UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2017

OR

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

OR

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

Commission file number: 001-14856

ORIX KABUSHIKI KAISHA
(Exact name of Registrant as specified in its charter)

ORIX CORPORATION
(Translation of Registrant's name into English)

Japan
(Jurisdiction of incorporation or organization)

World Trade Center Building, 2-4-1 Hamamatsu-cho, Minato-ku
Tokyo 105-6135, Japan
(Address of principal executive offices)

Yukio Uchimura
World Trade Center Building, 2-4-1 Hamamatsu-cho, Minato-ku
Tokyo 105-6135, Japan
Telephone: +81-3-3435-1273
Facsimile: +81-3-3435-1276
(Name, telephone, e-mail and/or facsimile number and address of company contact person)

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

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

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.
As of March 31, 2017, 1,324,107,328 Shares were outstanding, including Shares that were represented by 4,857,401 ADSs.

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

☒ Yes ☐ No

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

☐ Yes ☒ No

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

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

☒ Yes ☐ No

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

☒ Yes ☐ No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

☒ U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other

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

☐ Item 17 ☐ Item 18

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

☐ Yes ☒ No

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

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

☐ Yes ☐ No

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

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CERTAIN DEFINED TERMS, CONVENTIONS AND PRESENTATION OF FINANCIAL INFORMATION

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

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

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

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

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

The Company's fiscal year ends on March 31. The fiscal year ended March 31, 2017 is referred to throughout this annual report as "fiscal 2017," and other fiscal years are referred to in a corresponding manner. References to years not specified as being fiscal years are to calendar years.

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

FORWARD-LOOKING STATEMENTS

This annual report contains statements that constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. When included in this annual report, the words "will," "should," "expects," "intends," "anticipates," "estimates" and similar expressions, among 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.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

SELECTED FINANCIAL DATA

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

	Year ended March 31,				
	2013	2014	2015	2016	2017
	(Millions of yen)				
Income statement data*1*2:					
Total revenues	¥1,052,477	¥1,375,292	¥2,174,283	¥2,369,202	¥2,678,659
Total expenses	901,624	1,172,244	1,917,454	2,081,461	2,349,435
Operating income	150,853	203,048	256,829	287,741	329,224
Equity in net income of affiliates	13,836	18,368	30,531	45,694	26,520
Gains on sales of subsidiaries and affiliates and liquidation losses, net	7,883	64,923	20,575	57,867	63,419
Bargain purchase gain	0	0	36,082	0	5,802
Income before income taxes and discontinued operations	172,572	286,339	344,017	391,302	424,965
Income from continuing operations	118,890	187,786	254,960	270,990	280,926
Net income attributable to the noncontrolling interests	3,164	3,815	15,339	10,002	7,255
Net income attributable to the redeemable noncontrolling interests	3,985	4,108	4,970	819	432
Net income attributable to ORIX Corporation shareholders	111,909	187,364	234,948	260,169	273,239

	As of March 31,				
	2013	2014	2015	2016	2017
	(Millions of yen, except number of shares)				
Balance sheet data:					
Investment in Direct Financing Leases*3	¥ 989,380	¥ 1,094,073	¥ 1,216,454	¥ 1,190,136	¥ 1,204,024
Installment Loans*3	2,691,171	2,315,555	2,478,054	2,592,233	2,815,706
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses	(104,264)	(84,796)	(72,326)	(60,071)	(59,227)
Investment in Operating Leases	1,395,533	1,379,741	1,296,220	1,349,199	1,313,164
Investment in Securities	1,093,668	1,214,452	2,846,257	2,344,792	2,026,512
Property under Facility Operations	218,697	295,863	278,100	327,016	398,936
Others*4	2,151,008	2,848,629	3,397,115	3,249,613	3,532,780
Total Assets*4	¥ 8,435,193	¥ 9,063,517	¥ 11,439,874	¥ 10,992,918	¥ 11,231,895
Short-term Debt, Long-term Debt and Deposits*4	¥ 5,556,330	¥ 5,363,968	¥ 5,701,356	¥ 5,685,014	¥ 5,753,059
Policy Liabilities and Policy Account Balances	426,007	454,436	2,073,650	1,668,636	1,564,758
Common Stock	194,039	219,546	220,056	220,469	220,524
Additional Paid-in Capital	229,600	255,449	255,595	257,629	268,138
ORIX Corporation Shareholders' Equity	1,643,596	1,919,346	2,152,198	2,310,431	2,507,698
Number of Issued Shares	1,248,714,760	1,322,777,628	1,323,644,528	1,324,058,828	1,324,107,328
Number of Outstanding Shares*5	1,221,433,050	1,309,444,294	1,308,642,971	1,309,514,020	1,302,587,061

	As of and for the Year Ended March 31,				
	2013	2014	2015	2016	2017
	(Yen and dollars, except ratios and number of employees)				
Key ratios (%)*6:					
Return on ORIX Corporation shareholders' equity ("ROE")	7.4	10.5	11.5	11.7	11.3
Return on assets ("ROA")	1.33	2.14	2.29	2.32	2.46
ORIX Corporation shareholders' equity ratio	19.5	21.2	18.8	21.0	22.3
Allowance/investment in direct financing leases and installment loans	2.8	2.5	2.0	1.6	1.5
Per share data and employees:					
ORIX Corporation shareholders' equity per share*7	¥1,345.63	¥1,465.77	¥1,644.60	¥1,764.34	¥1,925.17
Basic earnings per share for income attributable to ORIX Corporation shareholders from continuing operations*8	103.09	142.00	179.24	198.73	208.88
Basic earnings per share for net income attributable to ORIX Corporation shareholders	102.87	147.75	179.47	198.73	208.88
Diluted earnings per share for net income attributable to ORIX Corporation shareholders	87.37	143.20	179.21	198.52	208.68
Dividends applicable to fiscal year per share	13.00	23.00	36.00	45.75	52.25
Dividends applicable to fiscal year per share*9	$ 0.13	$ 0.22	$ 0.29	$ 0.40	$ 0.48
Number of employees	19,043	25,977	31,035	33,333	34,835

*1 Certain line items presented in the consolidated statements of income have been reclassified starting from fiscal 2015. The amounts that had been previously reported have been reclassified for this change.

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

*3 The sum of assets considered 90 days or more past due and loans individually evaluated for impairment amounted to ¥236,291 million, ¥155,860 million, ¥123,042 million, ¥94,327 million and ¥80,347 million as of March 31, 2013, 2014, 2015, 2016 and 2017, respectively. These sums included: (i) investment in direct financing leases considered 90 days or more past due of ¥15,806 million, ¥13,887 million, ¥15,373 million,

¥12,556 million and ¥11,600 million as of March 31, 2013, 2014, 2015, 2016 and 2017, respectively, (ii) installment loans (excluding loans individually evaluated for impairment) considered 90 days or more past due of ¥7,745 million, ¥6,149 million, ¥6,635 million, ¥8,178 million and ¥9,722 million as of March 31, 2013, 2014, 2015, 2016 and 2017, respectively, and (iii) installment loans individually evaluated for impairment of ¥212,740 million, ¥135,824 million, ¥101,034 million, ¥73,593 million and ¥59,025 million as of March 31, 2013, 2014, 2015, 2016 and 2017, respectively. See "Item 5. Operating and Financial Review and Prospects—Results of Operations—Year Ended March 31, 2017 Compared to Year Ended March 31, 2016—Details of Operating Results—Revenues, New Business Volumes and Investments—Asset quality."

*4 Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 ("Simplifying the Presentation of Debt Issuance Costs"—ASC 835-30 ("Interest—Imputation of Interest")) in fiscal 2017.

*5 The Company's shares held through the Board Incentive Plan Trust, which was established in July 2014 to provide shares at the time of retirement as compensation, are included in the number of treasury stock shares and excluded from the number of outstanding shares. The trust held 2,153,800 shares, 1,696,217 shares and 2,126,076 shares as of March 31, 2015, 2016 and 2017, respectively.

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

*7 ORIX Corporation shareholders' equity per share is the amount derived by dividing ORIX Corporation shareholders' equity by the number of outstanding shares.

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

*9 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.

EXCHANGE RATES

The following table provides the noon buying rates for Japanese yen, expressed in Japanese yen per $1.00 in New York City for cable transfers in foreign currencies. As of June 23, 2017, the noon buying rate for Japanese yen was ¥111.26 = $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,				
	2013	2014	2015	2016	2017
	(Yen per dollar)				
Yen per dollar exchange rates:					
High	¥96.16	¥105.25	¥121.50	¥125.58	¥118.32
Low	77.41	92.96	101.26	111.30	100.07
Average of the last days of the months	83.26	100.46	110.78	120.13	108.31
At period-end	94.16	102.98	119.96	112.42	111.41

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

	High	Low
2016		
December	¥118.32	¥113.50
2017		
January	¥117.68	¥112.72
February	114.34	111.74
March	115.02	110.48
April	111.52	108.40
May	114.19	110.68

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. Even if we do not incur direct pecuniary loss, our reputation may be adversely affected. This annual report also contains forward-looking statements that involve uncertainties. Our actual results could differ from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, the risks faced by us described below and elsewhere in this annual report. See "Forward-Looking Statements." Forward-looking statements in this section are made only as of the filing date of this annual report.

1. Risks Related to our External Environment

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

Our business is affected by general economic conditions and financial conditions in Japan and in foreign countries.

The economy of the United States has been on a continuing trend of recovery with improvements in employment and income environments. The economy of Europe has picked up moderately, the Chinese economy is still in a correction phase and the economies of emerging and resource-rich countries have bottomed out. Although interest rates remain low worldwide, the prospect of rising interest rates has been strong in the United States. In addition, there are political and geopolitical tensions in certain regions that need to be monitored carefully.

The Japanese economy on the whole has been in a moderate recovery phase despite some areas of weakness.

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

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

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

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

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

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

We conduct business operations in Japan as well as in the United States, Asia excluding Japan, Oceania, the Middle East and Europe. Outside Japan, we have large operations in the United States, Asia, Oceania and Europe. Recessions, fluctuations or shifts in commodity market prices and consumer demand, political, social or economic instability or acts of violence or war in these and other regions could adversely affect our business activities, financial condition and results of operations.

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

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

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

As of June 27, 2017, two of our shareholders have filed large shareholder reports pursuant to the Financial Instruments and Exchange Act ("FIEA") indicating, at the time of filing, beneficial ownership, as that term is used in the FIEA, of more than five percent of the total number of our outstanding Shares by the relevant shareholder. Such and other of our shareholders may, for strategic, investment or other reasons, decide to reduce their shareholdings in ORIX. Dispositions of Shares, particularly dispositions of large numbers of Shares by major shareholders, may adversely affect market prices for our Shares. For information on major shareholders, see "Item 7. Major Shareholders and Related Party Transactions."

If foreign investors reduce their investment in Japanese stocks due to changes in global or domestic economic or political conditions, market prices for our Shares could be adversely affected because a large percentage of our Shares are owned by investors outside of Japan.

2. Credit Risk

Our credit-related costs might increase

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

While we constantly strive to improve our portfolio management, we may be required to make additional provisions in the future depending on economic trends and other factors.

Furthermore, if adverse economic or market conditions affect the value of underlying collateral and guarantees, our credit-related costs other than the allowance might increase. If any such event occurs, our business activities, financial condition and results of operations could be adversely affected.

3. Business Risk

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

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

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

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

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

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

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

In the management of our businesses, we hold various classes of assets and investments, including ships, aircraft, real estate, equipment and other assets in Japan and overseas. The market values of our assets and investments are volatile and may decline substantially in the future.

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

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

If any event described above occurs, our business activities, financial condition and results of operations may be adversely affected.

(3) Risks related to our other businesses

We operate a wide range of businesses in Japan and overseas, including financial services businesses.

Entry into new businesses, and the results of operations following such entry, are accompanied by various uncertainties, and if any unanticipated risk does occur, it may adversely affect our business activities, financial condition and results of operations.

4. Market Risk

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

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

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

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

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

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

We may use derivative instruments to reduce fluctuations in the value of our investments and to hedge against interest rate and currency risks. However, it is possible that this risk management strategy may not be fully effective in all circumstances due to our failure to appraise the value of assets being hedged or execute such derivative instruments properly or at all, or our failure to achieve the intended results of such hedging due to the unavailability of offsetting or roll-over transactions in the event of sudden turbulence in the market or otherwise. Furthermore, our derivatives counterparties could fail to honor the terms of their contracts with us. Our existing derivative contracts and new derivative transactions may also be adversely affected in case our credit ratings are downgraded.

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

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

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

5. Liquidity Risk (Risk Relating to Fund Procurement)

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

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

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

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

6. Compliance Risk

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

Our efforts to implement and maintain thorough internal controls for compliance and legal risk management, as well as compliance education programs for our staff, and to prevent violations of applicable laws, regulations and our internal rules may not be fully effective in preventing all violations. In addition, we engage in a wide range of businesses, and our expansion into new businesses through acquisitions may cause our current internal controls to cease to function adequately. If we are unable to implement and maintain robust internal controls to prevent any such violations, we may be subject to sanctions or penalties, which could apply to our officers or employees. Such events could adversely affect our business activities, financial condition, results of operations and reputation. In such cases, the ORIX Group, or our executives and employees, may be subject to sanctions and penalties, which could adversely affect our business activities, financial condition, results of operations and reputation.

7. Legal Risk

(1) We are subject to various laws and regulations in Japan and overseas which may restrict our business activities, subject us to legal liability or otherwise put us at a disadvantage

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

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

In addition, certain of our businesses are subject to industry-specific laws and regulations in Japan and overseas, including requirements to obtain appropriate licenses and permits to operate. A total or partial suspension of operations, whether due to an actual or alleged violation of applicable law or regulation, failure to obtain or maintain necessary licenses or permits or otherwise, may adversely affect our business activities, financial condition and results of operations.

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

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

Enactment of, or changes in, laws and regulations may adversely affect the way that we conduct our business and the products or services that we may offer, as well as our customers, borrowers, invested companies and funding sources. Such enactment or changes may increase our compliance costs. If accounting standards are changed, even if such changes do not directly affect our profitability or financial soundness, industries related to our businesses, our clients or the financial market may be negatively affected. As a result of such enactments or changes, our business activities, financial condition and results of operations could be adversely affected.

8. Information Asset Risk

(1) Risks relating to loss, alteration, falsification or leakage of information

We maintain various information assets such as customer information including information on individuals, accounting information and personnel information. We have implemented internal rules and training programs to properly manage such information assets. However, in spite of such efforts, our measures may not be always effective and it is possible that our information assets may be lost, damaged or leaked.

In such event, we may be penalized for violating applicable laws and regulations and may be sued for damages. In addition, our operations, financial standing and performance may be adversely affected due to, but not limited to, loss of customer and market confidence in us and deterioration of our reputation.

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

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

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

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

9. Operational Risk

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

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

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

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

(3) Our risk management may not be effective

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

(4) Other operational risks

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

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

Our management attempts to control operational risk and maintain it at a level that we believe is appropriate. However, operational risk is part of the business environment in which we operate, and despite our control measures, our business activities, financial condition and results of operations may be adversely affected at any time due to this risk.

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

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

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

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

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

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

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

We believe that we may have been a passive foreign investment company (a "PFIC") under the U.S. Internal Revenue Code of 1986, as amended, for the year to which this report relates because of the composition of our assets and the nature of our income. In addition, we may be a PFIC in the foreseeable future. Assuming this is the case, U.S. investors in our Shares or ADSs will be subject to special rules of taxation in respect of certain dividends or gains on such Shares or ADSs, including the treatment of gains realized on the disposition of, and certain dividends received on, the Shares or ADSs as ordinary income earned pro rata over a U.S. investor's holding period for such Shares or ADSs, taxed at the maximum rate applicable during the years in which such income is treated as earned, with the resulting tax liability subject to interest charges for a deemed deferral benefit. In addition, in the case of any dividends that are not subject to the foregoing rule, the favorable rates of tax applicable to certain dividends received by certain non-corporate U.S. investors would not be available. See "Item 10. Additional Information—Taxation—United States Taxation." Investors are urged to consult their own tax advisors regarding all aspects of the income tax consequences of investing in our Shares or ADSs.

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

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

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

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

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

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

Item 4. Information on the Company

GENERAL

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

CORPORATE HISTORY

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

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

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

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

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

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

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

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

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

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

In 2006, we entered the investment banking field in the United States with the acquisition of Houlihan Lokey, Inc. ("Houlihan Lokey") (whose shares we partially sold through our wholly-owned subsidiary ORIX USA in August 2015). In 2010, we acquired RED Capital Group, a U.S.-based company that provides financing for multi-family, senior living and healthcare-related real estate development projects in the United States. In 2010, we also acquired Mariner Investment Group LLC, a leading independent SEC-registered hedge fund manager.

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

In July 2013, ORIX acquired Robeco Groep N.V. ("Robeco"), a global asset management company based in the Netherlands, to pursue a new business model by combining finance with related services. In October 2016, ORIX purchased all the share of Robeco, making Robeco a wholly-owned subsidiary of ORIX.

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

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

STRATEGY

Operating Environment

The economy of the United States has been on a continuing trend of recovery with improvements in employment and income environments. The economy of Europe has picked up moderately, the Chinese economy is still in a correction phase and the economies of emerging and resource-rich countries have bottomed out. Although interest rates remain low worldwide, the prospect of rising interest rates has been strong in the United States. In addition, there are political and geopolitical tensions in certain regions that need to be monitored carefully.

The Japanese economy on the whole has been in a moderate recovery phase despite some areas of weakness.

Target Performance Indicators

In its pursuit of sustainable growth, ORIX Group uses the following performance indicators: Net income attributable to ORIX Corporation shareholders to indicate profitability, ROE to indicate capital efficiency and ROA to indicate asset efficiency. ORIX aims to achieve a net income target of ¥300 billion for the fiscal year ending March 31, 2018, and to maintain ROE around 11% to 12% by striving to increase asset efficiency through quality asset expansion to capture business opportunities along with increased capital efficiency by strengthening profit-earning opportunities such as fee-based businesses.

The disclosure above includes forward-looking statements based on various assumptions and beliefs, including our ability to realize the management strategies outlined below and the non-occurrence of the various risks set forth under "Risk Factors" in this annual report. Accordingly, we do not make any representation or assurance as to the achievability of such forward-looking statements.

Three-year trends in performance indicators are as follows.

		As of March 31,		
		2015	**2016**	**2017**
Net income attributable to ORIX Corporation shareholders	(Millions of yen)	¥234,948	¥260,169	¥273,239
ROE[1]	(%)	11.5	11.7	11.3
ROA[2][3]	(%)	2.29	2.32	2.46

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

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

(3) Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 ("Simplifying the Presentation of Debt Issuance Costs"—ASC 835-30 ("Interest—Imputation of Interest")) in fiscal 2017.

Medium- Term Management Targets

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

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

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

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

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

Development of business structure toward the realization of management strategies

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

Further advancement of risk management: Recognizing that business expansion and growth has diversified and globalized our risk, support our growth by strengthening the business foundation by readily and continuously utilizing our risk management structure and our ability to assess risks.

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

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

PROFILE OF BUSINESS BY SEGMENT

For a discussion of the basis for the breakdown of segments, see Note 34 in "Item 18. Financial Statements." The following table shows a breakdown of profits by segment for fiscal 2015, 2016 and 2017.

	Years ended March 31,		
	2015	2016	2017
	(Millions of yen)		
Corporate Financial Services	¥ 25,519	¥ 42,418	¥ 38,032
Maintenance Leasing	40,366	42,935	39,787
Real Estate	3,484	42,902	72,841
Investment and Operation	42,414	57,220	85,000
Retail	120,616	51,756	72,865
Overseas Business	104,143	142,879	112,312
Total segment profits	336,542	380,110	420,837
Difference between segment total and consolidated amounts	7,475	11,192	4,128
Total Consolidated Amounts	¥344,017	¥391,302	¥424,965

Each of our segments is briefly described below.

BUSINESS SEGMENTS

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

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

Corporate Financial Services Segment

Overview of Operation

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

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

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

Operating Environment

See "Item 5. Segment Information."

Mid-term Strategic Directions

- Diversify the source of services income
- Maximize synergy potential with Yayoi Co. Ltd.
- Utilize domestic network to target growth areas

Operating Strategy

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

The launch of the solar panel business has enabled the Corporate Financial Services segment to generate new customer relationships. This segment endeavors to expand transactions with customers who actually purchased solar panels and with potential customers to whom solar panels are marketed by offering solutions to management issues that lead to sales of the Group's products and services. The segment will also focus on aquiring fee business such as Life insurance and Corporate pension consulting service. Moreover, the segment will continue to promote consolidated management by sharing business targets with other business segments and Group companies, both domestic and foreign, particularly ORIX Auto Corporation, and ORIX Rentec Corporation. By promoting consolidated management, we seek to strengthen customer relations so that the customers of our Group companies, including the customers of ORIX Auto Corporation, will also become customers for other products and services offered by other Group companies.

This segment seeks to develop new businesses and services to expand the Group's customer base and build a more stable revenue base.

Maintenance Leasing Segment

Overview of Operation

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

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

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

Operating Environment

See "Item 5. Segment Information."

Mid-term Strategic Directions

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

Operating Strategy

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

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

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

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

Real Estate Segment

Overview of Operation

The Real Estate segment is mainly comprised of the real estate development and rental, facility operation, REIT asset management, and real estate investment advisory services.

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

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

Operating Environment

See "Item 5. Segment Information."

Mid-term Strategic Directions

- Continue to shift business model towards one with higher stability and profitability
- Strengthen value added services in operation business
- Expansion of asset management business

Operating Strategy

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

In the real estate rental business, we will enhance our portfolio by selling properties at appropriate times and by promoting new investments in properties continuously.

Additionally, we will make the most of our customer base and expertise through such as the real estate development and operating and as that asset management, to expand our fee business.

In the facilities operation business, we will selectively invest in accommodations. In operating our existing facilities, we believe ORIX can add value through providing attractive accommodations that our customers are satisfied with and want to revisit.

Through these measures, we will enable this business to generate high and stable revenue levels.

Investment and Operation Segment

Overview of Operation

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

For more than ten years, ORIX has been actively involved in the environment and energy business through the collection and disposal of waste generated from end-of-lease assets. In addition to waste processing, recycling and energy-saving services our environment and energy business includes renewable energy such as mega-solar and electric power retailing. Overseas, we have invested in projects including a wind power generation business in India and in the large private hydropower company in Vietnam to further strengthen the energy business in Asia.

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

On April 1, 2016, Kansai Airports, established by a consortium anchored by ORIX and VINCI Airports, a French company, commenced operation of the Kansai and Osaka International Airport as a concession. Balancing the ingenuity, dynamism, and the social responsibilities for managing public infrastructure as the first private company in our country, Kansai Airports will contribute to the ongoing development.

Operating Environment

See "Item 5. Segment Information."

Mid-term Strategic Directions

- Push the environment and energy business forward to the next stage; deepen in domestic and expand in overseas business
- Investment in new business fields
- Aim for an advantageous position as a concessionaire

Operating Strategy

In our environment and energy business, we will increase investment in renewable energy. In Japan, we will focus on the development of energy sources other than solar power, such as wind power, geothermal power and biomass, and will work together with our domestic sales and marketing divisions to become one of Japan's leading renewable energy power companies. We also seek to expand the business of the deregulation of the electricity retail market. As for overseas, we will also use the experience and expertise cultivated in Japan to strengthen its electric power generation and renewable energy business in emerging countries, in which energy demand is expected to the expanded.

In the principal investment business, we will leverage our track record to carefully select and actively invest in foreign and domestic business operations. After investing, we will provide hands-on support backed by specialists, use our business platform of the Group to develop a base of customers and business partners and implement other measures to improve the corporate value of investees in a manner unique to ORIX. We will seek opportunistic investments without limiting the industries we invest in. In Japan, we emphasize domestic investment in medical-related fields, IT services and the food industry.

As for concession business, we will push forward examination about not only the airport operation but also the public infrastructure such as roads, water and sewerage services.

Retail Segment

Overview of Operation

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

ORIX Life Insurance was founded in 1991 and operates mainly through agencies and mail order sales. On July 1, 2014, ORIX Life Insurance acquired HLIKK, and the two companies merged on July 1, 2015. Regarding the banking business, ORIX Bank Corporation ("ORIX Bank") inherited the housing loan business ORIX began handling in 1980 and is now involved in corporate lending and other services. ORIX Bank began card loan operations in March 2012.

Operating Environment

See "Item 5. Segment Information."

Mid-term Strategic Directions

- Grow from mid-size insurer to a major insurer
- Develop new business fields of ORIX Bank

Operating Strategy

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

ORIX Life Insurance will continue to enhance its product lineup with new insurance products developed to meet customer needs. In addition to third-sector insurance such as cancer and medical treatment insurance, the company will focus on first-sector insurance such as life insurance and increasing the number of contracts. Regarding sales channels, while supporting continuous growth in the existing agency channel, we intend to expand our direct distribution channels. We will also seek to improve our financial strength by improving overall business efficiency.

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

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

Overseas Business Segment

Overview of Operation

In the Overseas Business segment, mainly in the United States, asset management is at the heart of efforts to expand non-finance business and boasts a high level of expertise in the fields of corporate finance, securities investment, principal investment, loan origination and servicing and also fund management.

Since first expanding into Hong Kong in 1971, ORIX Group has established an overseas network spanning 700 bases in 36 countries and regions. Underpinned by a leasing, automobile leasing and corporate finance operating base that is aligned with the conditions of each country, the Overseas Business segment engages in principal investment and non-performing loan investment activities, real estate-related businesses, as well as aircraft and shipping businesses that includes leasing, management, investment, intermediary and sales activities in the field of aircraft and shipping.

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

Operating Environment

See "Item 5. Segment Information."

Mid-term Strategic Directions

- Position as the driver for Group's growth and profitability
- Expansion of asset management business
- Aggressively develop aircraft and shipping business

Operating Strategy

In the United States, in addition to maintaining a stable presence in our traditional business of investing in municipal bonds, CMBS and other fixed-income securities and providing corporate finance services, we seek to enhance Red Capital Group's loan structuring and servicing services and Mariner Investment Group's fund management services. Since the acquisition of Boston Financial Investment Management LP, which develops businesses as a syndicator and portfolio and asset manager of low income apartment properties that benefit from the Federal Low Income Housing Tax Creditair in July 2016, we continue to expand fee businesses. In addition, we endeavor to invest in the field of infrastructure and healthcare and, to use our local subsidiary in Brazil as base, to expand into fields such as asset management, structured finance and investment banking through M&A and capital participation in South America.

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

In the aircraft business, we will make new investments by carefully selecting aircraft types, age and other important factors for our portfolio. In addition to pursuing opportunities to profit from Company-owned assets, we will seek to generate fees from our services relating to the management of the aircraft to investors and financial institutions.

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

DIVISIONS, MAJOR SUBSIDIARIES AND AFFILIATES

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

CAPITAL PRINCIPAL EXPENDITURES AND DIVESTITURES

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

	As of March 31, 2017	
	Book Value	**Land Space[1]**
	(Millions of yen)	**(Thousands of m²)**
Office building (Tachikawa, Tokyo)	¥13,905	3
Office building (Shiba, Minato-ku, Tokyo)	30,708	2
Office building (Osaka, Osaka)	10,337	2
Hotel (Beppu, Oita)	11,267	159
Solar power station (Tomakomai, Hokkaido)	12,720	—
Solar power station(Tsu, Mie)	16,268	1,193

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

We plan to make capital expenditures totaling approximately ¥508,000 million to support the growth and development of our operating lease business and power generation business during fiscal 2018. The following table shows a breakdown of planned capital expenditures and includes the estimated investment amounts and expected methods of financing the expenditures.

	Fiscal 2018	
	Estimated investment amounts	**Expected methods of financing**
	(Millions of yen)	
Operating lease equipment and property	¥430,000	Funds on hand, bank borrowings, etc.
Power generation equipment	78,000	Funds on hand, bank borrowings, etc.
Total	¥508,000	—

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

We own office buildings, apartment buildings and recreational facilities for our employees and others with an aggregate book value of ¥110,781 million as of March 31, 2017.

As of March 31, 2017, the acquisition cost of equipment we held for operating leases amounted to ¥1,856,889 million, consisting of ¥1,144,511 million of transportation equipment, ¥237,597 million of measuring and information-related equipment, ¥451,367 million of real estate and ¥23,414 million of others, before accumulated depreciation. Accumulated depreciation on equipment held for operating leases was ¥566,946 million as of the same date.

SEASONALITY

Our business is not materially affected by seasonality.

RAW MATERIALS

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

PATENTS, LICENSES AND CONTRACTS

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

BUSINESS REGULATION

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

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

JAPAN

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

The major regulations that govern our businesses are as follows:

Moneylending Business

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

Real Estate Business

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

Car Rental Business

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

Insurance Business

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

Financial Instruments Exchange Business

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

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 second class financial instruments exchange business.

Investment Management Business

ORIX Asset Management Corporation ("OAM"), ORIX Real Estate Investment Advisory Corporation ("ORIA"), wholly owned subsidiaries, and Robeco Japan Company Limited ("Robeco Japan"), a subsidiary of Robeco, are each 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. 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 report as a major shareholder of OAM, ORIA and Robeco Japan.

Investment Advisory and Agency Business

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

Banking and Trust Business

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

Debt Management and Collection Business

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

Waste Management

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

Regulation on Share Acquisitions

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

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

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

OUTSIDE JAPAN

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

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

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

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

In December 2010, ORIX USA acquired MIG Holdings, LLC, the parent company of Mariner. Mariner is registered with the SEC as an investment advisor and is headquartered in Harrison, New York, with additional offices in New York City, London and Tokyo. In addition, Mariner is registered as a commodity pool operator with the U.S. Commodity Futures Trading Commission and a member of the National Futures Association. ORIX USA's wholly owned subsidiary and private equity platform, ORIX Capital Partners, LLC, is an affiliated relying advisor to Mariner and registered with the SEC.

In July 2016, ORIX USA acquired Boston Financial Investment Management, LP ("BFIM"), a Boston, Massachusetts based syndicator and portfolio and asset manager of low income apartment properties that benefit from the Federal Low Income Housing Tax Credit ("LIHTC"). As the beneficiary of tax credits and often other subsidy and loan programs, a typical LIHTC property is typically regulated at the federal, state and local levels. As a passive limited partner investor, BFIM does not manage the property day to day. Rather, a third party general partner manages the property and has responsibility for compliance with applicable laws and regulations. As the investor, BFIM monitors such compliance.

Disruptions in the U.S. financial markets starting in 2007 caused lawmakers and regulators to evaluate the effectiveness of their oversight of the financial services industry, and eventually resulted in the adoption of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") by the U.S. Congress in January 2010. Certain regulations promulgated under the Dodd-Frank Act may affect our business operations. For example, the Dodd-Frank Act establishes the Financial Stability Oversight Counsel ("FSOC") charged with, among other things, designating systemically important nonbank financial institutions for heightened supervisory requirements and prudential standards, supervision and regulation. In April 2012, the FSOC adopted its final rule and issued interpretive guidelines on criteria for designating systemically important nonbank financial institutions. The FSOC has not as of this date designated ORIX as a systemically important nonbank financial institution.

Outside of the United States, Mariner Europe Ltd. is authorized and regulated by the Financial Conduct Authority ("FCA") in UK and as such is subject to minimum regulatory capital requirements. Mariner Investment (Europe) LLP is categorized as a "BIPRU €50k limited license" firm. It is an investment management firm. In December 2016, ORIX USA, through its Brazilian subsidiary, acquired a controlling interest in RB Capital Empreendimentos S.A. ("RB Capital"), a Brazilian capital markets and asset management platform. RB Capital controls two publicly held companies, RB Capital Companhia de Securitização and Salus Infraestrutura Portuária S.A, registered before the Securities and Exchange Commission of Brazil ("CVM"). RB Capital Companhia de Securitização is also a securitization company and regulated by the CVM. In addition, RB Capital controls an asset management company, RB Capital Asset Management Ltda., which is registered and authorized by the CVM to manage assets in Brazil.

On July 1, 2013, ORIX acquired approximately 90.01% (90% plus one share) of the total voting shares (equity interests) of Robeco, the ultimate holding company of the Robeco Group. On October 21, 2016, ORIX acquired the remaining 9.99% (10% minus one share) of the total voting shares (equity interests) of Robeco. The Robeco Group consists of the following regulated entities:

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

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

Harbor Capital Advisors, Inc., Boston Partners Global Investors, Inc. and Robeco Institutional Asset Management US, Inc. are registered with and regulated by SEC to provide investment advisory services in the United States. Harbor Capital Advisors, Inc. is also registered with and regulated by NFA and CFTC. Harbor Services Group, Inc. is registered with the SEC. Boston Partners Global Investors, Inc. is also registered as a commodity trading advisor and a commodity pool operator with the CFTC and is a member of the NFA. Boston Partners Securities L.L.C. and Harbor Funds Distributors Inc. are investment advisors (broker-dealers) registered with the SEC and members of FINRA. Harbor Services Group, Inc. acts as transfer agent and is registered with the SEC.

Boston Partners UK Ltd is registered as an investment adviser with the FCA. Boston Partners Trust Company is registered with the *New Hampshire Banking Commission* ("NHBC").

RobecoSAM AG is authorized and regulated by the *Swiss Financial Market Supervisory Authority* ("FINMA").

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

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

Robeco France S.A. is authorized and regulated by the *Authorité de controle prudential et de resolution* (“ACPR”) in France and the *Autorité des Marchés Financiers* (“AMF”) in France.

Robeco Singapore Private Limited is licensed by the *Monetary Authority of Singapore* (“MAS”).

LEGAL PROCEEDINGS

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

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

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OVERVIEW

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

Market Environment

The economy of the United States has been on a continuing trend of recovery with improvements in employment and income environments. The economy of Europe has picked up moderately, the Chinese economy is still in a correction phase and the economies of emerging and resource-rich countries have bottomed out. Although interest rates remain low worldwide, the prospect of rising interest rates has been strong in the United States. In addition, there are political and geopolitical tensions in certain regions that need to be monitored carefully.

The Japanese economy on the whole has been in a moderate recovery phase despite some areas of weakness.

Results Overview

Net Income Attributable to ORIX Corporation Shareholders for fiscal 2017 increased 5% to ¥273,239 million compared to fiscal 2016, primarily due to a significant increase in profits from the Real Estate segment, Investment and Operation segment, and Retail segment, although profits from the Corporate Financial Services segment, the Maintenance Leasing segment, the Overseas segment decreased.

The main factors underlying our performance in fiscal 2017 are outlined below.

The Corporate Financial Services segment's profits decreased due to a decrease in finance revenues in line with decreased average investment balance and a decrease in gains on sales of securities, despite an increase in services income.

The Maintenance Leasing segment's profits decreased due to decreases in operating leases revenues primarily resulting from lower gains on sales of automobiles.

The Real Estate segment's profits increased due primarily to an increase in gains on sales of rental properties.

The Investment and Operation segment's profits increased due to the recognition of gains on sales of shares of subsidiaries and affiliates, and a bargain purchase gain from the acquisition of a subsidiary.

The Retail segment's profits increased due to increases in insurance premiums and related investment income.

The Overseas Business segment's profits decreased due to the recognition of a gain on the partial divestment of Houlihan Lokey Inc. (hereinafter, "HL") shares in fiscal 2016, and the impact from strong yen, despite gains on sales of subsidiaries and affiliates in the Americas.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

FAIR VALUE MEASUREMENTS

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

The Company and its subsidiaries classify and prioritize 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.

The Company and its subsidiaries differentiate between those assets and liabilities required to be carried at fair value at every reporting period (recurring) and those assets and liabilities that are only required to be adjusted to fair value under certain circumstances (nonrecurring). We mainly measure loans held for sale, trading securities, available-for-sale securities, other securities, derivatives, reinsurance recoverables in other assets and variable annuity and variable life insurance contracts in policy liabilities and policy account balances at fair value on a recurring basis. Certain subsidiaries measure certain loans held for sale, certain foreign government bonds and equity securities in available-for-sale securities, certain fund investments in other securities, certain reinsurance recoverables, and variable annuity and variable life insurance contracts at fair value on a recurring basis as they elected the fair value option.

The following table presents recorded amounts of major financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2017:

	March 31, 2017			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Millions of yen)			
Financial Assets:				
Loans held for sale	¥ 19,232	¥ 0	¥ 19,232	¥ 0
Trading securities	569,074	37,500	531,574	0
Available-for-sale securities	1,165,417	93,995	946,906	124,516
Other securities	27,801	0	0	27,801
Derivative assets	22,999	734	17,032	5,233
Other assets	22,116	0	0	22,116
Total	¥1,826,639	¥132,229	¥1,514,744	¥179,666
Financial Liabilities:				
Derivative liabilities	¥ 16,295	¥ 165	¥ 16,130	¥ 0
Policy Liabilities and Policy Account Balances	605,520	0	0	605,520
Total	¥ 621,815	¥ 165	¥ 16,130	¥605,520

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

As of March 31, 2017, financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) and the percentages of total assets were as follows:

	March 31, 2017	
	Significant Unobservable Inputs (Level 3)	Percentage of Total Assets (%)
	(Millions of yen, except percentage data)	
Level 3 Assets:		
Available-for-sale securities	¥ 124,516	1
Corporate debt securities	1,618	0
Specified bonds issued by SPEs in Japan	1,087	0
CMBS and RMBS in the Americas	57,858	1
Other asset-backed securities and debt securities	63,953	1
Other securities	27,801	0
Investment funds	27,801	0
Derivative assets	5,233	0
Options held/written and other	5,233	0
Other assets	22,116	0
Reinsurance recoverables	22,116	0
Total Level 3 financial assets	¥ 179,666	2
Total assets	¥11,231,895	100

As of March 31, 2017, the amount of financial assets classified as Level 3 was ¥179,666 million, financial assets that we measured at fair value on a recurring basis. Level 3 assets represent 2% of our total assets.

Available-for-sale securities classified as Level 3 are mainly CMBS and RMBS in the Americas and other asset-backed securities and debt securities. CMBS and RMBS in the Americas and other asset-backed securities and debt securities classified as Level 3 available-for-sale securities were ¥57,858 million and ¥63,953 million as of March 31, 2017, which are 46% and 51% of total Level 3 available-for-sale securities, respectively.

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

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

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

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

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

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

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

- business characteristics and financial condition of the obligors;
- current economic conditions and trends;

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

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

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

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

IMPAIRMENT OF INVESTMENT IN SECURITIES

We recognize impairment of investment in securities (except trading securities) as follows.

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

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

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

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

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

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

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

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

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS THAT HAVE INDEFINITE USEFUL LIVES

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

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

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

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

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

IMPAIRMENT OF LONG-LIVED ASSETS

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

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

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

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

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

UNGUARANTEED RESIDUAL VALUE FOR DIRECT FINANCING LEASES AND OPERATING LEASES

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

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

INSURANCE POLICY LIABILITIES AND DEFERRED POLICY ACQUISITION COSTS

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

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

Certain subsidiaries ceded a portion of its minimum guarantee risk related to variable annuity and variable life insurance contracts to reinsurance companies in order to mitigate the risk and elected the fair value option for the reinsurance contracts with the remaining risk economically hedged through derivative contracts. The reinsurance contracts do not relieve the subsidiary from the obligation as the primary obligor to compensate certain losses incurred by the policyholders, and the default of the reinsurance companies may impose additional losses on the subsidiary.

Policy liabilities and policy account balances for fixed annuity insurance contracts are measured based on the single-premiums plus interest based on expected rate and fair value adjustments relating to the acquisition of a subsidiary, less withdrawals, expenses and other charges.

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

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

ASSESSING HEDGE EFFECTIVENESS AND MEASURING INEFFECTIVENESS

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

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

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

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

PENSION PLANS

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

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

In estimating the projected benefit obligation, actuaries make assumptions regarding mortality rates, turnover rates, retirement rates and rates of compensation increase. Actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, affect expense in future periods.

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

We use March 31 as a measurement date for our pension assets and projected benefit obligation balances under all of our material plans. If we were to assume a 1% increase or decrease in the expected long-term rate of return, holding the discount rate and other actuarial assumptions constant, pension expense for fiscal 2017 would decrease or increase, respectively, by approximately ¥2,004 million.

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

If we were to assume a 1% increase in the discount rate, and keep the expected long-term rate of return and other actuarial assumptions constant, pension expense for fiscal 2017 would decrease by approximately ¥2,103 million. If we were to assume a 1% decrease in the discount rate, and keep other assumptions constant, pension expense for fiscal 2017 would increase by approximately ¥2,462 million.

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

INCOME TAXES

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

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

DISCUSSION WITH AND REVIEW BY THE AUDIT COMMITTEE

Our management discussed the development and selection of each critical accounting estimate with our Audit Committee in June 2017.

FAIR VALUE OF INVESTMENT AND RENTAL PROPERTY

We own real estate such as rental office buildings, rental logistics centers, rental commercial facilities other than office buildings, rental condominiums and land which is utilized for development as operating leases. A large portion of our real estate held for investment and rental is located around major cities in Japan such as Tokyo. The following table sets forth the carrying amount of investment and rental property as of the beginning and end of fiscal 2017, as well as the fair value as of the end of fiscal 2017.

Year ended March 31, 2017			
Carrying amount*1			
Balance at April 1, 2016	Change amount	Balance at March 31, 2017	Fair value at March 31, 2017*2
(Millions of yen)			
¥513,899	¥(88,571)	¥425,328	¥482,324

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

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

Investment and rental property revenue and expense for fiscal 2017 were as follows:

Year ended March 31, 2017		
Revenue*1	Expense*2	Net
¥110,977	¥47,601	¥63,376

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

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

RESULTS OF OPERATIONS

GUIDE TO OUR CONSOLIDATED STATEMENT OF INCOME

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

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

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

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

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

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

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

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

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

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

Services expense is directly associated with the sales and revenues separately reported within services income. Interest expense is based on monies borrowed mainly to fund revenue-generating assets, including to purchase equipment for leases, extend loans and invest in securities and real estate operations. We also consider the principal part of selling, general and administrative expenses to be directly related to the generation of revenues. Therefore, they have been included within "Total expenses" deducted to derive "Operating Income." We similarly view the provision for doubtful receivables and probable loan losses to be directly related to our finance activities and accordingly have included it within "Total expenses." As our principal operations consist of providing financial products and/or finance-related services to our customers, these expenses are directly related to the potential risks and changes in these products and services. See "Year Ended March 31, 2017 Compared to Year Ended March 31, 2016" and "Year Ended March 31, 2016 Compared to Year Ended March 31, 2015."

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

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

YEAR ENDED MARCH 31, 2017 COMPARED TO YEAR ENDED MARCH 31, 2016

Performance Summary

Financial Results

	Year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except ratios, per Share data and percentages)			
Total revenues	¥2,369,202	¥2,678,659	¥309,457	13
Total expenses	2,081,461	2,349,435	267,974	13
Income before Income Taxes and Discontinued Operations	391,302	424,965	33,663	9
Net Income Attributable to ORIX Corporation Shareholders	260,169	273,239	13,070	5
Earnings per Share (Basic)	198.73	208.88	10.15	5
(Diluted)	198.52	208.68	10.16	5
ROE*1	11.7	11.3	(0.4)	—
ROA*2,3	2.32	2.46	0.14	—

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

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

*3 Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 ("Simplifying the Presentation of Debt Issuance Costs"—ASC 835-30 ("Interest—Imputation of Interest")) in fiscal 2017.

Total revenues for fiscal 2017 increased 13% to ¥2,678,659 million compared to ¥2,369,202 million during fiscal 2016. Operating leases revenues increased mainly due to an increase in gains on sales of real estate under operating leases, and sales of goods and real estate increased due to an increase in revenues generated by subsidiaries in the principal investment business. In addition, life insurance premiums and related investment income increased due to increases in insurance premiums in line with an increase in new insurance contracts and investment income in ORIX Life Insurance, and an improvement in investment income from assets under variable annuity and variable life insurance contracts originally held by HLIKK compared to fiscal 2016 during which investment income decreased due to deterioration of the market environment.

Total expenses for fiscal 2017 increased 13% to ¥2,349,435 million compared to ¥2,081,461 million during fiscal 2016. Costs of goods and real estate sold increased in line with the aforementioned increased revenues. In addition, life insurance costs increased due to an increase in a provision of liability reserve in line with the aforementioned increase in new insurance contracts and the improvement in investment income from assets under variable annuity and variable life insurance contracts.

Equity in net income of affiliates for fiscal 2017 decreased due to an impact from an increase in income from the affiliates in the Americas during fiscal 2016.

As a result of the foregoing, income before income taxes for fiscal 2017 increased 9% to ¥424,965 million compared to ¥391,302 million during fiscal 2016, and net income attributable to ORIX Corporation shareholders increased 5% to ¥273,239 million compared to ¥260,169 million during fiscal 2016.

Balance Sheet data

	As of March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen except ratios, per share and percentages)			
Total Assets*1	¥10,992,918	¥11,231,895	¥ 238,977	2
(Segment assets)	8,972,449	8,956,872	(15,577)	(0)
Total Liabilities	8,512,632	8,577,722	65,090	1
(Long- and Short-term debt)*1	4,286,542	4,138,451	(148,091)	(3)
(Deposits)	1,398,472	1,614,608	216,136	15
ORIX Corporation Shareholders' Equity	2,310,431	2,507,698	197,267	9
ORIX Corporation Shareholders' Equity per share	1,764.34	1,925.17	160.83	9
ORIX Corporation Shareholders' Equity ratio*2	21.0%	22.3%	1.3%	—
D/E ratio (Debt-to-equity ratio) (Long- and Short-term debt (excluding deposits) / ORIX Corporation Shareholders' Equity)*1	1.9x	1.7x	(0.2)x	—

*1 Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 ("Simplifying the Presentation of Debt Issuance Costs"—ASC 835-30 ("Interest—Imputation of Interest")) on April 1, 2016.

*2 ORIX Corporation Shareholders' Equity ratio is the ratio as of the period end of ORIX Corporation Shareholder's Equity to total assets.

Total assets increased 2% to ¥11,231,895 million compared to ¥10,992,918 million as of March 31, 2016. Installment loans increased due primarily to an increase of assets in the banking business. On the other hand, investment in operating leases decreased due primarily to sales of rental properties and investment in securities decreased due primarily to sales of investment in securities in ORIX Life Insurance as well as the surrender of contracts originally held by HLIKK. In addition, segment assets remained flat at ¥8,956,872 million compared to the balance as of March 31, 2016.

We manage the balance of interest-bearing liabilities at an appropriate level taking into account the condition of assets and liquidity on-hand as well as the domestic and overseas financial environments. As a result, long- and short-term debt decreased and deposits increased compared to the balance as of March 31, 2016. In addition, policy liabilities and policy account balances decreased due primarily to the aforementioned surrender of contracts.

Shareholders' equity increased 9% to ¥2,507,698 million compared to the balance as of March 31, 2016 due primarily to an increase in retained earnings.

Details of Operating Results

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

Segment Information

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

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

For a description of the business activities of our segments, see "Item 4. Information on the Company—Business Segments." See Note 34 of "Item 18. Financial Statements" for additional segment information, a discussion of how we prepare our segment information and the reconciliation of segment totals to consolidated financial statement amounts.

	Year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Corporate Financial Services	¥ 107,150	¥ 102,979	¥ (4,171)	(4)
Maintenance Leasing	271,662	270,615	(1,047)	(0)
Real Estate	191,540	212,050	20,510	11
Investment and Operation	1,028,355	1,271,973	243,618	24
Retail	254,289	368,665	114,376	45
Overseas Business	526,008	458,912	(67,096)	(13)
Segment Total	2,379,004	2,685,194	306,190	13
Difference between Segment Total and Consolidated Amounts	(9,802)	(6,535)	3,267	—
Consolidated Amounts	¥2,369,202	¥2,678,659	¥309,457	13

	Year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Profits:				
Corporate Financial Services	¥ 42,418	¥ 38,032	¥ (4,386)	(10)
Maintenance Leasing	42,935	39,787	(3,148)	(7)
Real Estate	42,902	72,841	29,939	70
Investment and Operation	57,220	85,000	27,780	49
Retail	51,756	72,865	21,109	41
Overseas Business	142,879	112,312	(30,567)	(21)
Segment Total	380,110	420,837	40,727	11
Difference between Segment Total and Consolidated Amounts	11,192	4,128	(7,064)	(63)
Consolidated Amounts	¥ 391,302	¥ 424,965	¥ 33,663	9

Note: Segment profit is calculated based on net income attributable to the noncontrolling interests and net income attributable to the redeemable noncontrolling interests before applicable tax effect. Tax expenses are not included in segment profits.

	As of March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Assets:				
Corporate Financial Services	¥ 1,049,867	¥ 1,032,152	¥ (17,715)	(2)
Maintenance Leasing	731,329	752,513	21,184	3
Real Estate	739,592	657,701	(81,891)	(11)
Investment and Operation	704,156	768,675	64,519	9
Retail	3,462,772	3,291,631	(171,141)	(5)
Overseas Business	2,284,733	2,454,200	169,467	7
Segment Total	8,972,449	8,956,872	(15,577)	(0)
Difference between Segment Total and Consolidated Amounts	2,020,469	2,275,023	254,554	13
Consolidated Amounts	¥10,992,918	¥11,231,895	¥ 238,977	2

Note: Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 (“Simplifying the Presentation of Debt Issuance Costs”—ASC 835-30 (“Interest—Imputation of Interest”)) on April 1, 2016.

Corporate Financial Services Segment

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

The Japanese economy on the whole entered a moderate recovery phase despite some areas of weakness. While interest rates overall increased along with the United States economy, the balance of outstanding loans at financial institutions continues to increase and interest rates on loans remain at low levels.

Segment revenues decreased 4% to ¥102,979 million during fiscal 2017 compared to ¥107,150 million during fiscal 2016 due to a decrease in finance revenues in line with decreased average investment balance and a decrease in gains on sales of securities, despite an increase in services income resulting primarily from revenue generated by Yayoi Co. Ltd. (hereinafter, “Yayoi”), and from our stable fee business to domestic small-and medium-sized enterprise customers.

Segment expenses increased due primarily to an increase in selling, general and administrative expenses. As a result, segment profits decreased 10% to ¥38,032 million during fiscal 2017 compared to ¥42,418 million during fiscal 2016.

