	14,533
January 2010	39.62	34.72	23,170
February 2010	39.20	37.05	18,295
March 2010	44.29	38.31	17,403
April 2010	45.79	43.49	13,267
May 2010	46.03	37.42	18,555

Item 10. Additional Information

MEMORANDUM AND ARTICLES OF INCORPORATION

Purposes

Our corporate purposes, as provided in Article 2 of our articles of incorporation, are to engage in the following businesses: (i) lease, purchase and sale (including purchase and sale on an installment basis), maintenance and management of movable property of all types; (ii) moneylending business, purchase and sale of claims of all types, payment on behalf of third parties, guarantee and assumption of obligations, agent for collection of money and other financial business; (iii) holding, investment in, management, purchase and sale of financial instruments such as securities and other investment business; (iv) advice, brokerage and agency relating to the merger, capital participation, business alliance and business succession and reorganization, etc.; (v) financial instruments and exchange business, financial instruments broker business, banking, trust and insurance business, advisory service business relating to investment in commodities, trust agreement agency business and credit management and collection business; (vi) non-life insurance agency business, insurance agency business under the Automobile Accident Compensation Security Law, and service related to soliciting life insurance; (vii) lease, purchase and sale, ground preparation, development, maintenance and management of real property and warehousing; (viii) contracting for construction, civil engineering, building utility and interior and exterior furnishing, and design and supervision thereof; (ix) management of various facilities for sports, lodging, restaurant, medical treatment, welfare and training and education, and conducting sports, etc.; (x) waste-disposal business; (xi) trading of emission rights for greenhouse gases and other various subjects; (xii) supply of various energy resources and the products in relation thereto; (xiii) planning, developing, contracting for, lease and sale of, intangible property rights; (xiv) information processing and providing services, telecommunications business; (xv) business of dispatching workers to enterprise and employment agency business; (xvi) purchase and

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sale of antiques; (xvii) transport business; (xviii) brokerage, agency, investigation and consulting for business relating to any of the preceding items, and pension consulting service; (xix) as a result of holding shares in a subsidiary company engaged in those activities, engaging in business relating to any of the preceding items and managing such company s business activities; (xx) any and all businesses incidental or related to any of the preceding items.

Directors and Board of Directors

There is no provision in our Articles of Incorporation as to a director s power to vote on a proposal or arrangement in which the director is materially interested, but, under the Companies Act or Regulations of the Board of Directors, the director must refrain from voting on such matters at meetings of the Board of Directors.

There shall be no less than three directors of the Company (Article 16). The term of office of a director is for one year and expires upon conclusion of the annual General Meeting of Shareholders relating to the last fiscal year ending within one year after election of director (Article 18). Resolutions of the Board of Directors are adopted by a majority vote of the directors present at a meeting attended by a majority of the directors who may participate in making resolutions (Article 21).

Board Committees

As a company with committees we are required to maintain a Nominating Committee, an Audit Committee and a Compensation Committee (Article 10). The members of each Board Committee are elected from among the directors by a resolution of the Board of Directors meeting. Each Committee is composed of three or more members. The majority of members of each Committee are required to be Outside Directors. No member of the Audit Committee may be an executive officer, manager or an operating director of the Company or any of the subsidiaries or the accounting advisor (if the accounting advisor is a corporate body, then the individuals performing the duties), manager or other employee of any of the Company s subsidiaries (Article 24).

Stocks

Our authorized share capital is 259,000,000 shares. Currently our Articles of Incorporation provide only for the issuance of shares of common stock. As of March 31, 2010 we had 110,229,948 shares issued without par value, all of which were fully-paid and non-assessable.

Unless shareholders approval is required as described in Voting Rights , the shares will be issued under a resolution approved by the board of directors and a decision made by the executive officer under delegation by the board of directors.

For a change in the number of shares issued for the past three fiscal years, see Note 20 of Item 18. Financial Statements for the fiscal year ended March 31, 2010.

Under the Law Concerning Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan and regulations thereunder, or the Book-Entry Law, in Japan, every share which is listed on any of the stock exchanges in Japan shall be transferred and settled only by the central clearing system provided by Japan Securities Depository Center, Inc. (JASDEC) and all Japanese companies listed on any Japanese stock exchange no longer issue share certificates. Shareholders of listed shares must have accounts at account management institutions to hold their shares unless such shareholder has an account at JASDEC, and any transfer of shares is effected through book entry, and title to the shares passes to the transferee at the time when the transferred number of the shares is recorded in the transferee s account at an account managing institution under the Book-Entry Law. The holder of an account at an account managing institution is presumed to be the legal owner of the shares recorded in such account. Under the Companies Act and the Book-Entry Law, in order to assert shareholders rights against us, the transferee must have his or her name and address registered on our Register of Shareholders, except in limited circumstances. Foreign shareholders may file specimen signatures in lieu of seals. Non-resident shareholders are required to appoint a standing proxy in Japan or designate a mailing address in Japan. The registration of transfer and the application for reduced withholding tax on dividends can usually be handled by a standing proxy. See Taxation Japanese Taxation. Japanese securities companies and commercial banks customarily will act as standing proxies and provide related services for standard fees.

Our transfer agent is Mitsubishi UFJ Trust and Banking Corporation, located at 4-5, Marunouchi 1-chome, Chiyodaku, Tokyo 137-8081, Japan.

In general, there are no limitations on the right to own shares of our common stock, including the rights of non-residents or foreign shareholders to hold or exercise voting rights on the securities imposed under Japanese law or by our Articles of Incorporation.

Settlement of transactions for shares listed on any of the stock exchanges in Japan will normally be effected on the fourth trading day from and including the transaction. Settlement in Japan shall be made through JASDEC as described above.

Distributions of Surplus

Annual dividends may be distributed by us in cash to shareholders or pledgees of record as of March 31 of each year in proportion to the number of shares held by each shareholder or registered pledgee, as the case may be.

We may make distributions of surplus to the shareholders any number of times per fiscal year, subject to certain limitations as described below. Under our Articles of Incorporation, distributions of cash dividends need to be declared by a resolution of the board of directors. Distributions of surplus may be made in cash or in kind in proportion to the number of shares held by respective shareholders. A resolution of the board of directors authorizing a distribution of surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of surplus is to be made in kind, we may, pursuant to a resolution of a general meeting of shareholders or the board of directors, as the case may be, grant a right to the shareholders to require us to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of surplus must be approved by a special resolution of a general meeting of shareholders.

Under our Articles of Incorporation, if the dividends from surplus as of the last day of the fiscal year are distributed within three months for common shares, we treat the shareholders or share pledgees registered or recorded on the Register of Shareholders as of the last day of the fiscal year as the person having rights to receive such dividends. Dividends or other distributable assets shall not incur interest thereon. If the relevant distributed assets are not received within a full three years from the date on which the distribution of relevant distributed assets became effective, we may be released from its obligation to distribute such assets.

Under the Companies Act, when we make distributions of surplus, if the sum of our capital reserve (*shihonjunbikin*) and earned surplus reserve (*riekijunbikin*) is less than one-quarter of our stated capital, we must, until such sum reaches one-quarter of the stated capital, set aside in our capital reserve and/or earned surplus reserve an amount equal to one-tenth of the amount of surplus so distributed as required by ordinances of the Ministry of Justice.

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The amount of surplus at any given time must be calculated in accordance with the following formula:

A + B + C + D (E + F + G)

In the above formula:

A = the total amount of other capital surplus and other earnings surplus, each such amount being that appearing on our non-consolidated balance sheet as of the end of the last fiscal year

B = (if we have disposed of our treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by us less the book value thereof

C = (if we have reduced our stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to capital reserve or earned surplus reserve (if any)

D = (if we have reduced our capital reserve or earned surplus reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any)

E = (if we have cancelled our treasury stock after the end of the last fiscal year) the book value of such treasury stock

F = (if we have distributed surplus to our shareholders after the end of the last fiscal year) the amount of the assets distributed to shareholders by way of such distribution of surplus

G = certain other amounts set forth in an ordinance of the Ministry of Justice, including (if we have reduced surplus and increased stated capital, capital reserve or earned surplus reserve after the end of the last fiscal year) the amount of such reduction and (if we have distributed surplus to our shareholders after the end of the last fiscal year) the amount set aside in capital reserve or earned surplus reserve (if any) as required by ordinances of the Ministry of Justice.

Under the Companies Act, the aggregate book value of surplus distributed by us may not exceed a prescribed distributable amount, as calculated on the effective date of such distribution. Our distributable amount at any given time shall be the amount of surplus less the aggregate of: (a) the book value of our treasury stock; (b) the amount of consideration for any of our treasury stock disposed of by us after the end of the last fiscal year; and (c) certain other amounts set forth in an ordinance of the Ministry of Justice, including (if the total of the one-half of goodwill and the deferred assets exceeds the total of stated capital, capital reserve and earned surplus reserve, each such amount being that appearing on our non-consolidated balance sheet as of the end of the last fiscal year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice. If we have opted to become a company that applies the restriction on distributable amounts on a consolidated basis (*renketsu haito kisei tekiyo kaisha*), we will further deduct from the amount of surplus a certain amount which is calculated based on our non-consolidated and consolidated balance sheets as of the end of the last fiscal year as provided in ordinances of the Ministry of Justice.

If we have prepared interim financial statements as described below after the end of the last fiscal year, and if such interim financial statements have been approved by our board of directors or (if so required) by a general meeting of our shareholders, then the distributable amount must be adjusted to take into account the amount of profit or loss as set forth in ordinances of the Ministry of Justice, and the amount of consideration for any of our treasury stock disposed of by us, during the period in respect of which such interim financial statements have been prepared. Under the Companies Act, we are permitted to prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Interim financial statements prepared by us must be reviewed by our independent auditors, as required by an ordinance of the Ministry of Justice.

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In Japan, the ex-dividend date and the record date for dividends precede the date of determination of the amount of the dividend to be paid. The price of the shares generally goes ex-dividend on the second business day prior to the record date.

Capital and Reserves

When we issue new shares, the amount of the cash or assets paid or contributed by subscribers for the new shares (with some exceptions) is required to be accounted for as stated capital, although we may account for an amount not exceeding one-half of the cash or assets as capital reserve by resolutions of the board of directors.

We may at any time transfer the whole or any part of our additional paid-in capital and legal reserve to stated capital by a resolution of a general meeting of shareholders. The whole or any part of surplus which may be distributed as annual dividends may also be transferred to stated capital by a resolution of a general meeting of shareholders. We may, by a resolution of a general meeting of shareholders (in the case of the reduction of stated capital, a special resolution of a general meeting of shareholders, see Voting Rights) reduce stated capital, additional paid-in capital and/or legal reserve.

Stock Splits

We may at any time split the shares into a greater number of shares by resolution of the board of directors. When the board of directors resolves on the split of shares, it may also amend the Articles of Incorporation to increase the number of authorized shares to be issued in proportion to the relevant stock split. We must give public notice of the stock split, specifying the record date therefor, not less than two weeks prior to such record date.

Unit Share System

Our Articles of Incorporation provides that 10 shares constitute one unit of shares. The number of shares constituting a unit may be altered by amending our Articles of Incorporation. The number of shares constituting a unit is not permitted to exceed 1,000 shares.

A shareholder may not exercise shareholders rights in relation to any shares that it holds that are less than one unit other than the rights set forth below under the Companies Act and the Articles of Incorporation.

(1) The right to receive the distribution of money, etc., when the Company distributes the money, etc. in exchange for acquiring one class of shares subject to terms under which the Company shall acquire all of such class shares;

(2) The right to receive the distribution of money, etc., in exchange for acquisition of shares subject to terms under which the Company shall acquire such shares;

(3) The right to receive allocation of shares when the Company allocates its shares without having a shareholder make new payment;

(4) The right to demand that the Company purchase shares that are less than one Unit held by the shareholder;

(5) The right to receive distribution of remaining assets;

(6) The right to demand review of the Articles of Incorporation and the Register of Shareholders and delivery of their copies or a document describing registered matters, etc.;

(7) The right to demand registration or recordation of matters to be registered or recorded on the Register of Shareholders when the shareholder acquired the shares;

(8) The right to receive the distribution of money, etc. pursuant to reverse stock split, stock split, allocation of stock acquisition right for free (which means that the Company allocates its stock acquisition right without having a shareholder make new payment), distribution of dividends from retained earnings or change of corporate organization;

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(9) The right to receive the distribution of money, etc. to be distributed pursuant to merger, share-swap or share-transfer effected by the Company;

(10) The right to subscribe to Offering Shares and Offering Stock Acquisition Rights on a pro rata basis based upon the number of shares held by the shareholder; and

(11) The right to demand that the Company sell to the shareholder the number of additional shares necessary to make the number of shares of less than one Unit held by the shareholder, equal to one Unit.

Under the book-entry transfer system operated by JASDEC, shares constituting less than one unit are generally transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

A holder of shares constituting less than one unit may require us to purchase such shares at their market value in accordance with the provisions of our Share Handling Regulations. In addition, our Articles of Incorporation provide that a holder of shares constituting less than one unit may request us to sell to such holder such amount of shares which will, when added together with the shares constituting less than one unit held by such holder, constitute one unit of shares, in accordance with the provisions of the Share Handling Regulations.

General Meetings of Shareholders

The ordinary general meeting of our shareholders is usually held in Tokyo in June of each year. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a shareholders meeting stating the place, time and purpose thereof must be dispatched to each shareholder (or, in the case of a non-resident shareholder, to its resident proxy or mailing address in Japan) having voting rights at least two weeks prior to the date of such meeting. The record date for an ordinary general meeting of shareholders is March 31 of each year. General meetings of shareholders can be called by a director pursuant to a resolution of the board of directors.

Any shareholder or group of shareholders at least 3.0% of the total number of voting rights for a period of six months or longer may require the convocation of a general meeting of shareholders for a particular purpose by showing such a purpose and reason for convocation to one of our directors. Unless such shareholders meeting is convened promptly or a convocation notice of a meeting which is to be held not later than eight weeks from the day of such demand is dispatched, the requiring shareholder may, upon obtaining a court approval, convene such shareholders meeting.

Any shareholder or group of shareholders holding at least 300 voting rights or 1.0% of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a written request to one of our directors at least eight weeks prior to the date of such meeting.

Under the Companies Act, any of minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened if the articles of incorporation of a joint stock corporation so provide.

Voting Rights

A holder of shares constituting one or more units is entitled to one vote for each unit. However, if we directly or indirectly owns 25% or more of voting rights of a corporate or other entity which is a shareholder, such corporate shareholder cannot exercise its voting rights. Except as otherwise provided by law or in our Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the number of voting rights represented at the meeting. The quorum for election of directors is one-third of the total number of voting rights. Our shareholders are not entitled to cumulative voting in the election of directors. Our shareholders may exercise their voting rights through proxies, provided that the proxies are also shareholders having voting rights.

Under the Companies Act and our Articles of Incorporation, any amendment to our Articles of Incorporation (except for certain amendments, see Stock Splits) and certain other instances require approval by a special resolution of shareholders, where the quorum is one-third of the total number of voting rights and the approval by at least two-thirds of the number of voting rights represented at the meeting is required. Other instances requiring such a special resolution include (1) the reduction of its stated capital, (2) the removal of a director, (3) the dissolution, liquidation, merger or consolidation, merger and corporate split or (4) the formation of a parent company by way of share exchange or share transfer, the transfer of the whole or a substantial part of its business, the acquisition of the whole business of another company, (5) the issue to persons other than the shareholders of new shares at a specially favorable price or the issue or transfer to persons other than the shareholders of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) under specially favorable conditions, (6) consolidation of shares and (7) acquisition of its own shares from a specific party other than its subsidiaries.