Segment assets decreased 2% to ¥1,032,152 million as of March 31, 2017 compared to March 31, 2016 due primarily to a decrease in installment loans.

	Year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 34,215	¥ 30,153	¥ (4,062)	(12)
Operating leases	25,461	25,626	165	1
Services income	35,744	40,595	4,851	14
Sales of goods and real estate, and other	11,730	6,605	(5,125)	(44)
Total Segment Revenues	107,150	102,979	(4,171)	(4)
Interest expense	7,214	6,032	(1,182)	(16)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	(676)	(76)	600	—
Other	58,968	62,057	3,089	5
Total Segment Expenses	65,506	68,013	2,507	4
Segment Operating Income	41,644	34,966	(6,678)	(16)
Equity in Net income (Loss) of Affiliates, and others	774	3,066	2,292	296
Segment Profits	¥ 42,418	¥ 38,032	¥ (4,386)	(10)

	As of March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 431,603	¥ 433,929	¥ 2,326	1
Installment loans	411,824	398,558	(13,266)	(3)
Investment in operating leases	28,695	30,114	1,419	5
Investment in securities	36,542	34,773	(1,769)	(5)
Property under facility operations	11,294	13,034	1,740	15
Inventories	53	51	(2)	(4)
Advances for investment in operating leases	1,737	80	(1,657)	(95)
Investment in affiliates	22,755	18,392	(4,363)	(19)
Advances for property under facility operations	304	139	(165)	(54)
Goodwill and other intangible assets acquired in business combinations	105,060	103,082	(1,978)	(2)
Total Segment Assets	¥1,049,867	¥1,032,152	¥(17,715)	(2)

Maintenance Leasing Segment

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

While demand in corporate capital investment has been gradually increasing, concerns about uncertainty in the domestic and overseas economic outlook has deterred new investment. The volume of new auto-leases in Japan increased slightly compared to fiscal 2016.

Segment revenues remained flat at ¥270,615 million during fiscal 2017 compared to during fiscal 2016 due to less gains on sales in operating leases revenues, offsetting an increase in finance revenues.

Segment expenses increased due primarily to increases in costs of operating leases in line with increased average investment asset balance in the auto-business and selling, general and administrative expenses. As a result, segment profits decreased 7% to ¥39,787 million during fiscal 2017 compared to ¥42,935 million during fiscal 2016.

Segment assets increased 3% to ¥752,513 million as of March 31, 2017 compared to March 31, 2016 due primarily to an increase in new auto-leases in the auto-business.

	Year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 12,067	¥ 13,029	¥ 962	8
Operating leases	188,815	187,219	(1,596)	(1)
Services income	66,841	66,314	(527)	(1)
Sales of goods and real estate, and other	3,939	4,053	114	3
Total Segment Revenues	271,662	270,615	(1,047)	(0)
Interest expense	3,545	3,360	(185)	(5)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	27	258	231	856
Other	225,148	227,178	2,030	1
Total Segment Expenses	228,720	230,796	2,076	1
Segment Operating Income	42,942	39,819	(3,123)	(7)
Equity in Net income (Loss) of Affiliates, and others	(7)	(32)	(25)	—
Segment Profits	¥ 42,935	¥ 39,787	¥ (3,148)	(7)

	As of March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥245,257	¥277,480	¥ 32,223	13
Investment in operating leases	481,031	469,824	(11,207)	(2)
Investment in securities	1,214	1,322	108	9
Property under facility operations	718	803	85	12
Inventories	374	445	71	19
Advances for investment in operating leases	314	335	21	7
Investment in affiliates	1,996	1,880	(116)	(6)
Goodwill and other intangible assets acquired in business combinations	425	424	(1)	(0)
Total Segment Assets	¥731,329	¥752,513	¥ 21,184	3

Real Estate Segment

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

Land prices remain high and vacancy rates in the Japanese office building market continue to show improvements, especially in the Greater Tokyo Area due primarily to the quantitative easing policies implemented by the Bank of Japan, including the low interest rate. However, we are also seeing a trend where sales prices of condominiums are no longer increasing. Changes in tourism style such as uses of vacation rentals are affecting hotels and Japanese inns' operation.

Segment revenues increased 11% to ¥212,050 million during fiscal 2017 compared to ¥191,540 million during fiscal 2016 due primarily to an increase in gains on sales of rental properties, which are included in operating leases revenues.

Segment expenses decreased compared to fiscal 2016 due primarily to a decrease in costs of operating leases in line with a decrease in assets and write-downs of long-lived assets.

As a result of the foregoing, segment profits increased 70% to ¥72,841 million during fiscal 2017 compared to ¥42,902 million during fiscal 2016.

Segment assets decreased 11% to ¥657,701 million as of March 31, 2017 compared to March 31, 2016 due primarily to a decrease in investment in operating leases, which resulted from sales of rental properties.

	Year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 6,720	¥ 2,319	¥ (4,401)	(65)
Operating leases	60,253	88,153	27,900	46
Services income	110,630	112,624	1,994	2
Sales of goods and real estate, and other	13,937	8,954	(4,983)	(36)
Total Segment Revenues	191,540	212,050	20,510	11
Interest expense	4,676	3,085	(1,591)	(34)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	8,338	3,386	(4,952)	(59)
Other	141,609	136,629	(4,980)	(4)
Total Segment Expenses	154,623	143,100	(11,523)	(7)
Segment Operating Income	36,917	68,950	32,033	87
Equity in Net income (Loss) of Affiliates, and others	5,985	3,891	(2,094)	(35)
Segment Profits	¥ 42,902	¥ 72,841	¥ 29,939	70

	As of March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 21,541	¥ 27,523	¥ 5,982	28
Installment loans	5,821	0	(5,821)	—
Investment in operating leases	375,050	298,184	(76,866)	(20)
Investment in securities	5,861	3,552	(2,309)	(39)
Property under facility operations	177,510	185,023	7,513	4
Inventories	3,597	2,567	(1,030)	(29)
Advances for investment in operating leases	38,486	18,634	(19,852)	(52)
Investment in affiliates	91,010	99,347	8,337	9
Advances for property under facility operations	8,829	11,196	2,367	27
Goodwill and other intangible assets acquired in business combinations	11,887	11,675	(212)	(2)
Total Segment Assets	¥739,592	¥657,701	¥(81,891)	(11)

Investment and Operation Segment

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

Investment in infrastructure, especially energy infrastructure, is diversifying in Japan. In the energy business, among renewable energy, investment is expanding beyond solar power to wind and geothermal power. In addition, business structures are also diversifying. In infrastructure investment markets, the use of private funds is expanding in the public facilities management. In emerging countries, infrastructure demand is growing rapidly with economic growth, and Japanese companies are expected to increase infrastructure investment. In the capital markets, the number of mergers and acquisitions by Japanese companies has remained high.

Segment revenues increased 24% to ¥1,271,973 million during fiscal 2017 compared to ¥1,028,355 million during fiscal 2016 due to increases in sales of goods and services income from the environment and energy business and subsidiaries in the principal investment business.

Segment expenses increased compared to fiscal 2016 due to an increase in expenses in line with the aforementioned revenues expansion and recognition of write-downs of securities.

As a result of the foregoing and the recognition of gains on sales of shares of subsidiaries and affiliates, and the recognition of a bargain purchase gain from the acquisition of a subsidiary, segment profits increased 49% to ¥85,000 million during fiscal 2017 compared to ¥57,220 million during fiscal 2016.

Segment assets increased 9% to ¥768,675 million as of March 31, 2017 compared to March 31, 2016 due primarily to an increase in property under facility operations in the environment and energy business.

	Year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 12,625	¥ 10,680	¥ (1,945)	(15)
Gains on investment securities and dividends	10,270	12,961	2,691	26
Sales of goods and real estate	718,902	938,438	219,536	31
Services income	277,163	299,709	22,546	8
Operating leases, and other	9,395	10,185	790	8
Total Segment Revenues	1,028,355	1,271,973	243,618	24
Interest expense	3,539	4,870	1,331	38
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	(424)	6,760	7,184	—
Other	980,121	1,212,681	232,560	24
Total Segment Expenses	983,236	1,224,311	241,075	25
Segment Operating Income	45,119	47,662	2,543	6
Equity in Net income (Loss) of Affiliates, and others	12,101	37,338	25,237	209
Segment Profits	¥ 57,220	¥ 85,000	¥ 27,780	49

	As of March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 21,133	¥ 26,016	¥ 4,883	23
Installment loans	75,996	56,435	(19,561)	(26)
Investment in operating leases	24,378	25,434	1,056	4
Investment in securities	71,705	51,474	(20,231)	(28)
Property under facility operations	130,568	187,674	57,106	44
Inventories	98,016	112,798	14,782	15
Advances for investment in operating leases	404	1,237	833	206
Investment in affiliates	108,237	71,481	(36,756)	(34)
Advances for property under facility operations	38,628	55,180	16,552	43
Goodwill and other intangible assets acquired in business combinations	135,091	180,946	45,855	34
Total Segment Assets	¥704,156	¥768,675	¥ 64,519	9

Retail Segment

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

The life insurance business in Japan is currently affected by macroeconomic factors such as domestic population decline. However, we are seeing a rise in demand for medical insurance and an increasing number of companies developing new products in response. On the other hand, we are also seeing suspensions of the sales of certain products and an increase in insurance premiums on new contracts due primarily to the Bank of Japan's negative interest rate policy. In the card loan business for individuals, banks and other lenders are expanding their assets and competition in the lending business continues to intensify in the current low interest rate environment.

Segment revenues increased 45% to ¥368,665 million during fiscal 2017 compared to ¥254,289 million during fiscal 2016 mainly due to increases in insurance premiums in line with an increase in new insurance contracts and investment income in ORIX Life Insurance, and an improvement in investment income from assets under variable annuity and variable life insurance contracts originally held by HLIKK compared to fiscal 2016 year during which investment income decreased due to deterioration of the market environment.

Segment expenses increased compared to fiscal 2016 due to an increase in a provision of liability reserve in line with the aforementioned increase in new insurance contracts and the improvement in investment income from assets under variable annuity and variable life insurance contracts.

As a result of the foregoing, segment profits increased 41% to ¥72,865 million during fiscal 2017 compared to ¥51,756 million during fiscal 2016.

Segment assets decreased 5% to ¥3,291,631 million as of March 31, 2017 compared to March 31, 2016 due primarily to sales of investment in securities at ORIX Life Insurance as well as the surrender of variable annuity and variable life insurance contracts originally held by HLIKK, offsetting an increase in installment loans in the banking business.

	Year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 55,318	¥ 59,177	¥ 3,859	7
Life insurance premiums and related investment income	190,805	297,886	107,081	56
Services income, and other	8,166	11,602	3,436	42
Total Segment Revenues	254,289	368,665	114,376	45
Interest expense	4,654	4,041	(613)	(13)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	7,370	10,109	2,739	37
Other	191,304	281,663	90,359	47
Total Segment Expenses	203,328	295,813	92,485	45
Segment Operating Income	50,961	72,852	21,891	43
Equity in Net income (Loss) of Affiliates, and others	795	13	(782)	(98)
Segment Profits	¥ 51,756	¥ 72,865	¥ 21,109	41

	As of March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 1,198	¥ 518	¥ (680)	(57)
Installment loans	1,496,407	1,718,655	222,248	15
Investment in operating leases	52,359	46,243	(6,116)	(12)
Investment in securities	1,893,631	1,509,180	(384,451)	(20)
Investment in affiliates	911	810	(101)	(11)
Goodwill and other intangible assets acquired in business combinations	18,266	16,225	(2,041)	(11)
Total Segment Assets	¥3,462,772	¥3,291,631	¥(171,141)	(5)

Overseas Business Segment

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

The economy of the United States has been on a continuing trend of recovery with improvements in employment and income. The economy of Europe has picked up moderately, the Chinese economy is still in a correction phase and the economies of emerging and resource-rich countries have bottomed out. Although interest rates remain low worldwide, the prospect of rising interest rates has been strong in the United States. The asset management industry is expected to increase AuM due to the increase in pension assets and the high-income class population over the mid- and long-term. Also, the aviation industry is expected to continue to expand its market size against the backdrop of increasing passenger demand mainly in emerging countries. In addition, there are political and geopolitical tensions in certain regions that need to be monitored carefully.

Segment revenues decreased 13% to ¥458,912 million during fiscal 2017 compared to ¥526,008 million during fiscal 2016 due to decreases in services income resulting primarily from the deconsolidation of Houlihan Lokey Inc. (hereinafter, "HL") in line with the partial divestment of its shares in fiscal 2016, and decreases in sales of goods due to a sale of a subsidiary during fiscal 2017, despite an increase in finance revenues from the Americas and in Asia.

Segment expenses decreased compared to fiscal 2016 due primarily to the deconsolidation of HL.

As a result of the foregoing and due to the recognition of a gain on the partial divestment of HL shares in fiscal 2016 and the impact from strong yen, despite gains on sales of subsidiaries and affiliates in the Americas, segment profits decreased 21% to ¥112,312 million during fiscal 2017 compared to ¥142,879 million during fiscal 2016.

Segment assets increased 7% to ¥2,454,200 million as of March 31, 2017 compared to March 31, 2016 due to increases in installment loans in Asia and the Americas and investment in securities in the Americas as well as an increase in investment in operating leases of aircraft-related operations.

	Year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 75,004	¥ 81,251	¥ 6,247	8
Gains on investment securities and dividends	16,113	13,334	(2,779)	(17)
Operating leases	91,973	88,474	(3,499)	(4)
Services income	250,085	216,720	(33,365)	(13)
Sales of goods and real estate, and other	92,833	59,133	(33,700)	(36)
Total Segment Revenues	526,008	458,912	(67,096)	(13)
Interest expense	33,356	36,535	3,179	10
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	16,226	18,215	1,989	12
Other	402,568	332,024	(70,544)	(18)
Total Segment Expenses	452,150	386,774	(65,376)	(14)
Segment Operating Income	73,858	72,138	(1,720)	(2)
Equity in Net income (Loss) of Affiliates, and others	69,021	40,174	(28,847)	(42)
Segment Profits	¥ 142,879	¥ 112,312	¥ (30,567)	(21)

	As of March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 351,010	¥ 357,732	¥ 6,722	2
Installment loans	407,870	457,393	49,523	12
Investment in operating leases	375,401	420,207	44,806	12
Investment in securities	383,227	465,899	82,672	22
Property under facility operations	23,762	29,705	5,943	25
Inventories	37,782	1,811	(35,971)	(95)
Advances for investment in operating leases	5,302	9,024	3,722	70
Investment in affiliates	305,674	332,154	26,480	9
Advances for property under facility operations	39	39	0	0
Goodwill and other intangible assets acquired in business combinations	394,666	380,236	(14,430)	(4)
Total Segment Assets	¥2,284,733	¥2,454,200	¥169,467	7

Revenues, New Business Volumes and Investments

Finance revenues

	Year ended March 31, 2016	Year ended March 31, 2017	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues:				
Finance revenues	¥ 200,889	¥ 200,584	¥ (305)	(0)

Finance revenues remained flat at ¥200,584 million for fiscal 2017 from fiscal 2016 primarily due to an impact from strong yen and recognition of a gain on sales of assets under financing leases during the previous fiscal year, offset an increase in revenues from installment loans due to an increase in the average balance of installment loans.

Direct financing leases

	As of and for the year ended March 31, 2016	As of and for the year ended March 31, 2017	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Direct financing leases:				
New equipment acquisitions	¥ 527,575	¥ 512,740	¥ (14,835)	(3)
Japan	329,691	312,788	(16,903)	(5)
Overseas	197,884	199,952	2,068	1
Investment in direct financing leases	1,190,136	1,204,024	13,888	1

New equipment acquisitions related to direct financing leases decreased 3% to ¥512,740 million compared to fiscal 2016. In Japan, new equipment acquisitions decreased 5% in fiscal 2017 compared to fiscal 2016, and overseas, new equipment acquisitions increased 1% in fiscal 2017 compared to fiscal 2016.

Investment in direct financing leases as of March 31, 2017 increased 1% to ¥1,204,024 million compared to March 31, 2016 due to increases in new equipment acquisitions in the auto-business and overseas subsidiaries.

As of March 31, 2017, no single lessee represented more than 1% of the balance of direct financing leases. As of March 31, 2017, 70% of our direct financing leases were to lessees in Japan, while 30% were to overseas lessees. Approximately 7% of our direct financing leases were to lessees in Hong Kong and approximately 5% of our direct financing leases were to lessees in Malaysia. No other overseas country represented more than 5% of our total portfolio of direct financing leases.

	As of March 31, 2016	As of March 31, 2017	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases by category:				
Transportation equipment	¥ 455,556	¥ 496,335	¥ 40,779	9
Industrial equipment	268,208	244,606	(23,602)	(9)
Electronics	159,991	158,726	(1,265)	(1)
Information-related and office equipment	102,161	102,078	(83)	(0)
Commercial services equipment	54,090	54,389	299	1
Other	150,130	147,890	(2,240)	(1)
Total	¥1,190,136	¥1,204,024	¥ 13,888	1

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

Installment loans

	As of and for the year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
New loans added	¥ 1,102,279	¥1,309,488	¥207,209	19
Japan	808,075	972,361	164,286	20
Overseas	294,204	337,127	42,923	15
Installment loans	2,592,233	2,815,706	223,473	9

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

New loans added increased 19% to ¥1,309,488 million compared to fiscal 2016. In Japan, new loans added increased 20% to ¥972,361 million in fiscal 2017 as compared to fiscal 2016 due to an increase in housing loans, and overseas, new loans added increased 15% to ¥337,127 million compared to fiscal 2016 due to increased lending activity in the Americas and Asia.

The balance of installment loans as of March 31, 2017 increased 9% to ¥2,815,706 million compared to March 31, 2016 due to increase of housing loans and card loans.

	As of March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
Consumer borrowers in Japan				
Housing loans	¥ 1,122,088	¥1,261,571	¥139,483	12
Card loans	260,533	270,007	9,474	4
Other	23,466	28,668	5,202	22
Subtotal	1,406,087	1,560,246	154,159	11
Corporate borrowers in Japan				
Real estate companies	230,001	270,965	40,964	18
Non-recourse loans	19,951	12,758	(7,193)	(36)
Commercial, industrial and other companies	365,371	340,050	(25,321)	(7)
Subtotal	615,323	623,773	8,450	1
Overseas				
Non-recourse loans	61,260	75,968	14,708	24
Commercial, industrial companies and other	479,039	530,924	51,885	11
Subtotal	540,299	606,892	66,593	12
Purchased loans*	30,524	24,795	(5,729)	(19)
Total	¥ 2,592,233	¥2,815,706	¥223,473	9

* 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.

As of March 31, 2017, ¥11,524 million, or 1%, of our portfolio of installment loans to consumer and corporate borrowers in Japan related to our life insurance operations. We reflect income from these loans as life insurance premiums and related investment income in our consolidated statements of income.

As of March 31, 2017, ¥340,398 million, or 12%, of the balance of installment loans were to real estate companies in Japan and overseas. Of this amount, ¥7,212 million, or 0.3% were loans individually evaluated for impairment. We recognized an allowance of ¥1,638 million on these impaired loans. As of March 31, 2017, we had installment loans outstanding in the amount of ¥95,926 million, or 3% of the balance of installment loans, to companies in the entertainment industry. Of this amount, ¥1,736 million, or 0.1% were loans individually evaluated for impairment. We recognized an allowance of ¥637 million on these impaired loans.

The balance of installment loans to consumer borrowers in Japan as of March 31, 2017 increased 11% to ¥1,560,246 million compared to the balance as of March 31, 2016, primarily due to an increase in the balance of housing loans. The balance of installment loans to corporate borrowers in Japan as of March 31, 2017 increased 1%, to ¥623,773 million, compared to the balance as of March 31, 2016, primarily due to an increase in the balance of loans to real estate companies. The balance of installment loans overseas, as of March 31, 2017 increased 12%, to ¥606,892 million, compared to the balance as of March 31, 2016, primarily due to increased lending activity in the Americas.

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

Asset quality

Direct financing leases

	As of March 31,	
	2016	**2017**
	(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	¥12,556	¥11,600
90+ days past-due direct financing leases as a percentage of the balance of investment in direct financing leases	1.06%	0.96%
Provision as a percentage of average balance of investment in direct financing leases*	0.23%	0.12%
Allowance for direct financing leases	¥13,380	¥10,537
Allowance for direct financing leases as a percentage of the balance of investment in direct financing leases	1.12%	0.88%
The ratio of charge-offs as a percentage of the average balance of investment in direct financing leases	0.34%	0.34%

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

The balance of 90+ days past-due direct financing leases decreased ¥956 million to ¥11,600 million as of March 31, 2017 compared to March 31, 2016. As a result, the ratio of 90+ days past-due direct financing leases decreased 0.10% from March 31, 2016 to 0.96%.

We believe that the ratio of allowance for doubtful receivables to the balance of investment in direct financing leases provides a reasonable indication that our allowance for doubtful receivables was appropriate as of March 31, 2017 for the following reasons:

- lease receivables are generally diversified and the amount of realized loss on any particular contract is likely to be relatively small; and
- all lease contracts are secured by collateral consisting of the underlying leased equipment, and we can expect to recover at least a portion of the outstanding lease receivables by selling the collateral.

Loans not individually evaluated for impairment

	As of March 31,	
	2016	2017
	(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	¥ 8,178	¥ 9,722
90+ days past-due loans not individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.32%	0.35%
Provision as a percentage of average balance of installment loans not individually evaluated for impairment*	0.42%	0.78%
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment	¥24,158	¥28,622
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.96%	1.04%
The ratio of charge-offs as a percentage of the average balance of loans not individually evaluated for impairment	0.37%	0.54%

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

The balance of 90+ days past-due loans not individually evaluated and evaluated as a homogeneous group for impairment due to their individual significancy increased ¥1,544 million to ¥9,722 million as of March 31, 2017 compared to March 31, 2016.

	As of March 31,	
	2016	2017
	(Millions of yen)	
90+ days past-due loans not individually evaluated for impairment:		
Consumer borrowers in Japan		
Housing loans	¥ 2,267	¥ 1,685
Card loans	657	1,346
Other	3,452	6,160
Subtotal	6,376	9,191
Overseas		
Housing loans	1,802	531
Total	¥ 8,178	¥ 9,722

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

Loans individually evaluated for impairment

	As of March 31, 2016	As of March 31, 2017
	(Millions of yen)	
Loans individually evaluated for impairment:		
Impaired loans	¥73,593	¥59,025
Impaired loans requiring an allowance	58,992	52,501
Allowance for loans individually evaluated for impairment*	22,533	20,068

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

New provision for probable loan losses was ¥1,369 million of reversal in fiscal 2016 and ¥879 million in fiscal 2017, and charge-off of impaired loans was ¥4,527 million in fiscal 2016 and ¥3,508 million in fiscal 2017. New provision for probable loan losses increased ¥2,248 million compared to fiscal 2016. Charge-off of impaired loans decreased ¥1,019 million compared to fiscal 2016.

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

	As of March 31, 2016	As of March 31, 2017
	(Millions of yen)	
Impaired loans:		
Consumer borrowers in Japan		
Housing loans	¥ 4,511	¥ 4,243
Card loans	4,123	4,102
Other	4,916	7,903
Subtotal	13,550	16,248
Corporate borrowers in Japan		
Real estate companies	8,612	7,212
Non-recourse loans	5,068	203
Commercial, industrial and other companies	17,477	11,467
Subtotal	31,157	18,882
Overseas		
Non-recourse loans	5,989	5,829
Commercial, industrial companies and other	11,884	10,623
Subtotal	17,873	16,452
Purchased loans	11,013	7,443
Total	¥73,593	¥59,025

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

Provision for doubtful receivables and probable loan losses

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

	As of March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Provision for doubtful receivables on direct financing leases and probable loan losses:				
Beginning balance	¥ 72,326	¥ 60,071	¥(12,255)	(17)
Direct financing leases	15,204	13,380	(1,824)	(12)
Loans not individually evaluated for impairment	22,743	24,158	1,415	6
Loans individually evaluated for impairment	34,379	22,533	(11,846)	(34)
Provision (reversal)	11,717	22,667	10,950	93
Direct financing leases	2,787	1,372	(1,415)	(51)
Loans not individually evaluated for impairment	10,299	20,416	10,117	98
Loans individually evaluated for impairment	(1,369)	879	2,248	—
Charge-offs (net)	(17,504)	(21,822)	(4,318)	25
Direct financing leases	(4,062)	(4,056)	6	(0)
Loans not individually evaluated for impairment	(8,915)	(14,258)	(5,343)	60
Loans individually evaluated for impairment	(4,527)	(3,508)	1,019	(23)
Other*	(6,468)	(1,689)	4,779	(74)
Direct financing leases	(549)	(159)	390	(71)
Loans not individually evaluated for impairment	31	(1,694)	(1,725)	—
Loans individually evaluated for impairment	(5,950)	164	6,114	—
Ending balance	60,071	59,227	(844)	(1)
Direct financing leases	13,380	10,537	(2,843)	(21)
Loans not individually evaluated for impairment	24,158	28,622	4,464	18
Loans individually evaluated for impairment	22,533	20,068	(2,465)	(11)

* Other mainly includes foreign currency translation adjustments and others.

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

Investment in Securities

	As of and for the year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in securities:				
New securities added	¥ 898,230	¥ 489,357	¥(408,873)	(46)
Japan	766,016	354,120	(411,896)	(54)
Overseas	132,214	135,237	3,023	2
Investment in securities	2,344,792	2,026,512	(318,280)	(14)

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

New securities added decreased 46% to ¥489,357 million in fiscal 2017 compared to fiscal 2016. New securities added in Japan decreased 54% in fiscal 2017 compared to fiscal 2016 primarily due to a decrease in investments in corporate debt securities. New securities added overseas increased 2% in fiscal 2017 compared to fiscal 2016.

The balance of our investment in securities as of March 31, 2017 decreased 14% to ¥2,026,512 million compared to March 31, 2016.

	As of March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in securities by security type:				
Trading securities	¥ 725,821	¥ 569,074	¥(156,747)	(22)
Available-for-sale securities	1,347,890	1,165,417	(182,473)	(14)
Held-to-maturity securities	114,858	114,400	(458)	0
Other securities	156,223	177,621	21,398	14
Total	¥2,344,792	¥2,026,512	¥(318,280)	(14)

Investments in trading securities decreased 22% in March 31, 2017 compared to March 31, 2016 primarily due to a decrease in the assets under management of variable annuity and variable life insurance contracts. Investments in available-for-sale securities decreased 14% in March 31, 2017 compared to March 31, 2016. Held-to-maturity securities mainly consist of our life insurance business's investment in Japanese government bonds. Other securities increased 14% in March 31, 2017 compared to March 31, 2016 mainly due to an increase in investment funds.

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

Gains on investment securities and dividends

	Year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Gains on investment securities and dividends:				
Net gains on investment securities	¥31,134	¥27,233	¥(3,901)	(13)
Dividends income, other	4,652	3,095	(1,557)	(33)
Total	¥35,786	¥30,328	¥(5,458)	(15)

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

Gains on investment securities and dividends decreased 15% to ¥30,328 million in fiscal 2017 compared to fiscal 2016 mainly due to a decrease in net gains on investment securities. Net gains on investment securities decreased 13% to ¥27,233 million in fiscal 2017 compared to fiscal 2016 mainly due to a decrease in gains on the sale of shares. Dividend income, other decreased 33% to ¥3,095 million in fiscal 2017 compared to fiscal 2016.

As of March 31, 2017, gross unrealized gains on available-for-sale securities, including those held in connection with our life insurance operations, were ¥51,905 million, compared to ¥81,231 million as of March 31, 2016. As of March 31, 2017, gross unrealized losses on available-for-sale securities, including those held in connection with our life insurance operations, were ¥6,244 million, compared to ¥16,654 million as of March 31, 2016.

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

Operating leases

	As of and for the year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Operating leases:				
Operating lease revenues	¥ 373,910	¥ 398,655	¥ 24,745	7
Costs of operating leases	245,069	243,537	(1,532)	(1)
New equipment acquisitions	463,770	401,913	(61,857)	(13)
Japan	195,170	207,759	12,589	6
Overseas	268,600	194,154	(74,446)	(28)
Investment in operating leases	1,349,199	1,313,164	(36,035)	(3)

Revenues from operating leases in fiscal 2017 increased 7% to ¥398,655 million compared to fiscal 2016 primarily due to an increase in gains on sales of real estate leasing, which are included in operating leases revenues, partially offset by a decrease in gains on sales in operating leases revenues in the auto-business. In fiscal 2016 and 2017, gains from the disposition of operating lease assets were ¥38,340 million and ¥69,265 million, respectively.

Costs of operating leases decreased 1% to ¥243,537 million in fiscal 2017 compared to fiscal 2016 primarily due to a decrease in costs from real estate leasing, despite an increase in depreciation expenses resulting from a year on year increase in the average balance of investment in the auto-business.

New equipment acquisitions related to operating leases decreased 13% to ¥401,913 million in fiscal 2017 compared to fiscal 2016 primarily due to a decrease in purchases of aircraft overseas.

Investment in operating leases as of March 31, 2017 decreased 3% to ¥1,313,164 million compared to as of March 31, 2016.

	As of March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in operating leases by category:				
Transportation equipment	¥ 755,425	¥ 788,676	¥ 33,251	4
Measuring and information-related equipment	90,208	86,682	(3,526)	(4)
Real estate	472,021	404,427	(67,594)	(14)
Other	7,935	10,158	2,223	28
Accrued rental receivables	23,610	23,221	(389)	(2)
Total	¥1,349,199	¥1,313,164	¥(36,035)	(3)

Investment in transportation equipment operating leases as of March 31, 2017 increased 4% to ¥788,676 million compared to as of March 31, 2016 primarily due to an increase in new equipment acquisitions in the auto-business. Investment in real estate operating leases as of March 31, 2017 decreased 14% to ¥404,427 million compared to as of March 31, 2016, primarily due to sales of real estate in Japan.

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

Life insurance

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

	Year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Life insurance premiums and related investment income and life insurance costs:				
Life insurance premiums	¥209,120	¥247,427	¥ 38,307	18
Life insurance-related investment income (loss)	(19,699)	48,513	68,212	—
Total	¥189,421	¥295,940	¥106,519	56
Life insurance costs	¥121,282	¥200,158	¥ 78,876	65

	Year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Breakdown of life insurance-related investment income (loss):				
Net income(loss) on investment securities	¥(22,003)	¥ 57,715	¥ 79,718	—
Gains (losses) recognized in income on derivative	1,633	(10,568)	(12,201)	—
Interest on loans, income on real estate under operating leases, and others	671	1,366	695	104
Total	¥(19,699)	¥ 48,513	¥ 68,212	—

Life insurance premiums and related investment income increased 56% to ¥295,940 million in fiscal 2017 compared to fiscal 2016.

Life insurance premiums increased 18% to ¥247,427 million in fiscal 2017 compared to fiscal 2016 due to an increase in the number of policies in force.

Life insurance-related investment income was gains of ¥48,513 million in fiscal 2017 compared to losses of ¥19,699 million in fiscal 2016 due to an increase in net income on investment securities. Net income on investment securities increased due to gains on sales of JGBs and a significant increase in investment income from variable annuity and variable life insurance contracts held by HLIKK, caused by the significant market improvement in fiscal 2017. On the other hand, net gains or losses from derivative contracts held to economically hedge the minimum guarantee risk relating to these variable annuity and variable life insurance contracts decreased. In addition, interest on loans, income on real estate under operating leases, and others increased.

Life insurance costs increased 65% to ¥200,158 million in fiscal 2017 compared to fiscal 2016 due to an increase in the number of policies in force and a provision of liability reserve in line with the aforementioned increase in investment income from variable annuity and variable life insurance contracts held by HLIKK.

	As of March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investments by life insurance operations:				
Trading securities	¥ 704,313	¥ 547,850	¥ (156,463)	(22)
Available-for-sale debt securities	711,303	567,741	(143,562)	(20)
Available-for-sale equity securities	18,873	13,341	(5,532)	(29)
Held-to-maturity securities	114,564	114,400	(164)	(0)
Other securities	6	438	432	—
Total investment in securities	1,549,059	1,243,770	(305,289)	(20)
Installment loans, real estate under operating leases and other investments	69,020	58,215	(10,805)	(16)
Total	¥ 1,618,079	¥ 1,301,985	¥ (316,094)	(20)

Investment in securities as of March 31, 2017 decreased 20% to ¥1,243,770 million compared to as of March 31, 2016 due to a decrease in trading securities as a result of surrender of variable annuity and variable life insurance contracts held by HLIKK, and available-for-sale debt securities decreased due to sales of JGBs.

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

Sales of goods and real estate, Inventories

	Year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Sales of goods and real estate, Inventories:				
Sales of goods and real estate	¥ 834,010	¥ 1,015,249	¥ 181,239	22
Costs of goods and real estate sold	748,259	928,794	180,535	24
Inventories	139,950	117,863	(22,087)	(16)

Sales of goods and real estate increased 22% to ¥1,015,249 million compared to fiscal 2016 due to an increase in gains on sales of goods.

Costs of goods and real estate sold increased 24% to ¥928,794 million compared to fiscal 2016 due to an increase in expenses in costs of goods. We recorded ¥168 million and ¥916 million of write-downs for fiscal 2016 and 2017, respectively. Costs of goods and real estate sold include the upfront costs associated with advertising and creating model rooms.

Inventories as of March 31, 2017 decreased 16% to ¥117,863 million compared to as of March 31, 2016.

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

Services, Property under Facility Operations

	As of and for the year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Services, Property under Facility Operations				
Services income	¥ 735,186	¥ 737,903	¥ 2,717	0
Services expense	445,387	451,277	5,890	1
New assets added	164,500	162,476	(2,024)	(1)
Japan	163,932	155,180	(8,752)	(5)
Overseas	568	7,296	6,728	—
Property under Facility Operations	327,016	398,936	71,920	22

Services income remained flat at ¥737,903 million in fiscal 2017 as compared to fiscal 2016 primarily solid contributions of the environment and energy business, in spite of sales of subsidiaries.

Services expense increased 1% to ¥451,277 million in fiscal 2017 as compared to fiscal 2016 mainly resulting from the recognition of expenses from the environment and energy business.

New assets added for other operating transactions include property under facility operations and real estate for sale, such as residential condominiums. New assets added for other operating transactions were down 1% to ¥162,476 million in fiscal 2017 as compared to fiscal 2016 despite purchases of electric power facilities and completion of property under facility operations.

Property under facility operations as of March 31, 2017 increased 22% to ¥398,936 million compared to as of March 31, 2016 due to purchases of electric power facilities and the newly acquired subsidiaries.

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

Expenses

Interest expense

Interest expense remained relatively flat in fiscal 2017 at ¥72,910 million as compared to ¥72,821 million in fiscal 2016. Our total outstanding short-term debt, long-term debt and deposits as of March 31, 2017 increased 1 % to ¥5,753,059 million compared to ¥5,685,014 million as of March 31, 2016.

The average interest rate on our short-term debt, long-term debt and deposits in domestic currency, calculated on the basis of average monthly balances, decreased to 0.5 % in fiscal 2017, from 0.6 % in fiscal 2016. The average interest rate on our short-term debt, long-term debt and deposits in foreign currency, calculated on the basis of average monthly balances, increased to 2.8% in fiscal 2017, from 2.7% in fiscal 2016. For more information regarding our interest rate risk, see "Item 3. Key Information—Risk Factors." For more information regarding our outstanding debt, see "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Short-term and long-term debt and deposits."

Other (income) and expense, net

Other (income) and expense, net included a net income of ¥3,729 million during fiscal 2016 and a net income of ¥4,396 million during fiscal 2017. Foreign currency transaction losses (gains) included in other (income) and expense, net included losses of ¥1,850 million in fiscal 2017 as compared to gains of ¥27 million in fiscal 2016. We recognized impairment losses on goodwill and other intangible assets included in other (income) and expense, net in the amount of ¥3,196 million in fiscal 2017 compared to ¥325 million of impairment losses on goodwill and other intangible assets during fiscal 2016. For further information on our goodwill and other intangible assets, see Note 13 of "Item 18. Financial Statements."

Selling, general and administrative expenses

	Year ended March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Selling, general and administrative expenses:				
Personnel expenses	¥246,909	¥236,818	¥(10,091)	(4)
Selling expenses	70,379	76,729	6,350	9
Administrative expenses	100,294	99,819	(475)	(0)
Depreciation of office facilities	5,110	5,380	270	5
Total	¥422,692	¥418,746	¥ (3,946)	(1)

Employee salaries and other personnel expenses accounted for 57% of selling, general and administrative expenses in fiscal 2017, and the remaining portion consists of other expenses, such as rent for office space, communication expenses and travel expenses. Selling, general and administrative expenses in fiscal 2017 decreased 1% year on year mainly due to the deconsolidation of Houlihan Lokey, despite an increase in the number of consolidated subsidiaries.

Write-downs of long-lived assets

As a result of impairment reviews we performed in fiscal 2017 for long-lived assets in Japan and overseas, such as golf courses, office buildings, commercial facilities other than office buildings, condominiums, and land undeveloped or under construction, write-downs of long-lived assets decreased 32% to ¥9,134 million in fiscal 2017 compared to fiscal 2016. These write-downs, which are reflected as write-downs of long-lived assets, consisted of impairment losses of ¥1,307 million on six office buildings, ¥3,398 million on eight commercial facilities other than office buildings, ¥386 million on two condominiums, ¥786 million on five parcels of lands undeveloped or under construction, and ¥3,257 million on other long-lived assets, because the assets were classified as held for sale or the carrying amount exceeded the estimated undiscounted future cash flows. In addition, write-downs of other long-lived assets in fiscal 2017 include write-downs of ¥1,156 million of two aircraft. For further information, see Note 26 of “Item 18. Financial Statements.”

Write-downs of securities

Write-downs of securities in fiscal 2017 were mainly for marketable equity securities. In fiscal 2017, write-downs of securities increased 46% to ¥6,608 million in fiscal 2017 compared to ¥4,515 million in fiscal 2016. For further information, see Note 9 of “Item 18. Financial Statements.”

Equity in net income of affiliates

Equity in net income of affiliates decreased in fiscal 2017 to ¥26,520 million compared to ¥45,694 million in fiscal 2016 primarily due to less contributions from investment in affiliates in the Americas as compared to fiscal 2016. For further information, see Note 12 of “Item 18. Financial Statements.”

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

Gains on sales of subsidiaries and affiliates and liquidation losses, net increased to ¥63,419 million in fiscal 2017 as compared to ¥57,867 million in fiscal 2016, due to the favorable profit from sales in the Americas in fiscal 2016 and 2017 and the favorable profit from sales in Japan in fiscal 2017. For further information, see Note 3 of “Item 18. Financial Statements.”

Bargain Purchase Gain

We recognized a bargain purchase gain of ¥5,802 million associated with one of the acquisitions in fiscal 2017 compared to no bargain purchase gain in fiscal 2016. For further information, see Note 3 of “Item 18. Financial Statements.”

Provision for income taxes

Provision for income taxes increased to ¥144,039 million in fiscal 2017 as compared to ¥120,312 million in fiscal 2016 primarily due to higher income before income taxes and discontinued operations. For discussion of income taxes, see Note 16 of “Item 18. Financial Statements.”

Discontinued operations

In fiscal 2017, there was no income or loss from discontinued operations. For further information, see Note 27 of “Item 18. Financial Statements.”

Net income attributable to the noncontrolling interests

Net income attributable to the noncontrolling interests was recorded as a result of the noncontrolling interests in earnings of certain of our subsidiaries. Net income attributable to the noncontrolling interests in fiscal 2017 was ¥7,255 million, compared to ¥10,002 million in fiscal 2016.

Net income attributable to the redeemable noncontrolling interests

Net income attributable to the redeemable noncontrolling interests was recorded as a result of the noncontrolling interests in the earnings of our subsidiaries that issued redeemable stock. Net income attributable to the redeemable noncontrolling interests in fiscal 2017 was ¥432 million, compared to ¥819 million in fiscal 2016. For further information, see Note 18 of "Item 18. Financial Statements."

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

Performance Summary

Financial Results

	Year ended March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except ratios, per Share data and percentages)			
Total revenues	¥2,174,283	¥2,369,202	¥194,919	9
Total expenses	1,917,454	2,081,461	164,007	9
Income before Income Taxes and Discontinued Operations	344,017	391,302	47,285	14
Net Income Attributable to ORIX Corporation Shareholders	234,948	260,169	25,221	11
Earnings per Share (Basic)	179.47	198.73	19.26	11
(Diluted)	179.21	198.52	19.31	11
ROE*1	11.5	11.7	0.2	—
ROA*2,3	2.29	2.32	0.03	—

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

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

*3 The amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 ("Simplifying the Presentation of Debt Issuance Costs"—ASC 835-30 ("Interest—Imputation of Interest")) on April 1, 2016.

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

Total expenses for fiscal 2016 increased 9% to ¥2,081,461 million compared to ¥1,917,454 million during fiscal 2015. Costs of goods and real estate sold increased in line with the aforementioned revenue increases. On the other hand, life insurance costs decreased due to a reversal of liability reserve in line with the aforementioned decrease in investment income from variable annuity and variable life insurance contracts held by HLIKK. In addition, write-downs of long-lived assets decreased compared to fiscal 2015 in which an impairment of large-scale properties under facility operation and leased real estate was recorded.

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

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

Balance Sheet data

	As of March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen except ratios, per share and percentages)			
Total Assets*[1]	¥11,439,874	¥10,992,918	¥(446,956)	(4)
(Segment assets)	9,170,249	8,972,449	(197,800)	(2)
Total Liabilities*[1]	9,054,902	8,512,632	(542,270)	(6)
(Long- and Short-term debt)*[1]	4,413,976	4,286,542	(127,434)	(3)
(Deposits)	1,287,380	1,398,472	111,092	9
ORIX Corporation Shareholders' Equity	2,152,198	2,310,431	158,233	7
ORIX Corporation Shareholders' Equity per share	1,644.60	1,764.34	119.74	7
ORIX Corporation Shareholders' Equity ratio*[1]	18.8%	21.0%	2.2%	—
D/E ratio (Debt-to-equity ratio) (Long- and Short-term debt (excluding deposits) / ORIX Corporation Shareholders' Equity)*[1]	2.1x	1.9x	(0.2)x	—

*[1] The amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 ("Simplifying the Presentation of Debt Issuance Costs"-ASC 835-30 ("Interest-Imputation of Interest")) on April 1, 2016.

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

Total assets decreased 4% to ¥10,992,918 million compared to ¥11,439,874 million as of March 31, 2015. Installment loans increased due primarily to an increase in the banking business in Japan and an increase in corporate lending in the Americas and installment loans resulted from the acquisition of an auto loan company in Asia. In addition, investment in operating leases increased due primarily to purchases of aircraft in the Overseas Business segment. Meanwhile, investment in securities decreased due primarily to surrender of variable annuity and variable life insurance contracts held by HLIKK and a decrease in investment income from these contracts. Segment assets decreased 2% to ¥8,972,449 million compared to the balance as of March 31, 2015.

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

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

Details of Operating Results

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

Segment Information

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

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

For a description of the business activities of our segments, see "Item 4. Information on the Company—Business Segments." See Note 34 of "Item 18. Financial Statements" for additional segment information, a discussion of how we prepare our segment information and the reconciliation of segment totals to consolidated financial statement amounts.

	Year ended March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Corporate Financial Services	¥ 85,502	¥ 107,150	¥ 21,648	25
Maintenance Leasing	263,499	271,662	8,163	3
Real Estate	182,321	191,540	9,219	5
Investment and Operation	666,120	1,028,355	362,235	54
Retail	425,977	254,289	(171,688)	(40)
Overseas Business	561,893	526,008	(35,885)	(6)
Segment Total	2,185,312	2,379,004	193,692	9
Difference between Segment Total and Consolidated Amounts	(11,029)	(9,802)	1,227	—
Consolidated Amounts	¥2,174,283	¥2,369,202	¥ 194,919	9

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

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

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

	As of March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Assets:				
Corporate Financial Services	¥ 1,132,468	¥ 1,049,867	¥ (82,601)	(7)
Maintenance Leasing	662,851	731,329	68,478	10
Real Estate	835,386	739,592	(95,794)	(11)
Investment and Operation	660,014	704,156	44,142	7
Retail	3,700,635	3,462,772	(237,863)	(6)
Overseas Business	2,178,895	2,284,733	105,838	5
Segment Total	9,170,249	8,972,449	(197,800)	(2)
Difference between Segment Total and Consolidated Amounts	2,269,625	2,020,469	(249,156)	(11)
Consolidated Amounts	¥11,439,874	¥10,992,918	¥ (446,956)	(4)

Corporate Financial Services Segment

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

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

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

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

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

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

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

Maintenance Leasing Segment

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

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

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

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

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

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

	As of March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥184,907	¥245,257	¥60,350	33
Investment in operating leases	473,035	481,031	7,996	2
Investment in securities	1,130	1,214	84	7
Property under facility operations	576	718	142	25
Inventories	463	374	(89)	(19)
Advances for investment in operating leases	241	314	73	30
Investment in affiliates	2,074	1,996	(78)	(4)
Goodwill and other intangible assets acquired in business combinations	425	425	—	—
Total Segment Assets	¥662,851	¥731,329	¥68,478	10

Real Estate Segment

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

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

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

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

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

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

	Year ended March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 4,057	¥ 6,720	¥ 2,663	66
Operating leases	63,765	60,253	(3,512)	(6)
Services income	104,115	110,630	6,515	6
Sales of goods and real estate, and other	10,384	13,937	3,553	34
Total Segment Revenues	182,321	191,540	9,219	5
Interest expense	6,968	4,676	(2,292)	(33)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	29,714	8,338	(21,376)	(72)
Other	151,385	141,609	(9,776)	(6)
Total Segment Expenses	188,067	154,623	(33,444)	(18)
Segment Operating Income	(5,746)	36,917	42,663	—
Equity in Net income (Loss) of Affiliates, and others	9,230	5,985	(3,245)	(35)
Segment Profits	¥ 3,484	¥ 42,902	¥ 39,418	—

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

Investment and Operation Segment

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

In Japan, while the government is reassessing its renewable energy purchase program, the significance of renewable energy in the mid- to long-term is on the rise with investment targets expanding beyond solar power generation projects to include wind and geothermal power generation projects. In the capital market, since January 2016, size of M&A transactions appear to have decreased despite an increase in the total number of M&A transactions closed during fiscal 2016 compared to fiscal 2015 in which several large cross-border M&A transactions took place.

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

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

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

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

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

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

Retail Segment

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

Although the life insurance business in Japan is affected by macroeconomic factors such as population decline, we are seeing an increasing number of companies launching new insurance products in response to the rising demand for medical insurance. On the other hand, with the introduction of negative interest rate policy, we are also seeing certain discontinued products and increased insurance premium for new contract. In the consumer finance sector, banks and other lenders are expanding their assets to further secure new revenue streams, and competition in the lending business continues to intensify on the back of the current low interest rate environment.

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

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

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

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

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

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

Overseas Business Segment

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

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

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

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

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

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

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

	As of March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 386,567	¥ 351,010	¥ (35,557)	(9)
Installment loans	344,108	407,870	63,762	19
Investment in operating leases	278,665	375,401	96,736	35
Investment in securities	404,322	383,227	(21,095)	(5)
Property under facility operations	26,867	23,762	(3,105)	(12)
Inventories	35,925	37,782	1,857	5
Advances for investment in operating leases	4,434	5,302	868	20
Investment in affiliates	209,027	305,674	96,647	46
Advances for property under facility operations	—	39	39	—
Goodwill and other intangible assets acquired in business combinations	488,980	394,666	(94,314)	(19)
Total Segment Assets	¥2,178,895	¥2,284,733	¥105,838	5

Revenues, New Business Volumes and Investments

Finance revenues

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

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

Direct financing leases

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

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

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

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

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

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

Installment loans

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

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

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

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

	As of March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
Consumer borrowers in Japan				
Housing loans	¥1,048,216	¥1,122,088	¥ 73,872	7
Card loans	243,225	260,533	17,308	7
Other	22,866	23,466	600	3
Subtotal	1,314,307	1,406,087	91,780	7
Corporate borrowers in Japan				
Real estate companies	227,568	230,001	2,433	1
Non-recourse loans	41,535	19,951	(21,584)	(52)
Commercial, industrial and other companies	401,718	365,371	(36,347)	(9)
Subtotal	670,821	615,323	(55,498)	(8)
Overseas				
Non-recourse loans	83,233	61,260	(21,973)	(26)
Commercial, industrial companies and other	367,401	479,039	111,638	30
Subtotal	450,634	540,299	89,665	20
Purchased loans*	42,292	30,524	(11,768)	(28)
Total	¥2,478,054	¥2,592,233	¥114,179	5

* Purchased loans represent loans with evidence of deterioration of credit quality since origination and for which it is probable at acquisition that collection of all contractually required payments from the debtors is unlikely.

As of March 31, 2016, ¥15,917 million, or 1%, of our portfolio of installment loans to consumer and corporate borrowers in Japan related to our life insurance operations. We reflect income from these loans as life insurance premiums and related investment income in our consolidated statements of income.

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

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

Asset quality

Direct financing leases

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

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

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

We believe that the ratio of allowance for doubtful receivables as a percentage of the balance of investment in direct financing leases provides a reasonable indication that our allowance for doubtful receivables was appropriate as of March 31, 2016 for the following reasons:

- lease receivables are generally diversified and the amount of realized loss on any particular contract is likely to be relatively small; and
- all lease contracts are secured by collateral consisting of the underlying leased equipment, and we can expect to recover at least a portion of the outstanding lease receivables by selling the collateral.

Loans not individually evaluated for impairment

	As of March 31, 2015	As of March 31, 2016
	(Millions of yen, except percentage data)	
90+ days past-due loans and allowance for installment loans:		
90+ days past-due loans not individually evaluated for impairment	¥ 6,635	¥ 8,178
90+ days past-due loans not individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.28%	0.32%
Provision as a percentage of average balance of installment loans not individually evaluated for impairment*	0.36%	0.42%
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment	¥22,743	¥24,158
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.96%	0.96%
The ratio of charge-offs as a percentage of the average balance of loans not individually evaluated for impairment	0.29%	0.37%

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

The balance of 90+ days past-due loans not individually evaluated for impairment that are not individually significant and accordingly are evaluated for impairment as a homogeneous group increased ¥1,543 million to ¥8,178 million as of March 31, 2016 compared to March 31, 2015.