Subscription Right

Holders of the shares have no pre-emptive rights. The board of directors may, however, determine that shareholders be given subscription rights to new shares, in which case such rights must be given on uniform terms to all shareholders as of a record date of which not less than two weeks prior public notice must be given. The issue price of such new shares must be paid in full.

Stock Acquisition Rights

We may issue stock acquisition rights (*shinkabu yoyakuken*) and bonds with stock acquisition rights (*shinkabu yoyakuken-tsuki shasai*). Except where the issue would be on specially favorable conditions, the issue of stock acquisition rights or bonds with stock acquisition rights may be authorized by a resolution of the board of directors. Upon exercise of the stock acquisition rights, the holder of such rights may acquire shares by way of payment of the applicable exercise price or, if so determined by a resolution of the board of directors, by way of substitute payments in lieu of redemption of the bonds. If our Articles of Incorporation prohibit us from delivering shares, it will pay a cash payment equal to the market value of the shares.

Dilution

It is possible that, in the future, market conditions and other factors might make rights issued to shareholders desirable at a subscription price substantially below their then current market price, in which case shareholders who do not exercise and are unable to realize the full value of their subscription rights would suffer dilution of their equity interest in us.

Liquidation Rights

In the event of our liquidation, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among shareholders in proportion to the respective number of shares which they hold.

Reports to Shareholders

We currently furnish to our shareholders notices of shareholders meetings, annual business reports, including financial statements, and notices of resolutions adopted at the shareholders meetings, all of which are in Japanese. Public notice shall be made in the Nihon Keizai Shinbun published in Tokyo and Osaka.

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Record Date of Register of Shareholders

As stated above, March 31 is the record date for the payment of annual dividends and the determination of shareholders entitled to vote at the ordinary general meeting of shareholders. In addition, we may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks prior public notice. Under the Book-Entry Law, JASDEC is required to give us a notice of the names and addresses of the shareholders, the number of shares held by them and other relevant information as of each such record date, and the register of our shareholders shall be updated accordingly.

Repurchase of Own Shares

We may acquire our shares, including shares of our common stock: (i) by way of purchase on any Japanese stock exchange or by way of tender offer (pursuant to a resolution of the board of directors); (ii) from a specific shareholder other than any of our subsidiaries (pursuant to a special resolution of a general meeting of shareholders); or (iii) from any of our subsidiaries (pursuant to a resolution of the board of directors).

In the case of (ii) above, any other shareholder of such class may make a request to a director, at least five days prior to the relevant shareholders meeting, to include such shareholder as a seller in the proposed purchase. However, no such right will be available if the relevant class of shares is listed on any Japanese stock exchange and the purchase price or any other consideration to be received by the relevant specific shareholder does not exceed the then market price of the shares calculated in a manner set forth in Ordinances of the Ministry of Justice.

Any such acquisition of our shares must satisfy certain requirements that the total amount of the purchase price may not exceed the distributable amount, as described in Distributions of Surplus. We may hold our shares acquired in compliance with the provisions of the Companies Act, and may generally cancel such shares by a resolution of the board of directors, although the disposal of such shares is subject to the same proceedings for the issuance of new shares, in general.

Stock Options

Under the Companies Act, a stock option plan is available by issuing stock acquisition rights.

Generally, a stock option plan may be adopted by a resolution of the board directors. However, if the conditions of such stock acquisition rights are specially favorable , a special resolution at a general meeting of shareholders is required. The special resolution must set forth the class and number of shares to be issued or transferred on exercise of the options, the exercise price, the exercise period and other terms of the options.

FOREIGN EXCHANGE AND OTHER REGULATIONS

Foreign Exchange

The Foreign Exchange and Foreign Trade Law of Japan, as amended, and the cabinet orders and ministerial ordinances thereunder (the Foreign Exchange Regulations) govern the acquisition and holding of shares of capital stock of ORIX by exchange non-residents and by foreign investors (as defined below). The Foreign Exchange Regulations currently in effect do not, however, regulate transactions between exchange non-residents who purchase or sell shares outside Japan for non-Japanese currencies.

Exchange non-residents are defined as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Generally, the branch and other offices of non-resident corporations located within Japan are regarded as residents of Japan and branch and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents. Foreign investors are defined to be (i) individuals who are exchange non-residents, (ii) corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan, and (iii) corporations (1) of which 50% or more of their voting rights are held, directly or indirectly, by (i) and/or (ii) or (2) a majority of the officers (or officers having the power of representation) of which are non-resident individuals.

In general, the acquisition of a Japanese company s stock shares (such as the shares of capital stock of ORIX) by an exchange non-resident from a resident of Japan is not subject to any prior filing requirements. In certain limited circumstances, however, prior approval by the Minister of Finance for an acquisition of this type may be required. While prior approval, as described above, is not required, in the case where a resident of Japan transfers shares of a Japanese company (such as the shares of capital stock of ORIX) for consideration exceeding ¥100 million to an exchange non-resident, the resident of Japan who transfers the shares is required to report the transfer to the Minister of Finance within 20 days from the date of the transfer, unless the transfer was made through a bank, securities company or financial future trader licensed under the Japanese laws.

If a foreign investor acquires shares of a Japanese company listed on a Japanese stock exchange (such as the shares of capital stock of ORIX) or that are traded on an over-the-counter market in Japan and as a result of the acquisition the foreign investor in combination with any existing holdings directly or indirectly holds 10% or more of the issued shares of the relevant company, the foreign investor is, in general, required to report such acquisition to the Minister of Finance and any other competent Ministers by the 15^{th} day of the calendar month following the date of such acquisition. In certain exceptional cases, prior notification is required with respect to such an acquisition.

The acquisition of shares by exchange non-residents by way of stock split is not subject to the foregoing notification requirements.

Under the Foreign Exchange Regulations, dividends paid on, and the proceeds of sales in Japan of, Shares held by non-residents of Japan may in general be converted into any foreign currency and repatriated abroad.

Large Shareholdings Report

The Financial Instruments and Exchange Act requires any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of capital stock of a company listed on any Japanese financial instruments exchange (such as the shares of capital stock of ORIX) or whose shares are traded on the over-the-counter markets in Japan, to file with the Prime Minister within five business days a report concerning such shareholdings. An alteration report must also be made in respect of any subsequent change of 1% or more in any such holding or any change in material matters set out in reports previously filed, with certain exceptions. For this purpose, shares issuable to such person upon his exchange of exchangeable securities or exercise of Stock Acquisition Rights are taken into account in determining both the size of his holding and the issuer s total issued share capital.

Filing of Share Acquisition Plan

The Act on Prohibition of Private Monopoly and Maintenance of Fair Trade requires any company (including a foreign company) which crosses certain domestic sales thresholds and newly acquires a holder of more than 20% or 50% of the total issued voting shares of capital stock (such as the shares of capital stock of ORIX) or the shares of a company (including a foreign company) which meets certain conditions, to file a share acquisition plan concerning such shares with the Fair Trade Commission at least thirty days prior to the closing or the acquisition.

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DIVIDEND POLICY AND DIVIDENDS

ORIX has paid dividends on the Shares on an annual basis in each year since 1967. With the adoption of a Company with Committees board model in June 2003, the board of directors has been responsible for setting the annual dividend per common share since the fiscal year ended March 31, 2004. The board of directors approves annual dividends at the board of directors meeting customarily held in May of each year. Following such approval, dividends are paid to holders of record as of the preceding March 31.

The following table shows the amount of dividends applicable to fiscal year per Share for each of the fiscal years indicated, which amounts are translated into dollars per ADS at the noon buying rate for Japanese yen in New York City for cable transfers in foreign currencies on the relevant dividend payment date as published by the Federal Reserve Bank.

Year ended	Dividends applicable to fiscal year per Share	Translated into dollar per ADS
March 31, 2006	¥ 90.00	0.40
March 31, 2007	130.00	0.53
March 31, 2008	260.00	1.24
March 31, 2009	70.00	0.36
March 31, 2010	75.00	0.40

We believe that securing profits primarily as retained earnings, and utilizing them to strengthen our base of operations and for investment for future growth, assists in sustaining profit growth while maintaining financial stability, leading to increased shareholder value. Regarding dividends, we respond to shareholder expectations through increasing shareholder value through mid-to long-term profit growth and steady distribution of profit.

We also occasionally purchase our shares in the market through share buyback plans taking into account the adequate level of retained earnings and our ability to act flexibly and accordingly by considering factors such as changes in the economic environment, trends in stock prices, and our financial condition.

Applying these policies to the current business conditions, we declared a dividend of 75 yen per share for the year ended March 31, 2010, up from 70 yen in the previous year. We currently distribute dividends once a year as a year-end dividend.

Pursuant to the amendment to the Act on Special Measures Concerning Taxation, dividends paid to U.S. Holders of Shares or ADSs are generally subject to a Japanese withholding tax at the rate of 7% for the period from January 1, 2009 to December 31, 2011.

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TAXATION

JAPANESE TAXATION

The following is a summary of the principal Japanese tax consequences for owners of the Shares or ADSs who are non-resident individuals of Japan or non-Japanese corporations without a permanent establishment in Japan (non-resident Holders). The statements regarding Japanese tax laws set forth below are based on the laws in force and as interpreted by the Japanese taxation authorities as of the date hereof and are subject to changes in the applicable Japanese laws or conventions for the avoidance of double taxation occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor and potential investors are advised to satisfy themselves as to:

- the overall tax consequences of the acquisition, ownership and disposition of Shares or ADSs, including specifically the tax consequences under Japanese law;
- the laws of the jurisdiction of which they are resident; and
- any tax treaty between Japan and their country of residence

by consulting their own tax advisors.

Shares

Generally, a non-resident Holder is subject to Japanese withholding tax on dividends on Shares or ADSs paid by us. Stock splits are not subject to Japanese income or corporation tax.

Pursuant to the Act on Special Measures Concerning Taxation, the Japanese withholding tax rate applicable to dividends on Shares or ADSs paid to non-resident Holders by us is (i) 7% for dividends due and payable on or before December 31, 2011 and (ii) 15% for dividends due and payable on or after January 1, 2012, except for dividends paid to any individual non-resident Holder who holds 5% or more of the total number of shares issued by us, where the 20% withholding tax rate will apply. Japan has entered into income tax treaties, conventions and agreements where this withholding tax rate is, in some cases, reduced to a lower percentage for portfolio investors. Non-resident Holders in the countries who are entitled to this reduced Japanese withholding tax rate are required to submit an Application Form for the Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us to the relevant Japanese tax authority before the payment of dividends. A standing proxy for a non-resident Holder may provide such application service. Non-resident Holders who do not submit an application in advance will be entitled to claim the refund from the relevant Japanese tax authority of those withholding taxes withheld in excess of the rate of an applicable tax treaty.

The Convention between the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the Tax Convention) provides for a maximum rate of Japanese withholding tax which may be imposed on dividends paid to an eligible United States resident not having a permanent establishment in Japan. Under the Tax Convention, the maximum withholding rate is generally limited to 10% of the relevant dividends.

Gains derived from the sale outside Japan of Shares or ADSs by a non-resident Holder, are, in general, not subject to Japanese income or corporation taxes.

Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who has acquired Shares or ADSs as a legatee, heir or donee.

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UNITED STATES TAXATION

The following discussion describes the material U.S. federal income tax consequences of ownership and disposition of Shares or ADSs held as capital assets by U.S. Holders (as defined below).

This discussion does not describe all of the tax consequences that may be relevant to a holder in light of the holder s particular circumstances or to holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers and traders in securities who use a mark-to-market method of tax accounting;
- persons holding Shares or ADSs as part of a hedging transaction, straddle, conversion transaction or other integrated transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- non-US persons;
- persons subject to the alternative minimum tax;
- tax-exempt entities, including individual retirement accounts and Roth IRAs ;
- persons that own or are deemed to own 10% or more of the voting stock of the Company;
- persons carrying on a trade or business in Japan through a permanent establishment; or
- persons who acquired Shares or ADSs pursuant to the exercise of any employee stock option or otherwise as compensation.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding Shares or ADSs and partners in such partnerships should consult their tax advisors as to the particular U.S. federal income tax consequences of holding and disposing of Shares or ADSs.

This summary is based on the Internal Revenue Code of 1986, as amended, (the Code) administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations, and the Tax Convention, changes to any of which subsequent to the date of this annual report may affect the tax consequences described herein. It is also based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms.

As used herein, the term U.S. Holder means a beneficial owner of Shares or ADSs that is for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or of any political subdivision thereof; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

We believe that we will be a passive foreign investment company (a *PFIC*) for U.S. federal income tax purposes in the year to which this annual report relates and for the foreseeable future by reason of the composition of our assets and the nature of our income.

Persons considering the purchase of Shares or ADSs should consult their tax advisors with regard to the PFIC rules described below as well as the application of other U.S. federal income tax laws relevant to their particular situations and any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

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In general, a U.S. Holder of ADSs will be treated as the owner of the underlying shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if the U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concerns that parties to whom American depositary shares are released prior to delivery of shares to the depositary (pre-release), or intermediaries in the chain of ownership between U.S. Holders and the issuer of the security underlying the American depositary shares, may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. Holders of American depositary shares. Accordingly, the creditability of Japanese taxes, described below, could be affected by actions taken by such parties or intermediaries.

Taxation of Distributions

Subject to the passive foreign investment company rules described below, distributions paid on Shares or ADSs, other than certain pro rata distributions of common shares, will generally be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we expect to be a PFIC, dividends paid by us will not be eligible for the reduced 15% dividend tax rate otherwise available to certain non-corporate U.S. Holders. The amount of a dividend will include any amounts withheld by us or our paying agent in respect of Japanese taxes, as discussed above under Taxation Japanese Taxation Shares. The amount of the dividend will be treated as foreign source dividend income to U.S. Holders and will not be eligible for the dividends received deduction generally allowed to U.S. corporations under the Code.

Dividends paid in yen will be included in the income of a U.S. Holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of the U.S. Holder s (or, in the case of ADSs, the depositary s) receipt of the dividend, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize a foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have a foreign currency gain or loss if such holder does not convert the amount of such dividend into U.S. dollars on the date of its receipt. Any foreign currency gains or losses resulting from the conversion of the yen will generally be treated as U.S. source ordinary income or loss.

Subject to the passive foreign investment company rules described below and to applicable limitations that may vary depending upon the U.S. Holder s circumstances, and subject to the discussion above regarding concerns expressed by the U.S. Treasury, Japanese taxes withheld from dividends on Shares or ADSs at a rate not exceeding the rate provided for by the Tax Convention will be creditable against the U.S. Holder s U.S. federal income tax liability. The maximum rate of withholding tax on dividends paid to a U.S. Holder pursuant to the Tax Convention is 10%. As discussed under Japanese Taxation above, under current Japanese law, the statutory rate will be lower than the maximum Tax Convention rate until December 31, 2011. After this date, the statutory rate will be higher than the maximum Tax Convention rate. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits in their particular circumstances. Instead of claiming a credit, U.S. Holders may, upon election, deduct such otherwise creditable Japanese taxes in computing taxable income, subject to generally applicable limitations under U.S. law.