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

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

Loans individually evaluated for impairment

	As of March 31,	
	2015	2016
	(Millions of yen)	
Loans individually evaluated for impairment:		
Impaired loans	¥101,034	¥73,593
Impaired loans requiring an allowance	82,630	58,992
Allowance for loans individually evaluated for impairment*	34,379	22,533

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

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

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

	As of March 31,	
	2015	2016
	(Millions of yen)	
Impaired loans:		
Consumer borrowers in Japan		
Housing loans	¥ 5,354	¥ 4,511
Card loans	3,741	4,123
Other	2,895	4,916
Subtotal	11,990	13,550
Corporate borrowers in Japan		
Real estate companies	15,951	8,612
Non-recourse loans	5,285	5,068
Commercial, industrial and other companies	23,475	17,477
Subtotal	44,711	31,157
Overseas		
Non-recourse loans	16,747	5,989
Commercial, industrial companies and other	12,370	11,884
Subtotal	29,117	17,873
Purchased loans	15,216	11,013
Total	¥101,034	¥73,593

Provision for doubtful receivables and probable loan losses

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

	As of March 31,		Change	
	2015	2016	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Provision for doubtful receivables on direct financing leases and probable loan losses:				
Beginning balance	¥ 84,796	¥ 72,326	¥(12,470)	(15)
Direct financing leases	15,384	15,204	(180)	(1)
Loans not individually evaluated for impairment	20,257	22,743	2,486	12
Loans individually evaluated for impairment	49,155	34,379	(14,776)	(30)
Provision (reversal)	11,631	11,717	86	1
Direct financing leases	3,145	2,787	(358)	(11)
Loans not individually evaluated for impairment	8,228	10,299	2,071	25
Loans individually evaluated for impairment	258	(1,369)	(1,627)	—
Charge-offs (net)	(25,793)	(17,504)	8,289	(32)
Direct financing leases	(3,774)	(4,062)	(288)	8
Loans not individually evaluated for impairment	(6,673)	(8,915)	(2,242)	34
Loans individually evaluated for impairment	(15,346)	(4,527)	10,819	(71)
Other*	1,692	(6,468)	(8,160)	—
Direct financing leases	449	(549)	(998)	(222)
Loans not individually evaluated for impairment	931	31	(900)	(97)
Loans individually evaluated for impairment	312	(5,950)	(6,262)	—
Ending balance	72,326	60,071	(12,255)	(17)
Direct financing leases	15,204	13,380	(1,824)	(12)
Loans not individually evaluated for impairment	22,743	24,158	1,415	6
Loans individually evaluated for impairment	34,379	22,533	(11,846)	(34)

* Other mainly includes foreign currency translation adjustments and others.

Investment in Securities

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

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

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

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

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

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

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

Gains on investment securities and dividends

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

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

Gains on investment securities and dividends decreased 37% to ¥35,786 million in fiscal 2016 compared to fiscal 2015 mainly due to a decrease in net gains on investment securities. Net gains on investment securities decreased 38% to ¥31,134 million in fiscal 2016 compared to fiscal 2015 primarily due to the gain on the sale of shares in Monex Group Inc., recorded in fiscal 2015. Dividend income, other decreased 19% to ¥4,652 million in fiscal 2016 compared to fiscal 2015.

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

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

Operating leases

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

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

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

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

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

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

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

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

Life insurance

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

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

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

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

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

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

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

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

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

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

Sales of goods and real estate, Inventories

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

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

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

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

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

Services, Property under Facility Operations

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

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

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

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

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

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

Expenses

Interest expense

Interest expense remained relatively flat in fiscal 2016 at ¥72,821 million as compared to ¥72,647 million in fiscal 2015. Our total outstanding short-term debt, long-term debt and deposits as of March 31, 2016 at ¥5,685,014 million remained relatively flat compared to ¥5,701,356 million as of March 31, 2015.

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

Other (income) and expense, net

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

Selling, general and administrative expenses

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

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

Write-downs of long-lived assets

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

Write-downs of securities

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

Equity in net income of affiliates

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

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

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

Bargain Purchase Gain

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

Provision for income taxes

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

Discontinued operations

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

Net income attributable to the noncontrolling interests

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

Net income attributable to the redeemable noncontrolling interests

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

LIQUIDITY AND CAPITAL RESOURCES

Funding Activities

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

In our funding activities during fiscal 2017, we have tried to reinforce our funding structure by diversifying our funding resources, promoting longer maturities, staggering redemption dates and maintaining sufficient liquidity. We also undertook various international funding activities, such as bond offerings outside Japan. We also have enhanced our use of longer maturities, employed staggered interest and principal repayment dates and endeavored to reduce risk in refinancing by leveling out annual redemption amounts both in borrowing from financial institutions and bonds. As of March 31, 2017, the total balance of cash and cash equivalents and unused committed credit facilities was ¥1,433,838 million. We maintain adequate levels of liquidity and monitor liquidity risk to minimize the effect a sudden market deterioration may have on us and to enable us to sustain our operations.

Our ratio of long-term debt to total debt (excluding deposits) reached 92% as of March 31, 2016 and 93% as of March 31, 2017.

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

Group Liquidity Management

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

ORIX Bank and ORIX Life Insurance are our main regulated subsidiaries in terms of liquidity controls, although several other subsidiaries also operate under such regulations. ORIX Bank and ORIX Life Insurance are regulated by Japanese financial authorities. Under relevant regulations, each of them employs prescribed measures to monitor liquidity risk at the entity level and maintains internal policies to manage its portfolios and capital resources on a standalone basis. Each of these subsidiaries met the relevant regulatory threshold relating to measures for monitoring its liquidity risk as of March 31, 2017.

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

Ratings

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

Sources of Liquidity

Borrowings from Financial Institutions

ORIX Group borrows from a variety of sources, including major banks, regional banks, foreign banks, life insurance companies, casualty insurance companies and financial institutions associated with agricultural cooperatives. As of March 31, 2017, the number of our lenders exceeded 200. We have promoted regular face-to-face communications and established positive working relationships with financial institutions in Japan and overseas. The majority of our loan balances consists of borrowings from Japanese financial institutions. We procured financing through a subordinated syndicated loan (hybrid loan) which has similar characteristics to capital as of March 31, 2017. As of March 31, 2016 and 2017, short-term debt from Japanese and foreign financial institutions was ¥247,263 million and ¥233,371 million, respectively, while long-term debt from financial institutions was ¥2,723,320 million and ¥2,724,856 million, respectively.

Committed Credit Facilities

We regularly enter into committed credit facilities agreements, including syndicated agreements, with financial institutions to secure liquidity. The maturity dates of these committed credit facilities are staggered to prevent an overlap of contract renewal periods. The total amount of our committed credit facilities as of March 31, 2016 and 2017 was ¥464,677 million and ¥463,643 million, respectively. Of these figures, the unused amount as of March 31, 2016 and 2017 was ¥389,903 million and ¥393,968 million, respectively. A part of the facilities are arranged to be drawn down in foreign currencies by ORIX and certain of our subsidiaries.

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

Debt from the Capital Markets

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

Bonds and MTNs

We regularly issue straight bonds and MTNs domestically and internationally to diversify our funding sources and maintain longer liability maturities. In fiscal 2017, we issued ¥40,000 million bonds in Japan. We also issued amounts equal to ¥163,780 million of bonds and MTNs outside Japan.

The total balance of straight bonds and MTNs issued as of March 31, 2016 and 2017 was ¥938,066 million and ¥885,058 million, respectively, of which straight bonds and MTNs amounting to ¥40,597 million and ¥55,845 million, respectively, were issued by foreign subsidiaries.

As of March 31, 2016 and 2017, the balance of straight bonds issued by ORIX for domestic institutional investors was ¥254,323 million and ¥254,440 million, respectively, while the balance of straight bonds issued by ORIX for individual investors was ¥529,658 million and ¥379,166 million, respectively. The balance of straight bonds and MTNs issued outside Japan was ¥109,400 million and ¥193,744 million as of March 31, 2016 and 2017, respectively.

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

CP

We offer CP as a direct financing source, and have successfully obtained a diverse range of investors such as investment trusts, life insurance companies, casualty insurance companies and other financial institutions, as well as private corporations. We consider our liquidity levels and stagger the dates of issuance and the maturity over time so as to avoid significant overlap. The balance of outstanding CP as of March 31, 2016 and 2017 was ¥102,361 million and ¥50,096 million, respectively.

Securitization

We securitize leases and loan receivables and other assets in Japan and securitize loan receivables outside Japan. We recognize liabilities consolidated with such investments as our liabilities when required under applicable accounting standards. The total amount of payables under securitized lease and loan receivables and other assets as of March 31, 2016 and 2017 was ¥275,532 million and ¥245,070 million, respectively.

Deposits

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

The majority of deposits are attributable to ORIX Bank, which attracts both corporate and retail deposits, and which has seen sustained growth in deposits outstanding. Deposit balances of ORIX Bank as of March 31, 2016 and 2017 were ¥1,396,547 million and ¥1,611,759 million, respectively.

Short-term and long-term debt and deposits

Short-term Debt

	As of March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Short-term debt:				
Borrowings from financial institutions	¥247,263	¥233,371	¥(13,892)	(6)
Commercial paper	102,361	50,096	(52,265)	(51)
Total short-term debt	¥349,624	¥283,467	¥(66,157)	(19)

Note: There is no liabilities of consolidated VIEs as of March 31, 2016 and 2017, for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries.

Short-term debt as of March 31, 2017 was ¥283,467 million, representing 7% of total debt (excluding deposits) as of March 31, 2017, while the ratio was 8% of total debt excluding deposits as of March 31, 2016. As of March 31, 2017, 82% of short-term debt was borrowings from financial institutions.

Long-term debt

	As of March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Long-term debt:				
Borrowings from financial institutions	¥2,723,320	¥2,724,856	¥ 1,536	0
Bonds	875,575	688,488	(187,087)	(21)
Medium-term notes	62,491	196,570	134,079	215
Payable under securitized lease, loan receivables and investment in securities	275,532	245,070	(30,462)	(11)
Total long-term debt	¥3,936,918	¥3,854,984	¥ (81,934)	(2)

Note 1: The total amount of includes the following liabilities of consolidated VIEs as of March 31, 2016 and 2017 was ¥479,152 million and ¥438,473 million respectively, for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries.

2: Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 ("Simplifying the Presentation of Debt Issuance Costs"—ASC 835-30 ("Interest—Imputation of Interest")) on April 1, 2016.

	As of March 31,	
	2016	2017
	(Millions of yen)	
Long-term debt:		
Borrowings from financial institutions	¥201,098	¥191,403
Bonds	2,000	2,000
Payable under securitized lease, loan receivables and investment in securities	275,532	245,070

Note: Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 ("Simplifying the Presentation of Debt Issuance Costs"—ASC 835-30 ("Interest—Imputation of Interest")) on April 1, 2016.

Long-term debt as of March 31, 2017 was ¥3,854,984 million, representing 93% of total debt (excluding deposits) as of March 31, 2017, while the ratio was 92% of total debt excluding deposits as of March 31, 2016. Borrowings from financial institutions comprised 71% of the long-term debt as of March 31, 2017.

Approximately 47% of interest paid on long-term debt in fiscal 2017 was fixed rate interest, with the remainder being floating rate interest based mainly on TIBOR or LIBOR.

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

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

Deposits

	As of March 31,		Change	
	2016	2017	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Deposits	¥1,398,472	¥1,614,608	¥216,136	15

Note: VIEs did not have any deposits as of March 31, 2016 and 2017.

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

CASH FLOWS

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

- payment and repayment of interest on and principal of short-term and long-term debt; and
- purchases of lease equipment, making of installment loans to customers, purchases of investment in securities and cash outlays for real estate development projects.

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

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

Year Ended March 31, 2017 Compared to Year Ended March 31, 2016

Cash and cash equivalents increased by ¥309,450 million to ¥1,039,870 million compared to March 31, 2016.

Cash flows provided by operating activities were ¥583,955 million during fiscal 2017, up from ¥510,562 million during fiscal 2016, primarily resulting from a change from an increase to a decrease in trade notes, accounts and other receivable and a decrease in a decrease in trade notes, accounts and other payable.

Cash flows used in investing activities were ¥237,608 million during fiscal 2017, down from ¥552,529 million during fiscal 2016, primarily resulting from a decrease in purchases of available-for-sale securities.

Cash flows used in financing activities were ¥33,459 million during fiscal 2017, down from ¥48,001 million during fiscal 2016, primarily resulting from an increase in deposits due to customers.

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

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

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

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

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

COMMITMENTS FOR CAPITAL EXPENDITURES

As of March 31, 2017, we had commitments for the purchase of equipment to be leased in the amount of ¥706 million. For information on commitments, guarantees and contingent liabilities, see Note 33 of "Item 18. Financial Statements."

OFF-BALANCE SHEET ARRANGEMENTS

USE OF SPECIAL PURPOSE ENTITIES

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

In the securitization process, the assets for securitization are sold to SPEs, which issue asset-backed securities to investors.

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

Investment Products

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

Other Financial Transactions

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

See Note 11 of "Item 18. Financial Statements" for further information concerning our SPEs.

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, 2017.

	Amount of commitment expiration per period				
	Total	Within 1 year	1-3 years	3-5 years	After 5 years
			(Millions of yen)		
Commitments:					
Guarantees	¥ 600,607	¥ 96,553	¥ 160,980	¥ 186,163	¥ 156,911
Committed credit lines and other	¥ 421,987	¥ 32,828	¥ 72,828	¥ 25,533	¥ 290,798
Total commercial commitments	¥1,022,594	¥ 129,381	¥ 233,808	¥ 211,696	¥ 447,709

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

In return for this delegated authority, the subsidiary guarantees the performance of certain housing loans transferred to Fannie Mae and has the payment or performance risks of the guarantees to absorb some of the losses when losses arise from the transferred loans. The amount attributable to the guarantee included in the table above is ¥167,799 million as of March 31, 2017.

The subsidiary makes certain representations and warranties in connection with the sale of loans through Fannie Mae, including among others, that: the mortgage meets Fannie Mae requirements; there is a valid lien on the property; the relevant transaction documents are valid and enforceable; and title insurance is maintained on the property. If it is determined that a representation and warranty has been breached, the subsidiary may be required to repurchase the related loans or indemnify Fannie Mae for any related losses incurred. The subsidiary had no such repurchase claims during fiscal 2017.

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

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The table below sets forth the maturities of contractual cash obligations as of March 31, 2017.

	Payments due by period				
	Total	Within 1 year	1-3 years	3-5 years	After 5 years
			(Millions of yen)		
Contractual cash obligations:					
Deposits	¥1,614,608	¥1,216,008	¥ 286,213	¥ 111,887	500
Long-term debt	3,854,984	825,026	1,104,180	906,112	1,019,666
Operating leases	64,518	6,713	11,877	8,777	37,151
Unconditional purchase obligations of lease equipment	706	290	389	27	—
Unconditional noncancelable contracts for computer systems	14,397	5,255	7,302	1,507	333
Interest rate swaps:					
Notional amount (floating to fixed)	248,455	12,126	96,811	12,054	127,464
Notional amount (fixed to floating)	3,000	3,000	—	—	—
Total contractual cash obligations	¥5,800,668	¥2,068,418	¥1,506,772	¥1,040,364	¥1,185,114

Items excluded from the above table include short-term debt of ¥283,467 million, trade notes, accounts and other payable of ¥251,800 million and policy liabilities and policy account balances of ¥1,564,758 million as of March 31, 2017. For information on pension plans and derivatives, see Notes 17 and 29 of "Item 18. Financial Statements." We expect to fund commitments and contractual obligations from one, some or all of our diversified funding sources depending on the amount to be funded, the time to maturity and other characteristics of the commitments and contractual obligations.

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

RECENT DEVELOPMENTS

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

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

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

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

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

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

These Updates are effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2017. Early adoption is permitted only for the fiscal year beginning after December 15, 2016, and interim periods within the fiscal year. An entity should apply the amendments in these Updates using either a retrospective method or a cumulative-effect method. The entity may elect some optional practical expedients when applying these Updates. The entity using the cumulative-effect method would recognize the cumulative effect of initially applying these Updates as an adjustment to the opening balance of retained earnings or net assets at the date of initial application. Currently, the Company and its subsidiaries plan to adopt these Updates on April 1, 2018, using the cumulative-effect method. And these Updates require a number of new disclosures to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The scope of these Updates excludes lease contracts, financial instruments and other contractual rights and obligations within the scope of other ASC Topics including loans, investments in securities and derivatives and also excludes contracts within the scope of ASC Topic 944

("Financial Services—Insurance"). Therefore, the Company and its subsidiaries' such revenues will not be affected by these Updates. However, the Company and its subsidiaries have been in process of evaluating the impact of these Updates on our consolidated financial statements around other revenue streams. Based on the Company and its subsidiaries' initial assessment and best estimates to date, the impact of the application of these Updates will likely result in a change in the timing of revenue recognition and accounting policy for performance fees received from customers regarding asset management business. Currently, certain subsidiaries recognize such fees when earned based on the performance of the asset under management, while other subsidiaries recognize the fees on accrual basis over the period in which services are performed. New guidance requires recognizing such fees as revenue to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Other than the impact that have been currently identified, the Company and its subsidiaries continue to evaluate the effect that the adoption of these Updates will have on the Company and its subsidiaries' results of operations or financial position, as well as changes in disclosures required by these Updates.

In July 2015, Accounting Standards Update 2015-11 ("Simplifying the Measurement of Inventory"—ASC 330 ("Inventory")) was issued. This Update applies to all inventory except for which is measured using last-in, first-out (LIFO) or the retail inventory method, and requires an entity to measure inventory at the lower of cost and net realizable value. Additionally, this Update defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2016. The amendments in this Update should be applied on a prospective basis. Early adoption is permitted. The adoption of this Update is not expected to have a material effect on the Company and its subsidiaries' results of operations or financial position.

In January 2016, Accounting Standards Update 2016-01 ("Recognition and Measurement of Financial Assets and Financial Liabilities"—ASC 825-10 ("Financial Instruments—Overall")) was issued. This Update revises accounting related to the classification and measurement of equity investments. This Update also revises the presentation of certain fair value changes for financial liabilities measured at fair value. Additionally, this Update amends certain disclosure requirements associated with the fair value of financial instruments. This Update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early application to financial statements of fiscal years or interim periods that have not yet been issued is permitted as of the beginning of the fiscal year of adoption. The amendments in this Update should be applied by means of cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. And the amendments relate to equity investments without readily determinable fair value are to be applied prospectively. The Company and its subsidiaries will adopt this Update on April 1, 2018. The Company and its subsidiaries continue to evaluate the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position, as well as changes in disclosures required by this Update.

In February 2016, Accounting Standards Update 2016-02 (ASC 842 ("Leases")) was issued. This Update requires a lessee to recognize most leases on the balance sheet. Lessor accounting remains substantially similar to current U.S. GAAP but with some important changes. This Update is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early application is permitted. The amendments in this Update should be applied at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. The Company and its subsidiaries will adopt this Update on April 1, 2019. The Company and its subsidiaries continue to evaluate the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position, as well as changes in disclosures required by this Update.

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

In June 2016, Accounting Standards Update 2016-13 ("Measurement of Credit Losses on Financial Instruments"—ASC 326 ("Financial Instruments—Credit Losses")) was issued. This Update significantly changes how companies measure and recognize credit impairment for many financial assets. The new current expected credit loss model requires companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets that are within the scope of this Update. This Update also makes targeted amendments to the current impairment model for available-for-sale debt securities. This Update is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The amendments in this Update should be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. Early application is permitted for fiscal year beginning after December 15, 2018, including interim periods within the fiscal year. The Company and its subsidiaries continue to evaluate the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position, as well as changes in disclosures required by this Update.

In August 2016, Accounting Standards Update 2016-15 ("Classification of Certain Cash Receipts and Cash Payments"—ASC 230 ("Statement of Cash Flows") was issued. This Update amends ASC 230 to add or clarify guidance on the classification of certain cash receipts and cash payments in the statement of cash flows. This Update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. This Update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' statement of cash flows.

In October 2016, Accounting Standards Update 2016-16 ("Intra-Entity Transfers of Assets Other Than Inventory"—ASC 740 ("Income Taxes") was issued. This Update eliminates the exception to defer the income tax consequences of intra-entity transfers of assets other than inventory until the assets are ultimately sold to an outside party and requires the recognition of the current and deferred tax consequences when those transfers occur. This Update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. This Update should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position.

In October 2016, Accounting Standards Update 2016-17 ("Interests Held through Related Parties That Are under Common Control"—ASC 810 ("Consolidation") was issued. This Update amends the consolidation guidance on how a reporting entity that is the single decision maker of a VIE should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. This Update is effective for fiscal years beginning after

December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company and its subsidiaries have already adopted the amendments in Accounting Standards Update 2015-02 and accordingly would be required to apply the amendments in this Update retrospectively to all relevant prior periods beginning with the fiscal year in which the amendments in that Update 2015-02 initially were applied. The adoption of this Update is not expected to have a material effect on the Company and its subsidiaries' results of operations or financial position.

In November 2016, Accounting Standards Update 2016-18 ("Restricted Cash"—ASC230 ("Statement of Cash Flows")) was issued. This Update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This Update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' statement of cash flows.

In January 2017, Accounting Standards Update 2017-04 ("Simplifying the Test for Goodwill Impairment"—ASC350 ("Intangible—Goodwill and Other")) was issued. This Update eliminates Step 2 from the current goodwill impairment test. Instead, goodwill impairments would be measured by the amount by which the carrying amount exceeds the reporting unit's fair value. This Update also eliminates the requirement for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it is more likely than not that the goodwill is impaired, to perform Step 2 of the goodwill impairment test. This Update is effective for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Generally, the effect of adopting this Update on the Company and its subsidiaries' results of operation or financial position will depend on the outcomes of future goodwill impairment tests.

RISK MANAGEMENT

Group-Wide Risk Management System

Risk Management System

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

Risk Control

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

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

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

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

Main Risk Management

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

Credit Risk Management

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

To analyze credit risk, we evaluate the adequacy of collateral and guarantees, the securitization of receivables and the diversification of debtors and their business types. We conduct a comprehensive customer credit evaluation based on the customer's financial position, cash flow, underlying security interests, profitability and other factors of individual credit transactions. Moreover, an analysis of our portfolio and measures to establish appropriate credit limits allow us to control exposure to markets with potentially high risks.

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

Business Risk Management

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

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

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

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

We endeavor to reduce the risk related to fluctuation in market prices for real estate by strengthening our cash flow through careful management of our rental income, vacancy rates and expenses related to capital expenditures.

Market Risk Management

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

We endeavor to comprehensively verify and understand market risks and have established and maintain Group-wide ALM rules to address such risks.

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

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

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

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

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

Liquidity Risk Management (Risk Management Relating to Funding)

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

To reduce liquidity risk, we diversify fund procurement methods and sources and constantly monitor liquidity on hand. To manage liquidity on hand, we project future cash flows and analyze liquidity risk using hypothetical stress scenarios. We take necessary measures so that our businesses may withstand adverse market changes.

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

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

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

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

Compliance Risk Management

We define *compliance risk* as the risk of financial loss, regulatory sanction or damage to our reputation resulting from a failure by ORIX Group to comply with applicable laws and regulations regarding ORIX Group's business activities and ORIX Group's corporate philosophy, internal policies, social norms rules and procedures which may also encompass legal risk when applicable laws and regulations are violated.

It is the policy of ORIX Group to promote a culture of compliance, emphasizing high standards of ethical behavior at all levels of the organization, and to comply fully with applicable laws and regulations as well as corporate policies through robust and comprehensive compliance programs developed and maintained across all business units, corporate departments and support areas of the organization.

In order to lower the levels of risks that we deem significant at the Group level, the compliance department requires each department of the ORIX Group to formulate an annual compliance plan, detects compliance risks within ORIX Group thereby eliminating, reducing or taking preventive measures against such risks. By implementing programs that sustain a culture of compliance, the compliance department seeks to mitigate compliance risk and prevent the occurrence of serious incidents, and thereby realize to the sound business and management of the ORIX Group.

In addition, ORIX Group strives to raise awareness for compliance matters among its executives and employees by establishing and disseminating various regulations in accordance with ORIX Group's Principles of Conduct, which sets forth the ORIX Group's principles of compliance.

Legal Risk Management

We define *legal risk* as legal restrictions on business activities and legal liability as well as disadvantages that may araise due to laws and regulations applicable to ORIX Group's business and corporate management, the establishment and amendment of such laws and regulations and regulatory oversight.

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

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

The Group corporate administration department manages intellectual property rights and takes necessary measures if and immediately when an actual or potential infringement of ORIX Group's intellectual property rights is discovered.

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

Information Asset Risk Management

We define *information asset risk* as the risk of loss caused by loss, damage or leakage of information or failure of our information systems.

ORIX Group has established policies regarding the use of information systems and information management systems for the proper handling of information assets and information about officers and employees.

The IT planning department and ORIX Computer Systems Corporation endeavor to reduce the risk of system failure within the ORIX Group, including from cyber-attack and damage to information security, through the maintenance and management of internal systems.

We have also established internal regulations concerning our information security management system, basic policy, management standards, education and audits.

Operational Risk Management

We define *operational risk* as the risk of loss resulting from damages, losses, adverse effects or damage to our reputation caused by inadequate or failed internal processes for business execution or prevention of human error or by a failure in operations due to external events such as natural disasters. We also include risk that we fail in our fiduciary responsibility by not properly exercising discretionary rights for those customers and clients for whom we are acting as a fiduciary, which may lead to reputational and other damage.

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

The internal audit department conducts monitoring activities based on an annual internal audit plan that also focuses on material operational risks. The department endeavors to prevent the occurrence of events that could negatively affect Group management and seeks to strengthen the risk management function through monitoring activities.

Individual Business Risk Management

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

Corporate Financial Services Segment

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

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

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

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

Maintenance Leasing Segment

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

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

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

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

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

Real Estate Segment

Business risk is the main risk of the Real Estate segment, which includes real estate development, rental, management, asset management and operation of real estate investment trust and real estate investment advisory business.

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

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

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

Investment and Operation Segment

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

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

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

We emphasize credit risk when increasing the corporate value of a company since cash flow is a key-factor during such period. We also monitor market risk as the time for collection nears, measuring corporate value by referencing the corporate value of similar business types. The frequency of monitoring may increase based on changes in the business environment, and we simultaneously verify the adequacy of investment scenarios and take any necessary action. Furthermore, for investments that have a significant impact on the profitability of the ORIX Group, we work to strengthen management through measures such as the secondment of management personnel.

We conduct our concession business together with business partners in public facilities such as airports. The main risks of such business are business and operational risks. The long-term nature of this business adds uncertainty and, therefore, we conduct stress tests on the effect of disaster recovery and business withdrawal costs on operating revenue and cash flow based on demand forecasts and regularly monitor business planning and operations.

In the loan servicing business, we seek to reduce credit and operational risk by conducting periodic internal auditing and monitoring and by implementing business operations based on work procedures in accordance with the applicable supervision and guidance from regulatory authorities. In addition, OAMLS has appointed a lawyer as a director, has streamlined its organization to place legal and compliance-related affairs under the legal and compliance department. This approach allows OAMLS to employ expert advice and other perspectives in addressing stakeholder related legal issues.

Retail Segment

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

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

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

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

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

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

Overseas Business Segment

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

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

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

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

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

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

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

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

Business risk and operational risk, in particular, the risk associated with fiduciary responsibility are the main risks for the asset management business and the advisory business.

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

Regarding operational risk in the asset management business, regarding risk arising from acting as a trustee for customer and client property, we promote the standardization of business processes and regulations and manuals related to, and seek to prevent, omissions and mistakes in conducting business operations and to improve efficiency generally. In addition, we ensure proper risk management by clarifying operating procedures and the authority and the responsibilities of administrators and supervisor in business operations.

To ensure high-quality advice and evaluation services in the advisory business, we, through an internal quality control committee and other forms of oversight, maintain operating procedures that meet the standards set forth by authorities.

GOVERNMENTAL AND POLITICAL POLICIES AND FACTORS

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

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

Item 6. Directors, Senior Management and Employees

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

CORPORATE GOVERNANCE SYSTEM

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

ORIX's corporate governance system is characterized by:

- separation of operation and oversight through a "Company with Nominating Committee, etc." board model;
- Nominating, Audit and Compensation Committees composed entirely of non-executive directors and an Audit Committee composed entirely of outside directors;
- all outside directors satisfying strict conditions for independence; and
- all outside directors being qualified in their respective fields.

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

We believe that swift execution of operations is vital to effectively responding to changes in the business environment. Furthermore, we believe that ORIX's governance system promotes improved management transparency through a system in which outside directors, who are experts in their respective fields monitor and advise on legal compliance and the appropriate execution of operations.

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

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

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

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

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

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

Board of Directors

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

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

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

From April 1, 2016 through March 31, 2017, the board of directors met eight times. The attendance rate of directors for these meetings was 98%.

The board of directors as of June 29, 2017 included 12 members, six of whom are outside directors.

Composition and size of Board of Directors

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

Structure and Activities of the Three Committees

As of June 29, 2017, all three committees (Nominating, Audit and Compensation Committees) consisted of non-executive directors, and the Audit Committee consisted entirely of outside directors. The members of each committee along with the number of committee meetings and attendance rates are shown below.

	Nominating Committee	Audit Committee	Compensation Committee
Members as of June 29, 2017	6 Members (Outside Directors: 5) Nobuaki Usui (Chairperson) Robert Feldman Takeshi Niinami Ryuji Yasuda Hideaki Takahashi Heizo Takenaka	4 Members (Outside Directors: 4) Eiko Tsujiyama (Chairperson) Nobuaki Usui Ryuji Yasuda Heizo Takenaka	5 Members (Outside Directors: 4) Robert Feldman (Chairperson) Eiko Tsujiyama Takeshi Niinami Ryuji Yasuda Hideaki Takahashi
Number of meetings held during fiscal 2017 (Attendance rate)	Three (3) meetings (94%)	Eight (8) meetings (100%)	Three (3) meetings (93%)

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 are appointed and dismissed by a resolution of the annual general meeting of shareholders. In addition, the Nominating Committee deliberates on the agenda concerning appointment or dismissal of our executive officers to be resolved at the board of directors meeting, although this is not required under the Companies Act of Japan.

Furthermore, the Nominating Committee ensures that the board of directors possesses the appropriate levels of and diversity in knowledge, experience, and expertise, through an established decision making process for directors' appointments. The Nominating Committee also nominates executive officer candidates to the board of directors following an assessment of candidates' past experience, knowledge, and suitability for the position to execute business decisions in the company's existing and new businesses.

Nomination criteria for director candidates:

(Internal Director)

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

(Outside Director)

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

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

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

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

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

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

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

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

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

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

(7) None of an individual's family members* may fall under any of the following:

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

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

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

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

Audit Committee

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

Under the "Company with Nominating Committees, etc." board model, the directors who compose the Audit Committee are not permitted to be executive officers, executive directors, managers, any other employees or accounting counselors (*kaikei san-yo*) of the Company or its subsidiaries. Under the "Company with Nominating Committees, etc." board model, the Audit Committee generally has powers and duties to monitor the performance of the directors and executive officers in the performance of their responsibilities, as well as the right to propose the appointment or dismissal of, 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 also has the power to request a report of business operations from any director, executive officer, manager or other employee at any time, and to inspect for itself the details of the Company's business operations and financial condition.

Compensation Committee

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

Executive Officers

Under the "Company with Nominating Committees, etc." board model, and within the scope of laws and ordinances, corporate decisions made at board of directors meetings are delegated to the executive officers to accelerate and achieve efficiency in business operations. The representative executive officer makes important business execution decisions after deliberations by the Investment and Credit Committee ("ICC") in accordance with the Company's internal policies. 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 Company's internal policies. Group executives are appointed by the board of directors from among directors and executive officers of Group companies.

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

Investment and Credit Committee

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

Group Executive Officer Committee

The Group Executive Officer Committee, in which executive officers and group executives of the Company participate, discusses important matters relate to the business execution of ORIX Group.

Monthly Strategy Meetings

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

Information Technology Management Committee

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

Disclosure Committee

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

Policies on Auditing and Auditing System

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

- The Committee shall always emphasize a consolidated management standpoint in auditing.
- The Committee shall monitor and verify the formulation and status of operations of the Group's internal control systems. In particular, it shall consider the validity and effectiveness of compliance systems, systems to ensure the credibility of financial reporting, and risk management systems.

- The Committee shall monitor and verify whether directors, executive officers, and employees under the supervision of executive officers are complying with laws, ordinances, and the provisions of the Articles of Incorporation in fulfilling their obligations of loyalty and due diligence, as well as any other legal obligations to the Group.
- The Committee shall monitor and verify whether executive officers are determining the execution of their duties and carrying out said duties appropriately and efficiently in accordance with basic management policies, medium-term management plans, and other plans and policies established by the Board of Directors.
- To ensure the fairness and credibility of audits, the Committee shall monitor and verify whether the accounting auditor is maintaining its independent position and conducting appropriate audits as a professional expert.

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

The Auditing functions of the Company are as follows.

Audit Committee

Audit Committee which consists of four outside directors evaluates the Company's internal control systems from an independent standpoint and may appoint outside experts to conduct its duties if necessary.

Audit Committee Secretariat

Audit Committee Secretariat which includes three staff members, supports the work of the Audit Committee under the Audit Committee's instructions. The appointment and evaluation of, changes to, and disciplinary action toward the staff of the Audit Committee Secretariat are carried out by the executive officer responsible for the Group Internal Audit Department with the approval of the Audit Committee.

Executive Officer Responsible for Group Internal Audit Department

Executive Officer Responsible for Group Internal Audit Department supports the Audit Committee in collecting information. They are entrusted by the Audit Committee with attending important meetings within the ORIX Group and accurately reporting information essential to auditing activities to the Audit Committee in a timely manner.

Group Internal Audit Department and Group Corporate Auditors

Group Internal Audit Department, which includes 31 staff (as of the end of May 2017), performs internal audits on the effectiveness of internal control systems, and the efficiency and effectiveness of operations, compliance, and other factors pertaining to the management of the ORIX Group through a risk-based approach. It also jointly monitors critical risk through cooperation with 16 full-time corporate auditors (as of the end of May 2017) and internal audit functions at group companies and works to maintain and enhance the ORIX Group's internal auditing system

AUDITOR INDEPENDENCE

ORIX Group must appoint independent certified public accountants, who have the statutory duty of examining the nonconsolidated 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 nonconsolidated financial information to the annual general meeting of shareholders, and this information is also required to be submitted to the Tokyo Stock Exchange and the Kanto Local Finance Bureau.

Presently, our independent certified public accountants are KPMG AZSA LLC. The independence of KPMG AZSA LLC has been evaluated by our Audit Committee.

In addition to the nonconsolidated 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 included in this annual report filed with the SEC have been audited by KPMG AZSA LLC, which is registered with the PCAOB in the United States.

In the opinion of management, the provision of non-audit services did not impair the independence of KPMG AZSA LLC.

DIRECTORS

The directors of ORIX as of June 29, 2017 are as follows:

Name (Date of birth)	Current positions and principal outside positions[1]	Business experience		Shareholdings as of June 29, 2017
Makoto Inoue (Oct. 2, 1952)	Director, Representative Executive Officer, President and Chief Executive Officer, Responsible for Open Innovation Business Department Responsible for Group IoT Business Department, Responsible for New Business Development Department	Apr. 1975	Joined ORIX	59,159
		Jan. 2003	Deputy Head of Investment Banking Headquarters	
		Feb. 2005	Executive Officer	
		Jan. 2006	Corporate Senior Vice President	
		Jun. 2009	Corporate Executive Vice President	
		Jun. 2010	Director, Deputy President	
		Jan. 2011	Representative Executive Officer, President and Chief Operating Officer	
		Jan. 2014	Co-Chief Executive Officer	
		Jun. 2014	Chief Executive Officer	
		Oct. 2016	Chairman, Robeco Groep N.V.	
		Jan. 2017	Responsible for Group IoT Business Department, Resposible for New Business Development Department I and II	
		Apr. 2017	Responsible for New Business Development	
		May. 2017	Responsible for Open Innovation Business Department	

Name (Date of birth)	Current positions and principal outside positions[1]	Business experience		Shareholdings as of June 29, 2017
Kazuo Kojima (Jul. 5, 1956)	Director, Representative Executive Officer, Deputy President and Chief Financial Officer	Apr. 1980	Joined ORIX	34,749
		Apr. 2003	Deputy Head of Real Estate Finance Headquarters	
		Feb. 2005	Executive Officer	
		Jan. 2007	Corporate Senior Vice President	
		Jan. 2008	Corporate Executive Vice President	
		Jun. 2008	Director	
		Sep. 2012	Responsible for Investment and Operation Headquarters	
		Jan. 2014	Responsible for Energy and Eco Services Business Headquarters Head of Global Business and Alternative Investment Headquarters	
		Jun. 2015	Representative Executive Officer, Deputy President and Chief Financial Officer	
		Jan. 2016	Responsible for Corporate Planning Department	
Yuichi Nishigori (Jan. 28, 1957)	Director, Corporate Executive Vice President Head of Energy and Eco Services Business Headquarters Director, Ubiteq, INC.	Apr. 1980	Joined The Industrial Bank of Japan, Limited (currently, Mizuho Bank, Ltd.)	14,933
		Apr. 2003	Joined ORIX	
		Jan. 2007	Deputy Head of Alternative Investment and Development Headquarters	
		Jan. 2009	Executive Officer	
		Sep. 2012	Outside Director, Ubiteq, INC.	
		Jan. 2014	Corporate Senior Vice President Head of Energy and Eco Services Business Headquarters	
		Jun. 2015	Director	
		Sep. 2015	Director, Ubiteq, INC.	
		Jan. 2016	Corporate Executive Vice President	
Kiyoshi Fushitani (Nov. 22, 1950)	Director, Corporate Executive Vice President Head of Global Business Headquarters Head of East Asia Business Headquarters Head of Global Transportation Services Headquarters	Apr.1973	Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)	1,500
		Feb.1975	Joined ORIX	
		Sep.2012	Deputy Head of Global Business and Alternative Investment Headquarters	
		Jan.2015	Corporate Senior Vice President Head of Global Transportation Services Headquarters	
		Jun.2015	Head of East Asia Business Headquarters	

Name (Date of birth)	Current positions and principal outside positions[1]		Business experience	Shareholdings as of June 29, 2017
		Jan. 2016	Corporate Executive Vice President, Head of Global Business Headquarters	
		Jun.2016	Director	
Stan Koyanagi (Dec. 25, 1960)	Director, Corporate Senior Vice President Responsible for Enterprise Risk Management Global General Counsel	Oct. 1985	Joined SHEPPARD, MULLIN, RICHTER & HAMPTON LLP	0
		Jun. 1988	Joined GRAHAM & JAMES LLP (currently Squire Patton Boggs LLP)	
		Jan. 1993	Partner, GRAHAM & JAMES LLP (currently Squire Patton Boggs LLP)	
		Mar. 1997	Vice President, ORIX USA CORPORATION	
		Mar. 1999	General Counsel, Vice President and Manager, ORIX USA CORPORATION	
		Jan. 2004	Vice President and Associate General Counsel, KB HOME	
		Jul. 2013	Global General Counsel, Global Business Headquarters	
		Jun. 2017	Director, Corporate Senior Vice President Responsible for Enterprise Risk Management Global General Counsel	
Hideaki Takahashi (Mar. 22, 1948)	Non-Executive Director, Professor, Graduate School of Media and Governance at Keio University	Aug. 1974	Joined NCR Corporation	0
		Mar. 1992	Deputy President and Representative Director, NCR Japan, Ltd.	
		Dec. 1997	Senior Deputy President, NCR Corporation, Chairman and Representative Director, NCR Japan, Ltd.	
		Mar. 2000	Deputy President and Representative Director, Fuji Xerox Co., Ltd.	
		Jan. 2006	Professor, Graduate School of Media and Governance at Keio University	
		Nov. 2006	Part-time Advisor, ORIX	
		Jun. 2014	Non-Executive Director, ORIX Special Advisor to CEO	
Eiko Tsujiyama (Dec. 11, 1947)	Outside Director Professor, Faculty of Commerce at Waseda University Corporate Auditor, Lawson, Inc.	Apr. 1974	Certified Public Accountant	0
		Aug. 1980	Assistant Professor, College of Humanities at Ibaraki University	
		Apr. 1985	Assistant Professor, School of Economics at Musashi University	

Name (Date of birth)	Current positions and principal outside positions[1]	Business experience		Shareholdings as of June 29, 2017
	Audit & Supervisory Board Member, NTT DOCOMO, Inc. Audit & Supervisory Board Member, Shiseido Company, Limited	Apr. 1991	Professor, School of Economics at Musashi University	
		Apr. 1996	Dean, School of Economics at Musashi University	
		Apr. 2003	Professor, School of Commerce and the Graduate School of Commerce at Waseda University	
		Sep. 2004	Professor, Faculty of Commerce at Waseda University	
		Jun. 2010	Outside Director, ORIX	
		Sep. 2010	Dean, Graduate School of Commerce at Waseda University	
		May 2011	Corporate Auditor, Lawson, Inc.	
		Jun. 2011	Audit & Supervisory Board Member, NTT DOCOMO, Inc.	
		Jun. 2012	Audit & Supervisory Board Member, Shiseido Company, Limited	
Robert Feldman (Jun. 12, 1953)	Outside Director Senior Advisor, Morgan Stanley MUFG Securities Co., Ltd.	Oct. 1983	Economist, International Monetary Fund	0
		May 1989	Chief Economist, Salomon Brothers Inc. (currently Citigroup Global Markets Japan Inc.)	
		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, Head 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, ORIX	
		Jul. 2012	Managing Director, Chief Economist and Head of Fixed Income Research, Morgan Stanley MUFG Securities Co., Ltd.	
		Mar. 2014	Managing Director and Chief Economist, Morgan Stanley MUFG Securities Co., Ltd.	

Name (Date of birth)	Current positions and principal outside positions[1]		Business experience	Shareholdings as of June 29, 2017
		Jan. 2017	Senior Advisor, Morgan Stanley MUFG Securities Co., Ltd.	
Takeshi Niinami (Jan. 30, 1959)	Outside Director President and Chief Executive Officer, Member of the Board, Representative Director, Suntory Holdings Limited.	Jun. 1995	President, Sodex Corporation (currently LEOC Co., Ltd.)	0
		Apr. 2001	Unit Manager, Lawson Business and Mitsubishi's Dining Logistical Planning team, Consumer Industry division, Mitsubishi Corporation	
		May 2002	President, Representative Director and Executive Officer, Lawson, Inc.	
		Mar. 2005	President, Representative Director and CEO, Lawson, Inc	
		Jun. 2010	Outside Director, ORIX	
		May 2013	Representative Director and CEO, Lawson, Inc.	
		May 2014	Chairman and Representative Director, Lawson, Inc. Chairman and Member of the Board, Lawson, Inc.	
		Oct. 2014	President and Chief Executive Officer, Member of the Board, Representative Director, Suntory Holdings Limited.	
Nobuaki Usui (Jan. 1, 1941)	Outside Director Corporate Auditor, KONAMI HOLDINGS CORPORATION Corporate Auditor, Miroku Jyoho Service Co., Ltd.	May 1995	Director-General of the Tax Bureau, Ministry of Finance	0
		Jan. 1998	Commissioner, National Tax Agency	
		Jul. 1999	Administrative Vice Minister, Ministry of Finance	
		Jan. 2003	Governor and CEO, National Life Finance Corporation (currently Japan Finance Corporation)	
		Dec. 2008	Chairman, The Japan Research Institute, Limited	
		Jun. 2011	Audit & Supervisory Board Member, KONAMI CORPORATION (currently KONAMI HOLDINGS CORPORATION)	
		Jun. 2012	Outside Director, ORIX	
		Jun. 2016	Outside Auditor of Miroku Jyoho Service Co., Ltd.	

Name (Date of birth)	Current positions and principal outside positions(1)		Business experience	Shareholdings as of June 29, 2017
Ryuji Yasuda (Apr. 28, 1946)	Outside Director Outside Director, Yakult Honsha Co., Ltd. Outside Director, Benesse Holdings, Inc. Adjunct Professor, Graduate School of International Corporate Strategy at Hitotsubashi University	Jun. 1991	Director, McKinsey & Company	0
		Jun. 1996	Chairman, A.T. Kearney, Asia	
		Jun. 2003	Chairman, J-Will Partners, Co., Ltd.	
		Apr. 2004	Professor, Graduate School of International Corporate Strategy at Hitotsubashi University	
		Jun. 2009	Outside Director, Yakult Honsha Co., Ltd.	
		Jun. 2013	Outside Director, ORIX	
		Jun. 2015	Outside Director, Benesse Holdings, Inc.	
		Mar. 2017	Adjunct Professor, Graduate School of International Corporate Strategy at Hitotsubashi University	
Heizo Takenaka (Mar. 3, 1951)	Outside Director Professor, Faculty of Regional Development Studies at Toyo University Chairman and Director, PASONA Group Inc. Director, Academyhills Director, Center for Global Innovation Studies at Toyo University Outside Director, SBI Holdings, Inc.	Apr. 1990	Assistant Professor, Faculty of Policy Management at Keio University	0
		Apr. 1996	Professor, Faculty of Policy Management at Keio University	
		Apr. 2001	Minister of State for Economic and Fiscal Policy	
		Sep. 2002	Minister of State for Financial Services and for Economic and Fiscal Policy	
		Jul. 2004	Elected to House of Councillors	
		Sep. 2004	Minister of State for Economic and Fiscal Policy and Communications and Privatization of Postal Services	
		Oct. 2005	Minister for Internal Affairs and Communications and Privatization of Postal Services	
		Dec. 2006	Director, Academyhills	
		Aug. 2009	Chairman and Director, PASONA Group Inc.	
		Apr. 2010	Professor, Faculty of Policy Management at Keio University	
		Jun. 2015	Outside Director, ORIX	

Name (Date of birth)	Current positions and principal outside positions(1)	Business experience		Shareholdings as of June 29, 2017
		Apr. 2016	Professor, Faculty of Regional Development Studies at Toyo University Director, Center for Global Innovation Studies at Toyo University	
		Jun. 2016	Outside Director, SBI Holdings, Inc.	

Note: All ORIX directors are engaged full-time except Hideaki Takahashi, Eiko Tsujiyama, Robert Feldman, Takeshi Niinami, Nobuaki Usui, Ryuji Yasuda and Heizo Takenaka.

EXECUTIVE OFFICERS

The executive officers of the ORIX Group as of June 29, 2017, excluding those who are also directors as listed above are as follows:

Name	Title	Areas of duties	Shareholdings as of June 29, 2017
Shintaro Agata	Corporate Executive Vice President	Treasury and Accounting Headquarters	40,900
Takao Kato	Corporate Senior Vice President	Treasury and Accounting Headquarters	17,788
Kazutaka Shimoura	Corporate Senior Vice President	Credit and Investment Management Headquarters Group Internal Audit Department	8,910
Hideto Nishitani	Corporate Senior Vice President	Chairman and President, ORIX USA Corporation	21,477
Satoru Katahira	Corporate Senior Vice President	Chief Information Officer IT Planning Office	15,886
Shuji Irie	Corporate Senior Vice President	Investment and Operation Headquarters	1,692
Satoru Matsuzaki	Executive Officer	Eastern Japan Sales Headquarters	7,292
Hiroshi Nishio	Executive Officer	Global Business Headquarters	2,527
Masaaki Kawano	Executive Officer	Enterprise Risk Management Headquarters	2,356
Shinichi Obara	Executive Officer	Western Japan Sales Headquarters Group Kansai Representative	9,395
Shuichi Murakami	Executive Officer	Special Assignments	3,500
Harukazu Yamaguchi	Executive Officer	Global Business Headquarters	1,196
Hitomaro Yano	Executive Officer	Treasury and Accounting Headquarters	3,500
Toshinari Fukaya	Executive Officer	Real Estate Headquarters Finance and Investment Department	4,200

Name	Title	Areas of duties	Shareholdings as of June 29, 2017
Yasuaki Mikami	Executive Officer	Group Human Resources and Corporate Administration Headquarters Work Style Reform Project	968
Katsunobu Kamei	Group Executive Vice President	President, ORIX Auto Corporation	18,252
Kazunori Kataoka	Group Executive Vice President	President, ORIX Life Insurance Corporation	0
Hiroko Yamashina	Group Executive	President, ORIX Credit Corporation	32,700
Toyonori Takahashi	Group Executive	President, ORIX Real Estate Corporation	6,453

Note: Name on the family register of Hiroko Yamashina is Hiroko Arai.

EMPLOYEES

As of March 31, 2017, we had 34,835 full-time employees, compared to 33,333 as of March 31, 2016 and 31,035 as of March 31, 2015. We employ 2,693 staff in the Corporate Financial Services segment, 2,684 staff in the Maintenance Leasing segment, 4,542 staff in the Real Estate segment, 12,648 staff in the Investment and Operation segment, 2,742 staff in the Retail segment, 8,268 staff in the Overseas Business segment and 1,258 staff as part of our headquarters function as of March 31, 2017. With the exception of the Overseas Business segment, all other staff are located in Japan. As of March 31, 2017, we had 20,613 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 65, but for our subsidiaries and affiliates the retirement age varies. ORIX and major domestic subsidiaries introduced a system for retirement at age 65 from April 2014. By implementing the system alongside the current re-employment system at retirement age, the system will allow employees to choose how they will work from age 60 according to their lifestyles. In April 2010, ORIX introduced an early voluntary retirement program that 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 noncontributory 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 of 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 ¥13,032 million, ¥9,417 million and ¥9,136 million in fiscal 2015, 2016 and 2017, respectively.

SHARE OWNERSHIP

As of June 29, 2017, the directors, executive officers and group executives of the Company directly held an aggregate of 309,333 Shares, representing 0.02% of the total Shares issued as of such date.

COMPENSATION

To promote greater management transparency in our governance, we had established the Executive Nomination and Compensation Committee in June 1999. Its functions included recommending executive remuneration. In June 2003, we adopted a "Company with Committees" board model and replaced the Executive Nominating and Compensation Committee with separate Nominating and Compensation Committees. For discussion of these committees, see "Item 6.—Directors, Senior Management and Employees—Nominating Committee" and "—Compensation Committee."