Passive Foreign Investment Company Rules

If, as expected, we are a PFIC for any year during a U.S. Holder s holding period of the Shares or ADSs, and the U.S. Holder has not made the mark-to-market election for the Shares or ADSs, as described below, the holder will be subject to special rules generally intended to eliminate any benefits from the deferral of U.S. federal income tax that a holder could derive from investing in a foreign corporation that does not distribute all of its earnings on a current basis. Upon a disposition of Shares or ADSs (including under certain circumstances, a pledge, and under proposed Treasury regulations, a disposition pursuant to an otherwise tax-free reorganization) gain recognized by a U.S. Holder would be allocated ratably over its holding period for the Shares or ADSs. The amounts allocated to the taxable year of the sale or other exchange and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations for such year, as appropriate, and an interest charge would be imposed on the tax liability allocated to such taxable year. Similar rules would apply to any distribution in respect of Shares or ADSs to the extent it exceeds 125 percent of the average of the annual distributions on Shares or ADSs received during the preceding three years or the U.S. Holder s holding period, whichever is shorter. Any loss realized on a disposition of Shares or ADSs will be capital loss, and will be long-term capital loss if the U.S. Holder held the Shares or ADSs for more than one year. The amount of the loss will equal the difference between the U.S. Holder s tax basis in the Shares or ADSs disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. Such loss will generally be US-source loss for foreign tax credit purposes.

If we are a PFIC for any year during which a U.S. Holder holds Shares or ADSs, we generally will continue to be treated as a PFIC with respect to the U.S. Holder for all succeeding years during which the U.S. Holder holds Shares or ADSs, even if we cease to meet the threshold requirements for PFIC status.

Under certain attribution rules, if we are a PFIC, U.S. Holders will be deemed to own their proportionate shares of our subsidiaries that are PFICs and will be subject to U.S. federal income tax according to the rules described above on (i) certain distributions by subsidiary PFICs and (ii) a disposition of shares of a subsidiary PFIC, even though they have not received the proceeds of those distributions or dispositions directly.

If the Shares or ADSs are regularly traded on a qualified exchange, a U.S. Holder of Shares or ADSs would be eligible to make a mark-to-market election that would result in tax treatment different from the general tax treatment for PFICs described above. The Shares or ADSs will be treated as regularly traded in any calendar year in which more than a *de minimis* quantity of the Shares or ADSs are traded on a qualified exchange on at least 15 days during each calendar quarter. A qualified exchange includes the NYSE on which our ADSs are traded and a foreign exchange that is regulated by a governmental authority in which the exchange is located and with respect to which certain other requirements are met. The Internal Revenue Service (*IRS*) has not yet identified specific foreign exchanges that are qualified for this purpose. Under current law, the mark-to market election may be available to holders of ADSs because the ADSs will be listed on the NYSE, although there can be no assurance that the ADSs will be regularly traded for purposes of the mark-to-market election.

If a U.S. Holder is eligible and makes the mark-to-market election, the U.S. Holder will include each year, as ordinary income, the excess, if any, of the fair market value of the Shares or ADSs at the end of the taxable year over their adjusted basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of the Shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). If a U.S. Holder validly makes the election, the holder s basis in the Shares or ADSs will be adjusted to reflect any such income or loss amounts. Any gain recognized on the sale or other disposition of Shares or ADSs in a year when the Company is a PFIC will be treated as ordinary income.

We do not intend to comply with the requirements necessary for a U.S. Holder to make a different election (the qualified electing fund election), which is sometimes available to shareholders of a PFIC.

Special rules apply to determine the foreign tax credit with respect to withholding taxes imposed on distributions on shares in a PFIC.

If a U.S. Holder owns Shares or ADSs during any year in which we are a PFIC, the U.S. Holder must generally file an annual report with respect to us, with the holder s federal income tax return for that year.

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We urge U.S. Holders to consult their tax advisors concerning our status as a PFIC and the tax considerations relevant to an investment in a PFIC, including the availability and consequences of making the mark-to-market election discussed above.

Backup Withholding and Information Reporting

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against such holder s U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

DOCUMENTS ON DISPLAY

We are subject to the reporting requirements of the Act. In accordance with these requirements, we file annual reports on Form 20-F and furnish periodic reports on Form 6-K with the Securities and Exchange Commission.

These materials, including this annual report and the exhibits thereto, may be inspected and copied at the Commission s Public Reference Room at Room 1580, 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Commission s Public Reference Room by calling the Commission in the United States at 1-800-SEC-0330. The Commission also maintains a website at http://www.sec.gov that contains reports and proxy information regarding issuers that file electronically with the Commission.

We are currently exempt from the rules under the Act that prescribe the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Act. We are not required under the Act to publish financial statements as frequently or as promptly as are U.S. companies subject to the Act. We will, however, continue to furnish our shareholders with annual reports containing audited financial statements and will issue interim press releases containing unaudited results of operations as well as such other reports as may from time to time be authorized by our board of directors or as may be otherwise required.

Our ADSs, each of which represents one-half of one Share, are listed on the New York Stock Exchange under the trading symbol IX.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

MARKET RISKS

Our primary market risk exposures are to interest rate fluctuation risk, foreign exchange rate fluctuation risk and the risk of fluctuation in market prices for equity securities. We enter into derivative transactions to hedge interest rate fluctuation risk and foreign exchange rate fluctuation risk. Our management of market risk exposure including our management of derivatives is described under Item 5. Operating and Financial Review and Prospects Risk Management.

The majority of our assets and liabilities are composed of floating rate assets and liabilities, and fixed rate assets and liabilities. Movements in market interest rates affect the gains and losses and fair values of these assets and liabilities and we attempt to limit these gains and losses by match-funding our floating rate assets against our floating rate liabilities, and our fixed-rate assets against our fixed rate liabilities.

For example, floating rate loan assets and floating rate bonds bear the risk of reduced interest income due to a decline in market interest rates. Conversely, floating rate debt and short-term debt bear the risk of increased interest expense due to a rise in market interest rates. As a result of the inverse relationship, risks for floating rate assets and floating rate liabilities can be used to offset each other, and we seek to, by keeping sums for floating rate assets and floating rate liabilities matched as close as possible to achieve risk reduction. However, some floating rate assets and liabilities use a different base rate, so when there is on adverse movement in these rates, risk may not be sufficiently reduced.

Likewise the receivable income (received lease payments, interest income) of fixed rate direct financing leases and fixed rate loan assets will not change upon rises in market interest rates, and bear the risk of a fall in fair value in the event of a rise in market interest rates. Conversely, fixed rate liabilities bear the risk of a rise in fair value due to a decline in market interest rates. However, due to the inverse relationship between the fluctuation risk in fair value for fixed rate assets and fixed rate liabilities we seek to, by keeping sums for fixed rate assets and fixed rate liabilities close to achieve risk reduction.

We perform asset liability management through various methods including balance comparisons for fixed rate and floating rate assets and liabilities, interest rate sensitivity tests, and VaR calculations. It is our basic policy to control interest rate risk within a fixed range by matching the interest rate sensitivities of assets and liabilities while utilizing interest rate derivatives.

The following quantitative information about the market risk of our financial instruments does not include information about financial instruments to which the requirements under ASC 825-10 (Financial Instruments) do not apply, such as investment in direct financing leases, investment in operating leases, and insurance contracts. As a result, the following information does not present all the risks of our financial instruments. Below, we have provided a table showing our exposure to fluctuations in foreign exchange rates and equity market prices (through an analysis of the impact that changes in these rates and prices has on future earnings and fair value of marketable securities). We omitted the disclosure of financial instruments for trading purposes because the amount is immaterial.