Along with the 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 program, shareholders approved payments of an aggregate maximum amount of ¥3,250 million to directors and ¥50 million to corporate auditors for accumulated payments. The amount, timing and method of payment was approved for each director and corporate auditor by the then newly established 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 2017 was as follows (in millions of yen);

	Fixed compensation (Number of people)	Performance-linked compensation (Number of people)	Share component of compensation (Number of people)	Total compensation
Non-Executive Director and Outside Director	¥106	¥ 0	¥ 16	¥ 122
	(8)	(8)	(8)	(8)
Executive Officer and Group Executive	765	368	499	1,632
	(28)	(28)	(28)	(28)
Total	¥871	¥368	¥515	¥1,755
	(36)	(36)	(36)	(36)

As stated in "Compensation policy for Executive Officers" below, from fiscal 2017, the method for deciding the annual portion of this prescribed number of points for the share component of the compensation system for executive officers was revised. Before the revision the provided number of points was uniformly decided by position. However after the change, the standard number of points to be provided according to position held was changed to reflect the consolidated operating performance and the division operating performance of the relevant division for which the executive officer is responsible for fiscal 2017. In accordance with these changes, the method of disclosure was revised to provide a clearer relationship between the share component of the compensation listed above and the performance for fiscal 2017. Up until fiscal 2016, the amount paid listed in the table above was the amount of the share component of compensation actually paid at the time a director or executive officer retired. However from fiscal 2017 onward, the amount paid listed in the table above is calculated by multiplying the number of points confirmed to be provided as the portion for fiscal 2017 by the stock market price paid by the trust ("Board Incentive Plan Trust") when ORIX's shares were acquired (¥1,544 per share).

Compensation for Makoto Inoue, Representative Executive Officer, President and Chief Executive Officer of ORIX, for fiscal 2017 was ¥91 million in fixed compensation, ¥79 million in performance-linked compensation and ¥79 million in share component of compensation.

Compensation for Kazuo Kojima, Representative Executive Officer, Deputy President and Chief Financial Officer of ORIX, for fiscal 2017 was ¥51 million in fixed compensation, ¥22 million in performance-linked compensation and ¥30 million in share component of compensation.

Compensation for Tamio Umaki, currently Advisor of ORIX Corporation, as Representative Executive Officer and Deputy President of ORIX, for fiscal 2017 was ¥51 million in fixed compensation, ¥22 million in performance-linked compensation and ¥30 million in share component of compensation.

The actual total amount of the share component of compensation paid in fiscal 2017 was ¥643 million paid to three executive officers who retired during fiscal 2017, one executive officer and one group executive officer who retired before the end of fiscal 2016. The following individuals retired during fiscal year 2017 and were paid share component of compensation totaling over ¥100 million. Compensation for Hiroaki Nishina, currently Advisor of ORIX Corporation and President of ORIX Baseball Club Co., Ltd., as Vice Chairman of ORIX, for fiscal 2017 was ¥35 million in fixed compensation, ¥15 million in performance-linked compensation and ¥308 million in share component of compensation. Compensation for Tetsuo Matsumoto, currently Advisor of ORIX Real Estate Corporation, as Corporate Senior Vice President of ORIX, for fiscal 2017 was ¥21 million in fixed compensation, ¥9 million in performance-linked compensation and ¥128 million in share component of compensation.

The Compensation Committee sets the following "Policy of Determining Compensation of Directors and Executive Officers."

Policy of Determining Compensation of Directors and Executive Officers

ORIX's business objective is to increase shareholder value over the medium- to long- term. ORIX believes in the importance of each director's and executive officer's responsibly performing his or her duties and cooperation among different business units in order to achieve continued growth of the ORIX Group. The Compensation Committee believes that in order to accomplish such business objectives, directors and executive officers should place emphasis not only on business performance during the current fiscal year, but also on medium- to long-term results. Accordingly, under the basic policy that compensation should provide effective incentives. ORIX takes such factors into account when making decisions regarding the compensation system and compensation levels for directors and executive officers. Taking this basic policy into consideration, we have established separate policies for the compensation of directors and 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 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, ORIX's compensation structure for directors consists of fixed compensation and share-based compensation*. In addition, the Company strives to maintain a competitive level of director compensation according to the role fulfilled, and receives third-party research reports on director compensation for this purpose.

Fixed compensation is, in principal, a certain amount that is added to the compensation of the chairperson and member of each committee. Share-based compensation reflecting medium- to long- term performance is granted at the time of retirement in the form of ORIX's shares, which is calculated based on the number of points earned and accumulated by the individual while in office until the end of his or her directorship.

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 also incorporating a component that is linked to current period business performance. Specifically, ORIX's compensation structure for executive officers consists of fixed compensation, performance-linked compensation, and share-based compensation* as described above. In addition, based on a research report from a third-party compensation consultant, the Company strives to maintain a competitive level of compensation with executive officer compensation functioning as an effective incentive.

Fixed compensation is determined for each individual based on a standard amount for each position. For executive officers, compensation linked to business performance for fiscal 2017 uses the level of achievement of the consolidated net income target as a performance indicator, adjusting 50% of the position-based standard amount within the range of 0% to 200% while, at the same time, using the level of achievement of the target of the division for which the relevant executive officer was responsible, adjusting 50% of the position-based standard amount within the range of 0% to 200%. In the case of the representative executive officers, the consolidated net income target is used as a performance indicator, adjusting the standard amount within the range of 0% to 200%. For share component of compensation reflecting medium- to long-term performance, executive officers are granted points on an annual basis based on their position for their period of service, and they are granted ORIX shares corresponding to the amount of points they have accumulated at the time of retirement. The points received each year shall be the result of adjusting 50% of the position-based standard points within the range of 0% to 200% based on the level of achievement of the consolidated net income target, which is used as the consolidated performance indicator, while at the same time adjusting 50% of the position-based standard points within the range of 0% to 200% based on the level of achievement of the operating results target of the division for which the relevant executive officer was responsible. In the case of the representative executive officers, the points received each year shall be the result of adjusting the standard points within the range of 0% to 200% based on the level of achievement of the consolidated net income target, which is used as the consolidated performance indicator.

* In June 2005, we introduced the share-based component of compensation, which is a program in which points are annually allocated to directors and executive officers based upon prescribed standards while in office, and the actual number of ORIX's shares calculated based on the number of accumulated points is provided at the time of retirement. In July 2014, we started to provide these shares through a trust established by the Company (" The Board Incentive Plan Trust ")**. Points granted to the members of each position are determined based on title and seniority in accordance with guidelines set by the Compensation Committee. The Compensation Committee has not set a fixed term in which directors and executive officers must retain the shares after their retirement. The Compensation Committee may restrict the awarding of stock-based compensation to directors and executive officers in the event that such individuals engage in inappropriate behavior while in office that would inflict harm on the Company.

** The Company entrusts money to the " Board Incentive Plan Trust ", which acquires ORIX's shares from the stock market for directors and executive officers at the end of his or her tenure using money contributed in advance.

In addition, in June 2005, we established guidelines for ownership of our shares for directors, executive officers and group executives.

The total number of points of the shares component of compensation granted to directors, executive officers and group executives for fiscal 2017 is equivalent to 350,290 points. Under this system, ¥643 million, which is equivalent to 416,541 points accumulated up to the end of tenure, was paid to executive officers and group executives who left their positions during fiscal 2017 and before the end of fiscal 2016. As a result, the balance to directors, executive officers and group executives as of March 31, 2017 was 1,576,708 points.

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 2007 to 2008. No stock options were granted in any year since 2009. Each unit of the Shares has one vote. We have not issued any preferred shares.

Titles for each individual as of June 29, 2017, unless otherwise described, are as follows:

Name	Title	2007–2008 stock option plans
Makoto Inoue	Director, President and Chief Executive Officer	24,000
Kazuo Kojima	Director, Deputy President and Chief Financial Officer	26,000
Yuichi Nishigori	Director, Corporate Executive Vice President	12,000
Kiyoshi Fushitani	Director, Corporate Executive Vice President	0
Stan Koyanagi	Director, Corporate Senior Vice President	0
Hideaki Takahashi	Non-Executive Director	0
Eiko Tsujiyama	Outside Director	0
Robert Feldman	Outside Director	0
Takeshi Niinami	Outside Director	0
Nobuaki Usui	Outside Director	0
Ryuji Yasuda	Outside Director	0
Heizo Takenaka	Outside Director	0
Shintaro Agata	Corporate Executive Vice President	24,000
Takao Kato	Corporate Senior Vice President	11,000
Kazutaka Shimoura	Corporate Senior Vice President	11,000
Hideto Nishitani	Corporate Senior Vice President	5,200
Satoru Katahira	Corporate Senior Vice President	5,600
Shuji Irie	Corporate Senior Vice President	0
Satoru Matsuzaki	Executive Officer	5,200
Hiroshi Nishio	Executive Officer	3,600
Masaaki Kawano	Executive Officer	3,600
Shinichi Obara	Executive Officer	11,000
Shuichi Murakami	Executive Officer	4,800
Harukazu Yamaguchi	Executive Officer	3,600
Hitomaro Yano	Executive Officer	3,200
Toshinari Fukaya	Executive Officer	4,800
Yasuaki Mikami	Executive Officer	0
Katsunobu Kamei	Group Executive Vice President	16,000
Kazunori Kataoka	Group Executive Vice President	0
Hiroko Yamashina	Group Executive	3,600
Toyonori Takahashi	Group Executive	3,600

STOCK OPTION PLAN

We have adopted various incentive plans including a stock option plan. The purpose of our stock option plan is to enhance the link between management, corporate performance and stock price, and, in this way, improve our business results. These plans are administered by ORIX's Human Resources Department. For further discussion of stock-based compensation, see Note 19 of "Item 18. Financial Statements."

At the annual general meetings of shareholders in the years from 1997 to 2000 inclusive, our shareholders approved stock option plans under which ORIX purchased shares from the open market and held them for transfer to ORIX's directors and executive officers and some employees upon the exercise of their options. 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 stock acquisition rights plans for our directors and executive officers, and shareholders approved similar plans for certain ORIX employees, as well as directors, executive officers and certain employees of our subsidiaries and affiliates. From 2009 to 2016, 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 ORIX Group.

The following is an outline of the stock option plans authorized since 2007:

	Shares granted	Exercise price per Share	Option expiration date
2007 Stock Acquisition Rights Plan	1,449,800	¥3,100	June 22, 2017
2008 Stock Acquisition Rights Plan	1,479,000	¥1,689	June 24, 2018

Item 7. Major Shareholders and Related Party Transactions

MAJOR SHAREHOLDERS

The following table shows our major shareholders registered on our Register of Shareholders as of March 31, 2017.

Each unit of Shares (1 unit = 100 Shares) has one vote, and none of our major shareholders have different voting rights. We do not issue preferred shares.

Name	Number of Shares held	Percentage of Issued shares
	(Thousands)	(%)
Japan Trustee Services Bank, Ltd. (Trust Account)	107,858	8.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	74,540	5.62
Japan Trustee Services Bank, Ltd. (Trust Account 9)	39,942	3.01
State Street Bank and Trust Company	25,681	1.93
Japan Trustee Services Bank, Ltd. (Trust Account 5)	25,676	1.93
The Chase Manhattan Bank 385036	25,233	1.90
CITIBANK, N.A. -N.Y , AS DEPOSITARY BANK FOR DEPOSITARY SHARE HOLDERS	24,287	1.83
State Street Bank and Trust Company 505225	21,376	1.61
State Street Bank West Client Treaty 505234	20,358	1.53
Japan Trustee Services Bank, Ltd. (Trust Account 7)	19,392	1.46

ORIX is not directly or indirectly owned or controlled by any corporations, by any foreign government or by any natural or legal persons severally or jointly. As of March 31, 2017, the percentage of issued Shares held by overseas corporations and individuals was 57.88%. On March 31, 2017, approximately 4,857,401 ADSs were outstanding (equivalent to 24,287,005 or approximately 1.83% of ORIX's issued Shares as of that date). As of March 31, 2017, all our ADSs were held by one record holder in the United States.

On March 6, 2017, BlackRock Group submitted a filing to the Kanto Local Finance Bureau indicating that BlackRock, Inc., primarily through BlackRock Japan Co., Ltd, held 80,494,893 Shares, representing 6.08% of ORIX's outstanding Shares, as part of BlackRock, Group's assets under management.

On February 13, 2017, Fidelity Group submitted a filing to the Securities and Exchange Commission indicating that FMR LLC held 69,078,144 Shares, representing 5.22% of ORIX's outstanding Shares, as part of Fidelity Group's assets under management.

On February 10, 2017, Sumitomo Mitsui Trust Holdings, Inc. submitted a filing to the Securities and Exchange Commission indicating that Sumitomo Mitsui Trust Holdings, Inc. held 71,391,700 Shares, representing 5.4% of ORIX's outstanding Shares, as part of Sumitomo Mitsui Trust Holdings, Inc.'s assets under management.

On February 7, 2017, Capital Group submitted a filing to the Kanto Local Finance Bureau indicating that Capital Group, primarily through Capital Research and Management Company, held 52,648,184 Shares, representing 3.98% of ORIX's outstanding Shares, as part of Capital Group's assets under management.

On October 21, 2016, Asset Management One, Inc. submitted a filing to the Kanto Local Finance Bureau indicating that Asset Management One, Inc. held 69,295,000 Shares, representing 5.23% of ORIX's outstanding Shares, as part of Asset Management One, Inc.'s assets under management.

RELATED PARTY TRANSACTIONS

To our knowledge, no individual beneficially owns 5% or more of any class of the Shares that might give that individual 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 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 that 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 last full fiscal year, 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.

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 paragraph other than those listed in the table below. 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 ¥38,721 million as of March 31, 2017 and did not exceed ¥39,000 million at any time during fiscal 2017.

Each of these loans was made in the ordinary course of business. The following table describes, for each related party borrower, the applicable interest rate (or range of interest rates), the largest aggregate amount outstanding during fiscal 2017 and the aggregate amount outstanding as of March 31, 2017.

Related Party	The largest aggregate amount outstanding during fiscal 2017	Aggregate amount outstanding as of March 31, 2017	Interest rate
	(Millions of yen)		(%)
Flexible Energy Service Co., Ltd.	¥ 2	¥ 2	3.2
Plaza Sunroute Co.	1,105	1,000	3.5
Sharp Office Rental Corporation	9	7	5.7 – 5.8
THE CHUGIN LEASE CO., LTD.	429	0	1.1
Pacific League Marketing Corporation	168	157	2.9
Kansai Airports	12,363	12,002	6.5
Kada Greenfarm Co., Ltd.	3	3	3.1
Wind Power Energy K.K.	220	0	1.3
YM Leasing Corporation	431	392	0.9 – 1.1
Hyakugo Leasing Company Limited	50	30	0.8
Torigin Leasing Corporation	124	83	0.8 – 1.0
TOMONY Lease, Inc.	140	60	1.0
Hasegawa Holdings Co., Ltd.	83	0	1.5
H&O MEDICAL INC.	2,200	2,090	5.0
Magix Airlease Limited	3,360	931	9.0
Meritix Airlease Limited	5,135	3,994	6.0 – 9.5
SORA Airlease Limited	3,307	3,307	6.0 – 9.5
Houlihan Lokey, Inc.	5,071	1,683	2.3 – 2.8
RAM INDUSTRIES INC.	947	890	13.0
L&S Mechanical, LLC	387	0	12.0 – 13.0
Ontario Drive & Gear Limited	405	390	13.5
Shipston Equity Holdings, LLC	2,865	2,761	12.0 – 13.0
Sazanka Marine S.A.	134	129	1.0
Tsubaki Marine S.A.	134	129	1.0
Dalian Financial & Industrial Investment Group Co., Ltd.	8,389	8,389	4.5 – 6.4
Mode Apartments Unit Trust	271	271	0.8
Tokyo Yamaki Inc.	105	20	2.6 – 2.7

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.

The following table shows the reported high and low closing 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. On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. As a result of the stock split, the ratio of ADSs to underlying shares changed from 0.5 underlying shares per one ADS to five underlying shares per one ADS. In the following tables and elsewhere in this document unless indicated otherwise, numbers of shares of ORIX's common stock, per share, including price per share, information for ORIX's common stock and ORIX's ADS information in this annual report have been retroactively adjusted to reflect the 10-for-1 stock split on April 1, 2013.

TOKYO STOCK EXCHANGE PRICE PER SHARE

	Price per Share (¥)		Translated into dollars per ADS	
	High	Low	High	Low
Fiscal Year ended March 31, 2013	1,217	642	65	41
Fiscal Year ended March 31, 2014	1,873	1,152	92	61
Fiscal Year ended March 31, 2015	1,788.5	1,300.0	84	57
Fiscal Year ended March 31, 2016				
First fiscal quarter	2,022.5	1,687.0	83	71
Second fiscal quarter	1,914.0	1,464.0	76	63
Third fiscal quarter	1,850.5	1,628.0	78	68
Fourth fiscal quarter	1,842.0	1,262.5	75	59
Fiscal Year ended March 31, 2017				
First fiscal quarter	1,686.5	1,256.0	77	62
Second fiscal quarter	1,569.5	1,251.0	76	63
Third fiscal quarter	1,895.0	1,440.5	83	69
Fourth fiscal quarter	1,898.0	1,647.5	81	74
Recent Six Months				
December 2016	1,895.0	1,721.0	83	76
January 2017	1,898.0	1,707.0	81	75
February 2017	1,767.0	1,689.5	78	75
March 2017	1,774.5	1,647.5	78	74
April 2017	1,737.5	1,636.0	79	74
May 2017	1,784.5	1,702.5	80	76

NEW YORK STOCK EXCHANGE

The ADS are listed on the New York Stock Exchange under the symbol "IX."

One ADSs represents five shares. On March 31, 2017, approximately 4,857,401 ADSs were outstanding. This is equivalent to 24,287,005 or approximately 1.86% of the total number of Shares outstanding on that date. On that date, all our ADSs were held by one record holder 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.

NYSE PRICE PER ADS

	Price per ADS ($)		Average daily trading volume
	High	Low	(shares)
Fiscal Year ended March 31, 2013	65	41	12,818
Fiscal Year ended March 31, 2014	92	61	22,160
Fiscal Year ended March 31, 2015	84	57	21,637
Fiscal Year ended March 31, 2016			
First fiscal quarter	83	71	39,876
Second fiscal quarter	76	63	26,016
Third fiscal quarter	78	68	22,261
Fourth fiscal quarter	75	59	52,768
Fiscal Year ended March 31, 2017			
First fiscal quarter	77	62	47,269
Second fiscal quarter	76	63	50,070
Third fiscal quarter	83	69	45,264
Fourth fiscal quarter	81	74	36,993
Recent Six Months			
December 2016	83	76	43,575
January 2017	81	75	31,290
February 2017	78	75	43,347
March 2017	78	74	35,730
April 2017	79	74	34,362
May 2017	80	76	28,714

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) facility planning, development, maintenance, management and operation of airports, roads, other public facilities and similar kinds of aforementioned facilities and the assumption or undertaking of public works; (xi) production, processing, sale, purchase, research and development of agricultural products, food products and agriculture-related products and facilities; (xii) waste-disposal business; (xiii) trading of emission rights for greenhouse gases and other various subjects; (xiv) supply of various energy resources and the products in relation thereto; (xv) planning, developing, contracting for, lease and sale of, intangible property rights; (xvi) information processing and providing services, telecommunications business; (xvii) business of dispatching workers to enterprise and employment agency business; (xviii) purchase and sale of antiques; (xix) transport business; (xx) mining of various minerals, and the manufacture and sale of the products in relation thereto; (xxi) brokerage, agency, investigation and consulting for business relating to any of the preceding items, and pension consulting service; (xxii) 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; and (xxiii) any and all businesses incidental or related to any of the preceding items.

Directors and Board of Directors, and Committees

There shall be no less than three directors of the Company (Article 16). The term of office of a director is for one (1) 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).

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. Under the Companies Act, the board of directors may, by resolution, delegate to the executive officers its authority to make decisions with regard to certain important matters, including the incurrence by ORIX of a significant amount of loan, prescribed by law.

We are required to maintain a Nominating Committee, an Audit Committee and a Compensation Committee (Article 10). The Compensation Committee sets the specific compensation for each individual director and executive officer based on the policy for determining compensation for directors and executive officers (see Item 6). No member of the Compensation Committee may vote on a resolution with respect to his or her own compensation as a director.

Neither the Companies Act nor our Articles of Incorporation includes special provisions as to the retirement age of directors, or a requirement to hold any shares of capital stock of ORIX to qualify him or her as a director of ORIX.

Stock

Our authorized share capital is 2,590,000,000 shares. Currently our Articles of Incorporation provide only for the issuance of shares of common stock. All shares of capital stock of us have no par value. All issued shares are 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 changes in the number of shares issued for the past three fiscal years, see Note 21 of "Item 18. Financial Statements."

Under the Act on 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. Nonresident 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, Chiyoda-ku, Tokyo 100-8212, Japan.

In general, there are no limitations on the right to own shares of our common stock, including the rights of nonresidents 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 date. Settlement in Japan shall be made through JASDEC as described above.

Distributions of Surplus

Ordinary Dividends and Interim Dividends may be distributed by us in cash to shareholders or pledgees of record as of March 31 (in the case of Ordinary Dividends) or September 30 (in the case of Interim Dividends) 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 Ordinary Dividends are distributed for common shares, we treat the shareholders or share pledgees registered or recorded on the Register of Shareholders as of March 31 of each year as the people having rights to receive such dividends. In case of the distribution of Interim Dividends, we distribute these to the shareholders or share pledgees registered or recorded on the Register of Shareholders as of September 30 each year. 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.

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 nonconsolidated 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 nonconsolidated 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 nonconsolidated 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 nonconsolidated 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 accounting auditor, as required by an ordinance of the Ministry of Justice.

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 Ordinary Dividends or Interim 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 therefore, not less than two weeks prior to such record date.

On October 26, 2012, the board of directors adopted a resolution on a ten-for-one stock split, effective as of April 1, 2013. The record date for the stock was one day prior to the effective date of the stock split. Our Articles of Incorporation were amended to increase the authorized share capital to cover the number of shares increased by the stock split, which amendment became effective simultaneously with the effectiveness of the stock split.

Unit Share System

Our Articles of Incorporation provides that one hundred 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.

(i) 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;

(ii) 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;

(iii) The right to receive allocation of shares when the Company allocates its shares without having a shareholder make new payment;

(iv) The right to demand that the Company purchase shares that are less than one Unit held by the shareholder;

(v) The right to receive distribution of remaining assets;

(vi) 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.;

(vii) 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;

(viii) 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;

(ix) The right to receive the distribution of money, etc. to be distributed pursuant to merger, share exchange or share-transfer effected by the Company;

(x) 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

(xi) 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 nonresident 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 with 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, we do not have voting rights with respect to our own shares and if we directly or indirectly own 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 (i) the reduction of its stated capital, (ii) the removal of a director, (iii) the dissolution, liquidation, merger or consolidation, merger and corporate split or (iv) the formation of a parent company by way of share exchange or share transfer, (v) the transfer of the whole or a substantial part of its business, (vi) the acquisition of the whole business of another company, (vii) 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, (vii) consolidation of shares and (ix) 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.

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 electronic public notice, provided, however, that if the Company is unable to give an electronic public notice due to an accident or any other unavoidable reason, public notices of the Company shall be given in the "Nihon Keizai Shinbun."

Record Date of Register of Shareholders

As stated above, March 31 is the record date for the payment of Ordinary 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.

MATERIAL CONTRACTS

None.

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 nonresidents" and by "foreign investors" (as defined below). The Foreign Exchange Regulations currently in effect do not, however, regulate transactions between exchange nonresidents who purchase or sell shares outside Japan for non-Japanese currencies.

"Exchange nonresidents" 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 nonresident 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 nonresidents. "Foreign investors" are defined to be (i) individuals who are exchange nonresidents, (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 nonresident individuals.

In general, the acquisition of a Japanese company's stock shares (such as the shares of capital stock of ORIX) by an exchange nonresident from a resident of Japan is not subject to any prior filing requirements. In certain limited circumstances, however, prior notification or report to the Minister of Finance and any other competent Ministers for an acquisition of this type may be required. While prior notification, 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 nonresident, 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 15th 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 nonresidents 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 nonresidents 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 Monopolization 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 30 days prior to the closing or the acquisition.

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. We have implemented an interim dividend starting from the fiscal year ended March 31, 2016 (dividend calculation based on the retained earnings recorded on September 30, 2015).

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. On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. As a result of the stock split, the ratio of ADSs to underlying shares changed from 0.5 underlying shares per one ADS to five underlying shares per one ADS. In the following tables and elsewhere in this document unless indicated otherwise, numbers of shares of ORIX's common stock, per share, including price per share, information for ORIX's common stock and ORIX's ADS information in this annual report have been retroactively adjusted to reflect the 10-for-1 stock split on April 1, 2013.

Year ended	Dividends applicable to fiscal year per share	Translated into dollar per ADS
March 31, 2013	13.00	0.64
March 31, 2014	23.00	1.12
March 31, 2015	36.00	1.45
March 31, 2016	45.75	2.09
March 31, 2017	52.25	2.39

ORIX aims to increase shareholder value by utilizing profits earned from business activities that were secured primarily as retained earnings, to strengthen its business foundation and make investments for future growth. At the same time, ORIX strives to make stable and sustainable distribution of dividends at the level in line with its business performance.

Based on this fundamental policy, the annual dividend is 52.25 yen per share (interim dividend paid was 23.00 yen per share and year-end dividend is 29.25 yen per share) from 45.75 yen per share in the previous fiscal year.

For the next fiscal year ending March 31, 2018, we will continue to focus on the optimal balance of securing capital for investment in future profit growth and providing an appropriate level of dividends to shareholders. The interim dividend for the next fiscal year is projected at 27.00 yen per share. The year-end dividend for the next fiscal year is to be determined.

With regards to the decision of share buyback, ORIX aims to act with flexibility and swiftness while considering various factors such as the adequate level of the Company's retained earnings, the soundness of financial condition and external factors such as changes in the business environment and share price valuation and its trend.

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. The tax rate can be found in "Item 10 TAXATION, JAPANESE TAXATION—*Shares.*"

TAXATION

JAPANESE TAXATION

The following is a summary of the principal Japanese tax consequences for owners of the Shares or ADSs who are nonresident individuals of Japan or non-Japanese corporations without a permanent establishment in Japan ("nonresident 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 consult with their own tax advisors 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.

Shares

Generally, a nonresident 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 and the Act on Special Measures Concerning the Securing of Financial Resources for Reconstruction Measures Involving the Great East Japan Earthquake, the Japanese withholding tax rate applicable to dividends on Shares or ADSs paid to nonresident Holders by us is 15.315% for dividends. However, where an individual nonresident Holder who holds 3% or more of the total number of shares issued by us, the withholding tax rate applicable will be 20.42% for dividends. 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. Nonresident Holders who are entitled under an applicable treaty, convention, or agreement 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 nonresident Holder may provide such application service. Nonresident 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 nonresident 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.

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 (described below).

This discussion does not describe all of the tax consequences that may be relevant to a U.S. holder in light of the holder's particular circumstances (including the application of the provisions of the code known as the Medicare contribution tax) 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;
- entities classified as partnerships for U.S. federal income tax purposes;
- persons subject to the alternative minimum tax;
- tax-exempt entities, including "individual retirement accounts" and "Roth IRAs";
- regulated investment companies;
- persons that own or are deemed to own 10% or more of the voting stock of the Company;
- persons holding the shares or ADSs in connection with a trade or business carried on outside the United States; 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 individual 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 we may have been a passive foreign investment company (a "PFIC") for the year to which this annual report relates. However, because of uncertainties in the manner of application of the PFIC rules, including uncertainties as to the valuation and proper characterization of certain of our assets as passive or active, our PFIC status is uncertain. In addition, we may be a PFIC in the foreseeable future.

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.

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 PFIC 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). Assuming that we are a PFIC, dividends paid by us will not be eligible for the preferential 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 gain or loss resulting from the conversion of the yen will generally be treated as U.S. source ordinary income or loss.

Subject to the PFIC 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 applicable 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 "Taxation—Japanese Taxation—Shares" above, under current Japanese law, the statutory rate is higher than the maximum Tax Convention rate. Japanese taxes withheld in excess of the rate applicable under the Tax Convention will not be eligible for credit against a U.S. Holder's federal income tax liability. 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 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 a 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 certain otherwise tax-free reorganizations) 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 such distribution, an "excess distribution"). 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 U.S.-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 holders 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 for 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. However, even if a U.S. Holder makes a mark-to-market election with respect to our Shares or ADSs, a U.S. Holder will not be able to make a mark-to-market election with respect to any of our subsidiaries that are PFICs.

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 "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 excess distributions on shares of a PFIC. These rules could limit the amount of the foreign tax credit that would otherwise have been available.

If a U.S. Holder owns Shares or ADSs during any year in which we are a PFIC, the U.S. Holder will generally be required to file IRS Form 8621 with its federal income tax return with respect to us and with respect to each of our subsidiaries that is a PFIC, subject to certain exceptions.

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.

Certain U.S. Holders who are individuals (and certain entities closely held by individuals) may be required to report information relating to their ownership of an interest in certain foreign financial assets, including stock of a non-U.S. person, generally on Form 8938, subject to exceptions (including an exception for financial assets held through a U.S. financial institution). U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to the Shares or ADSs.

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 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 via EDGAR.

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 press releases containing unaudited interim financial information 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.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

MARKET RISKS

Our primary market risk exposures are interest rate risk, exchange rate risk and risk of market prices in stocks. We enter into derivative transactions to hedge interest rate risk and exchange rate risk. Our risk management for market risk exposure and derivative transactions are described under "Item 5. Operating and Financial Review and Prospects—Risk Management."

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 ("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. We omitted the disclosure of financial instruments for trading purposes because the amount is immaterial.

Interest Rate Risk

Many of our assets and liabilities are composed of floating and fixed rate assets and liabilities. Movements in market interest rates affect gains and losses in those assets and liabilities. Accordingly, we endeavor to reduce interest rate risk through techniques such as funding interest rate bearing assets through liabilities with similar interest rate characteristics, e.g., financing floating-rate assets with floating-rate liabilities and financing fixed-rate assets with fixed-rate liabilities.

We manage asset and liability through various methods including conducting gains and losses impact analysis and balance sheet fair value analysis when market interest rates fluctuate, constructing balance sheets for fixed rate assets and liabilities, and those for floating rate, testing interest rate sensitivities.

The table of interest rate sensitivity for financial instruments summarizes installment loans, investment in securities (floating and fixed rate) and long- and short-term debt. These instruments are further classified under fixed 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, 2017 were: 4.1% for installment loans, 2.2% for investment in securities (floating and fixed rate), 1.2% for long- and short-term debt and 0.2% for deposits. As of March 31, 2017, the average payment rate of interest rate swaps was 0.9% and the average receipt rate was 0.3%. The average interest rates of financial instruments as of March 31, 2016 were: 4.2% for installment loans, 1.9% for investments in securities (floating and fixed rate), 1.1% for long- and short-term debt and 0.3% for deposits. As of March 31, 2016, the average payment rate of interest rate swaps was 1.0% and the average receipt rate was 0.5%. As of March 31, 2017, there was no material change in the balance or in the average interest rate of financial instruments from March 31, 2016. The table below shows our interest rate risk exposure and the results of our interest rate sensitivity analysis.

INTEREST RATE SENSITIVITY
NONTRADING FINANCIAL INSTRUMENTS

	Expected Maturity Date							
	Year ending March 31,							March 31, 2017 Estimated Fair Value
	2018	2019	2020	2021	2022	Thereafter	Total	
	(Millions of yen)							
Assets:								
Installment loans (fixed rate)	¥ 261,895	¥137,602	¥100,660	¥ 75,782	¥ 60,531	¥ 320,558	¥ 957,028	¥ 956,793
Average interest rate	5.5%	7.5%	7.0%	7.4%	6.7%	4.8%	5.9%	—
Installment loans (floating rate)	¥ 211,795	¥171,271	¥156,307	¥147,248	¥129,390	¥1,017,872	¥1,833,883	¥1,807,939
Average interest rate	3.8%	3.5%	4.0%	3.7%	3.7%	2.5%	3.1%	—
Investment in securities (fixed rate)	¥ 44,113	¥ 79,069	¥ 75,813	¥ 70,287	¥ 31,999	¥ 767,070	¥1,068,351	¥1,110,901
Average interest rate	1.5%	0.7%	0.6%	1.0%	0.7%	2.3%	1.9%	—
Investment in securities (floating rate)	¥ 10,973	¥ 13,037	¥ 6,930	¥ 5,765	¥ 4,673	¥ 56,513	¥ 97,891	¥ 101,205
Average interest rate	5.0%	5.1%	4.7%	5.4%	5.0%	5.9%	5.5%	—
Liabilities:								
Short-term debt	¥ 283,467	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 283,467	¥ 283,467
Average interest rate	1.7%	—	—	—	—	—	1.7%	—
Deposits	¥1,216,008	¥203,319	¥ 82,894	¥ 78,150	¥ 33,737	¥ 500	¥1,614,608	¥1,615,655
Average interest rate	0.2%	0.3%	0.3%	0.4%	0.2%	0.2%	0.2%	—
Long-term debt (fixed rate)	¥ 487,530	¥299,257	¥192,211	¥261,401	¥255,902	¥ 330,945	¥1,827,246	¥1,832,463
Average interest rate	1.4%	1.4%	1.4%	1.2%	1.8%	1.2%	1.4%	—
Long-term debt (floating rate)	¥ 337,496	¥335,475	¥277,237	¥203,983	¥184,826	¥ 688,721	¥2,027,738	¥2,030,352
Average interest rate	1.1%	1.2%	1.3%	1.0%	1.0%	0.8%	1.0%	—

NONTRADING DERIVATIVE FINANCIAL INSTRUMENTS

	Expected Maturity Date							
	Year ending March 31,							March 31, 2017 Estimated Fair Value
	2018	2019	2020	2021	2022	Thereafter	Total	
	(Millions of yen)							
Interest rate swaps:								
Notional amount (floating to fixed)	¥ 12,126	¥ 64,522	¥ 32,289	¥ 3,460	¥ 8,594	¥ 127,464	¥ 248,455	¥ (4,285)
Average pay rate	1.4%	0.6%	0.8%	1.7%	0.9%	1.0%	0.9%	—
Average receive rate	0.8%	0.4%	0.5%	1.3%	0.3%	0.2%	0.3%	—
Notional amount (fixed to floating)	¥ 3,000	¥ 0	¥ 0	¥ 0	¥ 0	¥ 0	¥ 3,000	¥ 22
Average pay rate	0.4%	—	—	—	—	—	0.4%	—
Average receive rate	2.1%	—	—	—	—	—	2.1%	—

The above table excludes “purchased loans,” for which there is which are exposed to interest rate , because it is difficult to estimate the timing and extent of collection of such loans. “Purchased loans” are deteriorated credit loans which we acquire at a discount and for which full collection of all contractually required payments from the debtors is unlikely under ASC 310-30 (“Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality”). The total book value of our purchased loans as of March 31, 2017 was ¥24,795 million.

Long-term debt (floating rate) in the table above include the amount of the ¥94,000 million of subordinated syndicated loan (hybrid loan, whose maturity date is year 2076) conducted in fiscal 2017, of which ¥60,000 million and ¥34,000 million can be repaid after 5 years and 7 years respectively.

We are also exposed to interest rate risks on life insurance businesses, because revenues from life insurance related investment income fluctuates based on changes in market interest rates, while life insurance premiums and costs do not.

Exchange Rate Risk

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 exchange rate risk. There are, however, cases where a certain part of our foreign currency-denominated investments are not hedged for such risk.

We have identified all positions subject to exchange rate including retained earnings accumulated in foreign currencies in our overseas subsidiaries, which is translated to Japanese yen upon consolidation, as a major position subject to exchange rate risk. ORIX shareholders' equity is accordingly subject to exchange rate risk arising from such translations. For other positions, potential losses in future earnings are calculated using several hypothetical scenarios with 10% changes in the relevant currencies. Based on these scenarios, exchange losses in future earnings were estimated to be ¥1,069 million and ¥635 million as of March 31, 2016 and 2017, respectively. The largest such losses were estimated in scenarios where the euro appreciated 10% against the U.S. dollar from the rate in effect on March 31, 2016 and 2017.

Risk of Market Prices in Stocks

We have marketable stocks that are subject to price risk arising from changes in their market prices. Our shareholders' 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 downward movement in stock prices compared with stock prices as of March 31, 2016 and 2017, respectively, and under such circumstances estimate ¥11,135 million and ¥9,303 million decrease in the fair value of our equity securities as of March 31, 2016 and 2017.

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, and proxy voting and related expenses. In fiscal 2017, this amount was $84,285.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

In order to improve the convenience and liquidity of our securities on exchanges where our shares are listed, in accordance with "Action Plan for Consolidating Trading Units" issued in November 2007 by the securities exchanges in Japan, the Company implemented a 10-for-1 stock split of shares of its common stock on March 31, 2013, pursuant to which one hundred shares constitutes one unit as of April 1, 2013. The change resulted in no substantive change in trading unit price levels. As a result of the stock split, the ratio of ADSs to underlying shares changed from 0.5 underlying shares per one ADS to five underlying shares per one ADS. The change has not affected ADS unit price levels or other material ADS terms.

Item 15. Controls and Procedures

As of March 31, 2017, the ORIX Group, under the supervision and with the participation of the Company's management, including the Chief Executive 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 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 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 generally accepted accounting principles 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 generally accepted accounting principles 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 the 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, 2017 by using the criteria set forth in "Internal Control-Integrated Framework (2013)" issued by the 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, 2017.

The effectiveness of our internal control over financial reporting has been audited by KPMG AZSA LLC, an independent registered public accounting firm, who also audited our consolidated financial statements as of and for each of the years in the three-year period ended March 31, 2017, 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, last amended in April 2014, 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 Group 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 2016 and 2017, KPMG (including Japanese and overseas affiliates of KPMG AZSA LLC) billed us ¥2,338 million and ¥2,443 million, respectively, for direct audit fees.

AUDIT-RELATED FEES

In fiscal 2016 and 2017, KPMG billed us ¥101 million and ¥137 million, respectively, for audit-related services, including attestation, assurance and related services that are not reported under audit fees.

TAX FEES

In fiscal 2016 and 2017, KPMG billed us ¥139 million and ¥161 million, respectively, for tax-related services, including tax compliance and tax advice.

ALL OTHER FEES

In fiscal 2016 and 2017, KPMG billed us ¥1 million and ¥0 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.

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, preapproval 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, 2017	(a) Total number of Shares Purchased	(b) Average Price Paid per Share	(c) Total number of Shares Purchased as Part of Publicly Announced Plans or Programs*[1,2]	(d) Maximum Number (or Approximate Yen Value) of Shares that May Yet be Purchased Under the Plans or Programs*[1,2]
April 2016	50	¥1,571	0	¥ 0
May 2016	150	1,565	0	0
June 2016	30	1,392	0	0
July 2016	20	1,264	0	0
August 2016	50	1,417	0	0
September 2016	0	0	0	0
October 2016	0	0	0	50,000,000,000
November 2016	1,691,770	1,542	1,691,600	47,392,234,500
December 2016	240	1,829	0	47,392,234,500
January 2017	200	1,840	0	47,392,234,500
February 2017	10	1,707	0	47,392,234,500
March 2017	4,853,120	1,707	4,853,000	39,109,029,050
Total	6,545,640	¥1,664	6,544,600	¥39,109,029,050

*1 The Company resolved the share repurchase as follows at a meeting of the Board of Directors held on October 26, 2016 and February 16, 2017.

- Classification of shares to be repurchased: Common shares
- Total number of shares: Up to 39,000,000 shares (approx.2.97% of the total outstanding shares (excluding treasury shares))
- Total value of shares to be repurchased: Up to 50 billion yen
- Repurchase period: From October 27, 2016 to May 15, 2017
- Method of share repurchase: Open market purchases on the Tokyo Stock Exchange

*2 The share repurchase based on the above resolution at the Board of Directors meeting was completed. The details of share repurchasing susequent to the balance sheet data are as follows.

- Classification of shares acquired: Common shares
- Total number of shares acquired: 23,448,500 shares
- Total value of shares acquired: 39,108,901,400 yen
- Acquisition period: From April 1, 2017 to April 21, 2017
- Acquisition method: Open market purchases on the Tokyo Stock Exchange

Item 16F. Change in Registrant's Certifying Accountant.

Not applicable.

Item 16G. Corporate Governance

Our ADSs 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.

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 12 directors are considered outside directors. We have adopted a written charter for our Compensation Committee that addresses committee member appointment and removal, committee structure and operations, and reporting to the board. However, our Compensation Committee has not retained, or obtained the advice of, a compensation consultant, independent legal counsel or other adviser.

Under the Companies Act, an outside director is a director (i) who is not an executive director, executive officer *(shikko-yaku)*, manager or any other kind of employee (collectively called "Executive Directors and Employees")of the Company or its subsidiaries and who has not been the Executive Directors and Employees in the past 10 years of the Company or its subsidiaries; (ii) who has not been the Executive Directors and Employees of the Company or its subsidiaries for the past 10 years from the assumptions of any of the position of director, accounting advisor, or auditor; (iii) who is not a person with a controlling stake in the management of the Company, such as a holder of 50 percent or more of the Company's shares, etc., or has not been the Executive Directors and Employees of the parent company of the Company; (iv) who has not been the Executive Directors and Employees of any other company with same parent company; and (v) who has not been the spouse or the kin (within the second degree) of any director, manager or any other kind of important employee of the Company, or a person with a controlling stake in the management of the Company, such as a holder of 50 percent or more of the Company's shares etc.

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;
- obtain shareholder approval for all equity compensation plans for employees, directors or executive officers of ORIX or for material revisions to any such plans;

- provide the compensation committee with authority to obtain or retain the advice of a compensation adviser only after taking into consideration all factors relevant to determining the adviser's independence from management.

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-139.

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:

(a) Consolidated Balance Sheets as of March 31, 2016 and 2017 (page F-4 to F-5);

(b) Consolidated Statements of Income for the years ended March 31, 2015, 2016 and 2017 (page F-6 to F-7);

(c) Consolidated Statements of Comprehensive Income for the years ended March 31, 2015, 2016 and 2017 (page F-8);

(d) Consolidated Statements of Changes in Equity for the years ended March 31, 2015, 2016 and 2017 (page F-9 to F-10);

(e) Consolidated Statements of Cash Flows for the years ended March 31, 2015, 2016 and 2017 (page F-11);

(f) Notes to Consolidated Financial Statements (page F-12 to F-138);

(g) Schedule II.—Valuation and Qualifying Accounts and Reserves (page F-139).

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 27, 2017.
Exhibit 1.2	Regulations of the Board of Directors of ORIX Corporation, as amended on June 1, 2015 (Incorporated by reference from the annual report on Form 20-F filed on June 25, 2015, commission file number 001-14856).
Exhibit 1.3	Share Handling Regulations of ORIX Corporation, as amended on October 7, 2013 (Incorporated by reference from the annual report on Form 20-F filed on June 26, 2014, 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 18, 2014 (Incorporated by reference from the annual report on Form 20-F filed on June 26, 2014, 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 relation to our long-term debt or the long-term debt of our subsidiaries. The total amount of securities of us or our subsidiaries authorized under any such instrument does not exceed 10% of our consolidated total assets. We hereby agree to furnish to the SEC, upon its request, a copy of any and all such instruments.

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/ KAZUO KOJIMA
Name:	Kazuo Kojima
Title:	Attorney-in-Fact Chief Financial Officer

Date: June 29, 2017

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2016 and 2017, 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, 2017. 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, 2016 and 2017, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2017, 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.

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, 2017, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 29, 2017 expressed an unqualified opinion on the effectiveness of ORIX Corporation's internal control over financial reporting.

KPMG AZSA LLC
Tokyo, Japan
June 29, 2017

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, 2017, based on criteria established in Internal Control—Integrated Framework (2013) 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, 2017, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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, 2016 and 2017, 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, 2017, and our report dated June 29, 2017 expressed an unqualified opinion on those consolidated financial statements.

KPMG AZSA LLC
Tokyo, Japan
June 29, 2017

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2016 AND 2017

ORIX Corporation and Subsidiaries

	Millions of yen	
	2016	2017
ASSETS		
Cash and Cash Equivalents	¥ 730,420	¥ 1,039,870
Restricted Cash	80,979	93,342
Investment in Direct Financing Leases	1,190,136	1,204,024
Installment Loans	2,592,233	2,815,706
The amounts which are measured at fair value by electing the fair value option are as follows:		
March 31, 2016 ¥20,673 million		
March 31, 2017 ¥19,232 million		
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses	(60,071)	(59,227)
Investment in Operating Leases	1,349,199	1,313,164
Investment in Securities	2,344,792	2,026,512
The amounts which are measured at fair value by electing the fair value option are as follows:		
March 31, 2016 ¥27,367 million		
March 31, 2017 ¥24,894 million		
Property under Facility Operations	327,016	398,936
Investment in Affiliates	530,667	524,234
Trade Notes, Accounts and Other Receivable	294,638	283,427
Inventories	139,950	117,863
Office Facilities	120,173	110,781
Other Assets	1,352,786	1,363,263
The amounts which are measured at fair value by electing the fair value option are as follows:		
March 31, 2016 ¥37,855 million		
March 31, 2017 ¥22,116 million		
Total Assets	¥10,992,918	¥11,231,895

Notes 1: Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 ("Simplifying the Presentation of Debt Issuance Costs"—ASC 835-30 ("Interest—Imputation of Interest")) on April 1, 2016.

2: The assets of consolidated variable interest entities (VIEs) that can be used only to settle obligations of those VIEs are below:

	Millions of yen	
	2016	2017
Cash and Cash Equivalents	¥ 4,697	¥ 5,674
Investment in Direct Financing Leases (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	134,604	90,822
Installment Loans (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	195,702	186,818
Investment in Operating Leases	227,340	151,686
Property under Facility Operations	79,697	109,656
Investment in Affiliates	65,059	53,046
Other	93,410	105,591
	¥800,509	¥703,293

CONSOLIDATED BALANCE SHEETS—(Continued)
AS OF MARCH 31, 2016 AND 2017

ORIX Corporation and Subsidiaries

	Millions of yen	
	2016	2017
LIABILITIES AND EQUITY		
Liabilities:		
Short-term Debt	¥ 349,624	¥ 283,467
Deposits	1,398,472	1,614,608
Trade Notes, Accounts and Other Payable	266,216	251,800
Policy Liabilities and Policy Account Balances	1,668,636	1,564,758
The amounts which are measured at fair value by electing the fair value option are as follows:		
March 31, 2016 ¥795,001 million		
March 31, 2017 ¥605,520 million		
Income Taxes:		
Current	17,398	93,884
Deferred	341,360	351,828
Long-term Debt	3,936,918	3,854,984
Other Liabilities	534,008	562,393
Total Liabilities	8,512,632	8,577,722
Redeemable Noncontrolling Interests	7,467	6,548
Commitments and Contingent Liabilities		
Equity:		
Common stock:	220,469	220,524
Authorized: 2,590,000,000 shares		
Issued:		
March 31, 2016 1,324,058,828 shares		
March 31, 2017 1,324,107,328 shares		
Additional Paid-in Capital	257,629	268,138
Retained Earnings	1,864,241	2,077,474
Accumulated Other Comprehensive Income (Loss)	(6,222)	(21,270)
Treasury Stock, at Cost:	(25,686)	(37,168)
March 31, 2016 14,544,808 shares		
March 31, 2017 21,520,267 shares		
ORIX Corporation Shareholders' Equity	2,310,431	2,507,698
Noncontrolling Interests	162,388	139,927
Total Equity	2,472,819	2,647,625
Total Liabilities and Equity	¥10,992,918	¥11,231,895

Notes 1: The Company's shares held through the Board Incentive Plan Trust (1,696,217 shares as of March 31, 2016 and 2,126,076 shares as of March 31, 2017) are included in the number of treasury stock shares as of March 31, 2016 and 2017.

2: Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 ("Simplifying the Presentation of Debt Issuance Costs"—ASC 835-30 ("Interest—Imputation of Interest")) on April 1, 2016.

3: The liabilities of consolidated VIEs for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and its subsidiaries are below:

	Millions of yen	
	2016	2017
Trade Notes, Accounts and Other Payable	¥ 1,576	¥ 2,998
Long-Term Debt	479,152	438,473
Other	11,778	10,391
	¥492,506	¥451,862

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED MARCH 31, 2015, 2016 AND 2017

ORIX Corporation and Subsidiaries

	Millions of yen		
	2015	2016	2017
Revenues:			
Finance revenues	¥ 186,883	¥ 200,889	¥ 200,584
Gains on investment securities and dividends	56,395	35,786	30,328
Operating leases	363,095	373,910	398,655
Life insurance premiums and related investment income	351,493	189,421	295,940
Sales of goods and real estate	450,869	834,010	1,015,249
Services income	765,548	735,186	737,903
Total revenues	2,174,283	2,369,202	2,678,659
Expenses:			
Interest expense	72,647	72,821	72,910
Costs of operating leases	238,157	245,069	243,537
Life insurance costs	271,948	121,282	200,158
Costs of goods and real estate sold	402,021	748,259	928,794
Services expense	425,676	445,387	451,277
Other (income) and expense, net	23,674	(3,729)	(4,396)
Selling, general and administrative expenses	427,816	422,692	418,746
Provision for doubtful receivables and probable loan losses	11,631	11,717	22,667
Write-downs of long-lived assets	34,887	13,448	9,134
Write-downs of securities	8,997	4,515	6,608
Total expenses	1,917,454	2,081,461	2,349,435
Operating Income	256,829	287,741	329,224
Equity in Net Income of Affiliates	30,531	45,694	26,520
Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, net	20,575	57,867	63,419
Bargain Purchase Gain	36,082	0	5,802
Income before Income Taxes and Discontinued Operations	344,017	391,302	424,965
Provision for Income Taxes	89,057	120,312	144,039
Income from Continuing Operations	254,960	270,990	280,926
Discontinued Operations:			
Income from discontinued operations, net	463	0	0
Provision for income taxes	(166)	(0)	(0)
Discontinued operations, net of applicable tax effect	297	0	0
Net Income	255,257	270,990	280,926
Net Income Attributable to the Noncontrolling Interests	15,339	10,002	7,255
Net Income Attributable to the Redeemable Noncontrolling Interests	4,970	819	432
Net Income Attributable to ORIX Corporation Shareholders	¥ 234,948	¥ 260,169	¥ 273,239

Note 1: Pursuant to FASB ASC 205-20 ("Presentation of Financial Statements—Discontinued Operations"), the results of operations which meet the criteria for discontinued operations are reported as a separate component of income, and those related amounts that had been previously reported are reclassified.

CONSOLIDATED STATEMENTS OF INCOME—(Continued)
FOR THE YEARS ENDED MARCH 31, 2015, 2016 AND 2017

ORIX Corporation and Subsidiaries

2: Pursuant to Accounting Standards Update 2014-08 ("Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity"—ASC 205 ("Presentation of Financial Statements") and ASC 360 ("Property, Plant, and Equipment")) which was early adopted on April 1, 2014, the results of operations for fiscal 2015 reflected the adoption of this Update. This Update does not apply to a component or a group of components which was disposed of or classified as held for sale before the adoption date. Therefore, in accordance with previous ASC 205-20, the results of these operation of subsidiaries and businesses, which were classified as held for sale in fiscal 2014 are reported as discontinued operations for fiscal 2015.

	Millions of yen		
	2015	2016	2017
Income Attributable to ORIX Corporation Shareholders:			
Income from Continuing Operations	¥234,651	¥260,169	¥273,239
Discontinued Operations	297	0	0
Net income Attributable to ORIX Corporation Shareholders	¥234,948	¥260,169	¥273,239

	Yen		
	2015	2016	2017
Amounts per Share of Common Stock for Income attributable to ORIX Corporation shareholders:			
Basic:			
Income from continuing operations	¥179.24	¥198.73	¥208.88
Discontinued operations	0.23	0.00	0.00
Net income attributable to ORIX Corporation shareholders	¥179.47	¥198.73	¥208.88
Diluted:			
Income from continuing operations	¥178.99	¥198.52	¥208.68
Discontinued operations	0.22	0.00	0.00
Net income attributable to ORIX Corporation shareholders	¥179.21	¥198.52	¥208.68
Cash Dividends	23.00	58.00	46.75

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED MARCH 31, 2015, 2016 AND 2017

ORIX Corporation and Subsidiaries

	Millions of yen		
	2015	2016	2017
Net Income	¥255,257	¥270,990	¥280,926
Other comprehensive income (loss), net of tax:			
Net change of unrealized gains (losses) on investment in securities	9,867	(3,121)	(14,926)
Net change of defined benefit pension plans	(14,952)	(4,123)	7,670
Net change of foreign currency translation adjustments	37,155	(26,957)	(5,968)
Net change of unrealized gains (losses) on derivative instruments	(561)	(4,063)	326
Total other comprehensive income (loss)	31,509	(38,264)	(12,898)
Comprehensive Income	286,766	232,726	268,028
Comprehensive Income Attributable to the Noncontrolling Interests	7,314	7,414	4,276
Comprehensive Income Attributable to the Redeemable Noncontrolling Interests	14,265	1,738	374
Comprehensive Income Attributable to ORIX Corporation Shareholders	¥265,187	¥223,574	¥263,378

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED MARCH 31, 2015, 2016 AND 2017

ORIX Corporation and Subsidiaries

	Millions of yen							
	ORIX Corporation Shareholders' Equity							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total ORIX Corporation Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at March 31, 2014	¥219,546	¥255,449	¥1,468,172	¥ 38	¥(23,859)	¥1,919,346	¥177,019	¥2,096,365
Contribution to subsidiaries						0	26,447	26,447
Transaction with noncontrolling interests		(505)		96		(409)	(40,735)	(41,144)
Comprehensive income, net of tax:								
Net income			234,948			234,948	15,339	250,287
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment in securities				11,679		11,679	(1,812)	9,867
Net change of defined benefit pension plans				(13,218)		(13,218)	(1,734)	(14,952)
Net change of foreign currency translation adjustments				32,284		32,284	(4,424)	27,860
Net change of unrealized losses on derivative instruments				(506)		(506)	(55)	(561)
Total other comprehensive income(loss)						30,239	(8,025)	22,214
Total comprehensive income						265,187	7,314	272,501
Cash dividends			(30,117)			(30,117)	(4,172)	(34,289)
Exercise of stock options	510	504				1,014	0	1,014
Acquisition of treasury stock					(3,423)	(3,423)	0	(3,423)
Disposal of treasury stock		(697)	(174)		871	0	0	0
Adjustment of redeemable noncontrolling interests to redemption value			(220)			(220)	0	(220)
Other, net		844	(24)			820	0	820
Balance at March 31, 2015	¥220,056	¥255,595	¥1,672,585	¥ 30,373	¥(26,411)	¥2,152,198	¥165,873	¥2,318,071
Contribution to subsidiaries						0	6,801	6,801
Transaction with noncontrolling interests		1,918				1,918	(10,519)	(8,601)
Comprehensive income, net of tax:								
Net income			260,169			260,169	10,002	270,171
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment in securities				(3,145)		(3,145)	24	(3,121)
Net change of defined benefit pension plans				(4,436)		(4,436)	313	(4,123)
Net change of foreign currency translation adjustments				(25,197)		(25,197)	(2,679)	(27,876)
Net change of unrealized losses on derivative instruments				(3,817)		(3,817)	(246)	(4,063)
Total other comprehensive income (loss)						(36,595)	(2,588)	(39,183)
Total comprehensive income						223,574	7,414	230,988
Cash dividends			(76,034)			(76,034)	(7,181)	(83,215)
Exercise of stock options	413	409				822	0	822
Acquisition of treasury stock					(2)	(2)	0	(2)
Disposal of treasury stock		(426)	(53)		727	248	0	248
Adjustment of redeemable noncontrolling interests to redemption value			7,557			7,557	0	7,557
Other, net		133	17			150	0	150
Balance at March 31, 2016	¥220,469	¥257,629	¥1,864,241	¥ (6,222)	¥(25,686)	¥2,310,431	¥162,388	¥2,472,819

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)
FOR THE YEARS ENDED MARCH 31, 2015, 2016 AND 2017

ORIX Corporation and Subsidiaries

	Millions of yen							
	ORIX Corporation Shareholders' Equity							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total ORIX Corporation Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at March 31, 2016	¥220,469	¥257,629	¥1,864,241	¥ (6,222)	¥(25,686)	¥2,310,431	¥162,388	¥2,472,819
Contribution to subsidiaries						0	20,811	20,811
Transaction with noncontrolling interests		10,516		(5,187)		5,329	(42,421)	(37,092)
Comprehensive income, net of tax:								
Net income			273,239			273,239	7,255	280,494
Other comprehensive income (loss)								
Net change of unrealized losses on investment in securities				(14,918)		(14,918)	(8)	(14,926)
Net change of defined benefit pension plans				7,508		7,508	162	7,670
Net change of foreign currency translation adjustments				(2,725)		(2,725)	(3,185)	(5,910)
Net change of unrealized gains on derivative instruments				274		274	52	326
Total other comprehensive income (loss)						(9,861)	(2,979)	(12,840)
Total comprehensive income						263,378	4,276	267,654
Cash dividends			(61,299)			(61,299)	(5,127)	(66,426)
Exercise of stock options	55	26				81	0	81
Acquisition of treasury stock					(12,128)	(12,128)	0	(12,128)
Disposal of treasury stock		(409)			646	237	0	237
Adjustment of redeemable noncontrolling interests to redemption value			1,293			1,293	0	1,293
Other, net		376				376	0	376
Balance at March 31, 2017	¥220,524	¥268,138	¥2,077,474	¥(21,270)	¥(37,168)	¥2,507,698	¥139,927	¥2,647,625

Note: Changes in the redeemable noncontrolling interests are not included in this table. For further information, see Note 18 "Redeemable Noncontrolling Interests."

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2015, 2016 AND 2017

ORIX Corporation and Subsidiaries

	Millions of yen		
	2015	2016	2017
Cash Flows from Operating Activities:			
Net income	¥ 255,257	¥ 270,990	¥ 280,926
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	229,583	244,853	253,677
Provision for doubtful receivables and probable loan losses	11,631	11,717	22,667
Equity in net income of affiliates (excluding interest on loans)	(30,267)	(44,333)	(24,549)
Gains on sales of subsidiaries and affiliates and liquidation losses, net	(20,575)	(57,867)	(63,419)
Bargain purchase gain	(36,082)	0	(5,802)
Gains on sales of available-for-sale securities	(32,077)	(32,126)	(30,701)
Gains on sales of operating lease assets	(34,425)	(38,340)	(69,265)
Write-downs of long-lived assets	34,887	13,448	9,134
Write-downs of securities	8,997	4,515	6,608
Decrease (Increase) in restricted cash	(1,922)	9,009	155
Decrease in trading securities	441,554	461,298	159,809
Decrease (Increase) in inventories	(13,481)	20,935	(5,318)
Decrease (Increase) in trade notes, accounts and other receivable	(20,742)	(8,224)	8,362
Increase (Decrease) in trade notes, accounts and other payable	34,275	(41,004)	(6,660)
Decrease in policy liabilities and policy account balances	(506,043)	(405,014)	(103,878)
Deferred tax provision	41,338	42,528	25,318
Income taxes payable, net	(39,264)	47,065	67,904
Other, net	(65,033)	11,112	58,987
Net cash provided by operating activities	257,611	510,562	583,955
Cash Flows from Investing Activities:			
Purchases of lease equipment	(907,484)	(991,154)	(894,300)
Principal payments received under direct financing leases	488,522	515,053	483,627
Installment loans made to customers	(1,109,458)	(1,101,807)	(1,309,056)
Principal collected on installment loans	977,272	948,057	1,063,339
Proceeds from sales of operating lease assets	272,040	239,911	321,328
Investment in affiliates, net	(27,698)	(70,569)	(51,529)
Proceeds from sales of investment in affiliates	2,128	20,991	97,453
Purchases of available-for-sale securities	(982,415)	(864,874)	(466,314)
Proceeds from sales of available-for-sale securities	511,868	464,232	549,865
Proceeds from redemption of available-for-sale securities	398,280	381,099	105,255
Purchases of held-to-maturity securities	(20,522)	(538)	(306)
Purchases of other securities	(27,489)	(32,818)	(22,737)
Proceeds from sales of other securities	67,982	48,594	31,829
Purchases of property under facility operations	(81,311)	(91,492)	(95,601)
Acquisitions of subsidiaries, net of cash acquired	(73,240)	(47,324)	(79,405)
Sales of subsidiaries, net of cash disposed	47,800	39,437	55,530
Other, net	(4,076)	(9,327)	(26,586)
Net cash used in investing activities	(467,801)	(552,529)	(237,608)
Cash Flows from Financing Activities:			
Net increase (decrease) in debt with maturities of three months or less	3,819	(4,707)	793
Proceeds from debt with maturities longer than three months	1,337,870	1,376,125	1,319,523
Repayment of debt with maturities longer than three months	(1,178,401)	(1,470,325)	(1,456,366)
Net increase in deposits due to customers	80,924	111,220	216,118
Cash dividends paid to ORIX Corporation shareholders	(30,117)	(76,034)	(61,299)
Contribution from noncontrolling interests	7,919	6,117	5,599
Purchases of shares of subsidiaries from noncontrolling interests	(206)	(4,764)	(25,840)
Cash dividends paid to redeemable noncontrolling interests	(3,030)	(11,272)	0
Net increase (decrease) in call money	6,000	36,500	(14,500)
Other, net	(11,346)	(10,861)	(17,487)
Net cash provided by (used in) financing activities	213,432	(48,001)	(33,459)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	6,237	(7,130)	(3,438)
Net increase (decrease) in Cash and Cash Equivalents	9,479	(97,098)	309,450
Cash and Cash Equivalents at Beginning of Year	818,039	827,518	730,420
Cash and Cash Equivalents at End of Year	¥ 827,518	¥ 730,420	¥ 1,039,870

The accompanying notes to consolidated financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ORIX Corporation and Subsidiaries

1. Significant Accounting and Reporting Policies

In preparing the accompanying consolidated financial statements, ORIX Corporation (the "Company") and its subsidiaries have complied with accounting principles generally accepted in the United States of America ("U.S. GAAP"), except for the accounting for stock splits. Significant accounting and reporting policies are summarized as follows:

(a) Basis of presenting financial statements

The Company and its subsidiaries in Japan maintain their books in conformity with Japanese accounting practices, which differ in certain respects from U.S. GAAP.

The accompanying consolidated financial statements have been prepared in conformity with U.S. GAAP and, therefore, reflect certain adjustments to the books and records of the Company and its subsidiaries. The principal adjustments relate to initial direct costs to originate leases and loans, use of a straight-line basis of depreciation for operating lease assets, deferral of life insurance policy acquisition costs, calculation of insurance policy liabilities, accounting for goodwill and other intangible assets in business combinations, accounting for contingent consideration in business combinations, accounting for pension plans, accounting for sales of the parent's ownership interest in subsidiaries, accounting for securitization of financial assets, reflection of the income tax effect on such adjustments and reclassification of discontinued operations.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Investments in affiliates, where the Company has the ability to exercise significant influence by way of 20% – 50% ownership or other means, are accounted for by using the equity method. Where the Company holds majority voting interests but noncontrolling shareholders have substantive participating rights to decisions that occur as part of the ordinary course of their business, the equity method is applied. In addition, the consolidated financial statements also include variable interest entities to which the Company and its subsidiaries are primary beneficiaries.

A lag period of up to three months is used on a consistent basis for recognizing the results of certain subsidiaries and affiliates.

All significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company has identified ten areas where it believes assumptions and estimates are particularly critical to the financial statements. The Company makes estimates and assumptions to the selection of valuation techniques and determination of assumptions used in fair value measurements, the determination and periodic reassessment of the unguaranteed residual value for direct financing leases and operating leases, the determination and reassessment of insurance policy liabilities and deferred policy acquisition costs, the determination of the allowance for doubtful receivables on direct financing leases and probable loan losses, the recognition and measurement of impairment of long-lived assets, the recognition and measurement of impairment of investment in securities, the determination of the valuation allowance for deferred tax assets and the evaluation of tax positions, the assessment and measurement of effectiveness in hedging relationship using derivative financial instruments, the determination of benefit obligation and net periodic pension cost and the recognition and measurement of impairment of goodwill and intangible assets that have indefinite useful lives.

(d) Foreign currencies translation

The Company and its subsidiaries maintain their accounting records in their functional currency. Transactions in foreign currencies are recorded in the entity's functional currency based on the prevailing exchange rates on the transaction date.

The financial statements of overseas subsidiaries and affiliates are translated into Japanese yen by applying the exchange rates in effect at the end of each fiscal year to all assets and liabilities. Income and expenses are translated at the average rates of exchange prevailing during the fiscal year. The currencies in which the operations of the overseas subsidiaries and affiliates are conducted are regarded as the functional currencies of these companies. Foreign currency translation adjustments reflected in accumulated other comprehensive income (loss) arise from the translation of foreign currency financial statements into Japanese yen.

(e) Revenue recognition

Revenues are recognized when persuasive evidence of an arrangement exists, the service has been rendered or the goods have been delivered to the customer, the transaction price is fixed or determinable and collectability is reasonably assured.

In addition to the aforementioned general policy, the policies as specifically described hereinafter are applied for each of the major revenue items.

Finance Revenues—Finance revenues mainly include revenues for direct financing leases and installment loans. The policies applied to direct financing leases and installment loans are described hereinafter.

(1) Revenues from direct financing leases

Direct financing leases consist of full-payout leases for various equipment types, including office equipment, industrial machinery and transportation equipment. In providing leasing services, the Company and its subsidiaries execute supplemental services, such as paying insurance and handling taxes on leased assets on behalf of lessees. The excess of aggregate lease rentals plus the estimated unguaranteed residual value over the cost of the leased equipment constitutes the unearned lease income to be taken into income over the lease term by using the interest method. The estimated residual values represent estimated proceeds from the disposition of equipment at the time the lease is terminated. Estimates of unguaranteed residual values are based on market values of used equipment, estimates of when and how much equipment will become obsolete, and actual recovery being experienced for similar used equipment. Initial direct costs are being deferred and amortized as a yield adjustment over the life of the related lease by using interest method. The unamortized balance of initial direct costs is reflected as a component of investment in direct financing leases.

(2) Revenues from installment loans

Interest income on installment loans is recognized on an accrual basis. Certain direct loan origination costs, net of origination fees, are being deferred and amortized over the contractual term of the loan as an adjustment of the related loan's yield using the interest method.

Interest payments received on impaired loans other than purchased loans are recorded as interest income unless the collection of the remaining investment is doubtful at which time payments received are recorded as reductions of principal. For purchased loans, although the acquired assets may remain loans in legal form, collections on these loans often do not reflect the normal historical experience of collecting delinquent accounts, and the need to tailor individual collateral-realization strategies often makes it difficult to reliably estimate the amount, timing, or nature of collections. Accordingly, the Company and its subsidiaries use the cost recovery method of income recognition for such purchased loans regardless of whether impairment is recognized or not.

(3) Non-accrual policy

In common with all classes, past-due financing receivables are receivables for which principal or interest is past-due 30 days or more. Loans whose terms have been modified are not classified as past-due financing receivables if the principals and interests are not past-due 30 days or more in accordance with the modified terms. The Company and its subsidiaries suspend accruing revenues on past-due installment loans and direct financing leases when principal or interest is past-due 90 days or more, or earlier, if management determines that their collections are doubtful based on factors such as individual debtors' creditworthiness, historical loss experience, current delinquencies and delinquency trends. Accrued but uncollected interest is reclassified to investment in direct financing leases or installment loans in the accompanying consolidated balance sheets and becomes subject to the allowance for doubtful receivables and probable loan loss process. Cash repayments received on non-accrual loans are applied first against past due interest and then any surpluses are applied to principal in view of the conditions of the contract and obligors. The Company and its subsidiaries return non-accrual loans and lease receivables to accrual status when it becomes probable that the Company and its subsidiaries will be able to collect all amounts due according to the contractual terms of these loans and receivables, as evidenced by continual payments from the debtors. The period of such continual payments before returning to accrual status varies depending on factors that we consider are relevant in assessing the debtor's creditworthiness, such as the debtor's business characteristics and financial conditions as well as relevant economic conditions and trends.

***Gains on investment securities and dividends*—**Gains on investment securities are recorded on a trade date basis. Dividends are recorded when right to receive dividends is established.

***Operating leases*—**Revenues from operating leases are recognized on a straight-line basis over the contract terms. Investment in operating leases is recorded at cost less accumulated depreciation and is depreciated over their estimated useful lives mainly on a straight-line basis. The estimated average useful lives of principal operating lease assets classified as transportation equipment is 9 years, measuring and information-related equipment is 4 years, real estate (other than land) is 29 years and other is 5 years. Depreciation expenses are included in costs of operating leases. Gains or losses arising from dispositions of operating lease assets are included in operating lease revenues.

Estimates of residual values are based on market values of used equipment, estimates of when and the extent to which equipment will become obsolete and actual recovery being experienced for similar used equipment.

***Sales of goods and real estate*—**

(1) Sales of goods

The Company and its subsidiaries sell to their customers various types of goods, including precious metals and jewels, and aftermarket parts and accessories for vehicles. Revenues from such sales of goods are recognized when persuasive evidence of an arrangement exists, delivery has occurred, and collectability is reasonably assured. Delivery is considered to have occurred when the customer has taken title to the goods and assumed the risks and rewards of ownership. Revenues are recognized net of estimated sales returns and incentives.

(2) Real estate sales

Revenues from the sales of real estate are recognized when a contract is in place, a closing has taken place, the buyer's initial and continuing investment is adequate to demonstrate a commitment to pay for the property and the Company and its subsidiaries do not have a substantial continuing involvement in the property.

***Services income*—**Revenues are recognized when persuasive evidence of an arrangement exists, the service has been rendered to the customer, the transaction price is fixed or determinable and collectability is reasonably assured. The policies applied to asset management, servicing and automobile maintenance services are described hereinafter.

(1) Revenues from asset management and servicing

The Company and its subsidiaries provide to our customers investment management services for investments in financial assets, and asset management as well as maintenance and administrative services for investments in real estate properties. The Company and its subsidiaries also perform servicing on behalf of our customers. The Company and its subsidiaries receive fees for those services from our customers.

Revenues from asset management and servicing primarily include management fees, servicing fees, and performance fees. Management and servicing fees are recognized when transactions occur or services are rendered and the amounts are fixed or determinable and collectability of which is reasonably assured. Management fees are calculated based on the predetermined percentages of the market value of the assets under management or net assets of the investment funds in accordance with contracts. Certain subsidiaries recognize revenues from performance fees when earned based on the performance of the asset under management while other subsidiaries recognize revenues from performance fees on an accrual basis over the period in which services are performed. Performance fees are calculated based on the predetermined percentages on the performance of the assets under management in accordance with the contracts.

(2) Revenues from automobile maintenance services

The Company and its subsidiaries provide automobile maintenance services to lessees. Where under terms of the lease or related maintenance agreements the Company and its subsidiaries bear the favorable or unfavorable variability of cost, revenues and expenses are recorded on a gross basis. For those arrangements in which the Company and its subsidiaries do not have substantial risks and rewards of ownership, but instead serve as an agent in collecting from lessees and remitting payments to third parties, the Company and its subsidiaries record revenues net of third-party services costs. Revenues from automobile maintenance services are recognized over the contract period in proportion to the estimated service costs to be incurred.

(f) Insurance and reinsurance transactions

Premium income from life insurance policies, net of premiums on reinsurance ceded, is recognized as earned premiums when due.

Life insurance benefits are recorded as expenses when they are incurred. Policy liabilities and policy account balances for future policy benefits are measured using the net level premium method, based on actuarial estimates of the amount of future policyholder benefits. The policies are characterized as long-duration policies and mainly consist of whole life, term life, endowments, medical insurance and individual annuity insurance contracts. For policies other than individual annuity insurance contracts, computation of policy liabilities necessarily includes assumptions about mortality, morbidity, lapse rates, future yields on related investments and other factors applicable at the time the policies are written. A certain 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.

The insurance contracts sold by the subsidiary also includes variable annuity, variable life and fixed annuity insurance contracts. The subsidiary manages investment assets on behalf of variable annuity and variable life policyholders, which consist of equity securities and are included in investments in securities in the consolidated balance sheets. These investment assets are measured at fair value with realized and unrealized gains or losses recognized in life insurance premiums and related investment income in the consolidated statements of income. The subsidiary elected the fair value option for the entire variable annuity and variable life insurance contracts with changes in the fair value recognized in life insurance costs.

The subsidiary provides minimum guarantees to variable annuity and variable life policyholders under which it is exposed to the risk of compensating losses incurred by the policyholders to the extent contractually required. To mitigate the risk, a portion of the minimum guarantee risk related to variable annuity and variable life insurance contracts is ceded to reinsurance companies and the remaining risk is economically hedged by entering into derivative contracts. The reinsurance contracts do not relieve the subsidiary from the obligation as the primary obligor to compensate certain losses incurred by the policyholders, and the default of the reinsurance companies may impose additional losses on the subsidiary. Certain subsidiaries have elected the fair value option for certain reinsurance contracts relating to variable annuity and variable life insurance contracts, which is included in other assets in the consolidated balance sheets.

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

Certain costs related directly to the successful acquisition of new or renewal insurance contracts, or deferred policy acquisition costs are deferred and amortized over the respective policy periods in proportion to anticipated premium revenue. These deferred policy acquisition costs consist primarily of first-year commissions, except for recurring policy maintenance costs and certain variable costs and expenses for underwriting policies.

(g) 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 is maintained at a level which, in the judgment of management, is appropriate to provide for probable losses inherent in lease and loan portfolios. The allowance is increased by provision charged to income and is decreased by charge-offs, net of recoveries.

Developing the allowance for doubtful receivables on direct financing leases and probable loan losses is subject to numerous estimates and judgments. In evaluating the appropriateness of the allowance, management considers various factors, including the business characteristics and financial conditions of the 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 value of underlying collateral and guarantees. Impaired loans are individually evaluated for a valuation allowance based on the present value of expected future cash flows, the loan's observable market price or the fair value of the collateral securing the loans if the loans are collateral-dependent. For non-impaired loans, including loans that are not individually evaluated for impairment, and direct financing leases, the Company and its subsidiaries evaluate prior charge-off experience segmented by the debtors' industries and the purpose of the loans, and then develop the allowance for doubtful receivables on direct financing leases and probable loan losses considering the prior charge-off experience and primarily current economic conditions.

The Company and its subsidiaries charge off doubtful receivables when the likelihood of any future collection is believed to be minimal considering debtors' creditworthiness and the liquidation status of collateral.

(h) Impairment of long-lived assets

The Company and its subsidiaries perform a recoverability test for long-lived assets to be held and used in operations, including tangible assets and intangible assets being amortized, consisting primarily of office buildings, condominiums, golf courses and other properties under facility operations, whenever events or changes in circumstances indicated that the assets might be impaired. The assets are considered not recoverable when the undiscounted future cash flows estimated to be generated by those assets are less than the carrying amount of those assets. The carrying amount of assets not recoverable is reduced to fair value if lower than the carrying amount. The Company and its subsidiaries determine the fair value using appraisals prepared by independent third party appraisers or our own staff of qualified appraisers based on recent transactions involving sales of similar assets or other valuation techniques such as discounted cash flows methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate.

(i) Investment in securities

Trading securities are reported at fair value with unrealized gains and losses included in income.

Available-for-sale securities are reported at fair value, and unrealized gains or losses are recorded in accumulated other comprehensive income (loss), net of applicable income taxes, except investments which are recorded at fair value with unrealized gains and losses included in income by electing the fair value option.

Held-to-maturity securities are recorded at amortized cost.

Other securities are recorded at cost or carrying value that reflects equity income and loss based on the Company's share, except investments which are recorded at fair value with unrealized gains and losses included in income by electing the fair value option.

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

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

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

(j) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if, based on the weight of available evidence, it is “more likely than not” that some portion or all of the deferred tax asset will not be realized.

The Company and its subsidiaries file tax returns in Japan and certain foreign tax jurisdictions and recognize the financial statement effects of a tax position taken or expected to be taken in a tax return when it is more likely than not, based on the technical merits, that the position will be sustained upon tax examination, including resolution of any related appeals or litigation processes, and measure tax positions that meet the recognition threshold at the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with the taxing authority. The Company and its subsidiaries present an unrecognized tax benefit as either a reduction of a deferred tax asset, a reduction of an amount refundable or a liability, based on the intended method of settlement. The Company and its subsidiaries classify penalties and interest expense related to income taxes as part of provision for income taxes in the consolidated statements of income.

The Company and certain subsidiaries have elected to file a consolidated tax return for National Corporation tax purposes.

(k) Securitized assets

The Company and its subsidiaries have securitized and sold to investors various financial assets such as lease receivables and loan receivables. In the securitization process, the assets to be securitized are sold to trusts or SPEs that issue asset-backed beneficial interests and securities to the investors.

Trusts or SPEs used in securitization transactions are consolidated if the Company and its subsidiaries are the primary beneficiary of the trusts or SPEs, and the transfers of the financial assets to those consolidated trusts and SPEs are not accounted for as sales. Assets held by consolidated trusts or consolidated SPEs continue to be accounted for as lease receivables or loan receivables, as they were before the transfer, and asset-backed beneficial interests and securities issued to the investors are accounted for as debt. When the Company and its subsidiaries have transferred financial assets to a transferee that is not subject to consolidation, the Company and its subsidiaries account for the transfer as a sale if control over the transferred assets is surrendered.

A certain subsidiary originates and sells loans into the secondary market, while retaining the obligation to service those loans. In addition, it undertakes obligations to service loans originated by others. The subsidiary recognizes servicing assets if it expects the benefit of servicing to more than adequately compensate it for performing the servicing or recognizes servicing liabilities if it expects the benefit of servicing to less than adequately compensate it. These servicing assets and liabilities are initially recognized at fair value and subsequently accounted for using the amortization method whereby the assets and liabilities are amortized in proportion to and over the period of estimated net servicing income or net servicing loss. On a quarterly basis, servicing assets and liabilities are evaluated for impairment or increased obligations. The fair value of servicing assets and liabilities is estimated using an internal valuation model, or by obtaining an opinion of value from an independent third-party vendor. Both methods are based on calculating the present value of estimated future net servicing cash flows, taking into consideration discount rates, prepayments and servicing costs. The internal valuation model is validated at least semiannually through third-party valuations.

(l) Derivative financial instruments

The Company and its subsidiaries recognize all derivatives on the consolidated balance sheets at fair value. The accounting treatment of subsequent changes in the fair value depends on their use, and whether they qualify as effective "hedges" for accounting purposes. Derivatives for the purpose of economic hedge that are not qualified for hedge accounting are adjusted to fair value through the consolidated statements of income. If a derivative is a hedge, then depending on its nature, changes in its fair value will be either offset against changes in the fair value of hedged assets or liabilities through the consolidated statements of income, or recorded in other comprehensive income (loss).

If a derivative is held as a hedge of the variability of fair value related to a recognized asset or liability or an unrecognized firm commitment ("fair value" hedge), changes in the fair value of the derivative are recorded in earnings along with the changes in the fair value of the hedged item.

If a derivative is held as a hedge of the variability of cash flows related to a forecasted transaction or a recognized asset or liability ("cash flow" hedge), changes in the fair value of the derivative are recorded in other comprehensive income (loss) to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item.

If a derivative is held as a hedge of a foreign-currency fair-value or cash-flow hedge ("foreign currency" hedge), changes in the fair value of the derivative are recorded in either earnings or other comprehensive income (loss), depending on whether the hedged transaction is a fair-value hedge or a cash-flow hedge. However, if a derivative is used as a hedge of a net investment in a foreign operation, changes in its fair value, to the extent effective as a hedge, are recorded in the foreign currency translation adjustments account within other comprehensive income (loss).

The ineffective portion of changes in fair value of derivatives that qualify as a hedge are recorded in earnings.

For all hedging relationships that are designated and qualified as hedging, at inception the Company and its subsidiaries formally document the details of the hedging relationship and the hedged activity. The Company and its subsidiaries also formally assess, both at the hedge's inception and on an ongoing basis, the effectiveness of the hedge relationship. The Company and its subsidiaries cease hedge accounting prospectively when the derivative no longer qualified for hedge accounting.

(m) Pension plans

The Company and certain subsidiaries have contributory and non-contributory pension plans covering substantially all of their employees. The costs of pension plans are accrued based on amounts determined using actuarial methods, with assumptions of discount rate, rate of increase in compensation level, expected long-term rate of return on plan assets and others.

The Company and its subsidiaries also recognize the funded status of pension plans, measured as the difference between the fair value of plan assets and the benefit obligation, on the consolidated balance sheets. Changes in that funded status are recognized in the year in which the changes occur through other comprehensive income (loss), net of applicable income taxes.

(n) Stock-based compensation

The Company and its subsidiaries measure stock-based compensation expense as consideration for services provided by employees based on the fair value of the grant date. The costs are recognized over the requisite service period.

(o) Stock splits

Stock splits implemented prior to October 1, 2001 had been accounted for by transferring an amount equivalent to the par value of the shares from additional paid-in capital to common stock as required by the Japanese Commercial Code (the "Code") before amendment. However, no such reclassification was made for stock splits when common stock already included a portion of the proceeds from shares issued at a price in excess of par value. This method of accounting was in conformity with accounting principles generally accepted in Japan.

As a result of a revision to the Code before amendment effective on October 1, 2001 and the Companies Act implemented on May 1, 2006, the above-mentioned method of accounting required by the Code became unnecessary.

In the United States, stock splits in comparable circumstances are considered to be stock dividends and are accounted for by transferring from retained earnings to common stock and additional paid-in capital amounts equal to the fair market value of the shares issued. Common stock is increased by the par value of the shares and additional paid-in capital is increased by the excess of the market value over par value of the shares issued. Had such stock splits made prior to October 1, 2001 been accounted for in this manner, additional paid-in capital as of March 31, 2017 would have increased by approximately ¥24,674 million, with a corresponding decrease in retained earnings. Total ORIX Corporation shareholders' equity would remain unchanged. Stock splits on May 19, 2000 were excluded from the above amounts because the stock splits were not considered to be stock dividends under U.S. GAAP.

(p) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits placed with banks and short-term highly liquid investments with original maturities of three months or less.

(q) Restricted cash

Restricted cash consists of trust accounts under securitization programs and real estate, deposits related to servicing agreements, deposits collected on the underlying assets and applied to non-recourse loans and others.

(r) Property under facility operations

Property under facility operations consist primarily of operating facilities (including golf courses, hotels and training facilities and senior housings) and environmental assets (including mega solar), which are stated at cost less accumulated depreciation, and depreciation is calculated mainly on a straight-line basis over the estimated useful lives of the assets. Depreciation expenses in fiscal 2015, 2016 and 2017 were ¥13,239 million, ¥16,321 million and ¥20,976 million, respectively. Accumulated depreciation was ¥67,055 million and ¥85,255 million as of March 31, 2016 and 2017, respectively. Estimated useful lives range up to 50 years for buildings, up to 60 years for land improvement and up to 30 years for others.

(s) Trade notes, accounts and other receivable

Trade notes, accounts and other receivable primarily include accounts receivables in relation to sales of assets to be leased, inventories and other assets and payment made on behalf of lessees for property tax, maintenance fees and insurance premiums in relation to direct financing lease contracts.

(t) Inventories

Inventories consist primarily of residential condominiums under development, completed residential condominiums (including those waiting to be delivered to buyers under the contract for sale), and merchandise for sale. Residential condominiums under development are carried at cost less any impairment losses, and completed residential condominiums and merchandises for sale are stated at the lower of cost or fair value less cost to sell. The cost of inventories that are unique and not interchangeable is determined on the specific identification method and the cost of other inventories is principally determined on the average cost method. As of March 31, 2016 and 2017, residential condominiums under development were ¥81,859 million and ¥60,920 million, respectively, and completed residential condominiums and merchandises for sale were ¥58,091 million and ¥56,943 million, respectively.

The Company and its subsidiaries recorded ¥5,241 million of write-downs principally on residential condominiums under development for fiscal 2015, resulting from an increase in development costs. These write-downs were principally recorded in cost of goods and real estate sold and included in the Real Estate segment. The Company and its subsidiaries recorded ¥168 million and ¥916 million of write-downs principally on completed residential condominiums and merchandise for sale for fiscal 2016 and 2017, respectively, primarily resulting from a decrease in expected sales price. These write-downs were principally recorded in costs of goods and real estate sold and included in the Investment and Operation segment.

(u) Office facilities

Office facilities are stated at cost less accumulated depreciation. Depreciation is calculated on a declining-balance basis or straight-line basis over the estimated useful lives of the assets. Depreciation expenses in fiscal 2015, 2016 and 2017 were ¥4,711 million, ¥5,110 million and ¥5,380 million, respectively. Accumulated depreciation was ¥45,310 million and ¥47,534 million as of March 31, 2016 and 2017, respectively. Estimated useful lives range up to 65 years for buildings and fixtures and up to 20 years for machinery and equipment.

(v) Other assets

Other assets consist primarily of the excess of purchase prices over the net assets acquired in acquisitions (goodwill) and other intangible assets, reinsurance recoverables in relation to reinsurance contracts, deferred insurance policy acquisition costs which are amortized over the contract periods, leasehold deposits, advance payments made in relation to purchases of assets to be leased and construction of real estate for operating lease, prepaid benefit cost, derivative assets and deferred tax assets.

(w) Goodwill and other intangible assets

The Company and its subsidiaries account for all business combinations using the acquisition method. The Company and its subsidiaries recognize intangible assets acquired in a business combination apart from goodwill if the intangible assets meet one of two criteria—either the contractual-legal criterion or the separability criterion. Goodwill is measured as an excess of the aggregate of consideration transferred and the fair value of noncontrolling interests over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed in the business combination measured at fair value. The Company and its subsidiaries would recognize a bargain purchase gain when the amount of recognized net assets exceeds the sum of consideration transferred and the fair value of noncontrolling interests. In a business combination achieved in stages, the Company and its subsidiaries remeasure their previously held equity interest at their acquisition-date fair value and recognize the resulting gain or loss, if any, in earnings.

The Company and its subsidiaries perform an impairment test for goodwill and any intangible assets that have indefinite useful lives at least annually. Additionally, if events or changes in circumstances indicate that the asset might be impaired, the Company and its subsidiaries test for impairment when such events or changes occur.

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

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

Intangible assets with finite lives are amortized over their useful lives and tested for impairment. The Company and its subsidiaries perform a recoverability test for the intangible assets whenever events or changes in circumstances indicate that the assets might be impaired. The intangible assets are considered not recoverable when the undiscounted future cash flows estimated to be generated by those assets are less than the carrying amount of those assets, and the net carrying amount of assets not recoverable is reduced to fair value if lower than the carrying amount.

(x) Trade notes, accounts and other payable

Trade notes, accounts and other payable include primarily accounts payable in relation to purchase of assets to be leased, merchandise for sale and other assets, accounts payable in relation to construction work of residential condominiums and deposits received mainly for withholding income tax.

(y) Other Liabilities

Other liabilities include primarily interest, bonus accrued expense and accrued benefit liability, advances received from lessees in relation to lease contracts, deposit received from real estate transaction and derivative liabilities.

(z) Capitalization of interest costs

The Company and its subsidiaries capitalized interest costs of ¥1,369 million, ¥1,639 million and ¥1,066 million in fiscal 2015, 2016 and 2017, respectively, related to specific long-term development projects.

(aa) Advertising

The costs of advertising are expensed as incurred. The total amounts charged to advertising expense in fiscal 2015, 2016 and 2017 were ¥20,329 million, ¥21,276 million and ¥25,309 million, respectively.

(ab) Discontinued operations

In April 2014, Accounting Standards Update 2014-08 (“Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity”—ASC 205 (“Presentation of Financial Statements”) and ASC 360 (“Property, Plant, and Equipment”)) was issued. This Update requires an entity to report a disposal or a classification as held for sale of a component of an entity or a group of components of an entity in discontinued operations if it represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. The Company and its subsidiaries early adopted this Update on April 1, 2014. The Company and its subsidiaries report a disposal of a component or a group of components of the Company and its subsidiaries in discontinued operations if the disposal represents a strategic shift which has (or will have) a major effect on the Company and its subsidiaries’ operations and financial results when the component or group of components is disposed by sale or classified as held for sale on or after April 1, 2014.

Accounting Standards Update 2014-08 does not apply retrospectively to a disposal or a classification as held for sale of a component or a group of components of the Company and its subsidiaries which have previously been reported in the financial statements. Accordingly, during fiscal 2015, the Company and its subsidiaries continue to report gains on sales and the results of operations of subsidiaries and business units, which were classified as held for sale at March 31 2014, as income from discontinued operations in the accompanying consolidated statements of income.

(ac) Earnings per share

Basic earnings per share is computed by dividing net income attributable to ORIX Corporation shareholders by the weighted average number of shares of outstanding common stock in each period and diluted earnings per share, which reflects the potential dilution that could occur if securities or other contracts issuing common stock were exercised or converted into common stock.

(ad) Additional acquisition and partial sale of the parent's ownership interest in subsidiaries

Additional acquisition of the parent's ownership interest in subsidiaries and partial sale of such interest where the parent continues to retain control of the subsidiary 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.

(ae) Redeemable noncontrolling interests

Noncontrolling interests in a certain subsidiary are redeemable preferred shares which are subject to call and put rights upon certain shareholder events. As redemption of the noncontrolling interest is not solely in the control of the subsidiary, it is recorded between liabilities and equity on the consolidated balance sheets at its estimated redemption value.

(af) Issuance of stock by an affiliate

When an affiliate issues stocks to unrelated third parties, the Company and its subsidiaries' ownership interest in the affiliate decreases. In the event that the price per share is more or less than the Company and its subsidiaries' average carrying amount per share, the Company and its subsidiaries adjust the carrying amount of its investment in the affiliate and recognize gain or loss in the consolidated statements of income in the year in which the change in ownership interest occurs.

(ag) New accounting pronouncements

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

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

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

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

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

These Updates are effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2017. Early adoption is permitted only for the fiscal year beginning after December 15, 2016, and interim periods within the fiscal year. An entity should apply the amendments in these Updates using either a retrospective method or a cumulative-effect method. The entity may elect some optional practical expedients when applying these Updates. The entity using the cumulative-effect method would recognize the cumulative effect of initially applying these Updates as an adjustment to the opening balance of retained earnings or net assets at the date of initial application. Currently, the Company and its subsidiaries plan to adopt these Updates on April 1, 2018, using the cumulative-effect method. And these Updates require a number of new disclosures to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The scope of these Updates excludes lease contracts, financial instruments and other contractual rights and obligations within the scope of other ASC Topics including loans, investments in securities and derivatives and also excludes contracts within the scope of ASC Topic 944 ("Financial Services—Insurance"). Therefore, the Company and its subsidiaries' such revenues will not be affected by these Updates. However, the Company and its subsidiaries have been in process of evaluating the impact of these Updates on our consolidated financial statements around other revenue streams. Based on the Company and its subsidiaries' initial assessment and best estimates to date, the impact of the application of these Updates will likely result in a change in the timing of revenue recognition and accounting policy for performance fees received from customers regarding asset management business. Currently, certain subsidiaries recognize such fees when earned based on the performance of the asset under management, while other subsidiaries recognize the fees on accrual basis over the period in which services are performed. New guidance requires recognizing such fees as revenue to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Other than the impact that have been currently identified, the Company and its subsidiaries continue to evaluate the effect that the adoption of these Updates will have on the Company and its subsidiaries' results of operations or financial position, as well as changes in disclosures required by these Updates.

In June 2014, Accounting Standards Update 2014-12 ("Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period"—ASC 718 ("Compensation—Stock Compensation")) was issued. This Update requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The Company and its subsidiaries adopted this Update on April 1, 2016. The adoption had no effect on the Company and its subsidiaries' results of operations or financial position.

In August 2014, Accounting Standards Update 2014-13 ("Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity"—ASC 810 ("Consolidation")) was issued. This Update permits the parent of the consolidated collateralized financing entity ("CFE") within the scope of this Update to measure the CFE's financial assets and liabilities based on either the fair value of the financial assets or financial liabilities, whichever has the more observable inputs. The Company and its subsidiaries adopted this Update on April 1, 2016. The adoption had no effect on the Company and its subsidiaries' results of operations or financial position.

In August 2014, Accounting Standards Update 2014-15 ("Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern"—ASC 205-40 ("Presentation of Financial Statements—Going Concern")) was issued. This Update requires an entity to perform a going concern assessment by evaluating their ability to meet obligations for a look-forward period of one year from the financial statement issuance date (or date the financial statements are available to be issued). Disclosures are required if it is probable an entity will be unable to meet its obligations within the look-forward period. Incremental substantial doubt disclosure is required if the probability is not mitigated by management's plans. The Company and its subsidiaries adopted this Update on this fiscal year end. The Update only relates to certain disclosure requirements and the adoption had no effect on the Company and its subsidiaries' results of operations or financial position.

In November 2014, Accounting Standards Update 2014-16 ("Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity"—ASC 815 ("Derivatives and Hedging")) was issued. This Update requires an issuer or an investor of hybrid financial instruments issued in the form of a share to determine whether the nature of the host contract is more akin to debt or to equity by considering the economic characteristics and risks of the entire hybrid financial instrument, including the embedded derivative feature that is being evaluated for separate accounting from the host contract. The Company and its subsidiaries adopted this Update on April 1, 2016. The adoption had no effect on the Company and its subsidiaries' results of operations or financial position.

In January 2015, Accounting Standards Update 2015-01 ("Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items"—ASC 225-20 ("Income Statement—Extraordinary and Unusual Items")) was issued. This Update eliminates the concept of extraordinary items from U.S. GAAP, but does not change the current presentation and disclosure requirements for material events or transactions that are unusual in nature or infrequent in occurrence. The Company and its subsidiaries adopted this Update on April 1, 2016. The adoption had no effect on the Company and its subsidiaries' results of operations or financial position.

In February 2015, Accounting Standards Update 2015-02 ("Amendments to the Consolidation Analysis"—ASC 810 ("Consolidation")) was issued. This Update requires an entity to change the way to evaluate whether reporting entities should consolidate limited partnerships and similar legal entities, fees paid to a decision maker or service provider are variable interest in a VIE, and variable interests in a VIE held by related parties of the reporting entity require the reporting entity to consolidate the VIE. Additionally, the amendments in this Update rescind the indefinite deferral of FASB Statement No.167 ("Amendments to FASB Interpretation No.46(R)"), included in Accounting Standards Update 2010-10 (ASC 810 ("Consolidation")) for certain investment companies and similar entities. The Company and its subsidiaries adopted this Update on April 1, 2016. The adoption had no effect on the Company and its subsidiaries' results of operations or financial position. See Note 11 "Variable Interest Entities" where the required disclosure has been provided.

In April 2015, Accounting Standards Update 2015-03 ("Simplifying the Presentation of Debt Issuance Costs"—ASC 835-30 ("Interest—Imputation of Interest")) was issued. This Update requires that debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, similar to the presentation of debt discounts or premiums. The Company and its subsidiaries adopted this Update retrospectively to prior period financial statements on April 1, 2016. The effect of the retrospective adoption on the financial position as of March 31, 2016 was a decrease of approximately ¥3,988 million in other assets and a decrease of approximately ¥3,988 million in long-term debt in the consolidated balance sheets.

In July 2015, Accounting Standards Update 2015-11 ("Simplifying the Measurement of Inventory"—ASC 330 ("Inventory")) was issued. This Update applies to all inventory except for which is measured using last-in, first-out (LIFO) or the retail inventory method, and requires an entity to measure inventory at the lower of cost and net realizable value. Additionally, this Update defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2016. The amendments in this Update should be applied on a prospective basis. Early adoption is permitted. The adoption of this Update is not expected to have a material effect on the Company and its subsidiaries' results of operations or financial position.

In September 2015, Accounting Standards Update 2015-16 ("Simplifying the Accounting for Measurement-Period Adjustments"—ASC 805 ("Business Combinations")) was issued. This Update requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The Company and its subsidiaries adopted this Update on April 1, 2016. The adoption had no effect on the Company and its subsidiaries' results of operations or financial position.

In January 2016, Accounting Standards Update 2016-01 ("Recognition and Measurement of Financial Assets and Financial Liabilities"—ASC 825-10 ("Financial Instruments—Overall")) was issued. This Update revises accounting related to the classification and measurement of equity investments. This Update also revises the presentation of certain fair value changes for financial liabilities measured at fair value. Additionally, this Update amends certain disclosure requirements associated with the fair value of financial instruments. This Update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early application to financial statements of fiscal years or interim periods that have not yet been issued is permitted as of the beginning of the fiscal year of adoption. The amendments in this Update should be applied by means of cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. And the amendments relate to equity investments without readily determinable fair value are to be applied prospectively. The Company and its subsidiaries will adopt this Update on April 1, 2018. The Company and its subsidiaries continue to evaluate the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position, as well as changes in disclosures required by this Update.

In February 2016, Accounting Standards Update 2016-02 (ASC 842 ("Leases")) was issued. This Update requires a lessee to recognize most leases on the balance sheet. Lessor accounting remains substantially similar to current U.S. GAAP but with some important changes. This Update is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early application is permitted. The amendments in this Update should be applied at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. The Company and its subsidiaries will adopt this Update on April 1, 2019. The Company and its subsidiaries continue to evaluate the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position, as well as changes in disclosures required by this Update.

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

In June 2016, Accounting Standards Update 2016-13 ("Measurement of Credit Losses on Financial Instruments"—ASC 326 ("Financial Instruments—Credit Losses")) was issued. This Update significantly changes how companies measure and recognize credit impairment for many financial assets. The new current expected credit loss model requires companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets that are within the scope of this Update. This Update also makes targeted amendments to the current impairment model for available-for-sale debt securities. This Update is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The amendments in this Update should be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. Early application is permitted for fiscal year beginning after December 15, 2018, including interim periods within the fiscal year. The Company and its subsidiaries continue to evaluate the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position, as well as changes in disclosures required by this Update.

In August 2016, Accounting Standards Update 2016-15 ("Classification of Certain Cash Receipts and Cash Payments"—ASC 230 ("Statement of Cash Flows") was issued. This Update amends ASC 230 to add or clarify guidance on the classification of certain cash receipts and cash payments in the statement of cash flows. This Update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. This Update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' statement of cash flows.

In October 2016, Accounting Standards Update 2016-16 ("Intra-Entity Transfers of Assets Other Than Inventory"—ASC 740 ("Income Taxes") was issued. This Update eliminates the exception to defer the income tax consequences of intra-entity transfers of assets other than inventory until the assets are ultimately sold to an outside party and requires the recognition of the current and deferred tax consequences when those transfers occur. This Update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. This Update should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position.

In October 2016, Accounting Standards Update 2016-17 ("Interests Held through Related Parties That Are under Common Control"—ASC 810 ("Consolidation") was issued. This Update amends the consolidation guidance on how a reporting entity that is the single decision maker of a VIE should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. This Update is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company and its subsidiaries have already adopted the amendments in Accounting Standards Update 2015-02 and accordingly would be required to apply the amendments in this Update retrospectively to all relevant prior periods beginning with the fiscal year in which the amendments in that Update 2015-02 initially were applied. The adoption of this Update is not expected to have a material effect on the Company and its subsidiaries' results of operations or financial position.

In November 2016, Accounting Standards Update 2016-18 ("Restricted Cash"—ASC230 ("Statement of Cash Flows")) was issued. This Update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This Update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' statement of cash flows.

In January 2017, Accounting Standards Update 2017-04 ("Simplifying the Test for Goodwill Impairment"—ASC350 ("Intangible—Goodwill and Other")) was issued. This Update eliminates Step 2 from the current goodwill impairment test. Instead, goodwill impairments would be measured by the amount by which the carrying amount exceeds the reporting unit's fair value. This Update also eliminates the requirement for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it is more likely than not that the goodwill is impaired, to perform Step 2 of the goodwill impairment test. This Update is effective for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Generally, the effect of adopting this Update on the Company and its subsidiaries' results of operation or financial position will depend on the outcomes of future goodwill impairment tests.