The table of interest rate sensitivity for non-trading financial instruments summarizes installment loans, interest-bearing bonds and long- and short-term debt. These instruments are further classified under fixed rates or floating rates. For such items, the principal collection and repayment schedules and the weighted average interest rates for collected and repaid portions are disclosed. Concerning interest rate swaps, under derivative instruments, the estimated notional principal amount for each contractual period and the weighted average of swap rates are disclosed. The average interest rates of financial instruments as of March 31, 2010 were: 3.6% for installment loans, 2.7% for interest-bearing bonds, 1.5% for long- and short-term debt and 1.0% for deposits. As of March 31, 2010, the average payment rate of interest rate swaps was 2.4% and the average receipt rate was 1.7%. The average interest rates of financial instruments as of March 31, 2009 were: 5.0% for installment loans, 2.8% for interest-bearing bonds, 1.5% for long- and short-term debt and 1.1% for deposits. As of March 31, 2009, the average payment rate of interest rate swaps was 2.2% and the average receipt rate was 1.6%. As of March 31, 2010, there was no material change in the balance or in the average interest rate of financial instruments from March 31, 2009.

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The table below shows our interest rate risk exposure and the results of our interest rate sensitivity analysis.

INTEREST RATE SENSITIVITY

NON-TRADING FINANCIAL INSTRUMENTS

	Expected maturity date Year ended March 31,							March 31, 2010
	2011	2012	2013	2014	2015	Thereafter	Total	Estimated fair value
				(In millions of yen)				
Assets:								
Installment loans (fixed rate)	¥ 110,678	¥ 55,975	¥ 56,788	¥ 20,385	¥ 20,015	¥ 127,214	¥ 391,055	¥ 385,148
Average interest rate	3.8%	5.1%	5.8%	5.6%	5.7%	3.7%	4.5%	
Installment loans (floating rate)	¥ 270,421	¥ 358,490	¥ 325,717	¥ 246,544	¥ 185,129	¥ 563,922	¥ 1,950,223	¥ 1,943,899
Average interest rate	3.6%	3.3%	3.7%	3.7%	3.3%	3.0%	3.4%	
Investment in securities (fixed rate)	¥ 109,345	¥ 43,705	¥ 36,521	¥ 18,611	¥ 49,653	¥ 276,067	¥ 533,902	¥ 533,164
Average interest rate	1.3%	4.1%	2.4%	2.0%	1.8%	2.1%	2.1%	
Investment in securities (floating rate)	¥ 89,195	¥ 48,453	¥ 91,762	¥ 2,010	¥ 7,556	¥ 32,552	¥ 271,528	¥ 270,507
Average interest rate	3.4%	4.1%	3.7%	4.3%	2.2%	4.5%	3.8%	
Liabilities:								
Short-term debt	¥ 573,565	¥	¥	¥	¥	¥	¥ 573,565	¥ 573,565
Average interest rate	1.2%						1.2%	
Deposits	¥ 460,315	¥ 137,933	¥ 120,959	¥ 36,962	¥ 97,100	¥	¥ 853,269	¥ 855,620
Average interest rate	0.7%	1.3%	1.1%	1.4%	1.2%		1.0%	
Long-term debt (fixed rate)	¥ 620,076	¥ 494,540	¥ 383,119	¥ 307,956	¥ 81,344	¥ 104,075	¥ 1,991,110	¥ 2,027,943
Average interest rate	1.6%	1.8%	2.3%	1.6%	2.1%	2.2%	1.9%	
Long-term debt (floating rate)	¥ 582,848	¥ 527,736	¥ 411,414	¥ 222,036	¥ 69,225	¥ 31,901	¥ 1,845,160	¥ 1,841,295
Average interest rate	1.1%	1.0%	1.3%	1.2%	1.4%	1.3%	1.1%	

NON-TRADING DERIVATIVE FINANCIAL INSTRUMENTS

	Expected maturity date Year ended March 31,							March 31, 2010
	2011	2012	2013	2014	2015	Thereafter	Total	Estimated fair value
				(In millions of yen)				
Interest rate swaps:								
Notional amount (floating to fixed)	¥ 106,392	¥ 33,850	¥ 2,935	¥ 4,041	¥ 5,471	¥ 21,600	¥ 174,289	¥ (2,947)
Average pay rate	1.8%	4.9%	3.0%	3.8%	5.0%	1.9%	2.6%	
Average receive rate	1.5%	3.3%	3.3%	0.4%	2.6%	0.6%	1.7%	
Notional amount (fixed to floating)	¥	¥	¥ 2,000	¥	¥	¥ 3,000	¥ 5,000	¥ 183
Average pay rate			1.2%			1.2%	1.2%	
Average receive rate			1.9%			2.1%	2.0%	

In addition to the table above, we acquire loans we call purchased loans that have shown evidence of credit quality deterioration since origination and for which it is probable that collection of all contractually required payments from the debtors is unlikely in accordance with ASC 310-30 (Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality). It is difficult to estimate the timing and extent of collection for these loans. Total book value of our purchased loans as of March 31, 2010 amounted to ¥122,973 million.

We hold foreign currency-denominated assets and liabilities and deal in foreign currencies. It is our policy to match balances of foreign currency-denominated assets and liabilities as a means of hedging foreign exchange

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rate risk. While we do not take large marketable exposures bearing foreign exchange rate risk for trading purposes, there are cases where a certain part of our foreign currency-denominated investments are not hedged for foreign exchange rate risk.

Furthermore, surplus capital accumulated in foreign currencies at our overseas subsidiaries is translated to Japanese yen upon consolidation. The fluctuations in ORIX Corporation shareholder s equity due to these translations hold foreign exchange rate risk.

We identified all positions subject to a change in the value of the foreign currency and calculated the potential loss in future earnings resulting from several hypothetical scenarios of 10% changes in related currencies. For fiscal 2009 and fiscal 2010, we found that the largest loss results from a scenario where the euro appreciates against the dollar. Based on these scenarios, exchange losses in future earnings were ¥2,360 million at the end of fiscal 2009 and ¥3,812 million at the end of fiscal 2010.

We have marketable equity securities held for purposes other than trading, which are subject to price risk arising from changes in their market prices. Our shareholder s equity and net income bear risks due to changes in the market prices of these securities. To manage these risks of market price fluctuations, we assume a scenario of a 10% uniform upward and downward movement in stock prices and calculate the fair value sensitivity of our equity securities. The following table shows the sensitivity of our investments to changes in equity prices as of March 31, 2009 and 2010.

	As of March 31, 2009	
10%	**±0%**	**+10%**
	(In millions of yen)	
¥(4,553)	¥0	¥4,553

	As of March 31, 2010	
10%	**±0%**	**+10%**
	(In millions of yen)	
¥(8,458)	¥0	¥8,458

We are also exposed to market risks in relation to insurance policies issued by ORIX Life Insurance. All insurance policies issued by ORIX Life Insurance are denominated in yen, so fluctuations in foreign exchange rates do not cause fluctuations in the payments. These payments do not fluctuate based on market interest rates either. Our insurance policies include obligations that are based upon the occurrence of loss events. These also include insurance contract obligations that are based upon essentially financial criteria, such as insurance products that are designed partially or wholly as investment products. Changes in market interest rates may affect the fair value of our obligations under other investment-type insurance products, and may affect the present value of our expected obligations (based on actuarial determinations) under other insurance products. As mentioned above, life insurance is not included in the table of interest rate risk exposure and interest rate sensitivity.

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Item 12. Description of Securities Other than Equity Securities

FEES AND PAYMENTS RELATING TO OUR AMERICAN DEPOSITARY SHARES

SCHEDULE OF FEES AND CHARGES

Citibank N.A., or the Depositary, serves as the depositary for our ADSs. As an ADS holder, you will be required to pay the following service fees to the Depositary:

Service	Fee
Issuance of ADSs upon deposit of Shares	Up to 5¢ per ADS issued
Cancellation of ADSs and delivery of deposited securities	Up to 5¢ per ADS canceled
Exercise of rights to purchase additional ADSs	Up to 5¢ per ADS issued
Distribution of cash proceeds upon sale of rights and other entitlements	Up to 2¢ per ADS held

As an ADS holder you will also be responsible to pay various fees and expenses incurred by the Depositary and various taxes and governmental charges such as:

- Taxes, including applicable interest and penalties, and other governmental charges;
- Fees for the transfer and registration of Shares charged by the registrar and transfer agent for the Shares in Japan (i.e., upon deposit and withdrawal of Shares);
- Expenses incurred for converting foreign currency into U.S. dollars;
- Expenses for cable, telex and fax transmissions and for delivery of securities;
- Fees and expenses of the Depositary incurred in connection with compliance with exchange control regulations and regulatory requirements applicable to the Shares or ADSs; and
- Fees and expenses of the Depositary in delivering deposited securities.