(ah) Elimination of a lag period

Since its acquisition on February 27, 2014, the Company had been consolidating DAIKYO INCORPORATED (hereinafter, "DAIKYO") on a lag basis. In order to reflect DAIKYO's financial position and results of operations and cash flows in the Company's consolidated financial statements in a concurrent manner, the Company eliminated the lag period and has aligned the fiscal year end of DAIKYO with the Company's fiscal year end of March 31 during fiscal 2015.

Because the elimination of a lag period represents a change in accounting principle, the Company retrospectively adjusted the prior year's consolidated financial statements for the effects of the lag accounting.

Below are the effects of this change in accounting principle on major line items and earnings per share amounts in the consolidated financial statements for fiscal 2015. The segment information in the Note 34 "Segment Information" has been restated giving effect to these changes to conform to DAIKYO's current fiscal year end.

	Millions of yen
	2015
	Adjustments Increase (decrease)
Revenues:	
Sales of goods and real estate	¥10,548
Services income	27,960
Other	1,377
Total revenues	39,885
Expenses:	
Costs of goods and real estate sold	6,125
Services expense	23,760
Selling, general and administrative expenses	3,804
Other	999
Total expenses	34,688
Operating Income	5,197
Income before Income Taxes and Discontinued Operations	¥ 8,068

	Millions of yen, except for per share amounts
	2015
	Adjustments Increase (decrease)
Income from Continuing Operations	¥ 2,184
Net Income	2,184
Net Income Attributable to the Noncontrolling Interests	1,070
Net Income Attributable to ORIX Corporation Shareholders	1,114
Basic EPS	0.84
Diluted EPS	0.86

	Millions of yen
	2015
	Adjustments Increase (decrease)
Net cash provided by operating activities	¥30,919
Net cash provided by (used in) investing activities	3,743
Net cash provided by (used in) financing activities	3,832
Cash and Cash Equivalents at Beginning of Year	(9,260)
Cash and Cash Equivalents at End of Year	29,234

2. Fair Value Measurements

The Company and its subsidiaries classify and prioritize 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.

The Company and its subsidiaries differentiate 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"). The Company and its subsidiaries mainly measure certain loans held for sale, trading securities, available-for-sale securities, certain investment funds, derivatives, certain reinsurance recoverables, certain contingent consideration, and variable annuity and variable life insurance contracts at fair value on a recurring basis.

The following tables present recorded amounts of major financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2016 and 2017:

	March 31, 2016			
	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)
Assets:				
Loans held for sale*1	¥ 20,673	¥ 0	¥ 20,673	¥ 0
Trading securities	725,821	37,592	688,229	0
Available-for-sale securities	1,347,890	99,347	1,149,021	99,522
Japanese and foreign government bond securities	497,355	988	496,367	0
Japanese prefectural and foreign municipal bond securities*2	169,534	0	169,534	0
Corporate debt securities	410,779	0	410,774	5
Specified bonds issued by SPEs in Japan	3,461	0	0	3,461
CMBS and RMBS in the Americas	97,186	0	58,693	38,493
Other asset- backed securities and debt securities	58,230	0	667	57,563
Equity securities*4	111,345	98,359	12,986	0
Other securities	17,751	0	0	17,751
Investment funds*5	17,751	0	0	17,751
Derivative assets	33,747	48	25,491	8,208
Interest rate swap agreements	93	0	93	0
Options held/written and other	8,789	0	581	8,208
Futures, foreign exchange contracts	18,294	48	18,246	0
Foreign currency swap agreements	6,571	0	6,571	0
Netting*6	(5,757)	0	0	0
Net derivative assets	27,990	0	0	0
Other assets	37,855	0	0	37,855
Reinsurance recoverables*7	37,855	0	0	37,855
Total	¥2,183,737	¥136,987	¥1,883,414	¥163,336
Liabilities:				
Derivative liabilities	¥ 19,870	¥ 533	¥ 19,337	¥ 0
Interest rate swap agreements	5,921	0	5,921	0
Options held/written and other	3,637	0	3,637	0
Futures, foreign exchange contracts	6,655	533	6,122	0
Foreign currency swap agreements	3,601	0	3,601	0
Credit derivatives held	56	0	56	0
Netting*6	(5,757)	0	0	0
Net derivative Liabilities	14,113	0	0	0
Policy Liabilities and Policy Account Balances	795,001	0	0	795,001
Variable annuity and variable life insurance contracts*8	795,001	0	0	795,001
Total	¥ 814,871	¥ 533	¥ 19,337	¥795,001

	March 31, 2017			
	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)
Assets:				
Loans held for sale*1	¥ 19,232	¥ 0	¥ 19,232	¥ 0
Trading securities	569,074	37,500	531,574	0
Available-for-sale securities	1,165,417	93,995	946,906	124,516
Japanese and foreign government bond securities	345,612	2,748	342,864	0
Japanese prefectural and foreign municipal bond securities*2	168,822	0	168,822	0
Corporate debt securities*3	393,644	11,464	380,562	1,618
Specified bonds issued by SPEs in Japan	1,087	0	0	1,087
CMBS and RMBS in the Americas	98,501	0	40,643	57,858
Other asset- backed securities and debt securities	64,717	0	764	63,953
Equity securities*4	93,034	79,783	13,251	0
Other securities	27,801	0	0	27,801
Investment funds*5	27,801	0	0	27,801
Derivative assets	22,999	734	17,032	5,233
Interest rate swap agreements	304	0	304	0
Options held/written and other	5,804	0	571	5,233
Futures, foreign exchange contracts	12,346	734	11,612	0
Foreign currency swap agreements	4,545	0	4,545	0
Netting*6	(4,019)	0	0	0
Net derivative assets	18,980	0	0	0
Other assets	22,116	0	0	22,116
Reinsurance recoverables*7	22,116	0	0	22,116
Total	¥1,826,639	¥132,229	¥1,514,744	¥179,666
Liabilities:				
Derivative liabilities	¥ 16,295	¥ 165	¥ 16,130	¥ 0
Interest rate swap agreements	4,567	0	4,567	0
Options held/written and other	1,071	0	1,071	0
Futures, foreign exchange contracts	8,821	165	8,656	0
Foreign currency swap agreements	1,677	0	1,677	0
Credit derivatives held	159	0	159	0
Netting*6	(4,019)	0	0	0
Net derivative Liabilities	12,276	0	0	0
Policy Liabilities and Policy Account Balances	605,520	0	0	605,520
Variable annuity and variable life insurance contracts*8	605,520	0	0	605,520
Total	¥ 621,815	¥ 165	¥ 16,130	¥605,520

*1 A certain subsidiary elected the fair value option on the loans held for sale originated on or after October 1, 2011. These loans are multi-family and seniors housing loans and are sold to Federal National Mortgage Association ("Fannie Mae") or institutional investors. Included in "Other (income) and expense, net" in the consolidated statements of income were a gain from the change in the fair value of the loans of ¥246 million for the fiscal 2015, a loss from the change in the fair value of the loans of ¥71 million for fiscal 2016 and a gain from the change in the fair value of the loans of ¥31 million for fiscal 2017. No gains or losses were recognized in earnings for fiscal 2015, 2016 and 2017 attributable to changes in instrument-specific credit risk. The amounts of aggregate unpaid principal balance and aggregate fair value of the loan held for sale as of March 31, 2016, were ¥19,848 million and ¥20,673 million, respectively, and the amount of the aggregate fair value exceeded the amount of aggregate unpaid principal balance by ¥825 million. The amounts of aggregate unpaid principal balance and aggregate fair value as of March 31, 2017, were ¥18,362 million and ¥19,232 million, respectively, and the amount of the aggregate fair value exceeded the amount of aggregate unpaid principal balance by ¥870 million. As of March 31, 2016 and 2017, there were no loans that were 90 days or more past due, in non-accrual status, or both.

*2 A certain subsidiary elected the fair value option for investments in foreign government bond securities included in available-for-sale securities. Included in "Gains on investment securities and dividends" in the consolidated statements of income were losses of ¥9 million and ¥12 million from the change in the fair value of those investments for fiscal 2016 and 2017. The amounts of aggregate fair value elected the fair value option were ¥988 million and ¥1,015 million as of March 31, 2016 and 2017.

*3 A certain subsidiary elected the fair value option for investments in foreign corporate debt securities included in available-for-sale securities. Included in "Gains on investment securities and dividends" in the consolidated statements of income was a loss of ¥31 million from the change in the fair value of those investments for fiscal 2017. The amounts of aggregate fair value elected the fair value option was ¥1,026 million as of March 31, 2017.

*4 A certain subsidiary elected the fair value option for investments in equity securities included in available-for-sale securities. Included in "Gains on investment securities and dividends" in the consolidated statements of income were a gain of ¥1,070 million, a loss of ¥202 million and a gain of ¥1,277 million from the change in the fair value of those investments for fiscal 2015, 2016 and 2017. The amount of aggregate fair value elected the fair value option were ¥16,227 million and ¥15,400 million as of March 31, 2016 and 2017, respectively.

*5 Certain subsidiaries elected the fair value option for investments in some funds. Included in "Gains on investment securities and dividends" in the consolidated statements of income were a gain of ¥1,301 million and a loss of ¥4 million and a gain of ¥699 million from the change in the fair value of those investments for fiscal 2015, 2016 and 2017. The amounts of aggregate fair value were ¥10,152 million and ¥7,453 million as of March 31, 2016 and 2017, respectively.

*6 It represents the amount offset under counterparty netting of derivative assets and liabilities.

*7 Certain subsidiaries elected the fair value option for certain reinsurance contracts held. The fair value of the reinsurance contracts elected for the fair value option in other assets were ¥37,855 million and ¥22,116 million as of March 31, 2016 and 2017, respectively. For the effect of changes in the fair value of those reinsurance contracts on earnings for fiscal 2016 and 2017, see Note 23 "Life Insurance Operations."

*8 Certain subsidiaries elected the fair value option for the entire variable annuity and variable life insurance contracts held in order to match the earnings recognized for the changes in the fair value of policy liabilities and policy account balances with earnings recognized for gains or losses from the investment assets managed on behalf of variable annuity and variable life policyholders, derivative contracts and the changes in the fair value of reinsurance contracts. The fair value of the variable annuity and variable life insurance contracts elected for the fair value option in policy liabilities and policy account balances were ¥795,001 million and ¥605,520 million as of March 31, 2016 and 2017, respectively. For the effect of changes in the fair value of the variable annuity and variable life insurance contracts on earnings for fiscal 2016 and 2017, see Note 23 "Life Insurance Operations."

Changes in economic conditions or valuation methodologies may require the transfer of assets and liabilities from one fair value level to another. In such instances, the Company and its subsidiaries recognize the transfer at the beginning of the quarter during which the transfers occur. The Company and its subsidiaries evaluate the significance of transfers between levels based upon size of the transfer relative to total assets, total liabilities or total earnings. For fiscal 2016 and 2017, there were no transfers between Level 1 and Level 2.

The following tables present the reconciliation of financial assets and liabilities (net) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) in fiscal 2015, 2016 and 2017:

	2015									
	Millions of yen									
		Gains or losses (realized/unrealized)								
	Balance at April 1, 2014	Included in earnings*1	Included in other comprehensive income*2	Total	Purchases*3	Sales	Settlements*4	Transfers in and/ or out of Level 3 (net)*5	Balance at March 31, 2015	Change in unrealized gains or losses included in earnings for assets and liabilities still held at March 31, 2015*1
Available-for-sale securities	¥ 84,001	¥ 2,101	¥ 6,653	¥ 8,754	¥ 65,964	¥(18,222)	¥ (23,796)	¥(19,650)	¥ 97,051	¥ (1,745)
Corporate debt securities	661	73	(24)	49	0	(210)	(500)	0	0	0
Specified bonds issued by SPEs in Japan	6,772	5	101	106	1,700	0	(1,298)	0	7,280	5
CMBS and RMBS in the Americas	17,833	60	3,724	3,784	29,372	(3,446)	(4,447)	(20,438)	22,658	(395)
Other asset- backed securities and debt securities	58,735	1,963	2,779	4,742	34,892	(14,566)	(17,551)	0	66,252	(1,355)
Equity securities	0	0	73	73	0	0	0	788	861	0
Other securities	6,317	1,290	1,142	2,432	6,180	(4,870)	(1,336)	0	8,723	1,290
Investment funds	6,317	1,290	1,142	2,432	6,180	(4,870)	(1,336)	0	8,723	1,290
Derivative assets and liabilities (net)	2,486	(13,838)	0	(13,838)	28,536	0	(5,314)	0	11,870	(13,838)
Options held/written and other	2,486	(13,838)	0	(13,838)	28,536	0	(5,314)	0	11,870	(13,838)
Other asset	0	(36,072)	0	(36,072)	72,654	0	(544)	0	36,038	(36,072)
Reinsurance recoverables*6	0	(36,072)	0	(36,072)	72,654	0	(544)	0	36,038	(36,072)
Accounts payable	2,833	(12,203)	0	(12,203)	0	0	(9,503)	0	5,533	(12,203)
Contingent consideration	2,833	(12,203)	0	(12,203)	0	0	(9,503)	0	5,533	(12,203)
Policy Liabilities and Policy Account Balances	0	(100,702)	0	(100,702)	1,765,444	0	(611,663)	0	1,254,483	(100,702)
Variable annuity and variable life insurance contracts*7	0	(100,702)	0	(100,702)	1,765,444	0	(611,663)	0	1,254,483	(100,702)

	2016									
	Millions of yen									
		Gains or losses (realized/unrealized)								
	Balance at April 1, 2015	Included in earnings*1	Included in other comprehensive income*2	Total	Purchases*3	Sales	Settlements*4	Transfers in and/ or out of Level 3 (net)*5	Balance at March 31, 2016	Change in unrealized gains or losses included in earnings for assets and liabilities still held at March 31, 2016*1
Available-for-sale securities	¥ 97,051	¥ 922	¥(10,458)	¥ (9,536)	¥ 47,886	¥(15,632)	¥ (19,378)	¥ (869)	¥ 99,522	¥ (679)
Corporate debt securities	0	1	0	1	5	(1)	0	0	5	0
Specified bonds issued by SPEs in Japan	7,280	5	16	21	0	(1,885)	(1,955)	0	3,461	2
CMBS and RMBS in the Americas	22,658	424	(3,831)	(3,407)	26,431	(2,401)	(4,788)	0	38,493	(763)
Other asset- backed securities and debt securities	66,252	492	(6,651)	(6,159)	21,450	(11,345)	(12,635)	0	57,563	82
Equity securities	861	0	8	8	0	0	0	(869)	0	0
Other securities	8,723	1,146	(2,194)	(1,048)	10,933	(857)	0	0	17,751	849
Investment funds	8,723	1,146	(2,194)	(1,048)	10,933	(857)	0	0	17,751	849
Derivative assets and liabilities (net)	11,870	(4,596)	0	(4,596)	5,857	0	(4,923)	0	8,208	(4,596)
Options held/written and other	11,870	(4,596)	0	(4,596)	5,857	0	(4,923)	0	8,208	(4,596)
Other asset	36,038	(8,482)	0	(8,482)	10,669	0	(370)	0	37,855	(8,482)
Reinsurance recoverables*6	36,038	(8,482)	0	(8,482)	10,669	0	(370)	0	37,855	(8,482)
Accounts payable	5,533	3,059	0	3,059	0	0	(2,474)	0	0	0
Contingent consideration	5,533	3,059	0	3,059	0	0	(2,474)	0	0	0
Policy Liabilities and Policy Account Balances	1,254,483	40,751	0	40,751	0	0	(418,731)	0	795,001	40,751
Variable annuity and variable life insurance contracts*7	1,254,483	40,751	0	40,751	0	0	(418,731)	0	795,001	40,751

	2017									
	Millions of yen									
		Gains or losses (realized/unrealized)								
	Balance at April 1, 2016	Included in earnings*1	Included in other comprehensive income*2	Total	Purchases*3	Sales	Settlements*4	Transfers in and/ or out of Level 3 (net)*5	Balance at March 31, 2017	Change in unrealized gains or losses included in earnings for assets and liabilities still held at March 31, 2017*1
Available-for-sale securities	¥ 99,522	¥ 287	¥10,106	¥ 10,393	¥37,212	¥(6,545)	¥ (16,066)	¥0	¥124,516	¥ 98
Corporate debt securities	5	0	(3)	(3)	1,800	0	(184)	0	1,618	0
Specified bonds issued by SPEs in Japan	3,461	1	(29)	(28)	0	(1,200)	(1,146)	0	1,087	0
CMBS and RMBS in the Americas	38,493	202	2,674	2,876	21,871	(466)	(4,916)	0	57,858	23
Other asset- backed securities and debt securities	57,563	84	7,464	7,548	13,541	(4,879)	(9,820)	0	63,953	75
Other securities	17,751	639	475	1,114	14,521	(5,585)	0	0	27,801	581
Investment funds	17,751	639	475	1,114	14,521	(5,585)	0	0	27,801	581
Derivative assets and liabilities (net)	8,208	(4,141)	0	(4,141)	2,480	0	(1,314)	0	5,233	(4,141)
Options held/written and other	8,208	(4,141)	0	(4,141)	2,480	0	(1,314)	0	5,233	(4,141)
Other asset	37,855	(22,398)	0	(22,398)	8,309	0	(1,650)	0	22,116	(22,398)
Reinsurance recoverables*6	37,855	(22,398)	0	(22,398)	8,309	0	(1,650)	0	22,116	(22,398)
Policy Liabilities and Policy Account Balances	795,001	3,651	0	3,651	0	0	(185,830)	0	605,520	3,651
Variable annuity and variable life insurance contracts*7	795,001	3,651	0	3,651	0	0	(185,830)	0	605,520	3,651

*1 Principally, gains and losses from available-for-sale securities are included in "Gains on investment securities and dividends", "Write-downs of securities" or "Life insurance premiums and related investment income"; other securities are included in "Gains on investment securities and dividends" and derivative assets and liabilities (net) are included in "Other (income) and expense, net" and gains and losses from accounts payable are included in "Other (income) and expense, net" respectively. Also, for available-for-sale securities, amortization of interest recognized in finance revenues is included in these columns.

*2 Unrealized gains and losses from available-for-sale securities are included in "Net change of unrealized gains (losses) on investment in securities" and "Net change of foreign currency translation adjustments."

*3 Increases resulting from an acquisition of a subsidiary and insurance contracts ceded to reinsurance companies are included.

*4 Decreases resulting from the receipts of reimbursements for benefits, and decreases resulting from insurance payouts to variable annuity and variable life policyholders due to death, surrender and maturity of the investment period are included. Due to the elapse of the computation period of the contingent consideration during fiscal 2016, the unsettled payment is included in a decrease of Accounts payable.

*5 The amount reported in "Transfers in and/or out of Level 3 (net)" is the fair value at the beginning of quarter during which the transfers occur.

*6 "Included in earnings" in the above table includes changes in the fair value of reinsurance contracts recorded in "Life insurance costs" and reinsurance premiums, net of reinsurance benefits received, recorded in "Life insurance premiums and related investment income."

*7 "Included in earnings" in the above table is recorded in "Life insurance costs" and includes changes in the fair value of policy liabilities and policy account balances resulting from gains or losses on the underlying investment assets managed on behalf of variable annuity and variable life policyholders, and the changes in the minimum guarantee risks relating to variable annuity and variable life insurance contracts as well as insurance costs recognized for insurance and annuity payouts as a result of insured events.

In fiscal 2015, CMBS in the Americas totaling ¥20,438 million were transferred from Level 3 to Level 2, since the inputs such as trading price and/or bid price became observable due to the market returning to active and the bonds invested being more liquid with actual observable trades of the similar financial instruments and/or active dealer bids. In addition equity securities totaling ¥788 million were transferred from Level 2 to Level 3, since the inputs became unobservable.

In fiscal 2016, equity securities totaling ¥869 million were transferred from Level 3 to Level 2, since the inputs became observable.

In fiscal 2017, there were no transfers in or out of Level 3.

The following tables present recorded amounts of assets measured at fair value on a nonrecurring basis as of March 31, 2016 and 2017. These assets are measured at fair value on a nonrecurring basis mainly to recognize impairment:

	March 31, 2016			
	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)
Assets:				
Real estate collateral-dependent loans (net of allowance for probable loan losses)	¥17,511	¥0	¥0	¥17,511
Investment in operating leases and property under facility operations	25,681	0	0	25,681
	¥43,192	¥0	¥0	¥43,192

	March 31, 2017			
	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)
Assets:				
Real estate collateral-dependent loans (net of allowance for probable loan losses)	¥12,472	¥0	¥0	¥12,472
Investment in operating leases and property under facility operations	22,525	0	0	22,525
Certain investment in affiliates	15,726	0	0	15,726
	¥50,723	¥0	¥0	¥50,723

The following is a description of the valuation process and the main valuation methodologies used for assets and liabilities measured at fair value:

Valuation process

The Company and its subsidiaries determine fair value of Level 3 assets and liabilities by using valuation techniques, such as internally developed models, or using third-party pricing information. Internally developed models include the discounted cash flow methodologies and direct capitalization methodologies. To measure the fair value of the assets and liabilities, the Company and its subsidiaries select the valuation technique which best reflects the nature, characteristics and risks of each asset and liability. The appropriateness of valuation methods and unobservable inputs is verified when measuring fair values of the assets and liabilities by using internally developed models. The Company and its subsidiaries also use third-party pricing information to measure the fair value of certain assets and liabilities. In that case, the Company and its subsidiaries verify the appropriateness of the prices by monitoring available information about the assets and liabilities, such as current conditions of the assets or liabilities, as well as surrounding market information. When these prices are determined to be able to reflect the nature, characteristics and risks of assets and liabilities reasonably, the Company and its subsidiaries use these prices as fair value of the assets and liabilities.

Loans held for sale

Certain loans, which the Company and its subsidiaries have the intent and ability to sell to outside parties in the foreseeable future, are considered held-for-sale. The loans held for sale in the Americas are classified as Level 2, because the Company and its subsidiaries measure their fair value based on a market approach using inputs other than quoted prices that are observable for the assets such as treasury rate, swap rate and market spread.

Real estate collateral-dependent loans

The valuation allowance for large balance non-homogeneous loans 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. According to ASC 820 ("Fair Value Measurement"), measurement for impaired loans determined using a present value technique is not considered a fair value measurement. However, measurement for impaired loans determined using the loan's observable market price or the fair value of the collateral securing the collateral-dependent loans are fair value measurements and are subject to the disclosure requirements for nonrecurring fair value measurements.

The Company and its subsidiaries determine the fair value of the real estate collateral of real estate collateral-dependent 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 discounted cash flows methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate. The Company and its subsidiaries generally obtain a new appraisal once a fiscal year. In addition, the Company and its subsidiaries periodically monitor circumstances of the real estate collateral and then obtain a new appraisal in situations involving a significant change in economic and/or physical conditions, which may materially affect the fair value of the collateral. Real estate collateral-dependent loans whose fair values are estimated using appraisals of the underlying collateral based on these valuation techniques are classified as Level 3 because such appraisals involve unobservable inputs. These unobservable inputs contain discount rates and cap rates as well as future cash flows estimated to be generated from real estate collateral. An increase (decrease) in the discount rate or cap rate and a decrease (increase) in the estimated future cash flows would result in a decrease (increase) in the fair value of real estate collateral-dependent loans.

Investment in operating leases and property under facility operations and land and buildings undeveloped or under construction

Investment in operating leases measured at fair value is mostly real estate. The Company and its subsidiaries determine the fair value of investment in operating leases and property under facility operations and land and buildings undeveloped or under construction using appraisals prepared by independent third party appraisers or the Company's own staff of qualified appraisers based on recent transactions involving sales of similar assets or other valuation techniques such as discounted cash flow methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate. The Company and its subsidiaries classified the assets as Level 3 because such appraisals involve unobservable inputs. These unobservable inputs contain discount rates as well as future cash flows estimated to be generated from the assets or projects. An increase (decrease) in the discount rate and a decrease (increase) in the estimated future cash flows would result in a decrease (increase) in the fair value of investment in operating leases and property under facility operations and land and buildings undeveloped or under construction.

Trading securities, Available-for-sale securities and Investment in affiliates

If active market prices are available, fair value measurement is based on quoted active market prices and, accordingly, these securities are classified as Level 1. If active market prices are not available, fair value measurement is based on observable inputs other than quoted prices included within Level 1, such as prices for similar assets and accordingly these securities are classified as Level 2. If market prices are not available and there are no observable inputs, then fair value is estimated by using valuation models including discounted cash flow methodologies and broker quotes. Such securities are classified as Level 3, as the valuation models and broker quotes are based on inputs that are unobservable in the market. If fair value is based on broker quotes, the Company and its subsidiaries check the validity of received prices based on comparison to prices of other similar assets and market data such as relevant bench mark indices.

The Company and its subsidiaries classified CMBS and RMBS in the Americas and other asset-backed securities as Level 2 if the inputs such as trading price and/or bid price are observable. The Company and its subsidiaries classified CMBS and RMBS in the Americas and other asset-backed securities as Level 3 if the company and subsidiaries evaluate the fair value based on the unobservable inputs. In determining whether the inputs are observable or unobservable, the Company and its subsidiaries 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. With respect to certain CMBS and RMBS in the Americas and other asset-backed securities, the Company and its subsidiaries judged that there has been increased overall trading activity, and the Company and its subsidiaries classified these securities as Level 2 for those securities that were measured at fair value based on the observable inputs such as trading price and/or bit price. But for those securities that lacked observable trades because they are older vintage or below investment grade securities, the Company and its subsidiaries limit the reliance on independent pricing service vendors and brokers. As a result, the Company and its subsidiaries established internally developed pricing models using valuation techniques such as discounted cash flow model using Level 3 inputs in order to estimate fair value of these securities and classified them as Level 3. Under the models, the Company and its subsidiaries use anticipated cash flows of the security discounted at a risk-adjusted discount rate that incorporates our estimate of credit risk and liquidity risk that a market participant would consider. The cash flows are estimated based on a number of assumptions such as default rate and prepayment speed, as well as seniority of the security. An increase (decrease) in the discount rate or default rate would result in a decrease (increase) in the fair value of CMBS and RMBS in the Americas and other asset-backed securities.

The Company and its subsidiaries classified the specified bonds as Level 3 because the Company and its subsidiaries measure their fair value using unobservable inputs. Since the specified bonds are not traded in an open market, no relevant observable market data is available. Accordingly the Company and its subsidiaries use the discounted cash flow methodologies that incorporates significant unobservable inputs to measure their fair value. When evaluating the specified bonds issued by SPEs in Japan, the Company and its subsidiaries estimate the fair value by discounting future cash flows using a discount rate based on market interest rates and a risk premium. The future cash flows for the specified bonds issued by the SPEs in Japan are estimated based on contractual principal and interest repayment schedules on each of the specified bonds issued by the SPEs in Japan. Since the discount rate is not observable for the specified bonds, the Company and its subsidiaries use an internally developed model to estimate a risk premium considering the value of the real estate collateral (which also involves unobservable inputs in many cases when using valuation techniques such as discounted cash flow methodologies) and the seniority of the bonds. Under the model, the Company and its subsidiaries 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 the Company and its subsidiaries estimate under the model. The fair value of the specified bonds issued by SPEs in Japan rises when the fair value of the collateral real estate rises and the discount rate declines. The fair value of the specified bonds issued by SPEs in Japan declines when the fair value of the collateral real estate declines and the discount rate rises.

Investment funds

Certain subsidiaries elected the fair value option for investments in some funds. These investment funds for which the fair value option is elected are classified as Level 3, because the subsidiaries measure their fair value using discounting to net asset value based on inputs that are unobservable in the market. A certain subsidiary measures its investment held by the investment company which is owned by the subsidiary at fair value.

Derivatives

For exchange-traded derivatives, fair value is based on quoted market prices, and accordingly, classified as Level 1. For non-exchange traded derivatives, fair value is based on commonly used models and discounted cash flow methodologies. If the inputs used for these measurements including yield curves and volatilities, are observable, the Company and its subsidiaries classify it as Level 2. If the inputs are not observable, the Company and its subsidiaries classify it as Level 3. These unobservable inputs contain discount rates. An increase (decrease) in the discount rate would result in a decrease (increase) in the fair value of derivatives.

Reinsurance recoverables

Certain subsidiaries have elected the fair value option for certain reinsurance contracts related to variable annuity and variable life insurance contracts to partially offset the changes in fair value recognized in earnings of the policy liabilities and policy account balances attributable to the changes in the minimum guarantee risks of the variable annuity and variable life insurance contracts. These reinsurance contracts for which the fair value option is elected are classified as Level 3 because the subsidiaries measure their fair value using discounted cash flow methodologies based on inputs that are unobservable in the market.

Contingent consideration

The Company will be required to pay certain contingent consideration described in Note 3 “Acquisitions and divestitures” depending on the future performance of a certain asset management business of the acquired subsidiary, and the Company recognizes a liability for the contingent consideration at its estimated fair value. The fair value of the contingent consideration is classified as Level 3 because the Company measures its fair value using a Monte Carlo model based on inputs that are unobservable in the market.

Variable annuity and variable life insurance contracts

A certain subsidiary has elected the fair value option for the entire variable annuity and variable life insurance contracts held in order to match earnings recognized for changes in fair value of policy liabilities and policy account balances with the earnings recognized for gains or losses from the investment assets managed on behalf of variable annuity and variable life policyholders, derivative contracts and changes in fair value of reinsurance contracts. The changes in fair value of the variable annuity and variable life insurance contracts are linked to the fair value of the investment in securities managed on behalf of variable annuity and variable life policyholders. These securities consist mainly of equity securities traded in the market and are categorized as trading securities. In addition, variable annuity and variable life insurance contracts are exposed to the minimum guarantee risk, and the subsidiary adjusts the fair value of the underlying investments by incorporating changes in fair value of the minimum guarantee risk in the evaluation of the fair value of the entire variable annuity and variable life insurance contracts. The variable annuity and variable life insurance contracts for which the fair value option is elected are classified as Level 3 because the subsidiary measures the fair value using discounted cash flow methodologies based on inputs that are unobservable in the market.

Information about Level 3 Fair Value Measurements

The following tables provide information about the valuation techniques and significant unobservable inputs used in the valuation of Level 3 assets and liabilities measured at fair value on a recurring basis as of March 31, 2016 and 2017.

	March 31, 2016			
	Millions of yen			
	Fair value	Valuation technique(s)	Significant unobservable inputs	Range (Weighted average)
Assets:				
Available-for-sale securities				
Corporate debt securities	¥ 5	Appraisals/Broker quotes	—	—
Specified bonds issued by SPEs in Japan	806	Discounted cash flows	Discount rate	0.9% (0.9%)
	2,655	Appraisals/Broker quotes	—	—
CMBS and RMBS in the Americas	38,493	Discounted cash flows	Discount rate	6.4% – 32.4% (18.5%)
			Probability of default	0.0% – 34.0% (8.2%)
Other asset-backed securities and debt securities	7,432	Discounted cash flows	Discount rate	1.0% – 32.4% (12.7%)
			Probability of default	0.7% – 1.1% (0.9%)
	50,131	Appraisals/Broker quotes	—	—
Other securities				
Investment funds	10,152	Internal cash flows	Discount rate	10.0% – 40.0% (13.6%)
	7,599	Appraisals/Broker quotes	—	—
Derivative assets				
Options held/written and other	4,876	Discounted cash flows	Discount rate	10.0% – 15.0% (11.7%)
	3,332	Appraisals/Broker quotes	—	—
Other assets				
Reinsurance recoverables	37,855	Discounted cash flows	Discount rate	(0.2)% – 0.5% (0.1%)
			Mortality rate	0.0% – 100.0% (0.9%)
			Lapse rate	1.5% – 54.0% (15%)
			Annuitization rate (guaranteed minimum annuity benefit)	0.0% – 100.0% (99.4%)
Total	¥163,336			
Liabilities:				
Policy liabilities and Policy Account Balances				
Valuable annuity and variable life insurance contracts	¥795,001	Discounted cash flows	Discount rate	(0.2)% – 0.5% (0.1%)
			Mortality rate	0.0% – 100.0% (1.0%)
			Lapse rate	1.5% – 54.0% (14.5%)
			Annuitization rate (guaranteed minimum annuity benefit)	0.0% – 100.0% (85.2%)
Total	¥795,001			

	March 31, 2017			
	Millions of yen			
	Fair value	Valuation technique(s)	Significant unobservable inputs	Range (Weighted average)
Assets:				
Available-for-sale securities				
Corporate debt securities	¥ 1,613	Discounted cash flows	Discount rate	0.5% – 1.6% (1.1%)
	5	Appraisals/Broker quotes	—	—
Specified bonds issued by SPEs in Japan	1,087	Appraisals/Broker quotes	—	—
CMBS and RMBS in the Americas	57,858	Discounted cash flows	Discount rate	6.4% – 22.6% (18.0%)
			Probability of default	0.0% – 26.4% (3.6%)
Other asset-backed securities and debt securities	13,890	Discounted cash flows	Discount rate	1.0% – 51.2% (8.9%)
			Probability of default	0.6% – 11.0% (0.8%)
	50,063	Appraisals/Broker quotes	—	—
Other securities				
Investment funds	11,202	Internal cash flows	Discount rate	0.0% – 40.0% (10.0%)
	894	Discounted cash flows	Discount rate	5.4% – 10.0% (8.6%)
	15,705	Appraisals/Broker quotes	—	—
Derivative assets				
Options held/written and other	3,525	Discounted cash flows	Discount rate	10.0% – 15.0% (11.7%)
	1,708	Appraisals/Broker quotes	—	—
Other assets				
Reinsurance recoverables	22,116	Discounted cash flows	Discount rate	(0.1)% – 0.5% (0.1%)
			Mortality rate	0.0% – 100.0% (1.0%)
			Lapse rate	1.5% – 54.0% (14.9%)
			Annuitization rate (guaranteed minimum annuity benefit)	0.0% – 100.0% (99.2%)
Total	¥179,666			
Liabilities:				
Policy liabilities and Policy Account Balances				
Valuable annuity and variable life insurance contracts	¥605,520	Discounted cash flows	Discount rate	(0.1)% – 0.5% (0.1%)
			Mortality rate	0.0% – 100.0% (1.0%)
			Lapse rate	1.5% – 54.0% (14.7%)
			Annuitization rate (guaranteed minimum annuity benefit)	0.0% – 100.0% (82.7%)
Total	¥605,520			

The following tables provide information about the valuation techniques and significant unobservable inputs used in the valuation of Level 3 assets measured at fair value on a nonrecurring basis as of March 31, 2016 and 2017.

	March 31, 2016			
	Millions of yen			
	Fair value	Valuation technique(s)	Significant unobservable inputs	Range (Weighted average)
Assets:				
Real estate collateral-dependent loans (net of allowance for probable loan losses)	¥ 17,511	Discounted cash flows	Discount rate	5.3% – 10.9% (9.3%)
		Direct capitalization	Capitalization rate	5.9% – 17.0% (9.9%)
Investment in operating leases and property under facility operations	5,679	Discounted cash flows	Discount rate	5.3% – 10.0% (5.5%)
	20,002	Appraisals	—	—
	¥ 43,192			

	March 31, 2017			
	Millions of yen			
	Fair value	Valuation technique(s)	Significant unobservable inputs	Range (Weighted average)
Assets:				
Real estate collateral-dependent loans (net of allowance for probable loan losses)	¥12,472	Discounted cash flows	Discount rate	10.0% – 10.7% (10.5%)
		Direct capitalization	Capitalization rate	10.3% – 11.2% (10.9%)
Investment in operating leases and property under facility operations	204	Direct capitalization	Capitalization rate	8.5% – 10.0% (8.7%)
	1,381	Discounted cash flows	Discount rate	6.8% – 10.2% (9.0%)
	20,940	Appraisals	—	—
Certain investment in affiliates	15,726	Market price method	—	—
	¥ 50,723	Business enterprise value multiples	—	—

The Company and its subsidiaries generally use discounted cash flow methodologies or similar internally developed models to determine the fair value of Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the preceding table. Accordingly, changes in these unobservable inputs may have a significant impact on the fair value.

Certain of these unobservable inputs will have a directionally consistent impact on the fair value of the asset or liability for a given change in that input. Alternatively, the fair value of the asset or liability may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular asset or liability. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated to one another), which may counteract or magnify the fair value impact.

For more analysis of the sensitivity of each input, see the description of the valuation process and the main valuation methodologies used for assets and liabilities measured at fair value.

3. Acquisitions and divestitures

(1) Robeco Groep N.V. acquisition

On July 1, 2013, the Company acquired approximately 90.01% of the total voting equity interests of Robeco Groep N.V. (Head office: Rotterdam, the Netherlands, hereinafter, “Robeco”) from Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Head office: Utrecht, the Netherlands). As a result, Robeco has become a consolidated subsidiary of the Company. Furthermore, the Company acquired additional voting equity interests of Robeco during fiscal 2017. Therefore, Robeco has become the Company’s wholly owned subsidiary. Robeco, a mid-size global asset manager, offers a mix of investment solutions in a broad range of strategies to institutional and private investors worldwide.

In accordance with the share purchase agreement, the Company agreed to pay contingent consideration depending on the future performance of a certain section of asset management business for each of Robeco’s fiscal years until the fiscal year ending in December 2015. The estimated fair value of such contingent consideration was ¥5,176 million, which is included in the total consideration transferred. During fiscal 2017, the Company settled ¥2,398 million which had been included in trade notes, accounts and other payable in the Company’s consolidated balance sheets as of March 31, 2016.

(2) Hartford Life Insurance K.K. acquisition

On July 1, 2014, the Company’s wholly owned subsidiary, ORIX Life Insurance Corporation (hereinafter, “ORIX Life Insurance”), acquired the entire outstanding shares of Hartford Life Insurance K.K. (Head office: Minato-ku, Tokyo, Japan, Business description: Life insurance business and reinsurance business, hereinafter, “HLIKK”), a subsidiary of The Hartford Financial Services Group, Inc. in accordance with the share purchase agreement executed between the Company and Hartford Life, Inc. (Head office: Simsbury, Connecticut, U.S.A.), a subsidiary of The Hartford Financial Services Group, Inc. as of April 28, 2014 in order to enhance its capital strength and improve the soundness of its management, in view of accelerating its growth. As a result, HLIKK has become a consolidated subsidiary of the Company. HLIKK has discontinued selling insurance products since June 2009.

In addition, on July 1, 2015, HLIKK was merged into ORIX Life Insurance.

The total cost of acquisition consideration was ¥98,355 million, of which cost, ¥97,676 million was paid in cash on July 1, 2014. In addition, an additional consideration of ¥679 million was paid in cash on December 3, 2014, as a result of the acquisition price adjustment calculated based on HLIKK’s net assets as of June 30, 2014 pursuant to the share purchase agreement.

Transaction costs were ¥224 million and ¥1,217 million for fiscal 2014 and 2015, respectively, and are included in selling, general and administrative expenses in the Company’s consolidated statements of income.

The Company allocated the acquisition consideration to HLIKK's respective assets acquired and liabilities assumed, and recorded the identified assets and liabilities based on their fair values at the acquisition date by the acquisition method of accounting.

The company finalized the purchase price allocation during fiscal 2016. As a result, the following table provides fair value amounts allocated to assets acquired and liabilities assumed of HLIKK.

	Millions of yen
	Fair value amounts of assets, liabilities
Cash and Cash Equivalents	¥ 69,244
Installment Loans	282
Investment in Securities	1,847,536
Trade Notes, Accounts and Other Receivable	66,340
Office Facilities	351
Other Assets	319,244
Total Assets	2,302,997
Short-Term Debt	25,000
Trade Notes, Accounts and Other Payable	3,979
Policy Liabilities and Policy Account Balances	2,125,257
Current and Deferred Income Taxes	8,413
Other Liabilities	5,911
Total Liabilities	2,168,560
Net	134,437
Fair value of Consideration transferred	98,355
Bargain purchase gain	¥ 36,082

In connection with this acquisition, the Company recognized the identifiable assets acquired and the liabilities assumed at their fair value, and recognized an excess of the fair value of the net assets acquired over the fair value of the consideration transferred as a bargain purchase gain of ¥36,082 million for fiscal 2015, which is separately reported in the consolidated statements of income.

The following unaudited supplemental pro forma financial information presents the combined results of operations of the Company and its subsidiaries as though the acquisition had occurred as of April 1, 2013, the beginning of fiscal 2014:

	Millions of yen
	2015
Total revenues	¥2,220,805
Income from Continuing Operations	259,239

Total revenues and income from continuing operations of HLIKK included in the Company's consolidated statements of income for fiscal 2015 are ¥196,883 million and ¥4,597 million, respectively.

The unaudited supplemental pro forma financial information is based on estimates and assumptions, that the Company believes are reasonable and should not be taken as indicative of what the Company's consolidated financial results would have been had the acquisition been completed on that date. The Company elected the fair value option to account for variable annuity insurance contracts at the acquisition date; however, it cannot reasonably calculate their fair values prior to the acquisition date as if the fair value option were retrospectively applied. Thus, the unaudited supplemental pro forma financial information is prepared without applying the fair value option accounting.

(3) Other acquisitions

During fiscal 2015, the Company and its subsidiaries acquired entities other than HLIKK which were individually immaterial business combinations but were considered collectively material. The total cost of the acquisitions consideration was ¥102,621 million which was paid mainly in cash.

The Company allocated the acquisition consideration to the entities' respective assets acquired and liabilities assumed, and records the identified assets, liabilities and noncontrolling interest based on their fair values at the acquisition date by the acquisition method of accounting. The fair value of noncontrolling interest is estimated based on the acquisition consideration taking into account an appraisal value using a binominal option pricing model.

The Company finalized the purchase price allocation during fiscal 2016. As a result, the following table provides fair value amounts allocated to assets acquired and liabilities assumed of the acquired entities.

	Millions of yen
	Fair value amounts of assets, liabilities and noncontrolling interests
Cash and Cash Equivalents	¥ 32,234
Property under Facility Operations	9,289
Trade Notes, Accounts and Other Receivable	37,359
Inventories	21,249
Office Facilities	3,250
Other Assets	158,370
Other	1,359
Total Assets	263,110
Short-Term Debt	4,140
Trade Notes, Accounts and Other Payable	33,963
Current and Deferred Income Taxes	24,457
Long-Term Debt	45,739
Other Liabilities	26,165
Total Liabilities	134,464
Noncontrolling interests	26,025
Aggregate fair value of considerations transferred	¥102,621

Goodwill with a value of ¥79,872 million and other intangible assets of ¥60,839 million that were identified in connection with the acquisitions are included in other assets in the Company's consolidated balance sheet as of March 31, 2016. The goodwill is calculated as the excess of considerations transferred and the fair value of noncontrolling interest over the net assets recognized at fair value. The Company calculated the amount of goodwill based on estimates of fair value of assets acquired, liabilities assumed and noncontrolling interest. The goodwill represents the future growth of the ORIX Group from new revenue streams arising from the consolidation of the entities and synergies with the existing Company's assets and businesses. The goodwill is not deductible for tax purposes. The goodwill and other intangible assets recorded in connection with the acquisitions are included in the Corporate Financial Services segment, the Investment and Operation segment and the Overseas Business segment.

The following unaudited supplemental pro forma financial information presents the combined results of operations of the Company and its subsidiaries as though the acquisitions had occurred as of April 1, 2013, the beginning of fiscal 2014:

	Millions of yen
	2015
Total revenues	¥2,345,327
Income from Continuing Operations	255,219

Total revenues and income from continuing operations of newly consolidated subsidiaries included in the Company's consolidated statements of income for fiscal 2015 are ¥234,030 million and ¥5,033 million, respectively.

The unaudited supplemental pro forma financial information is based on estimates and assumptions, that the Company believes are reasonable and should not be taken as indicative of what the Company's consolidated financial results would have been had the acquisition been completed on that date.

During fiscal 2016, the Company and its subsidiaries acquired entities for a total cost of the acquisition consideration of ¥51,786 million, which was paid mainly in cash. In accordance with the finalization of purchase price allocation during fiscal 2017, the amount of goodwill was ¥34,319 million and the goodwill is not deductible for tax purposes. The amount of acquired intangible assets other than goodwill was ¥11,238 million. The acquisitions were mainly included in the Investment and Operation segment and the Overseas Business segment.

During fiscal 2017, the Company and its subsidiaries acquired entities for a total cost of the acquisition consideration of ¥97,090 million, which was paid mainly in cash. Goodwill initially recognized in these transactions amounted to ¥33,370 million and the goodwill is not deductible for tax purposes. The amount of acquired intangible assets other than goodwill recognized in these transactions was ¥35,559 million. The Company reflected certain preliminary estimates with respect to the fair value of the underlying net assets of these entities in determining amounts of the goodwill. The amount of the goodwill and intangible assets other than goodwill could possibly be adjusted because certain of these acquisitions were made near the fiscal year-end and the purchase price allocations have not been completed yet. The acquisitions were mainly included in the Investment and Operation segment and the Overseas Business segment.

The Company recognized a bargain purchase gain of ¥5,802 million associated with one of its acquisitions in the Investment and Operation segment for fiscal 2017. The bargain purchase gain could possibly be adjusted because the purchase price allocation has not been completed yet.

The segment in which goodwill is allocated is disclosed in Note 13 "Goodwill and Other Intangible Assets."

(4) Divestitures

Gains on sales of subsidiaries and affiliates and liquidation losses, net for fiscal 2015, 2016 and 2017 amounted to ¥20,575 million, ¥57,867 million and ¥63,419 million, respectively. Gains on sales of subsidiaries and affiliates and liquidation losses, net for fiscal 2015 mainly consisted of ¥18,510 million in the Overseas Business segment. Gains on sales of subsidiaries and affiliates and liquidation losses, net for fiscal 2016 mainly consisted of ¥47,994 million in the Overseas Business segment and ¥9,145 million in the Investment and Operation segment. Gains on sales of subsidiaries and affiliates and liquidation losses, net for fiscal 2017 mainly consisted of ¥30,583 million in the Overseas Business segment, ¥29,378 million in the Investment and Operation segment, and ¥2,234 million in the Corporate Financial Services segment. The details of significant divestitures are as follows.

During fiscal 2015, the Company sold 71.9% of the common shares of a consolidated subsidiary, STX Energy Co., Ltd. (presently GS E&R Corp., hereinafter, "STX Energy") to a third-party. The Company retains a 25% interest in STX Energy, which became an equity method affiliate from fiscal 2015. The sale of the controlling interest resulted in a gain of ¥14,883 million, and the remeasurement of the retained interest to its fair value resulted in a gain of ¥1,329 million, both of which were included in earnings as gains on sales of subsidiaries and affiliates and liquidation losses, net during fiscal 2015. The fair value of the retained interest was remeasured based on the sale proceed adjusted for a control premium.

During fiscal 2016, ORIX USA Corporation (hereinafter, "ORIX USA"), a wholly owned subsidiary of the Company, sold 14.7% of its shares of Class A common stock of Houlihan Lokey, Inc. (hereinafter, "Houlihan Lokey"), a subsidiary of ORIX USA, through the initial public offering (hereinafter, "IPO"), concurrently allotting its shares to Houlihan Lokey's management and other employees. ORIX USA retained a 33.0% interest in Houlihan Lokey's Class B common stock and thus Houlihan Lokey became an equity method investee during fiscal 2016. The partial sale of the ownership interest resulted in a gain of ¥10,498 million, and the remeasurement of the retained interest to its fair value due to a loss of control resulted in a gain of ¥29,087 million, both of which were included in earnings as gains on sales of subsidiaries and affiliates and liquidation losses, net for fiscal 2016. The fair value of the retained interest was remeasured based on the sale price in the IPO.

During fiscal 2017, gains on the sale of a subsidiary that runs the automotive supply wholesale business of ORIX USA were included in the amount of ¥30,583 million of gains on sales of subsidiaries and affiliates and liquidation losses, net in the Overseas Business segment.

4. Cash Flow Information

Cash payments during fiscal 2015, 2016 and 2017 are as follows:

	Millions of yen		
	2015	2016	2017
Cash payments:			
Interest	¥76,755	¥77,321	¥71,280
Income taxes, net	83,462	31,046	50,813

Non-cash activities in fiscal 2015, 2016 and 2017 are as follows.

In fiscal 2015, 2016 and 2017, real estate under operating leases of ¥4,042 million, ¥15,963 million and ¥1,273 million, respectively, were recognized with the corresponding amounts of installment loans and investment in securities being derecognized as a result of acquiring real estate collateral.

In fiscal 2015, assets and liabilities decreased by ¥7,450 million and ¥9,279 million, respectively, in the Company's consolidated balance sheet due to deconsolidation of certain VIEs which had been consolidated by a subsidiary. In fiscal 2016, assets and liabilities decreased by ¥7,234 million and ¥12,181 million, respectively, in the Company's consolidated balance sheet due to deconsolidation of certain VIEs which had been consolidated by a subsidiary. The derecognized assets mainly consist of installment loans, and the derecognized liabilities mainly consist of long-term debt. Derecognition of these assets and liabilities were not included in cash flows from investing activities or financing activities in the consolidated statements of cash flows because they did not involve cash transactions.

In addition, the Company and its subsidiaries recognized identifiable assets acquired and liabilities assumed at their fair values in connection with the acquisitions, details of which are provided in Note 3 "Acquisitions and divestitures."

5. Investment in Direct Financing Leases

Investment in direct financing leases at March 31, 2016 and 2017 consists of the following:

	Millions of yen	
	2016	2017
Total Minimum lease payments to be received	¥1,366,454	¥1,369,120
Less : Estimated executory costs	(57,600)	(56,470)
Minimum lease payments receivable	1,308,854	1,312,650
Estimated residual value	31,338	35,413
Initial direct costs	5,557	5,893
Unearned lease income	(155,613)	(149,932)
	¥1,190,136	¥1,204,024

Minimum lease payments receivable are due in periodic installments through fiscal 2037. At March 31, 2017, the amounts due in each of the next five years and thereafter are as follows:

Years ending March 31,	Millions of yen
2018	¥ 439,670
2019	314,700
2020	236,278
2021	136,813
2022	77,115
Thereafter	108,074
Total	¥1,312,650

Included in finance revenues in the consolidated statements of income are direct financing leases revenues of ¥61,116 million, ¥65,365 million and ¥56,349 million for fiscal 2015, 2016 and 2017, respectively.