We have agreed to pay some other charges and expenses of the depositary bank. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary bank. You will receive prior notice of these changes.

PAYMENTS TO ORIX FROM THE DEPOSITARY

The Depositary has agreed to reimburse us for certain expenses we incur in connection with our ADR program. These reimbursable expenses include investor relations expenses, NYSE listing fee, and proxy voting and related expenses. In fiscal 2010, this amount was $35,000.

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PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

As of March 31, 2010, the ORIX Group, under the supervision and with the participation of the Company s management, including the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer, performed an evaluation of the effectiveness of the ORIX Group s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended). The Company s management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which by their nature can provide only reasonable assurance regarding the achievement of management s control objectives. Based on this evaluation, the Company s Chief Executive Officer, Chief Operating Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level for gathering, analyzing and disclosing the information the Company is required to disclose in the reports it files under the Act, within the time periods specified in the SEC s rules and forms. There has been no change in the ORIX Group s internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management s report on internal control over financial reporting

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). The internal control over financial reporting process of the ORIX Group was designed by, or under the supervision of, the Company s Chief Executive Officer, Chief Operating Officer and Chief Financial Officer and effected by the Company s board of directors, management and other personnel, to provide reasonable assurance to the Company s management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the ORIX Group;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the ORIX Group are being made only in accordance with authorizations of management and directors of the Company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of ORIX Group s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company s management assessed the effectiveness of our internal control over financial reporting as of March 31, 2010 by using the criteria set forth in Internal Control Integrated Framework issued by the

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Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company s management concluded that our internal control over financial reporting was effective as of March 31, 2010.

The effectiveness of our internal control over financial reporting has been audited by KPMG AZSA & Co., an independent registered public accounting firm, who also audited our financial statements as of and for the year ended March 31, 2010, as stated in their attestation report which is included in Item 18 (page F-3).

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Eiko Tsujiyama is an audit committee financial expert, within the meaning of the current rules of the U.S. Securities and Exchange Commission. Eiko Tsujiyama is independent as required by Section 303A.06 of the New York Stock Exchange Listed Company Manual.

Item 16B. Code of Ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Pursuant to our Code of Ethics, as amended in fiscal 2005, officers of ORIX covered by ORIX s Code of Ethics are required to promptly bring to the attention of the Company s Executive Officer of the Legal and Compliance Department any information concerning any violations of the Code of Ethics.

Item 16C. Principal Accountant Fees and Services

FEES PAID TO PRINCIPAL ACCOUNTANT

AUDIT FEES

In fiscal 2009 and 2010, our auditors (including Japanese and overseas affiliates of KPMG AZSA & Co.) billed us ¥1,372 million and ¥1,386 million, respectively, for direct audit fees.

AUDIT-RELATED FEES

In fiscal 2009 and 2010, our auditors billed us ¥43 million and ¥44 million, respectively, for audit-related services, including services related to due diligence.

TAX FEES

In fiscal 2009 and 2010, our auditors billed us ¥87 million and ¥55 million, respectively, for tax-related services, including tax compliance and tax advice.

ALL OTHER FEES

In fiscal 2009 and 2010, our auditors billed us ¥1 million and ¥5 million, respectively, for other products and services which primarily consisted of advisory services.

AUDIT COMMITTEE S PRE-APPROVAL POLICIES AND PROCEDURES

In terms of audit services, every year the independent registered public accounting firm draws up its annual audit plan and annual budget, which is evaluated by ORIX s Accounting Department. Subsequently, pre-approval is obtained from the Audit Committee.

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Non-audit services are generally not obtained from the independent registered public accounting firm or its affiliates. In situations where ORIX must engage the non-audit services of the independent registered public accounting firm, pre-approval is obtained from the Audit Committee on a case-by-case basis only after the reason has been specified.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Year ended March 31, 2010	(a) Total number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	(d) Maximum Number (or Approximate Yen Value) of Shares that May Yet be Purchased Under the Plans or Programs (2)
April 2009	93	¥ 4,508		¥
May 2009	69	5,564		
June 2009	68	6,092		
July 2009	60	5,518		
August 2009	11	6,189		
September 2009	45	6,773		
October 2009	19	5,869		
November 2009	4	6,060		
December 2009	59	6,063		
January 2010	16	6,956		
February 2010	16	6,786		
March 2010	25	6,876		
Total	485	5,787		¥

Notes: (1) One unit of the Shares is comprised of 10 Shares. Each unit of Shares has one vote. A holder who owns Shares in other than a multiple of 10 will own less than a whole unit (i.e., for the portion constituting fewer than 10 Shares). Under the unit share system, holders of Shares constituting less than a unit have the right to require ORIX to purchase their Shares and the right to require ORIX to sell them additional Shares to create a whole unit of 10 Shares.

(2) There is no plan or program to purchase Shares announced in fiscal 2010 and up until the filing of this annual report.

Item 16F. Change in Registrant s Certifying Accountant.

Not applicable.

Item 16G. Corporate Governance

Our ADRs have been listed on the New York Stock Exchange, or NYSE, since 1998. As an NYSE-listed company, we are required to comply with certain corporate governance standards under Section 303A of the NYSE Listed Company Manual. However, as a foreign private issuer, we are permitted to follow home country practice in lieu of certain provisions of Section 303A.

Our corporate governance practices differ in certain significant respects from those that U.S. companies must adopt in order to maintain a NYSE listing and, in accordance with Section 303A.11 of the NYSE s Listed Company Manual, we provide a brief, general summary of such differences.

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The composition of our board of directors and its committees differs significantly in terms of independence from the composition requirements for boards and committees that U.S. companies must satisfy in order to maintain a NYSE listing. We are not required to meet the NYSE s independence requirements for individuals on our board of directors or our Nominating, Audit, and Compensation Committees. Under Japanese law, a majority of the membership on our committees must be outside directors a Japanese law concept that shares similarities with the U.S. concept of independent director. However, we are not required to include on our board of directors a majority of outside directors, nor are we required to compose our committees exclusively from outside directors. Six of our 13 directors are considered outside directors.

Under the Companies Act, an outside director is a director (i) who does not execute the company s business, (ii) who has not before executed the business of the company or its subsidiaries in the capacity of director, executive officer (*shikkou-yaku*), manager, or employee, and (iii) who does not execute the business of any subsidiary of the company in the capacity of director or executive officer of such subsidiary or in the capacity of manager or any other employee of the company or any of its subsidiaries.

In addition to differences in composition requirements for our board of directors and its committees, we are not required to:

- make publicly available one or more documents that summarize all aspects of our corporate governance guidelines or prepare a written code that states the objectives, responsibilities, and performance evaluation criteria of our Nominating, Audit and Compensation Committees in a manner that satisfies the NYSE s requirements;
- adopt a code of business conduct and ethics for our directors, officers, and employees that addresses fully the topics necessary to satisfy the NYSE s requirements;
- hold regularly scheduled executive sessions for our outside directors; or
- obtain shareholder approval for all equity compensation plans for employees, directors or executive officers of ORIX or for material revisions to any such plans.

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PART III

Item 17. Financial Statements

ORIX has elected to provide financial statements and related information pursuant to Item 18.

Item 18. Financial Statements

See pages F-1 through F-101.

The following consolidated financial statements of ORIX listed below and the report thereon by its independent registered public accounting firm are filed as part of this Form 20-F:

Item 19. Exhibits

We have filed the following documents as exhibits to this document.