Gains and losses from the disposition of direct financing lease assets, which were included in finance revenues, were not material for fiscal 2015, 2016 and 2017.

6. Investment in Operating Leases

Investment in operating leases at March 31, 2016 and 2017 consists of the following:

	Millions of yen	
	2016	2017
Transportation equipment	¥1,076,697	¥1,144,511
Measuring and information-related equipment	239,262	237,597
Real estate	531,155	451,367
Other	21,343	23,414
	1,868,457	1,856,889
Accumulated depreciation	(542,868)	(566,946)
Net	1,325,589	1,289,943
Accrued rental receivables	23,610	23,221
	¥1,349,199	¥1,313,164

For fiscal 2015, 2016 and 2017, gains from the disposition of real estate under operating leases included in operating lease revenues are ¥16,338 million, ¥18,768 million and ¥53,004 million, respectively, and gains from the disposition of operating lease assets other than real estate included in operating lease revenues are ¥18,087 million, ¥19,572 million and ¥16,261 million, respectively.

Costs of operating leases include depreciation and various expenses (insurance, property tax and other). Depreciation and various expenses for fiscal 2015, 2016 and 2017 are as follows:

	Millions of yen		
	2015	2016	2017
Depreciation expenses	¥177,038	¥184,768	¥185,277
Various expenses	61,119	60,301	58,260
	¥238,157	¥245,069	¥243,537

The operating lease contracts include non-cancelable lease terms that range up to 20 years at March 31, 2017. The minimum future rentals on non-cancelable operating leases due in each of the next five years and thereafter are as follows:

Years ending March 31,	Millions of yen
2018	¥206,777
2019	141,293
2020	99,764
2021	64,767
2022	39,853
Thereafter	55,866
Total	¥608,320

7. Installment Loans

The composition of installment loans by domicile and type of borrower at March 31, 2016 and 2017 is as follows:

	Millions of yen	
	2016	2017
Borrowers in Japan:		
Consumer—		
Housing loans	¥1,122,088	¥1,261,571
Card loans	260,533	270,007
Other	23,466	28,668
	1,406,087	1,560,246
Corporate—		
Real estate companies	230,001	270,965
Non-recourse loans	19,951	12,758
Commercial, industrial and other companies	365,371	340,050
	615,323	623,773
Overseas:		
Non-recourse loans	61,260	75,968
Commercial, industrial companies and other	479,039	530,924
	540,299	606,892
Purchased loans*	30,524	24,795
	¥2,592,233	¥2,815,706

* 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.

Generally, installment loans are made under agreements that require the borrower to provide collateral or guarantors.

At March 31, 2017, the contractual maturities of installment loans (except purchased loans) for each of the next five years and thereafter are as follows:

Years ending March 31,	Millions of yen
2018	¥ 473,690
2019	308,873
2020	256,967
2021	223,030
2022	189,921
Thereafter	1,338,430
Total	¥2,790,911

Included in finance revenues in the consolidated statements of income is interest income on loans of ¥110,390 million, ¥118,982 million and ¥127,128 million fiscal 2015, 2016 and 2017, respectively.

Certain loans, for which the Company and its subsidiaries have the intent and ability to sell to outside parties in the foreseeable future, are considered held for sale and are carried at the lower of cost or market value determined on an individual basis, except loans held for sale for which the fair value option was elected. A subsidiary elected the fair value option on its loans held for sale originated on or after October 1, 2011. The subsidiary enters into forward sale agreements to offset the change in the fair value of loans held for sale, and the election of the fair value option allows the subsidiary to recognize both the change in the fair value of the loans and the change in the fair value of the forward sale agreements due to changes in interest rates in the same accounting period.

Loans held for sale are included in installment loans, and the outstanding balances of these loans as of March 31, 2016 and 2017 were ¥21,867 million and ¥22,548 million, respectively. There were ¥20,673 million and ¥19,232 million of loans held for sale as of March 31, 2016 and 2017, respectively, measured at fair value by electing the fair value option.

Purchased loans acquired by the Company and its subsidiaries are generally 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 and characterized by extended period of non-performance by the borrower, and it is difficult to reliably estimate the amount, timing, or nature of collections. Because such loans are commonly collateralized by real estate, the Company and its subsidiaries may pursue various approaches to maximizing the return from the collateral, including arrangement of borrower's negotiated transaction of such collateral before foreclosure, the renovation, refurbishment or the sale of such loans to third parties. Accordingly, although the acquired assets may remain loans in legal form, collections on these loans often do not reflect the normal historical experience of collecting delinquent accounts, and the need to tailor individual collateral-realization strategies often makes it difficult to reliably estimate the amount, timing, or nature of collections. Accordingly, the Company and its subsidiaries use the cost recovery method of income recognition for such purchased loans. The total carrying amounts of these purchased loans were ¥30,524 million and ¥24,795 million as of March 31, 2016 and 2017, respectively, and the fair value at the acquisition date of purchased loans acquired during fiscal 2016 and 2017 were ¥7,799 million and ¥6,326 million, respectively.

When it is probable that the Company and its subsidiaries will be unable to collect all book value, the Company and its subsidiaries consider purchased loans impaired, and a valuation allowance for the excess amount of the book value over the estimated recoverable amount of the loans is provided. For most cases, the recoverable amount is estimated based on the collateral value. Purchased loans for which valuation allowances were provided amounted to ¥11,013 million and ¥7,443 million as of March 31, 2016 and 2017, respectively.

Changes in the allowance for uncollectible accounts relating to the purchased loans for fiscal 2015, 2016 and 2017 are as follows:

	Millions of yen		
	2015	2016	2017
Beginning balance	¥14,148	¥10,717	¥ 8,233
Provision (Reversal)	(690)	(1,308)	(1,247)
Charge-offs	(3,390)	(1,236)	(841)
Recoveries	432	232	232
Other*	217	(172)	(316)
Ending balance	¥10,717	¥ 8,233	¥ 6,061

* Other includes foreign currency translation adjustments.

8. Credit Quality of Financing Receivables and the Allowance for Credit Losses

ASC 310 ("Receivables") requires an entity to provide the following information disaggregated by portfolio segment and class of financing receivable.

Allowance for credit losses—by portfolio segment

Credit quality of financing receivables—by class

- Impaired loans
- Credit quality indicators
- Non-accrual and past-due financing receivables

Information about troubled debt restructurings—by class

A portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses. The Company and its subsidiaries classify our portfolio segments by instruments of loans and direct financing leases. Classes of financing receivables are determined based on the initial measurement attribute, risk characteristics of the financing receivables and the method for monitoring and assessing obligors' credit risk, and are defined as the level of detail necessary for a financial statement user to understand the risks inherent in the financing receivables. Classes of financing receivables generally are a disaggregation of a portfolio segment, and the Company and its subsidiaries disaggregate our portfolio segments into classes by regions, instruments or industries of our debtors.

The following table provides information about the allowance for credit losses for fiscal 2015, 2016 and 2017:

	March 31, 2015					
	Millions of yen					
	Loans					
		Corporate				
	Consumer	Non-recourse loans	Other	Purchased loans*1	Direct financing leases	Total
Allowance for credit losses:						
Beginning balance	¥ 13,473	¥ 9,047	¥ 32,744	¥14,148	¥ 15,384	¥ 84,796
Provision (Reversal)	5,456	(1,080)	4,800	(690)	3,145	11,631
Charge-offs	(7,189)	(53)	(13,247)	(3,390)	(3,832)	(27,711)
Recoveries	835	0	593	432	58	1,918
Other*2	10	234	782	217	449	1,692
Ending balance	¥ 12,585	¥ 8,148	¥ 25,672	¥10,717	¥ 15,204	¥ 72,326
Individually evaluated for impairment	2,606	7,751	15,541	8,481	0	34,379
Not individually evaluated for impairment	9,979	397	10,131	2,236	15,204	37,947
Financing receivables:						
Ending balance	¥1,330,353	¥124,768	¥965,028	¥42,292	¥1,216,454	¥3,678,895
Individually evaluated for impairment	11,993	22,032	51,793	15,216	0	101,034
Not individually evaluated for impairment	1,318,360	102,736	913,235	27,076	1,216,454	3,577,861

	March 31, 2016					
	Millions of yen					
	Loans					
		Corporate				
	Consumer	Non-recourse loans	Other	Purchased loans*1	Direct financing leases	Total
Allowance for credit losses:						
Beginning balance	¥ 12,585	¥ 8,148	¥ 25,672	¥10,717	¥ 15,204	¥ 72,326
Provision (Reversal)	7,367	(491)	3,362	(1,308)	2,787	11,717
Charge-offs	(7,572)	(504)	(5,298)	(1,236)	(4,075)	(18,685)
Recoveries	543	0	393	232	13	1,181
Other*3	344	(5,353)	(738)	(172)	(549)	(6,468)
Ending balance	¥ 13,267	¥ 1,800	¥ 23,391	¥ 8,233	¥ 13,380	¥ 60,071
Individually evaluated for impairment	2,770	1,323	12,552	5,888	0	22,533
Not individually evaluated for impairment	10,497	477	10,839	2,345	13,380	37,538
Financing receivables:						
Ending balance	¥1,461,982	¥81,211	¥ 996,649	¥30,524	¥1,190,136	¥3,760,502
Individually evaluated for impairment	14,101	11,057	37,422	11,013	0	73,593
Not individually evaluated for impairment	1,447,881	70,154	959,227	19,511	1,190,136	3,686,909

	March 31, 2017					
	Millions of yen					
	Loans					
		Corporate				
	Consumer	Non-recourse loans	Other	Purchased loans*1	Direct financing leases	Total
Allowance for credit losses:						
Beginning balance	¥ 13,267	¥ 1,800	¥ 23,391	¥ 8,233	¥ 13,380	¥ 60,071
Provision (Reversal)	17,844	1,134	3,564	(1,247)	1,372	22,667
Charge-offs	(13,363)	0	(4,485)	(841)	(4,067)	(22,756)
Recoveries	469	0	222	232	11	934
Other*4	382	17	(1,613)	(316)	(159)	(1,689)
Ending balance	¥ 18,599	¥ 2,951	¥ 21,079	¥ 6,061	¥ 10,537	¥ 59,227
Individually evaluated for impairment	2,927	2,114	10,565	4,462	0	20,068
Not individually evaluated for impairment	15,672	837	10,514	1,599	10,537	39,159
Financing receivables:						
Ending balance	¥1,616,009	¥88,726	¥1,063,628	¥24,795	¥1,204,024	¥3,997,182
Individually evaluated for impairment	16,667	6,032	28,883	7,443	0	59,025
Not individually evaluated for impairment	1,599,342	82,694	1,034,745	17,352	1,204,024	3,938,157

Note: Loans held for sale are not included in the table above.

*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.

*2 Other mainly includes foreign currency translation adjustments and decrease in allowance related to newly consolidated subsidiaries.

*3 Other mainly includes foreign currency translation adjustments and decrease in allowance related to deconsolidated subsidiaries. Additionally, other in non-recourse loans includes a decrease of ¥5,265 million due to the sale of controlling class interests of a certain VIE, which was formerly consolidated, to a third party and resulting in deconsolidation of that VIE.

*4 Other mainly includes foreign currency translation adjustments and decrease in allowance related to deconsolidated subsidiaries.

In developing the allowance for credit losses, the Company and its subsidiaries consider, among other things, the following factors:

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

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

In common with all portfolio segments, a deterioration of debtors' condition may increase the risk of delay in payments of principal and interest. For loans to consumer borrowers, the amount of the allowance for credit losses is changed by the variation of individual debtors' creditworthiness and value of underlying collateral and guarantees, and the prior charge-off experience. For loans to corporate other borrowers and direct financing leases, the amount of the allowance for credit losses is changed by current economic conditions and trends, the value of underlying collateral and guarantees, and the prior charge-off experience in addition to the debtors' creditworthiness.

The decline of the value of underlying collateral and guarantees may increase the risk of inability to collect from the loans and direct financing leases. Particularly for non-recourse loans for which cash flow from real estate is the source of repayment, their collection depends on the real estate collateral value, which may decline as a result of decrease in liquidity of the real estate market, rise in vacancy rate of rental properties, fall in rents and other factors. These risks may change the amount of the allowance for credit losses. For purchased loans, their collection may decrease due to a decline in the real estate collateral value and debtors' creditworthiness. Thus, these risks may change the amount of the allowance for credit losses.

In common with all portfolio segments, the Company and its subsidiaries charge off doubtful receivables when the likelihood of any future collection is believed to be minimal, mainly based upon an evaluation of the relevant debtors' creditworthiness and the liquidation status of collateral.

The following table provides information about the impaired loans as of March 31, 2016 and 2017:

		March 31, 2016		
		Millions of yen		
Portfolio segment	Class	Loans Individually Evaluated for Impairment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded*1:		¥14,601	¥14,498	¥ 0
Consumer borrowers		931	852	0
	Housing loans	931	852	0
	Card loans	0	0	0
	Other	0	0	0
Corporate borrowers		13,670	13,646	0
Non-recourse loans	Japan	4,776	4,776	0
	The Americas	0	0	0
Other	Real estate companies	0	0	0
	Entertainment companies	211	211	0
	Other	8,683	8,659	0
Purchased loans		0	0	0
With an allowance recorded*2:		58,992	57,758	22,533
Consumer borrowers		13,170	12,628	2,770
	Housing loans	3,580	3,058	1,401
	Card loans	4,123	4,113	590
	Other	5,467	5,457	779
Corporate borrowers		34,809	34,117	13,875
Non-recourse loans	Japan	292	292	72
	The Americas	5,989	5,988	1,251
Other	Real estate companies	8,612	8,480	2,140
	Entertainment companies	2,218	2,209	840
	Other	17,698	17,148	9,572
Purchased loans		11,013	11,013	5,888
Total:		¥73,593	¥72,256	¥22,533
Consumer borrowers		14,101	13,480	2,770
	Housing loans	4,511	3,910	1,401
	Card loans	4,123	4,113	590
	Other	5,467	5,457	779
Corporate borrowers		48,479	47,763	13,875
Non-recourse loans	Japan	5,068	5,068	72
	The Americas	5,989	5,988	1,251
Other	Real estate companies	8,612	8,480	2,140
	Entertainment companies	2,429	2,420	840
	Other	26,381	25,807	9,572
Purchased loans		11,013	11,013	5,888

		March 31, 2017		
		Millions of yen		
Portfolio segment	Class	Loans individually evaluated for impairment	Unpaid principal balance	Related allowance
With no related allowance recorded*1:		¥ 6,524	¥ 6,499	¥ 0
Consumer borrowers		973	956	0
	Housing loans	973	956	0
	Card loans	0	0	0
	Other	0	0	0
Corporate borrowers		5,439	5,431	0
Non-recourse loans	Japan	0	0	0
	The Americas	0	0	0
Other	Real estate companies	0	0	0
	Entertainment companies	8	2	0
	Other	5,431	5,429	0
Purchased loans		112	112	0
With an allowance recorded*2:		52,501	51,153	20,068
Consumer borrowers		15,694	14,775	2,927
	Housing loans	3,271	2,796	1,202
	Card loans	4,102	4,091	616
	Other	8,321	7,888	1,109
Corporate borrowers		29,476	29,047	12,679
Non-recourse loans	Japan	203	202	35
	The Americas	5,829	5,829	2,079
Other	Real estate companies	7,212	7,154	1,638
	Entertainment companies	1,728	1,720	637
	Other	14,504	14,142	8,290
Purchased loans		7,331	7,331	4,462
Total:		¥59,025	¥57,652	¥20,068
Consumer borrowers		16,667	15,731	2,927
	Housing loans	4,244	3,752	1,202
	Card loans	4,102	4,091	616
	Other	8,321	7,888	1,109
Corporate borrowers		34,915	34,478	12,679
Non-recourse loans	Japan	203	202	35
	The Americas	5,829	5,829	2,079
Other	Real estate companies	7,212	7,154	1,638
	Entertainment companies	1,736	1,722	637
	Other	19,935	19,571	8,290
Purchased loans		7,443	7,443	4,462

Note: Loans held for sale are not included in the table above.

*1 "With no related allowance recorded" represents impaired loans with no allowance for credit losses as all amounts are considered to be collectible.

*2 "With an allowance recorded" represents impaired loans with the allowance for credit losses as all or a part of the amounts are not considered to be collectible.

The Company and its subsidiaries recognize installment loans other than purchased loans and loans to consumer borrowers as impaired loans when principal or interest is past-due 90 days or more, or it is probable that the Company and its subsidiaries will be unable to collect all amounts due according to the contractual terms of the loan agreements due to various debtor conditions, including insolvency filings, suspension of bank transactions, dishonored bills and deterioration of businesses. For non-recourse loans, in addition to these conditions, the Company and its subsidiaries perform an impairment review using financial covenants, acceleration clauses, loan-to-value ratios, and other relevant available information.

For purchased loans, the Company and its subsidiaries recognize them as impaired loans when it is probable that the Company and its subsidiaries will be unable to collect book values of the remaining investment due to factors such as a decline in the real estate collateral value and debtors' creditworthiness since the acquisition of these loans.

The Company and its subsidiaries consider that loans to consumer borrowers, including housing loans, card loans and other, are impaired when terms of these loans are modified as troubled debt restructurings.

Interest payments received on impaired loans other than purchased loans are recorded as interest income unless the collection of the remaining investment is doubtful at which time payments received are recorded as reductions of principal. For purchased loans, although the acquired assets may remain loans in legal form, collections on these loans often do not reflect the normal historical experience of collecting delinquent accounts, and the need to tailor individual collateral-realization strategies often makes it difficult to reliably estimate the amount, timing, or nature of collections. Accordingly, the Company and its subsidiaries use the cost recovery method of income recognition for such purchased loans regardless of whether impairment is recognized or not.

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

The following table provides information about the average recorded investments in impaired loans and interest income on impaired loans for fiscal 2015, 2016 and 2017:

		March 31, 2015		
		Millions of yen		
Portfolio segment	Class	Average Recorded Investments in Impaired Loans*	Interest Income on Impaired Loans	Interest on Impaired Loans Collected in Cash
Consumer borrowers		¥ 11,822	¥ 376	¥ 273
	Housing loans	6,286	268	180
	Card loans	3,368	60	51
	Other	2,168	48	42
Corporate borrowers		82,986	2,005	1,648
Non-recourse loans	Japan	5,975	10	10
	The Americas	15,657	502	502
Other	Real estate companies	22,009	417	355
	Entertainment companies	5,951	202	149
	Other	33,394	874	632
Purchased loans		18,736	0	0
Total		¥113,544	¥2,381	¥1,921

		March 31, 2016		
		Millions of yen		
Portfolio segment	Class	Average Recorded Investments in Impaired Loans*	Interest Income on Impaired Loans	Interest on Impaired Loans Collected in Cash
Consumer borrowers		¥ 13,215	¥ 317	¥ 269
	Housing loans	5,090	176	148
	Card loans	3,970	69	59
	Other	4,155	72	62
Corporate borrowers		58,138	974	947
Non-recourse loans	Japan	5,117	7	7
	The Americas	11,759	275	275
Other	Real estate companies	13,843	210	198
	Entertainment companies	3,505	102	99
	Other	23,914	380	368
Purchased loans		12,864	0	0
Total		¥ 84,217	¥1,291	¥1,216

Portfolio segment	Class	March 31, 2017 — Millions of yen: Average Recorded Investments in Impaired Loans*	Interest Income on Impaired Loans	Interest on Impaired Loans Collected in Cash
Consumer borrowers		¥ 15,166	¥ 316	¥ 277
	Housing loans	4,261	146	130
	Card loans	4,113	67	58
	Other	6,792	103	89
Corporate borrowers		39,667	626	576
Non-recourse loans	Japan	1,224	6	6
	The Americas	5,679	66	66
Other	Real estate companies	7,720	189	177
	Entertainment companies	2,134	76	76
	Other	22,910	289	251
Purchased loans		9,348	591	591
Total		¥ 64,181	¥1,533	¥1,444

Note: Loans held for sale are not included in the table above.
* Average balances are calculated on the basis of fiscal beginning and quarter-end balances.

The following table provides information about the credit quality indicators as of March 31, 2016 and 2017:

Portfolio segment	Class	March 31, 2016 — Millions of yen: Performing	Non-performing: Loans individually evaluated for impairment	Non-performing: 90+ days past-due loans not individually evaluated for impairment	Non-performing: Subtotal	Total
Consumer borrowers		¥1,439,703	¥14,101	¥ 8,178	¥22,279	¥1,461,982
	Housing loans	1,131,276	4,511	2,267	6,778	1,138,054
	Card loans	255,753	4,123	657	4,780	260,533
	Other	52,674	5,467	5,254	10,721	63,395
Corporate borrowers		1,029,381	48,479	0	48,479	1,077,860
Non-recourse loans	Japan	14,883	5,068	0	5,068	19,951
	The Americas	55,271	5,989	0	5,989	61,260
Other	Real estate companies	261,558	8,612	0	8,612	270,170
	Entertainment companies	98,852	2,429	0	2,429	101,281
	Other	598,817	26,381	0	26,381	625,198
Purchased loans		19,511	11,013	0	11,013	30,524
Direct financing leases		1,177,580	0	12,556	12,556	1,190,136
	Japan	831,207	0	7,918	7,918	839,125
	Overseas	346,373	0	4,638	4,638	351,011
Total		¥3,666,175	¥73,593	¥20,734	¥94,327	¥3,760,502

		March 31, 2017				
		Millions of yen				
			Non-performing			
Portfolio segment	Class	Performing	Loans individually evaluated for impairment	90+ days past-due loans not individually evaluated for impairment	Subtotal	Total
Consumer borrowers		¥1,589,620	¥16,667	¥ 9,722	¥26,389	¥1,616,009
	Housing loans	1,273,603	4,244	1,685	5,929	1,279,532
	Card loans	264,559	4,102	1,346	5,448	270,007
	Other	51,458	8,321	6,691	15,012	66,470
Corporate borrowers		1,117,439	34,915	0	34,915	1,152,354
Non-recourse loans	Japan	12,555	203	0	203	12,758
	The Americas	70,139	5,829	0	5,829	75,968
Other	Real estate companies	313,947	7,212	0	7,212	321,159
	Entertainment companies	94,190	1,736	0	1,736	95,926
	Other	626,608	19,935	0	19,935	646,543
Purchased loans		17,352	7,443	0	7,443	24,795
Direct financing leases		1,192,424	0	11,600	11,600	1,204,024
	Japan	839,848	0	6,442	6,442	846,290
	Overseas	352,576	0	5,158	5,158	357,734
Total		¥3,916,835	¥59,025	¥21,322	¥80,347	¥3,997,182

Note: Loans held for sale are not included in the table above.

In common with all classes, the Company and its subsidiaries monitor the credit quality indicators as performing and non-performing assets. The category of non-performing assets includes financing receivables for debtors who have filed for insolvency proceedings, whose bank transactions are suspended, whose bills are dishonored, whose businesses have deteriorated, whose repayment is past-due 90 days or more, financing receivables modified as troubled debt restructurings, and performing assets include all other financing receivables. Regarding purchased loans, they are classified as non-performing assets when considered impaired, while all the other loans are included in the category of performing assets.

Out of non-performing assets, the Company and its subsidiaries consider smaller balance homogeneous loans, including housing loans, card loans and other, which are not restructured and direct financing leases, as 90 days or more past-due financing receivables not individually evaluated for impairment, and consider the others as loans individually evaluated for impairment. After the Company and its subsidiaries have set aside provision for those non-performing assets, the Company and its subsidiaries continue to monitor at least on a quarterly basis the quality of any underlying collateral, the status of management of the debtors and other important factors in order to report to management and develop additional provision as necessary.

The following table provides information about the non-accrual and past-due financing receivables as of March 31, 2016 and 2017:

March 31, 2016 (Millions of yen)

Portfolio segment	Class	Past-due financing receivables: 30-89 days past-due	Past-due financing receivables: 90 days or more past-due	Past-due financing receivables: Total past-due	Total financing receivables	Non-accrual
Consumer borrowers		¥ 5,002	¥ 11,348	¥16,350	¥ 1,461,982	¥11,348
	Housing loans	2,283	4,435	6,718	1,138,054	4,435
	Card loans	503	1,103	1,606	260,533	1,103
	Other	2,216	5,810	8,026	63,395	5,810
Corporate borrowers		3,018	18,944	21,962	1,077,860	31,464
Non-recourse loans	Japan	0	4,776	4,776	19,951	4,776
	The Americas	2,370	400	2,770	61,260	5,924
Other	Real estate companies	44	2,727	2,771	270,170	2,727
	Entertainment companies	0	145	145	101,281	145
	Other	604	10,896	11,500	625,198	17,892
Direct financing leases		6,457	12,556	19,013	1,190,136	12,556
	Japan	500	7,918	8,418	839,125	7,918
	Overseas	5,957	4,638	10,595	351,011	4,638
Total		¥14,477	¥ 42,848	¥57,325	¥ 3,729,978	¥55,368

March 31, 2017 (Millions of yen)

Portfolio segment	Class	Past-due financing receivables: 30-89 days past-due	Past-due financing receivables: 90 days or more past-due	Past-due financing receivables: Total past-due	Total financing receivables	Non-accrual
Consumer borrowers		¥ 6,433	¥ 12,971	¥19,404	¥ 1,616,009	¥12,971
	Housing loans	2,314	3,420	5,734	1,279,532	3,420
	Card loans	518	1,825	2,343	270,007	1,825
	Other	3,601	7,726	11,327	66,470	7,726
Corporate borrowers		4,902	15,224	20,126	1,152,354	24,474
Non-recourse loans	Japan	0	0	0	12,758	0
	The Americas	4,028	4,940	8,968	75,968	5,768
Other	Real estate companies	37	1,867	1,904	321,159	1,867
	Entertainment companies	0	140	140	95,926	140
	Other	837	8,277	9,114	646,543	16,699
Direct financing leases		4,834	11,600	16,434	1,204,024	11,600
	Japan	535	6,442	6,977	846,290	6,442
	Overseas	4,299	5,158	9,457	357,734	5,158
Total		¥16,169	¥ 39,795	¥55,964	¥ 3,972,387	¥49,045

Note: Loans held for sale and purchased loans are not included in the table above.

In common with all classes, the Company and its subsidiaries consider financing receivables as past-due financing receivables when principal or interest is past-due 30 days or more. Loans whose terms have been modified are not classified as past-due financing receivables if the principals and interests are not past-due 30 days or more in accordance with the modified terms.

The Company and its subsidiaries suspend accruing revenues on past-due installment loans and direct financing leases when principal or interest is past-due 90 days or more, or earlier, if management determines that their collections are doubtful based on factors such as individual debtor's creditworthiness, historical loss experience, current delinquencies and delinquency trends. Cash repayments received on non-accrual loans are applied first against past due interest and then any surpluses are applied to principal in view of the conditions of the contract and obligors. The Company and its subsidiaries return to accrual status non-accrual loans and lease receivables when it becomes probable that the Company and its subsidiaries will be able to collect all amounts due according to the contractual terms of these loans and lease receivables, as evidenced by continual payments from the debtors. The period of such continual payments before returning to accrual status varies depending on factors that we consider are relevant in assessing the debtor's creditworthiness, such as the debtor's business characteristics and financial conditions as well as relevant economic conditions and trends.

The following table provides information about troubled debt restructurings of financing receivables that occurred during fiscal 2015, 2016 and 2017:

	March 31, 2015		
		Millions of yen	
Portfolio segment	Class	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Consumer borrowers		¥ 5,504	¥4,061
	Housing loans	483	263
	Card loans	2,566	2,018
	Other	2,455	1,780
Corporate borrowers		946	891
Non-recourse loans	The Americas	145	145
Other	Other	801	746
Total		¥ 6,450	¥4,952

	March 31, 2016		
		Millions of yen	
Portfolio segment	Class	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Consumer borrowers		¥ 6,436	¥4,890
	Housing loans	71	23
	Card loans	2,405	1,910
	Other	3,960	2,957
Corporate borrowers		584	582
Non-recourse loans	The Americas	575	575
Other	Other	9	7
Total		¥ 7,020	¥5,472

		March 31, 2017	
		Millions of yen	
Portfolio segment	Class	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Consumer borrowers		¥10,721	¥8,253
	Housing loans	640	587
	Card loans	2,120	1,687
	Other	7,961	5,979
Corporate borrowers		729	693
Other	Other	729	693
Total		¥11,450	¥8,946

A troubled debt restructuring is defined as a restructuring of a financing receivable in which the creditor grants a concession to the debtor for economic or other reasons related to the debtor's financial difficulties.

The Company and its subsidiaries offer various types of concessions to our debtors to protect as much of our investment as possible in troubled debt restructurings. For the debtors of non-recourse loans, the Company and its subsidiaries offer concessions including an extension of the maturity date at an interest rate lower than the current market rate for a debt with similar risk characteristics. For the debtors of all financing receivables other than non-recourse loans, the Company and its subsidiaries offer concessions such as a reduction of the loan principal, a temporary reduction in the interest payments, or an extension of the maturity date at an interest rate lower than the current market rate for a debt with similar risk characteristics. In addition, the Company and its subsidiaries may acquire collateral assets from the debtors in troubled debt restructurings to satisfy fully or partially the loan principal or past due interest.

In common with all portfolio segments, financing receivables modified as troubled debt restructurings are recognized as impaired and are individually evaluated for a valuation allowance. In most cases, these financing receivables have already been considered impaired and individually evaluated for allowance for credit losses prior to the restructurings. However, as a result of the restructuring, the Company and its subsidiaries may recognize additional provision for the restructured receivables.

The following table provides information about financing receivables modified as troubled debt restructurings within the previous 12 months from March 31, 2015 and for which there was a payment default during fiscal 2015:

	March 31, 2015	
		Millions of yen
Portfolio segment	Class	Recorded Investment
Consumer borrowers		¥122
	Housing loans	27
	Card loans	62
	Other	33
Corporate borrowers		330
Other	Other	330
Total		¥452

The following table provides information about financing receivables modified as troubled debt restructurings within the previous 12 months from March 31, 2016 and for which there was a payment default during fiscal 2016:

	March 31, 2016	
		Millions of yen
Portfolio segment	Class	Recorded Investment
Consumer borrowers		¥68
	Card loans	45
	Other	23
Total		¥68

The following table provides information about financing receivables modified as troubled debt restructurings within the previous 12 months from March 31, 2017 and for which there was a payment default during fiscal 2017:

	March 31, 2017	
		Millions of yen
Portfolio segment	Class	Recorded Investment
Consumer borrowers		¥1,526
	Card loans	47
	Other	1,479
Total		¥1,526

The Company and its subsidiaries consider financing receivables whose terms have been modified in a restructuring as defaulted receivables when principal or interest is past-due 90 days or more in accordance with the modified terms.

In common with all portfolio segments, the Company and its subsidiaries suspend accruing revenues and may recognize additional provision as necessary for the defaulted financing receivables.

As of March 31, 2016 and 2017, there were no foreclosed residential real estate properties. The carrying amounts of installment loans in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure were ¥601 million and ¥324 million as of March 31, 2016 and 2017, respectively.

9. Investment in Securities

Investment in securities as of March 31, 2016 and 2017 consists of the following:

	Millions of yen	
	2016	2017
Trading securities*	¥ 725,821	¥ 569,074
Available-for-sale securities	1,347,890	1,165,417
Held-to-maturity securities	114,858	114,400
Other securities	156,223	177,621
Total	¥2,344,792	¥2,026,512

* The amount of assets under management of variable annuity and variable life insurance contracts included in trading securities were ¥704,313 million and ¥547,850 million as of March 31, 2016 and 2017, respectively.

Gains and losses realized from the sale of trading securities and net unrealized holding gains (losses) on trading securities are included in net gains on investment securities and life insurance related investment income. For further information, see Note 22 “Gains on investment securities and dividends” and Note 23 “Life Insurance Operations.” For fiscal 2015, 2016 and 2017, net unrealized holding gains (losses) on trading securities were gains of ¥137,704 million, losses of ¥84,678 million and gains of ¥19,049 million, respectively.

During fiscal 2015, 2016 and 2017, the Company and its subsidiaries sold available-for-sale securities for aggregate proceeds of ¥511,868 million, ¥464,232 million and ¥549,865 million, respectively, resulting in gross realized gains of ¥32,206 million, ¥32,593 million and ¥33,804 million, respectively, and gross realized losses of ¥129 million, ¥467 million and ¥3,103 million, respectively. The cost of the securities sold was based on the average cost of each such security held at the time of the sale.

During fiscal 2015, 2016 and 2017, the Company and its subsidiaries charged losses on securities of ¥8,997 million, ¥4,515 million and ¥6,608 million, respectively, to the accompanying consolidated statements of income for declines in market value of securities where the decline was considered as other than temporary.

Other securities consist mainly of non-marketable equity securities, preferred capital shares carried at cost and investment funds carried at an amount that reflects equity income and loss based on the investor’s share. The aggregate carrying amount of other securities accounted for under the cost method totaled ¥27,349 million and ¥25,597 million as of March 31, 2016 and 2017, respectively. Investments with an aggregate cost of ¥27,125 million and ¥25,396 million respectively, were not evaluated for impairment because the Company and its subsidiaries did not identify any events or changes in circumstances that might have had a significant adverse effect on the fair value of those investments and it was not practicable to estimate the fair value of the investments.

A certain subsidiary elected the fair value option for investments in foreign government bond securities included in available-for-sale securities, which as of March 31, 2016 and 2017, were fair valued at ¥988 million and ¥1,015 million, respectively.

A certain subsidiary elected the fair value option for investments in foreign corporate debt securities included in available-for-sale securities, which as of March 31, 2017, were fair valued at ¥1,026 million.

A certain subsidiary elected the fair value option for certain investments in equity securities included in available-for-sale securities to mitigate volatility in the consolidated statements of income caused by the differences in classification of recognized gain or loss that would otherwise exist between the equity securities and the derivatives used to manage the risk of changes in fair value of these equity securities. As of March 31, 2016 and 2017, these equity securities were fair valued at ¥16,227 million and ¥15,400 million, respectively.

Certain subsidiaries elected the fair value option for certain investments in a trust and investment funds included in other securities whose net asset values do not represent the fair value of investments due to the illiquid nature of these investments. The subsidiaries manage these investments on a fair value basis and the election of the fair value option enables the subsidiaries to reflect more appropriate assumptions to measure the fair value of these investments. As of March 31, 2016 and 2017, the fair values of these investments were ¥10,152 million and ¥7,453 million, respectively.

The amortized cost basis amounts, gross unrealized holding gains, gross unrealized holding losses and fair values of available-for-sale securities and held-to-maturity securities in each major security type as of March 31, 2016 and 2017 are as follows:

March 31, 2016

	Millions of yen			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:				
Japanese and foreign government bond securities	¥ 464,854	¥ 32,501	¥ 0	¥ 497,355
Japanese prefectural and foreign municipal bond securities	165,465	4,106	(37)	169,534
Corporate debt securities	403,349	7,443	(13)	410,779
Specified bonds issued by SPEs in Japan	3,422	39	0	3,461
CMBS and RMBS in the Americas	97,692	1,906	(2,412)	97,186
Other asset-backed securities and debt securities	63,079	1,744	(6,593)	58,230
Equity securities	85,452	33,492	(7,599)	111,345
	1,283,313	81,231	(16,654)	1,347,890
Held-to-maturity:				
Japanese government bond securities and other	114,858	30,662	0	145,520
	¥1,398,171	¥111,893	¥(16,654)	¥1,493,410

March 31, 2017

	Millions of yen			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:				
Japanese and foreign government bond securities	¥ 334,117	¥12,321	¥ (826)	¥ 345,612
Japanese prefectural and foreign municipal bond securities	166,789	3,034	(1,001)	168,822
Corporate debt securities	393,021	3,606	(2,983)	393,644
Specified bonds issued by SPEs in Japan	1,077	10	0	1,087
CMBS and RMBS in the Americas	95,700	3,359	(558)	98,501
Other asset-backed securities and debt securities	61,138	3,957	(378)	64,717
Equity securities	67,914	25,618	(498)	93,034
	1,119,756	51,905	(6,244)	1,165,417
Held-to-maturity:				
Japanese government bond securities and other	114,400	25,323	0	139,723
	¥1,234,156	¥77,228	¥(6,244)	¥1,305,140

The following table provides information about available-for-sale securities and held-to-maturity securities with gross unrealized losses and the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2016 and 2017, respectively:

March 31, 2016

	Millions of yen					
	Less than 12 months		12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:						
Japanese prefectural and foreign municipal bond securities	¥ 14,821	¥ (30)	¥ 554	¥ (7)	¥ 15,375	¥ (37)
Corporate debt securities	32,969	(13)	1,802	0	34,771	(13)
CMBS and RMBS in the Americas	55,226	(2,234)	5,002	(178)	60,228	(2,412)
Other asset-backed securities and debt securities	14,220	(1,857)	18,846	(4,736)	33,066	(6,593)
Equity securities	17,040	(7,550)	594	(49)	17,634	(7,599)
	¥134,276	¥(11,684)	¥26,798	¥(4,970)	¥161,074	¥(16,654)

March 31, 2017

	Millions of yen					
	Less than 12 months		12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:						
Japanese and foreign government bond securities	¥ 33,991	¥ (826)	¥ 0	¥ 0	¥ 33,991	¥ (826)
Japanese prefectural and foreign municipal bond securities	36,873	(696)	6,202	(305)	43,075	(1,001)
Corporate debt securities	152,812	(2,983)	0	0	152,812	(2,983)
CMBS and RMBS in the Americas	20,238	(485)	9,428	(73)	29,666	(558)
Other asset-backed securities and debt securities	3,308	(1)	3,991	(377)	7,299	(378)
Equity securities	7,645	(480)	787	(18)	8,432	(498)
	¥254,867	¥ (5,471)	¥20,408	¥ (773)	¥275,275	¥ (6,244)

The number of investment securities that were in an unrealized loss position as of March 31, 2016 and 2017 were 259 and 325, respectively. The gross unrealized losses on these securities are attributable to a number of factors including changes in interest rates, credit spreads and market trends.

For debt securities, in the case of the fair value being below the amortized cost, the Company and its subsidiaries consider whether those securities are other-than-temporarily impaired using all available information about their collectability. The Company and its subsidiaries do not consider a debt security to be other-than-temporarily impaired if (1) the Company and its subsidiaries do not intend to sell the debt security, (2) it is not more likely than not that the Company and its subsidiaries will be required to sell the debt security before recovery of its amortized cost basis and (3) the present value of estimated cash flows will fully cover the amortized cost of the security. On the other hand, the Company and its subsidiaries consider a debt security to be other-than-temporarily impaired if any of the above mentioned three conditions are not met.

Debt securities with unrealized loss position mainly include corporate debt securities in Japan, CMBS and RMBS in the Americas and other asset-backed securities.

The unrealized loss associated with corporate debt securities is primarily due to changes in the market interest rate and risk premium. Considering all available information to assess the collectability of those investments (such as the financial condition of and business prospects for the issuers), the Company and its subsidiaries believe that the Company and its subsidiaries are able to recover the entire amortized cost basis of those investments. Because the Company and its subsidiaries do not intend to sell the investments and it is not more likely than not that the Company and its subsidiaries will be required to sell the investments before recovery of their amortized cost basis, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired at March 31, 2017.

The unrealized loss associated with CMBS and RMBS in the Americas and other asset-backed securities is primarily caused by changes in credit spreads and interest rates. In order to determine whether a credit loss exists, the Company and its subsidiaries estimate the present value of anticipated cash flows, discounted at the current yield to accrete the security. 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. Then, a credit loss is assessed by comparing the present value of the expected cash flows to the security's amortized cost basis. Based on that assessment, the Company and its subsidiaries expect to recover the entire amortized cost basis and no credit impairment was identified. Because the Company and its subsidiaries do not intend to sell the investments and it is not more likely than not that the Company and its subsidiaries will be required to sell the investments before recovery of their amortized cost basis, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired as of March 31, 2017.

For equity securities with unrealized losses, the Company and its subsidiaries consider various factors to determine whether the decline is other-than-temporary, including the length of time and the extent to which the fair value has been less than the carrying value and the issuer's specific economic conditions as well as the ability and intent to hold these securities for a period of time sufficient to recover the securities' carrying amounts. Based on our ongoing monitoring process, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired as of March 31, 2017.

The total other-than-temporary impairment with an offset for the amount of the total other-than-temporary impairment recognized in other comprehensive income (loss) for fiscal 2015, 2016 and 2017 are as follows:

	Millions of yen		
	2015	2016	2017
Total other-than-temporary impairment losses	¥9,077	¥4,517	¥6,608
Portion of loss recognized in other comprehensive income (before taxes)	(80)	(2)	0
Net impairment losses recognized in earnings	¥8,997	¥4,515	¥6,608

Total other-than-temporary impairment losses for fiscal 2015 and 2016 related to equity securities, debt securities and other securities. Total other-than-temporary impairment losses for fiscal 2017 related to equity securities and other securities.

During fiscal 2015 and 2016, other-than-temporary impairment losses related to debt securities are recognized mainly on certain other asset-backed securities. Other asset-backed securities have experienced credit losses due to a decline in value of the underlying assets. Because the Company and its subsidiaries do not intend to sell the investments and it is not more likely than not that the Company and its subsidiaries will be required to sell the investments before recovery of their amortized cost basis, the credit loss component is recognized in earnings, and the non-credit loss component is recognized in other comprehensive income (loss), net of applicable income taxes. The credit loss assessment is made by comparing the securities' amortized cost basis with the portion of the estimated fair value of the underlying assets available to repay the specified bonds, or with the present value of the expected cash flows from the mortgage-backed securities, that were estimated based on a number of assumptions such as seniority of the security.

Roll-forwards of the amount related to credit losses on other-than-temporarily impaired debt securities recognized in earnings for fiscal 2015, 2016 and 2017 are as follows:

	Millions of yen		
	2015	2016	2017
Beginning	¥1,991	¥2,633	¥1,413
Addition during the period:			
Credit loss for which an other-than-temporary impairment was not previously recognized	456	0	0
Credit loss for which an other-than-temporary impairment was previously recognized	282	49	0
Reduction during the period:			
For securities sold or redeemed	(44)	(604)	(171)
Due to change in intent to sell or requirement to sell	(52)	(665)	(22)
Ending	¥2,633	¥1,413	¥1,220

The Company and its subsidiaries recorded other-than-temporary impairments related to the non-credit losses arising from foregoing debt securities for CMBS and RMBS in the Americas. These impairments included the amount of unrealized gains or losses for the changes in fair value of the debt securities after recognition of other-than-temporary impairments in earnings. As of March 31, 2015, an unrealized gain of ¥234 million and an unrealized loss of ¥58 million, before taxes, were included and an unrealized gain of ¥149 million and an unrealized loss of ¥37 million, net of taxes, were included in unrealized gains or losses of accumulated other comprehensive income. As of March 31, 2016, an unrealized gain of ¥61 million and an unrealized loss of ¥6 million, before taxes, were included and an unrealized gain of ¥39 million and an unrealized loss of ¥4 million, net of taxes, were included in unrealized gains or losses of accumulated other comprehensive income. As of March 31, 2017, an unrealized gain of ¥57 million, before taxes, were included and an unrealized gain of ¥36 million, net of taxes, were included in unrealized gains or losses of accumulated other comprehensive income. As of March 31, 2017, no unrealized loss was included in unrealized gains or losses of accumulated other comprehensive income.

The following is a summary of the contractual maturities of debt securities classified as available-for-sale securities and held-to-maturity securities held as of March 31, 2017:

Available-for-sale securities held as of March 31, 2017:

	Millions of yen	
	Amortized cost	Fair value
Due within one year	¥ 55,086	¥ 56,943
Due after one to five years	287,573	289,773
Due after five to ten years	393,476	394,894
Due after ten years	315,707	330,773
	¥1,051,842	¥1,072,383

Held-to-maturity securities held as of March 31, 2017:

	Millions of yen	
	Amortized cost	Fair value
Due after ten years	¥ 114,400	¥ 139,723
	¥ 114,400	¥ 139,723

Securities not due at a single maturity date, such as mortgage-backed securities, are included in the above table based on their final maturities.

Certain borrowers may have the right to call or prepay obligations. This right may cause actual maturities to differ from the contractual maturities summarized above.

Included in finance revenues in the consolidated statements of income is interest income on investment securities of ¥12,391 million, ¥12,712 million and ¥14,031 million for fiscal 2015, 2016 and 2017 respectively.

The Company and a certain foreign subsidiary acquired debt securities with evidence of deterioration of credit quality at the time of acquisition, and it was not probable the Company and a certain foreign subsidiary were able to recover all contractual amounts of those debt securities. The Company and the subsidiary determined the expected future cash flows taking into account historical cash collections for debt securities with similar characteristics as well as expected prepayments and the amount and the timing of undiscounted expected principal, interest and other cash flows for each pool of debt securities. Accretable yield represents the excess of expected future cash flows over carrying value of the debt securities, which is recognized as interest income over the remaining life of the debt securities. For a debt security for which the fair value is less than the amortized cost basis, the Company and a certain foreign subsidiary estimates the present value of cash flows expected to be collected from the security and compares it with the amortized cost basis of the security to determine whether a credit loss exists. If, based on current information and events, the Company and the subsidiary determine a credit loss exists for that security, an other-than-temporary impairment is considered to have occurred. For a debt security for which an other-than-temporary impairment is considered to have occurred, the Company and the subsidiary recognize the entire difference between the amortized cost and the fair value in earnings if the Company and the subsidiary intend to sell the debt security or it is more likely than not that the Company and the subsidiary will be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss. On the other hand, if the Company and the subsidiary do not intend to sell the debt security and it is not more likely than not that the Company and the subsidiary will be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss, the Company and the subsidiary separate the difference between the amortized cost and the fair value of the debt securities into the credit loss component and the non-credit loss component. The credit loss component is recognized in earnings, and the non-credit loss component is recognized in other comprehensive income (loss), net of applicable income taxes. The carrying amounts and the nominal value of debt securities acquired with evidence of deterioration of credit quality were ¥319 million and ¥1,057 million as of March 31, 2016, and ¥18 million and ¥355 million as of March 31, 2017. The outstanding balance of accretable yield was ¥743 million and ¥402 million as of March 31, 2016 and 2017, respectively.

10. Securitization Transactions

The Company and its subsidiaries have securitized various financial assets such as lease receivables and installment loans (commercial mortgage loans, housing loans and other).

In the securitization process, these financial assets are transferred to SPEs, such as trusts and special-purpose companies that issue beneficial interests of the securitization trusts and securities backed by the financial assets to investors. The cash flows collected from these assets transferred to the SPEs are then used to repay these asset-backed beneficial interests and securities. As the transferred assets are isolated from the Company and its subsidiaries, the investors and the SPEs have no recourse to other assets of the Company and its subsidiaries in cases where the debtors or the issuers of the transferred financial assets fail to perform under the original terms of those financial assets.

The Company and its subsidiaries often retain interests in the SPEs in the form of the beneficial interest of the securitization trusts. Those interests that continue to be held include interests in the transferred assets and are often subordinate to other tranche(s) of the securitization. Those beneficial interests that continue to be held by the Company and its subsidiaries are subject to credit risk, interest rate risk and prepayment risk on the securitized financial assets. With regards to these subordinated interests that the Company and its subsidiaries retain, they are subordinated to the senior investments and are exposed to different credit and prepayment risks, since they first absorb the risk of the decline in the cash flows from the financial assets transferred to the SPEs for defaults and prepayment of the transferred assets. If there is any excess cash remaining in the SPEs after payment to investors in the securitization of the contractual rate of returns, most of such excess cash is distributed to the Company and its subsidiaries for payments of the subordinated interests.

Trusts or SPEs used in securitization transactions have been consolidated if the Company and its subsidiaries are the primary beneficiary of the trusts or SPEs.

During fiscal 2015, 2016 and 2017, there was no securitization transaction accounted for as a sale.

Quantitative information about delinquencies, impaired loans and components of financial assets sold on securitization and other assets managed together as of March 31, 2016 and 2017, and quantitative information about net credit loss for fiscal 2015, 2016 and 2017 are as follows:

	Millions of yen			
	Total principal amount of receivables		Principal amount of receivables that are 90 days or more past-due and impaired loans	
	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017
Direct financing leases	¥1,190,136	¥1,204,024	¥12,556	¥11,600
Installment loans	2,592,233	2,815,706	81,771	68,747
	3,782,369	4,019,730	94,327	80,347
Direct financing leases sold on securitization	706	0	0	0
Total	¥3,783,075	¥4,019,730	¥94,327	¥80,347

	Millions of yen		
	Credit loss		
	2015	2016	2017
Direct financing leases	¥ 3,774	¥ 4,062	¥ 4,056
Installment loans	22,019	13,442	17,766
	25,793	17,504	21,822
Direct financing leases sold on securitization	0	0	0
Total	¥25,793	¥17,504	¥21,822

A certain subsidiary originates and sells loans into the secondary market while retaining the obligation to service those loans. In addition, it undertakes obligations to service loans originated by others. The servicing assets related to those servicing activities are included in other assets and roll-forwards of the amount of the servicing assets during fiscal 2016 and 2017 are as follows:

	Millions of yen	
	2016	2017
Beginning balance	¥18,376	¥16,852
Increase mainly from loans sold with servicing retained	4,077	4,118
Decrease mainly from amortization	(4,467)	(3,625)
Increase (Decrease) from the effects of changes in foreign exchange rates	(1,134)	(42)
Ending balance	¥16,852	¥17,303

The fair value of the servicing assets as of March 31, 2016 and 2017 are as follows:

	Millions of yen	
	March 31, 2016	March 31, 2017
Beginning balance	¥27,676	¥24,229
Ending balance	¥24,229	¥24,907

11. Variable Interest Entities

The Company and its subsidiaries use special purpose companies, partnerships and trusts (hereinafter referred to as SPEs) in the ordinary course of business.

These SPEs are not always controlled by voting rights, and there are cases where voting rights do not exist for these SPEs. The Company and its subsidiaries determine a variable interest entity (hereinafter referred to as VIE) among those SPEs when (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support provided by any parties, including the equity holders or (b) as a group, the holders of the equity investment at risk do not have (1) the ability to make decisions about an entity's activities that most significantly impact the entity's economic performance through voting rights or similar rights, (2) the obligation to absorb the expected losses of the entity or (3) the right to receive the expected residual returns of the entity.