Exhibit Number	Description

Exhibit 1.1	Articles of Incorporation of ORIX Corporation, as amended on June 23, 2009 (Incorporated by reference from the annual report on Form 20-F filed on June 26, 2009, commission file number 001-14856)
Exhibit 1.2	Regulations of the Board of Directors of ORIX Corporation, as amended on June 24, 2008 (Incorporated by reference from the annual report on Form 20-F filed on July 2, 2008, commission file number 001-14856)
Exhibit 1.3	Share Handling Regulations of ORIX Corporation, as amended on January 5, 2009 (Incorporated by reference from the annual report on Form 20-F filed on June 26, 2009, commission file number 001-14856)
Exhibit 7.1	A statement explaining in reasonable detail how ratios in the annual report were calculated
Exhibit 8.1	List of subsidiaries
Exhibit 11.1	Code of ethics, as amended on April 26, 2005 (Incorporated by reference from the annual report on Form 20-F filed on July 15, 2005, commission file number 001-14856)
Exhibit 12.1	Certifications required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d 14(a))
Exhibit 13.1	Certifications required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d 14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)
Exhibit 15.1	Consent of independent registered public accounting firm
Exhibit 101	Instance Document
Exhibit 101	Schema Document
Exhibit 101	Calculation Linkbase Document
Exhibit 101	Definition Linkbase Document
Exhibit 101	Labels Linkbase Document
Exhibit 101	Presentation Linkbase Document

We have not included as exhibits certain instruments with respect to our long-term debt. The total amount of long-term debt securities of us or our subsidiaries authorized under any instrument does not exceed 10% of our total assets. We hereby agree to furnish to the SEC, upon its request, a copy of any instrument defining the rights of holders of long-term debt of us or of our subsidiaries for which consolidated or unconsolidated financial states are required to be filed.

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SIGNATURES

The company hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

ORIX KABUSHIKI KAISHA

By:	/s/ Haruyuki Urata
Name:	Haruyuki Urata
Title:	Attorney-in-Fact
	Chief Financial Officer

Date: June 29, 2010

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of ORIX Corporation:

We have audited the accompanying consolidated balance sheets of ORIX Corporation (a Japanese corporation) and its subsidiaries as of March 31, 2009 and 2010, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2010, expressed in Japanese yen. In connection with our audits of the consolidated financial statements, we also have audited financial statement Schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ORIX Corporation and its subsidiaries as of March 31, 2009 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2010, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1(af) to the consolidated financial statements, ORIX Corporation has changed its method of accounting for noncontrolling interests in subsidiaries in the year ended March 31, 2010.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ORIX Corporation s internal control over financial reporting as of March 31, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 29, 2010 expressed an unqualified opinion on the effectiveness of ORIX Corporation s internal control over financial reporting.

The accompanying consolidated financial statements as of and for the year ended March 31, 2010 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation, and, in our opinion, the consolidated financial statements, expressed in Japanese yen, have been translated into United States dollars on the basis set forth in Note 1 (ab) to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan

June 29, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of ORIX Corporation:

We have audited ORIX Corporation s (a Japanese corporation) internal control over financial reporting as of March 31, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting, included in Item 15 Controls and Procedures of the accompanying Form 20-F. Our responsibility is to express an opinion on ORIX Corporation s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, ORIX Corporation maintained, in all material respects, effective internal control over financial reporting as of March 31, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ORIX Corporation and its subsidiaries as of March 31, 2009 and 2010, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2010, expressed in Japanese yen, and our report dated June 29, 2010 expressed an unqualified opinion on those consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan

June 29, 2010

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CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2009 AND 2010

ORIX Corporation and Subsidiaries

	Millions of yen		Millions of U.S. dollars
	2009	2010	2010
ASSETS			
Cash and Cash Equivalents	¥ 459,969	¥ 639,087	$ 6,869
Restricted Cash	128,056	77,486	833
Time Deposits	680	548	6
Investment in Direct Financing Leases	914,444	756,481	8,131
Installment Loans	3,304,101	2,464,251	26,486
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses	(158,544)	(157,523)	(1,693)
Investment in Operating Leases	1,226,624	1,213,223	13,040
Investment in Securities	926,140	1,104,158	11,868
Other Operating Assets	189,560	186,396	2,003
Investment in Affiliates	264,695	409,711	4,404
(The amount of ¥10,245 million of investment in affiliates at March 31, 2009 is measured at fair value by electing the fair value option under FASB Accounting Standards Codification 825-10.)			
Other Receivables	228,581	210,521	2,263
Inventories	197,960	153,256	1,647
Prepaid Expenses	34,571	45,420	488
Office Facilities	86,945	96,831	1,041
Other Assets	565,954	539,954	5,802
Total Assets	¥ 8,369,736	¥ 7,739,800	$ 83,188
LIABILITIES AND EQUITY			
Liabilities:			
Short-Term Debt	¥ 798,167	¥ 573,565	$ 6,165
Deposits	667,627	853,269	9,171
Trade Notes, Accounts Payable and Other Liabilities	370,310	311,113	3,344
Accrued Expenses	96,662	101,917	1,095
Policy Liabilities	442,884	409,957	4,406
Income Taxes:			
Current	9,119	22,769	245
Deferred	151,239	160,905	1,729
Security Deposits	168,890	125,479	1,349
Long-Term Debt	4,453,845	3,836,270	41,233
Total Liabilities	7,158,743	6,395,244	68,737
Redeemable Noncontrolling Interests *1	25,396	28,095	302
Commitments and Contingent Liabilities			
Equity:			
Common stock:			
Authorized 259,000,000 shares			
Issued 92,217,067 shares in 2009 and 110,229,948 shares in 2010	102,216	143,939	1,547
Additional paid-in capital	136,313	178,661	1,920
Retained earnings	1,071,919	1,104,779	11,874
Accumulated other comprehensive income (loss)	(92,384)	(79,459)	(854)
Treasury stock, at cost:			
2,816,847 shares in 2009 and 2,745,701 shares in 2010	(50,534)	(49,236)	(529)

ORIX Corporation Shareholders Equity	1,167,530	1,298,684	13,958
Noncontrolling interests *1	18,067	17,777	191
Total Equity	1,185,597	1,316,461	14,149
Total Liabilities and Equity	¥ 8,369,736	¥ 7,739,800	$ 83,188

1. Pursuant to FASB Accounting Standards Codification 810-10-65-1 (Consolidation Noncontrolling Interests in Consolidated Financial Statements), noncontrolling interests, except for redeemable noncontrolling interests, previously classified between liabilities and equity should now be classified as equity. Prior year amounts have been reclassified to conform to the current year presentation.

The accompanying notes to consolidated financial statements are an integral part of these statements.

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CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED MARCH 31, 2008, 2009 AND 2010

ORIX Corporation and Subsidiaries

	Millions of yen			Millions of U.S. dollars
	2008	2009	2010	2010
Revenues:				
Direct financing leases	¥ 78,197	¥ 63,349	¥ 50,115	$ 539
Operating leases	284,064	285,384	277,217	2,980
Interest on loans and investment securities	226,577	196,164	135,167	1,453
Brokerage commissions and net gains (losses) on investment securities	23,520	(12,330)	23,317	251
Life insurance premiums and related investment income	128,616	117,751	115,598	1,242
Real estate sales	88,445	71,088	40,669	437
Gains on sales of real estate under operating leases	16,756	24,346	6,841	74
Other operating revenues	289,163	307,769	283,917	3,050
Total revenues	1,135,338	1,053,521	932,841	10,026
Expenses:				
Interest expense	105,254	102,522	82,503	887
Costs of operating leases	182,144	194,216	192,678	2,071
Life insurance costs	112,869	105,899	92,348	993
Costs of real estate sales	81,057	79,058	46,757	503
Other operating expenses *3	172,405			