The Company and its subsidiaries perform a qualitative analysis to identify the primary beneficiary of VIEs. An enterprise that has both of the following characteristics is considered to be the primary beneficiary and therefore results in the consolidation of the VIE:

- The power to direct the activities of a VIE that most significantly impact the entity's economic performance
- The obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE

All facts and circumstances are taken into consideration when determining whether the Company and its subsidiaries have variable interests that would deem it the primary beneficiary and therefore require consolidation of the VIE. The Company and its subsidiaries make ongoing reassessment of whether they are the primary beneficiaries of a VIE.

The following are the items that the Company and its subsidiaries are considering in a qualitative assessment:

- Which activities most significantly impact the economic performance of the VIE and who has the power to direct such activities
- Characteristics of the Company and its subsidiaries' variable interest or interests and other involvements (including involvement of related parties and de facto agents)
- Involvement of other variable interest holders
- The entity's purpose and design, including the risks that the entity was designed to create and pass through to its variable interest holders

The Company and its subsidiaries generally consider the following types of involvement to be significant when determining the primary beneficiary:

- Designing the structuring of a transaction
- Providing an equity investment and debt financing
- Being the investment manager, asset manager or servicer and receiving variable fees
- Providing liquidity and other financial support

The Company and its subsidiaries do not have the power to direct activities of the VIEs that most significantly impact the VIEs' economic performance if that power is shared among multiple unrelated parties, and accordingly do not consolidate such VIEs.

Information about VIEs (consolidated and non-consolidated) for the Company and its subsidiaries are as follows:

1. Consolidated VIEs

March 31, 2016 *4

	Millions of yen			
Types of VIEs	**Total assets*1**	**Total liabilities*1**	**Assets which are pledged as collateral*2**	**Commitments*3**
(a) VIEs for liquidating customer assets	¥ 0	¥ 0	¥ 0	¥ 0
(b) VIEs for acquisition of real estate and real estate development projects for customers	953	0	0	0
(c) VIEs for acquisition of real estate for the Company and its subsidiaries' real estate-related business	174,854	56,325	113,869	7,000
(d) VIEs for corporate rehabilitation support business	2,055	40	0	0
(e) VIEs for investment in securities	24,882	9,657	17,336	2,422
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable	381,313	256,620	346,169	0
(g) VIEs for securitization of loan receivable originated by third parties	21,550	20,548	21,550	0
(h) VIEs for power generation projects	159,593	82,535	88,119	121,390
(i) Other VIEs	216,632	97,979	213,466	0
Total	¥981,832	¥523,704	¥800,509	¥130,812

March 31, 2017

	Millions of yen			
Types of VIEs	**Total assets*1**	**Total liabilities*1**	**Assets which are pledged as collateral*2**	**Commitments*3**
(a) VIEs for liquidating customer assets	¥ 0	¥ 0	¥ 0	¥ 0
(b) VIEs for acquisition of real estate and real estate development projects for customers	663	0	0	0
(c) VIEs for acquisition of real estate for the Company and its subsidiaries' real estate-related business	127,425	39,877	75,382	7,000
(d) VIEs for corporate rehabilitation support business	1,544	16	0	0
(e) VIEs for investment in securities	50,411	2,027	5,567	1,995
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable	338,138	228,935	307,315	0
(g) VIEs for securitization of loan receivable originated by third parties	18,683	17,202	18,683	0
(h) VIEs for power generation projects	212,153	111,404	127,993	84,227
(i) Other VIEs	202,386	72,447	168,353	0
Total	¥951,403	¥471,908	¥703,293	¥ 93,222

*1 The assets of most VIEs are used only to repay the liabilities of the VIEs, and the creditors of the liabilities of most VIEs have no recourse to other assets of the Company and its subsidiaries.

*2 The assets are pledged as collateral by VIE for financing of the VIE.

*3 This item represents remaining balance of commitments that could require the Company and its subsidiaries to provide investments or loans to the VIE.

*4 The amounts as of March 31, 2016 were disclosed according to ASC 810 ("Consolidation") before amendment, and were not adjusted to reflect the Accounting Standards Update 2015-02 ("Amendments to the Consolidation Analysis"—ASC 810 ("Consolidation")).

2. Non-consolidated VIEs

March 31, 2016 *2

Types of VIEs	Total assets (Millions of yen)	Carrying amount of the variable interests in the VIEs held by the Company and its subsidiaries: Specified bonds and non-recourse loans	Carrying amount of the variable interests in the VIEs held by the Company and its subsidiaries: Investments	Maximum exposure to loss*1
(a) VIEs for liquidating customer assets	¥ 33,406	¥ 0	¥ 2,091	¥ 9,551
(b) VIEs for acquisition of real estate and real estate development projects for customers	170,001	4,776	13,039	24,964
(c) VIEs for acquisition of real estate for the Company and its subsidiaries' real estate-related business	0	0	0	0
(d) VIEs for corporate rehabilitation support business	0	0	0	0
(e) VIEs for investment in securities	2,964,616	0	26,174	47,636
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable	0	0	0	0
(g) VIEs for securitization of loan receivable originated by third parties	1,070,683	0	10,671	10,721
(h) VIEs for power generation projects	20,007	0	1,182	1,182
(i) Other VIEs	104,284	0	4,868	4,868
Total	¥ 4,362,997	¥4,776	¥ 58,025	¥ 98,922

March 31, 2017 *3

Types of VIEs	Total assets (Millions of yen)	Carrying amount of the variable interests in the VIEs held by the Company and its subsidiaries: Specified bonds and non-recourse loans	Carrying amount of the variable interests in the VIEs held by the Company and its subsidiaries: Investments	Maximum exposure to loss*1
(a) VIEs for liquidating customer assets	¥ 8,671	¥ 0	¥ 991	¥ 991
(b) VIEs for acquisition of real estate and real estate development projects for customers	96,187	0	11,130	11,194
(c) VIEs for acquisition of real estate for the Company and its subsidiaries' real estate-related business	0	0	0	0
(d) VIEs for corporate rehabilitation support business	0	0	0	0
(e) VIEs for investment in securities	30,299,519	0	80,211	109,310
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable	0	0	0	0
(g) VIEs for securitization of loan receivable originated by third parties	1,744,471	0	18,448	18,483
(h) VIEs for power generation projects	12,414	0	1,719	3,729
(i) Other VIEs	319,520	4,864	17,963	25,260
Total	¥32,480,782	¥4,864	¥130,462	¥168,967

*1 Maximum exposure to loss includes remaining balance of commitments that could require the Company and its subsidiaries to provide investments or loans to the VIE.

*2 The amounts as of March 31, 2016 were disclosed according to ASC 810 (“Consolidation”) before amendment, and were not adjusted to reflect the Accounting Standards Update 2015-02 (“Amendments to the Consolidation Analysis”—ASC 810 (“Consolidation”)).

*3 On April 1, 2016, the Company and its subsidiaries adopted the Accounting Standards Update 2015-02 (“Amendments to the Consolidation Analysis”—ASC 810 (“Consolidation”)), issued in February 2015. As a result of the adoption, the effect on the non-consolidated VIEs as of April 1, 2016 was an increase of ¥2,401,930 million in total assets, an increase of ¥56,931 million in investments and an increase of ¥69,660 million in maximum exposure to loss. This was due primarily to the increases of ¥2,021,460 million in total assets, ¥49,275 million in investments and ¥62,003 million in maximum exposure to loss, included in “(e) VIEs for investment in securities.”

(a) VIEs for liquidating customer assets

The Company and its subsidiaries may use VIEs in structuring financing for customers to liquidate specific customer assets. The VIEs are typically used to provide a structure that is bankruptcy remote with respect to the customer and the use of VIE structure is requested by such customer. Such VIEs typically acquire assets to be liquidated from the customer, borrow non-recourse loans from financial institutions and have an equity investment made by the customer. By using cash flows from the liquidated assets, these VIEs repay the loan and pay dividends to equity investors if sufficient funds exist.

Variable interests of non-consolidated VIEs, which the Company and its subsidiaries have, are mainly included in other assets in the Company’s consolidated balance sheets. The Company has a commitment agreement by which the Company may be required to make additional investment in certain such non-consolidated VIEs.

(b) VIEs for acquisition of real estate and real estate development projects for customers

Customers and the Company and its subsidiaries are involved with VIEs formed to acquire real estate and/or develop real estate projects. In each case, a customer establishes and makes an equity investment in a VIE that is designed to be bankruptcy remote from the customer. The VIEs acquire real estate and/or develop real estate projects.

The Company and its subsidiaries provide non-recourse loans to such VIEs and hold specified bonds issued by them and/or make investments in them. The Company and its subsidiaries have consolidated certain VIEs because the Company or its subsidiary effectively controls the VIEs by acting as the asset manager of the VIEs.

In the Company’s consolidated balance sheets, assets of consolidated VIEs are mainly included in cash and cash equivalents and liabilities of those consolidated VIEs are mainly included in other liabilities.

With respect to the variable interests of non-consolidated VIEs, which the Company and its subsidiaries have, specified bonds are included in investment in securities, non-recourse loans are included in installment loans, and investments are mainly included in investment in securities, investment in affiliates and other assets in the Company’s consolidated balance sheets. The Company and its subsidiaries have commitment agreements by which the Company and its subsidiaries may be required to provide additional investment in certain non-consolidated VIEs as long as the agreed-upon terms are met. Under these agreements, the Company and its subsidiaries are committed to invest in these VIEs with the other investors based on their respective ownership percentages. The Company and its subsidiaries concluded that the VIEs are not consolidated because the power to direct these VIEs is held by unrelated parties. In some cases, the Company and its subsidiaries concluded that the VIEs are not consolidated because the power to direct these VIEs is shared among multiple unrelated parties.

(c) VIEs for acquisition of real estate for the Company and its subsidiaries' real estate-related business

The Company and its subsidiaries establish VIEs and acquire real estate to borrow non-recourse loans from financial institutions and simplify the administration activities necessary for the real estate. The Company and its subsidiaries consolidate such VIEs even though the Company and its subsidiaries may not have voting rights if substantially all of such VIEs' subordinated interests are issued to the Company and its subsidiaries, and therefore the VIEs are controlled by and for the benefit of the Company and its subsidiaries.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in cash and cash equivalents, restricted cash, investment in operating leases, property under facility operations and other assets, and liabilities of those consolidated VIEs are mainly included in long-term debt. The Company has a commitment agreement by which the Company may be required to make additional investment in certain such consolidated VIEs.

(d) VIEs for corporate rehabilitation support business

Financial institutions, the Company and its subsidiary are involved with VIEs established for the corporate rehabilitation support business. VIEs receive the funds from investors including the financial institutions, the Company and the subsidiary, and purchase loan receivables due from borrowers which have financial problems, but are deemed to have the potential to recover in the future. The servicing operations for the VIEs are conducted by the subsidiary.

The Company and its subsidiary consolidated such VIEs since the Company and the subsidiary have the majority of the investment share of such VIEs, and have the power to direct the activities of the VIEs that most significantly impact the entities' economic performance through the servicing operations.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in installment loans, and liabilities of those consolidated VIEs are mainly included in other liabilities.

(e) VIEs for investment in securities

The Company and its subsidiaries have interests in VIEs that are investment funds and mainly invest in equity and debt securities. Such VIEs are managed by certain subsidiaries or fund management companies that are independent of the Company and its subsidiaries.

Certain subsidiaries consolidated certain such VIEs since the subsidiaries has the majority of the investment share of them, and has the power to direct the activities of those VIEs that most significantly impact the entities' economic performance through involvement with the design of the VIEs or other means.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in investment in securities and investment in affiliates, and liabilities of those consolidated VIEs are mainly included in trade notes, accounts and other payable. A subsidiary has a commitment agreement by which the subsidiary may be required to make additional investment in certain such consolidated VIEs.

Variable interests of non-consolidated VIEs, which the Company and its subsidiaries have, are included in investment in securities in the Company's consolidated balance sheets. The Company and its subsidiaries have a commitment agreement by which the Company and its subsidiaries may be required to make additional investment in certain such non-consolidated VIEs.

(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable

The Company and its subsidiaries use VIEs to securitize financial assets such as direct financing leases receivables and loans receivables. In the securitization process, these financial assets are transferred to SPEs, and the SPEs issue beneficial interests or securities backed by the transferred financial assets to investors. After the securitization, the Company and its subsidiaries continue to hold a subordinated part of the securities and act as a servicer.

The Company and its subsidiaries consolidated such VIEs since the Company and its subsidiaries have the power to direct the activities that most significantly impact the entity's economic performance by designing the securitization scheme and conducting servicing activities, and have a responsibility to absorb losses of the VIEs that could potentially be significant to the entities by retaining the subordinated part of the securities.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in restricted cash, investment in direct financing leases and installment loans, and liabilities of those consolidated VIEs are mainly included in long-term debt.

(g) VIEs for securitization of loan receivable originated by third parties

The Company and its subsidiaries invest in CMBS, RMBS and other asset-backed securities originated by third parties. In some cases of such securitization, certain subsidiaries hold the subordinated portion and the subsidiaries act as a special-servicer of the securitization transaction. As the special servicer, the subsidiaries have rights to dispose of real estate collateral related to the securitized commercial mortgage loans.

The subsidiaries consolidate certain of these VIEs when the subsidiaries have the power to direct the activities of the VIEs that most significantly impact the entities' economic performance through its role as special-servicer, including the right to dispose of the collateral, and have a responsibility to absorb losses of the VIEs that could potentially be significant to the entities by holding the subordinated part of the securities.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in installment loans, and liabilities of those consolidated VIEs are mainly included in long-term debt.

Variable interests of non-consolidated VIEs, which the Company and its subsidiaries have, are included in investment in securities in the Company's consolidated balance sheets. The Company has a commitment agreement by which the Company may be required to make additional investment in certain such non-consolidated VIEs.

(h) VIEs for power generation projects

The Company and its subsidiaries may use VIEs in power generation projects. VIEs receive the funds from the Company and its subsidiaries, install solar panels on acquired or leased lands, and sell the generated power to electric power companies. The Company and its subsidiaries have consolidated certain VIEs because the Company and its subsidiaries have the majority of the investment shares of such VIEs and effectively control the VIEs by acting as the asset manager of the VIEs.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in restricted cash, property under facility operations and other assets, and liabilities of those consolidated VIEs are mainly included in long-term debt and other liabilities. The Company has commitment agreements by which the Company may be required to make additional investment or execute loans in certain such consolidated VIEs.

Variable interests of non-consolidated VIEs, which the Company has, is included in investment in securities in the Company's consolidated balance sheets.

(i) Other VIEs

The Company and its subsidiaries are involved with other types of VIEs for various purposes. Consolidated and non-consolidated VIEs of this category are mainly kumiai structures. In addition, certain subsidiaries has consolidated VIEs that are not included in the categories (a) through (h) above, because the subsidiaries hold the subordinated portion of the VIEs and the VIEs are effectively controlled by the subsidiaries.

In Japan, certain subsidiaries provide investment products to their customers that employ a contractual mechanism known as a kumiai, which in part result in the subsidiaries forming a type of SPE. As a means to finance the purchase of aircraft or other large-ticket items to be leased to third parties, the Company and its subsidiaries arrange and market kumiai products to investors, who invest a portion of the funds necessary into the kumiai structure. The remainder of the purchase funds is borrowed by the kumiai structure in the form of a non-recourse loan from one or more financial institutions. The kumiai investors (and any lenders to the kumiai structure) retain all of the economic risks and rewards in connection with purchasing and leasing activities of the kumiai structure, and all related gains or losses are recorded on the financial statements of the investors in the kumiai. The Company and its subsidiaries are responsible for the arrangement and marketing of these products and may act as servicer or administrator in kumiai transactions. The fee income for the arrangement and administration of these transactions is recognized in the Company's consolidated statements of income. In some cases, the Company and its subsidiaries make investments in the kumiai or its related SPE, and these VIEs are consolidated because the Company and its subsidiaries have a responsibility to absorb any significant potential loss through the investments and have the power to direct the activities that most significantly impact their economic performance. In other cases, the Company and its subsidiaries are not considered to be the primary beneficiary of the VIEs or kumiais because the Company and its subsidiaries did not make significant investments or guarantee or otherwise undertake any significant financial commitments or exposure with respect to the kumiai or its related SPE.

The Company may use VIEs to finance. The Company transfers its own held assets to SPEs, which borrow non-recourse loan from financial institutions and effectively pledge such assets as collateral. The Company continually holds subordinated interests in the SPEs and perform administrative work of such assets. The Company consolidates such SPEs because the Company has a right to direct the activities of them that most significantly impact their economic performance by setting up the scheme and performing administrative work of the assets and has the obligation to absorb expected losses of them by holding the subordinated interests.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in investment in operating leases, investment in affiliates and office facilities, and liabilities of those consolidated VIEs are mainly included in long-term debt.

Variable interests in non-consolidated VIEs, which the Company and its subsidiaries hold, are mainly included in investment in securities in the Company's consolidated balance sheets. The Company and its subsidiaries have a commitment agreement by which the Company and its subsidiaries may be required to make additional investment in certain such non-consolidated VIEs.

12. Investment in Affiliates

Investment in affiliates at March 31, 2016 and 2017 consists of the following:

	Millions of yen	
	2016	2017
Shares	¥499,922	¥485,386
Loans and others	30,745	38,848
	¥530,667	¥524,234

Certain affiliates are listed on stock exchanges. The aggregate investment in and quoted market value of those affiliates amounted to ¥110,121 million and ¥110,568 million, respectively, as of March 31, 2016 and ¥127,121 million and ¥159,867 million, respectively, as of March 31, 2017.

In fiscal 2015, 2016 and 2017, the Company and its subsidiaries received dividends from affiliates of ¥18,186 million, ¥30,063 million and ¥14,913 million, respectively.

The balance of excess of cost over the underlying equity at acquisition dates of investment in affiliates amounted to ¥101,289 million and ¥96,649 million as of March 31, 2016 and 2017, respectively.

From fiscal 2016, the Company no longer has the ability to exercise significant influence on ORIX JREIT Inc., and therefore has excluded ORIX JREIT Inc. from investment in affiliates accounted for by using the equity method. The transactions during the period accounted for by the equity method are described below.

ORIX JREIT Inc., formerly an equity method affiliate, entered into an asset management agreement and the like with one of the Company's subsidiaries and paid fees of ¥2,433 million, ¥1,937 million for fiscal 2015 and 2016, respectively.

In fiscal 2015 and 2016, the Company and certain subsidiaries sold to ORIX JREIT Inc., office buildings, commercial facilities other than office buildings, and condominiums mainly under operating leases. In fiscal 2015 and 2016, the Company and the subsidiaries recognized gains of ¥10,473 million, ¥1,744 million, respectively in earnings as operating leases. The related intercompany profits have been eliminated based on the Company's proportionate share.

Combined and condensed information relating to the affiliates for fiscal 2015, 2016 and 2017 are as follows (some operation data for entities reflect only the period since the Company and its subsidiaries made the investment and on a lag basis):

	Millions of yen		
	2015	2016	2017
Operations:			
Total revenues	¥1,094,317	¥1,333,838	¥1,394,872
Income before income taxes	130,799	177,535	154,162
Net income	109,865	141,964	109,183
Financial position:			
Total assets	¥6,897,921	¥8,350,901	¥8,452,544
Total liabilities	5,131,402	6,206,321	6,075,513
Total equity	1,766,519	2,144,580	2,377,031

The Company and its subsidiaries had no significant transactions with these companies except as described above.

13. Goodwill and Other Intangible Assets

Changes in goodwill by reportable segment for fiscal 2015, 2016 and 2017 are as follows:

	Millions of yen						
	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment and Operation	Retail	Overseas Business	Total
Balance at March 31, 2014							
Goodwill	¥ 1,304	¥282	¥19,300	¥ 26,250	¥15,424	¥273,643	¥336,203
Accumulated impairment losses	(257)	0	0	(39)	0	0	(296)
	1,047	282	19,300	26,211	15,424	273,643	335,907
Acquired	53,741	0	0	17,967	0	12,043	83,751
Impairment	(550)	0	(8,708)	0	0	(587)	(9,845)
Other (net)*	0	0	(97)	(376)	0	(36,725)	(37,198)
Balance at March 31, 2015							
Goodwill	55,045	282	19,203	43,841	15,424	248,961	382,756
Accumulated impairment losses	(807)	0	(8,708)	(39)	0	(587)	(10,141)
	54,238	282	10,495	43,802	15,424	248,374	372,615
Acquired	1,158	0	0	29,365	0	3,796	34,319
Impairment	(30)	0	0	0	0	0	(30)
Other (net)*	0	0	0	(6,260)	0	(68,491)	(74,751)
Balance at March 31, 2016							
Goodwill	56,203	282	19,203	66,946	15,424	184,266	342,324
Accumulated impairment losses	(837)	0	(8,708)	(39)	0	(587)	(10,171)
	55,366	282	10,495	66,907	15,424	183,679	332,153
Acquired	0	0	0	26,316	0	7,054	33,370
Impairment	0	0	0	0	0	(2,785)	(2,785)
Other (net)*	0	0	(31)	(11,342)	0	(10,187)	(21,560)
Balance at March 31, 2017							
Goodwill	56,203	282	19,172	81,920	15,424	181,133	354,134
Accumulated impairment losses	(837)	0	(8,708)	(39)	0	(3,372)	(12,956)
	¥55,366	¥282	¥10,464	¥ 81,881	¥15,424	¥177,761	¥341,178

* Other includes foreign currency translation adjustments, decreases due to sale of ownership interest in subsidiaries and certain other reclassifications. In the Overseas Business segment, there was a decrease of ¥39,694 million during fiscal 2015 due to the partial sale of shares of STX Energy, which as a result of the sale changed from a consolidated subsidiary to an equity method affiliate. In the Overseas Business segment, there was a decrease of ¥57,153 million during fiscal 2016 due to the partial sale of shares of Houlihan Lokey, which as a result of the sale changed from a consolidated subsidiary to an equity method affiliate.

As a result of the impairment test, the Company and its subsidiaries recognized impairment losses on goodwill of ¥550 million in Corporate Financial Services segment, ¥8,708 million on golf business included in Real Estate segment, ¥587 million in Overseas Business segment during fiscal 2015. These impairment losses are included in other (income) and expense, net in the consolidated statements of income. The impairment loss on golf business was recognized as a result of reduction in estimated future cash flow due to our additional capital investment in the slower market growth, which brought the fair value of the reporting unit below its carrying amount. The Company and its subsidiaries recognized an impairment loss on goodwill of ¥30 million in

Corporate Financial Services segment during fiscal 2016. This impairment loss is included in other (income) and expense, net in the consolidated statements of income. The fair values of the reporting units were measured using mainly the discounted cash flow methodologies and the business enterprise value multiples methodologies. The Company and its subsidiaries recognized an impairment loss on goodwill of ¥2,785 million in Overseas Business segment during fiscal 2017. This impairment loss is included in other (income) and expense, net in the consolidated statements of income. This impairment loss was recognized as a result of reduction in the fair value of an overseas subsidiary due to increases in the credit losses from installment loans, which brought the fair value of the reporting unit below its carrying amount.

Other intangible assets at March 31, 2016 and 2017 consist of the following:

	Millions of yen	
	2016	2017
Intangible assets that have indefinite useful lives:		
Trade names	¥ 75,860	¥ 74,489
Asset management contracts	150,686	141,352
Others	3,906	6,395
	230,452	222,236
Intangible assets subject to amortization:		
Software	94,898	89,714
Customer relationships	125,081	117,716
Others	32,388	73,866
	252,367	281,296
Accumulated amortization	(96,485)	(107,481)
Net	155,882	173,815
	¥386,334	¥ 396,051

The aggregate amortization expenses for intangible assets are ¥23,164 million, ¥25,848 million and ¥26,252 million in fiscal 2015, 2016 and 2017, respectively.

The estimated amortization expenses for each of five succeeding fiscal years are ¥23,594 million in fiscal 2018, ¥22,078 million in fiscal 2019, ¥20,447 million in fiscal 2020, ¥15,877 million in fiscal 2021 and ¥13,249 million in fiscal 2022, respectively.

Intangible assets subject to amortization increased during fiscal 2017 are ¥38,658 million. They mainly consist of ¥8,203 million of software and ¥13,036 million of license recognized in acquisitions. The weighted average amortization periods for the software and the license recognized in acquisitions are 7 years and 25 years, respectively.

As a result of the impairment test, the Company and its subsidiaries recognized impairment losses of ¥358 million on intangible assets included in mainly Corporate Financial Services segment, during fiscal 2015. The Company and its subsidiaries recognized an impairment loss of ¥295 million on intangible assets included in Investment and Operation segment, during fiscal 2016. The Company and its subsidiaries recognized an impairment loss of ¥411 million on intangible assets included in Overseas Business segment during fiscal 2017. These impairment losses are included in other (income) and expense, net in the consolidated statements of income. These impairment losses are recognized due to the reduction in the estimated future cash flow, which brought the fair values of the intangible assets below its carrying amount. The fair values of the intangible assets were measured using the discounted cash flow methodologies.

14. Short-Term and Long-Term Debt

Short-term debt consists of borrowings from financial institutions and commercial paper.

The composition of short-term debt and the weighted average contract interest rate on short-term debt at March 31, 2016 and 2017 are as follows:

March 31, 2016

	Millions of yen	Weighted average rate
Short-term debt in Japan, mainly from banks	¥ 80,846	0.5%
Short-term debt outside Japan, mainly from banks	166,417	2.2
Commercial paper in Japan	94,786	0.1
Commercial paper outside Japan	7,575	4.0
	¥349,624	1.3

March 31, 2017

	Millions of yen	Weighted average rate
Short-term debt in Japan, mainly from banks	¥ 79,494	0.8%
Short-term debt outside Japan, mainly from banks	153,877	2.8
Commercial paper in Japan	50,096	0.0
Commercial paper outside Japan	0	0.0
	¥283,467	1.7

The composition of long-term debt, the weighted average contract interest rate on long-term debt and the repayment due dates at March 31, 2016 and 2017 are as follows:

March 31, 2016

	Due (Fiscal Year)	Millions of yen	Weighted average rate
Banks:			
Fixed rate	2017~2033	¥ 521,491	1.8%
Floating rate	2017~2033	1,599,803	0.9
Insurance companies and others:			
Fixed rate	2018~2027	342,720	1.0
Floating rate	2017~2026	259,306	0.8
Unsecured bonds	2017~2025	875,575	1.1
Unsecured notes under medium-term note program	2017~2021	62,491	2.7
Payables under securitized lease receivables	2020~2021	129,005	0.3
Payables under securitized loan receivables and investment in securities	2017~2039	146,527	2.6
		¥3,936,918	1.1

March 31, 2017

	Due (Fiscal Year)	Millions of yen	Weighted average rate
Banks:			
Fixed rate	2018~2035	¥ 481,959	1.7%
Floating rate	2018~2077	1,613,795	1.0
Insurance companies and others:			
Fixed rate	2020~2027	340,265	1.0
Floating rate	2019~2077	288,837	0.6
Unsecured bonds	2018~2027	688,488	1.0
Unsecured notes under medium-term note program	2019~2027	196,570	3.0
Payables under securitized lease receivables	2021~2023	103,212	0.4
Payables under securitized loan receivables and investment in securities	2018~2039	141,858	2.6
		¥3,854,984	1.2

Note: Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03("Simplifying the Presentation of Debt Issuance Costs"—ASC 835-30 ("Interest—Imputation of Interest")) on April 1, 2016.

The repayment schedule for the next five years and thereafter for long-term debt at March 31, 2017 is as follows:

Years ending March 31,	Millions of yen
2018	¥ 825,026
2019	634,732
2020	469,448
2021	465,384
2022	440,728
Thereafter	1,019,666
Total	¥3,854,984

Borrowings with floating rate from banks, insurance companies and others include the amount of ¥94,000 million of subordinated syndicated loan (hybrid loan, whose maturity date is fiscal 2077), and ¥60,000 million and ¥34,000 million can be repaid after 5 years, and 7 years respectively.

For borrowings from banks, insurance companies and other financial institutions, for bonds, and for medium-term notes, principal repayments are made upon maturity of the loan contracts and interest payments are usually paid semi-annually.

During fiscal 2015, 2016 and 2017, the Company and certain subsidiaries recognized net amortization expenses of premiums and discounts of bonds and medium-term notes, and deferred issuance costs of bonds and medium-term notes in the amount of ¥367 million, ¥1,085 million and ¥924 million, respectively.

Total committed credit lines for the Company and its subsidiaries were ¥464,677 million and ¥463,643 million at March 31, 2016 and 2017, respectively, and, of these lines, ¥389,903 million and

¥393,968 million were available at March 31, 2016 and 2017, respectively. Of the available committed credit lines, ¥380,062 million and ¥356,164 million were long-term committed credit lines at March 31, 2016 and 2017, respectively.

The agreements related to debt payable to banks provide that the banks under certain circumstances may request additional security for loans and have the right to offset cash deposited against any short-term or long-term debt that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks.

Other than the assets of the consolidated VIEs pledged as collateral for financing (see Note 11 "Variable Interest Entities"), the Company and certain subsidiaries provide the following assets as collateral for the short-term and long-term debt payables to financial institutions as of March 31, 2017:

	Millions of yen
Minimum lease payments, loans and investment in operating leases	¥102,339
Investment in securities	172,084
Property under facility operations	7,532
Other assets and other	17,643
	¥299,598

As of March 31, 2017, debt liabilities was secured by shares of subsidiaries of ¥38,562 million, which was eliminated through consolidation adjustment, and debt liabilities of affiliates was secured by investment in affiliates of ¥37,013 million. In addition, ¥40,290 million was pledged primarily by investment in securities for collateral deposits, deposit for real estate transaction, and assets for liquidation of future rent as of March 31, 2017.

Under loan agreements relating to short-term and long-term debt from commercial banks and certain insurance companies, the Company and certain subsidiaries are required to provide collateral against these debts at any time if requested by the lenders. The Company and the subsidiaries did not receive any such requests from the lenders as of March 31, 2017.

15. Deposits

Deposits at March 31, 2016 and 2017 consist of the following:

	Millions of yen	
	2016	2017
Time deposits	¥1,093,238	¥1,200,240
Other deposits	305,234	414,368
Total	¥1,398,472	¥1,614,608

The balances of time deposits and certificates of deposit issued in amounts of ¥10 million or more were ¥648,697 million and ¥781,516 million at March 31, 2016 and 2017, respectively.

The maturity schedule of time deposits at March 31, 2017 is as follows:

Years ending March 31,	Millions of yen
2018	¥ 818,840
2019	186,119
2020	82,894
2021	78,150
2022	33,737
Thereafter	500
Total	¥1,200,240

16. Income Taxes

Income before income taxes and discontinued operations, and the provision for income taxes in fiscal 2015, 2016 and 2017 are as follows:

	Millions of yen		
	2015	2016	2017
Income before income taxes and discontinued operations:			
Japan	¥188,601	¥228,527	¥302,995
Overseas	155,416	162,775	121,970
	¥344,017	¥391,302	¥424,965
Provision for income taxes:			
Current—			
Japan	¥ 9,455	¥ 34,866	¥ 85,963
Overseas	38,264	42,918	32,758
	47,719	77,784	118,721
Deferred—			
Japan	36,112	34,315	20,859
Overseas	5,226	8,213	4,459
	41,338	42,528	25,318
Provision for income taxes	¥ 89,057	¥120,312	¥144,039

In fiscal 2015, the Company and its subsidiaries in Japan are subject to a National Corporation tax of approximately 26%, an Inhabitant tax of approximately 5% and a deductible Enterprise tax of approximately 8%, which in the aggregate result in a statutory income tax rate of approximately 35.9%. In fiscal 2016, the Company and its subsidiaries in Japan are subject to a National Corporation tax of approximately 25%, an Inhabitant tax of approximately 4% and a deductible Enterprise tax of approximately 6%, which in the aggregate result in a statutory income tax rate of approximately 33.5%. In fiscal 2017, the Company and its subsidiaries in Japan are subject to a National Corporation tax of approximately 24%, an Inhabitant tax of approximately 4% and a deductible Enterprise tax of approximately 4%, which in the aggregate result in a statutory income tax rate of approximately 31.7%.

Reconciliations of the differences between the tax provision computed at the statutory rate and the consolidated provision for income taxes in fiscal 2015, 2016 and 2017 are as follows:

	Millions of yen		
	2015	2016	2017
Income before income taxes and discontinued operations	¥344,017	¥391,302	¥424,965
Tax provision computed at statutory rate	¥123,502	¥131,086	¥134,714
Increases (reductions) in taxes due to:			
Change in valuation allowance*	1,839	(1,547)	57
Non-deductible expenses for tax purposes	3,513	2,277	4,550
Non-taxable income for tax purposes	(7,633)	(3,767)	(3,504)
Effect of nontaxable bargain purchase gain	(12,953)	0	0
Effect of lower tax rates on foreign subsidiaries and a domestic life insurance subsidiary	(8,766)	(3,593)	(2,780)
Effect of investor taxes on earnings of subsidiaries	2,140	5,279	8,650
Effect of the tax rate change related to the new Japanese tax law	(14,098)	(7,468)	1,219
Other, net	1,513	(1,955)	1,133
Provision for income taxes	¥ 89,057	¥120,312	¥144,039

* In fiscal 2015 and 2016, increases in the valuation allowance of ¥1,819 million and decreases in the valuation allowance of ¥12 million due to the amendment to tax loss carryforward rules related to the new Japanese tax law are included in “Change in valuation allowance” in the table above.

The effective income tax rate is different from the statutory tax rate primarily because of certain nondeductible expenses for tax purposes, non-taxable income for tax purposes, changes in valuation allowance, the effect of nontaxable bargain purchase gain, the effect of lower income tax rates on foreign subsidiaries and a domestic life insurance subsidiaries, effect of investor taxes on earnings of subsidiaries, and the effect of the tax reforms as discussed in the following paragraph.

On March 31, 2015, the 2015 tax reform bill was passed by the National Diet of Japan. From fiscal years beginning on April 1, 2015, the national tax rate and the local business tax rate were reduced, and as a result, the combined statutory income tax rate for the fiscal year beginning on April 1, 2015 was reduced from approximately 35.9% to approximately 33.5%. The increase and decrease of the deferred tax assets and liabilities due to the change in the tax rates resulted in a decrease of provision for income taxes by ¥14,098 million in the consolidated statements of income in fiscal 2015, and the increase of the valuation allowance due to the amendment to tax loss carryforward rules resulted in an increase of provision for income taxes by ¥1,819 million in the consolidated statements of income in fiscal 2015.

On March 29, 2016, the 2016 tax reform bill was passed by the National Diet of Japan. From fiscal years beginning on April 1, 2016, the national corporate tax rate and local business tax rate were reduced and the local corporate tax rate was increased. The net effect of those changes was a reduction in the combined statutory income tax rate for the fiscal year beginning on April 1, 2016 from approximately 32.9% to approximately 31.7%, and a further reduction in the combined statutory income tax rate for fiscal year beginning on April 1, 2017 to approximately 31.5%. For the fiscal years beginning on or after April 1, 2018, the combined statutory income tax rate was further reduced to approximately 31.3%. In addition, tax loss carryforward rules were amended, and the deductible amount of tax losses carried forward for the fiscal year beginning on April 1, 2016 is reduced to 60% of taxable income for the year, compared to 65% pursuant to the 2015 tax reform. From the fiscal year beginning on April 1, 2017, the deductible limit of tax losses carried forward will be increased to 55%

of taxable income for the year, while the tax loss carryforward period will be reduced from ten years to nine years. From the fiscal years beginning on or after April 1, 2018, the deductible limit of tax losses carried forward will remain at 50% of taxable income for the year and the tax loss carryforward period will remain at 10 years, consistent with the 2015 tax reform. The increase and decrease of the deferred tax assets and liabilities due to the change in the tax rates resulted in a decrease of provision for income taxes by ¥7,468 million in the consolidated statements of income in fiscal 2016, and the decrease of the valuation allowance due to the amendment to tax loss carryforward rules resulted in an decrease of provision for income taxes by ¥12 million in the consolidated statements of income in fiscal 2016.

On November 18, 2016, the 2016 tax reform bill was passed by the National Diet of Japan. The effect of the tax reform bill on the Company and its subsidiaries' results of operations or financial position for the fiscal 2017 was not material.

Total income taxes recognized in fiscal 2015, 2016 and 2017 are as follows:

	Millions of yen		
	2015	2016	2017
Provision for income taxes	¥89,057	¥120,312	¥144,039
Income taxes on discontinued operations	166	0	0
Income taxes on other comprehensive income (loss):			
Net unrealized gains (losses) on investment in securities	6,915	(6,003)	(6,293)
Defined benefit pension plans	(4,045)	(2,954)	2,582
Foreign currency translation adjustments	6,880	(2,921)	(8,576)
Net unrealized gains (losses) on derivative instruments	(255)	(1,696)	229
Direct adjustments to shareholders' equity	(734)	(2)	(1)
Total income taxes	¥97,984	¥106,736	¥131,980

The tax effects of temporary differences giving rise to the deferred tax assets and liabilities at March 31, 2016 and 2017 are as follows:

	Millions of yen	
	2016	2017
Assets:		
Net operating loss carryforwards	¥ 72,994	¥ 62,953
Allowance for doubtful receivables on direct financing leases and probable loan losses	12,883	13,997
Investment in securities	15,306	13,778
Accrued expenses	25,537	25,973
Investment in operating leases	16,814	16,613
Property under facility operations	10,211	12,299
Installment loans	8,640	6,063
Other	50,156	56,625
	212,541	208,301
Less: valuation allowance	(43,220)	(43,487)
	169,321	164,814
Liabilities:		
Investment in direct financing leases	10,471	11,217
Investment in operating leases	90,074	90,310
Unrealized gains (losses) on investment in securities	20,734	14,554
Deferred insurance policy acquisition costs	35,894	42,984
Policy liabilities and policy account balances	41,995	57,748
Property under facility operations	9,256	9,610
Other intangible assets	103,503	107,804
Undistributed earnings	97,156	93,021
Prepaid benefit cost	9,037	9,389
Other	39,265	34,325
	457,385	470,962
Net deferred tax liability	¥288,064	¥306,148

Net deferred tax assets and liabilities at March 31, 2016 and 2017 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen	
	2016	2017
Other assets	¥ 53,296	¥ 45,680
Income taxes: Deferred	341,360	351,828
Net deferred tax liability	¥288,064	¥306,148

The valuation allowance is primarily recognized for deferred tax assets of consolidated subsidiaries with net operating loss carryforwards for tax purposes. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax loss carryforwards are utilizable. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax-planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company and its subsidiaries will realize the benefits of these deductible temporary differences and tax loss carryforwards, net of the existing valuation allowances at March 31, 2017. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. The net changes in the total valuation allowance were increases of ¥19,945 million in fiscal 2015, decreases of ¥7,295 million in fiscal 2016, and increases of ¥267 million in fiscal 2017. The adjustments to the beginning-of-the-year amount in the total valuation allowance resulting from changes in judgment about the realizability of deferred tax assets in future years were net decreases of ¥2,917 million in fiscal 2015 (increases of ¥5,447 million and decreases of ¥8,364 million on a gross basis), net increases of ¥177 million in fiscal 2016 (increases of ¥381 million and decreases of ¥204 million on a gross basis), and net increases of ¥2,215 million in fiscal 2017 (increases of ¥2,859 million and decreases of ¥644 million on a gross basis), respectively.

The Company and certain subsidiaries have net operating loss carryforwards of ¥380,147 million at March 31, 2017, which expire as follows:

Year ending March 31,	Millions of yen
2018	¥ 927
2019	31,796
2020	18,548
2021	84,046
2022	19,102
Thereafter	193,216
Indefinite period	32,512
Total	¥380,147

The unrecognized tax benefits as of March 31, 2016 and 2017 were not material. The Company and its subsidiaries believe that it is not reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of March 31, 2017.

The total amounts of penalties and interest expense related to income taxes recognized in the consolidated balance sheets as of March 31, 2016 and 2017, and in the consolidated statements of income for the fiscal 2015, 2016 and 2017 were not material.

The Company and its subsidiaries file tax returns in Japan and certain foreign tax jurisdictions. The Company is no longer subject to ordinary tax examination for the tax years prior to fiscal 2016, and its major domestic subsidiaries are no longer subject to ordinary tax examination for the tax years prior to fiscal 2010, respectively.

Subsidiaries in the United States remain subject to a tax examination for the tax years after fiscal 2009. Subsidiaries in the Netherlands remain subject to a tax examination for the tax years after fiscal 2011.

17. Pension Plans

The Company and certain subsidiaries have contributory and non-contributory pension plans covering substantially all of their employees. Those 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 pension payments. Defined benefit pension plans consist of a plan of which the amounts of such payments are determined on the basis of length of service and remuneration at the time of termination and a cash balance plan.

The Company and its subsidiaries' funding policy is to contribute annually the amounts actuarially determined. Assets of the plans are invested primarily in interest-bearing securities and marketable equity securities.

The funded status of the defined benefit pension plans, which consists of Japanese plans and overseas plans, as of March 31, 2016 and 2017 are as follows:

	Millions of yen			
	Japanese plans		Overseas plans	
	2016	2017	2016	2017
Change in benefit obligation:				
Benefit obligation at beginning of year	¥ 86,793	¥ 97,030	¥110,521	¥99,912
Service cost	4,401	5,276	3,856	3,270
Interest cost	995	682	1,747	1,757
Actuarial loss (gain)	10,674	(1,656)	(12,840)	(8,893)
Foreign currency exchange rate change	0	0	(2,262)	(6,226)
Benefits paid	(2,705)	(2,702)	(1,336)	(1,190)
Plan participant's contributions	0	0	88	0
Business combinations	0	1,455	138	0
Divestitures	(3,396)	0	0	0
Plan amendments	268	(364)	0	0
Benefit obligation at end of year	97,030	99,721	99,912	88,630
Change in plan assets:				
Fair value of plan assets at beginning of year	115,864	113,056	87,009	85,180
Actual return on plan assets	(2,043)	987	(109)	2,780
Employer contribution	3,072	3,387	1,456	1,338
Benefits paid	(2,227)	(2,229)	(1,265)	(1,086)
Plan participant's contributions	0	0	88	0
Business combinations	0	1,789	0	0
Divestitures	(1,610)	0	0	0
Foreign currency exchange rate change	0	0	(1,999)	(4,818)
Fair value of plan assets at end of year	113,056	116,990	85,180	83,394
The funded status of the plans	¥ 16,026	¥ 17,269	¥ (14,732)	¥ (5,236)
Amount recognized in the consolidated balance sheets consists of:				
Prepaid benefit cost included in other assets	¥ 28,848	¥ 29,958	¥ 0	¥ 0
Accrued benefit liability included in other liabilities	(12,822)	¥ (12,689)	(14,732)	(5,236)
Net amount recognized	¥ 16,026	¥ 17,269	¥ (14,732)	¥ (5,236)

Amount recognized in accumulated other comprehensive income (loss), pre-tax, at March 31, 2016 and 2017 consisted of:

	Millions of yen			
	Japanese plans		Overseas plans	
	2016	2017	2016	2017
Net prior service credit	¥ 4,110	¥ 3,151	¥ 959	¥ 800
Net actuarial loss	(25,125)	(23,999)	(17,150)	(6,954)
Net transition obligation	(91)	(45)	(14)	(12)
Total recognized in accumulated other comprehensive loss, pre-tax	¥(21,106)	¥(20,893)	¥(16,205)	¥(6,166)

The estimated portions of the net prior service credit, net actuarial loss and net transition obligation above that will be recognized as a component of net pension cost (gain) of Japanese pension plans in fiscal 2018 are ¥(938) million, ¥842 million and ¥45 million, respectively, a component of net pension cost (gain) of overseas pension plans in fiscal 2018 are ¥(65) million, ¥4 million and ¥3 million, respectively.

The accumulated benefit obligations for all Japanese defined benefit pension plans were ¥86,744 million and ¥87,443 million, respectively, at March 31, 2016 and 2017. The accumulated benefit obligations for all overseas defined benefit pension plans were ¥89,425 million and ¥80,731 million, respectively, at March 31, 2016 and 2017.

In Japanese pension plans, the aggregate projected benefit obligations, aggregate accumulated benefit obligations and aggregate fair values of plan assets for the plans with the accumulated benefit obligations in excess of plan assets were ¥19,351 million, ¥18,822 million and ¥6,529 million, respectively, at March 31, 2016 and ¥19,715 million, ¥19,101 million and ¥7,026 million, respectively, at March 31, 2017. In overseas pension plans, the aggregate projected benefit obligations, aggregate accumulated benefit obligations and aggregate fair values of plan assets for the plans with the accumulated benefit obligations in excess of plan assets were ¥99,715 million, ¥89,407 million and ¥85,151 million, respectively, at March 31, 2016 and ¥6,222 million, ¥6,136 million and ¥5,111 million, respectively, at March 31, 2017.

Net pension cost of the plans for fiscal 2015, 2016 and 2017 consists of the following:

	Millions of yen		
	2015	2016	2017
Japanese plans:			
Service cost	¥ 4,415	¥ 4,401	¥ 5,276
Interest cost	1,159	995	682
Expected return on plan assets	(2,351)	(2,575)	(2,566)
Amortization of prior service credit	(927)	(928)	(925)
Amortization of net actuarial loss	502	(15)	959
Amortization of transition obligation	53	49	45
Net periodic pension cost	¥ 2,851	¥ 1,927	¥ 3,471
Overseas plans:			
Service cost	¥ 2,460	¥ 3,856	¥ 3,270
Interest cost	2,251	1,747	1,757
Expected return on plan assets	(3,857)	(4,584)	(3,581)
Amortization of prior service credit	(51)	(113)	(96)
Amortization of net actuarial loss	215	1,336	617
Amortization of transition obligation	5	3	4
Net periodic pension cost	¥ 1,023	¥ 2,245	¥ 1,971

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for fiscal 2015, 2016 and 2017 are summarized as follows:

	Millions of yen		
	2015	2016	2017
Japanese plans:			
Current year actuarial gain (loss)	¥ 8,028	¥(15,417)	¥ 168
Amortization of net actuarial loss	502	(15)	959
Prior service credit due to amendments	0	(88)	(34)
Amortization of prior service credit	(927)	(928)	(925)
Amortization of transition obligation	53	49	45
Plan curtailments and settlements	0	(92)	0
Total recognized in other comprehensive income (loss), pre-tax	¥ 7,656	¥(16,491)	¥ 213
Overseas plans:			
Current year actuarial gain (loss)	¥(28,730)	¥ 7,881	¥ 8,585
Amortization of net actuarial loss	215	1,336	617
Prior service credit due to amendments	843	0	(1)
Amortization of prior service credit	(51)	(113)	(96)
Amortization of transition obligation	5	3	4
Foreign currency exchange rate change	1,065	307	930
Total recognized in other comprehensive income (loss), pre-tax	¥(26,653)	¥ 9,414	¥10,039

The Company and certain subsidiaries use March 31 as a measurement date for all of our material plans.

Significant assumptions of Japanese pension plans and overseas pension plans used to determine these amounts are as follows:

Japanese plans	2015	2016	2017
Weighted-average assumptions used to determine benefit obligations at March 31:			
Discount rate	1.2%	0.7%	0.8%
Rate of increase in compensation levels	4.8%	4.4%	4.5%
Weighted-average assumptions used to determine net periodic pension cost for years ended March 31:			
Discount rate	1.4%	1.2%	0.7%
Rate of increase in compensation levels	5.1%	4.8%	4.4%
Expected long-term rate of return on plan assets	2.3%	2.3%	2.2%

Overseas plans	2015	2016	2017
Weighted-average assumptions used to determine benefit obligations at March 31:			
Discount rate	1.5%	1.9%	2.1%
Rate of increase in compensation levels	2.8%	2.8%	2.4%
Weighted-average assumptions used to determine net periodic pension cost for years ended March 31:			
Discount rate	3.5%	1.5%	1.9%
Rate of increase in compensation levels	2.8%	2.8%	2.8%
Expected long-term rate of return on plan assets	5.2%	5.5%	4.7%

The Company and certain subsidiaries 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. The Company and certain subsidiaries use a number of factors to determine 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.

The Company and certain subsidiaries' investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. The Company and certain subsidiaries formulate a policy portfolio appropriate to produce the expected long-term rate of return on plan assets and to ensure that plan assets are allocated under this policy portfolio. The Company and certain subsidiaries periodically have an external consulting firm monitor the results of actual return and revise the policy portfolio if necessary.

The fair value of Japanese pension plan assets at March 31, 2016 and 2017, by asset category, are as follows. The three levels of input used to measure fair value are described in Note 2 "Fair Value Measurement."

	Millions of yen			
	March 31, 2016			
	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)
Equity securities:				
Japan				
Pooled funds*1	¥ 15,663	¥0	¥ 0	¥0
Other than Japan				
Pooled funds*2	17,829	0	0	0
Debt securities:				
Japan				
Pooled funds*3	22,324	0	0	0
Other than Japan				
Pooled funds*4	21,760	0	0	0
Other assets:				
Life insurance company general accounts*5	26,300	0	26,300	0
Others*6	9,180	0	9,180	0
	¥113,056	¥0	¥35,480	¥0

*1 These funds invest in listed shares including shares of ORIX Corporation in the amounts of ¥42 million at March 31, 2016.

*2 These funds invest in listed shares.

*3 These funds invest approximately 70% in Japanese government bonds, approximately 10% in Japanese municipal bonds, and approximately 20% in Japanese corporate bonds. These funds include corporate bonds of ORIX Corporation in the amounts of ¥948 million at March 31, 2016.

*4 These funds invest entirely in foreign government bonds.

*5 Life insurance company general accounts are accounts with guaranteed capital and minimum interest rate, in which life insurance companies manage funds on several contracts.

*6 Others include derivative instruments held for hedging change in the fair value of equity securities, and short-term instruments.

At March 31, 2016, our policy for the portfolio of plans consists of three major components: approximately 30% is invested in equity securities, approximately 40% is invested in debt securities and approximately 30% is invested in other assets, primarily consisting of investments in life insurance company general accounts.

	Millions of yen			
	March 31, 2017			
	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)
Equity securities:				
Japan				
Pooled funds*1	¥ 16,902	¥0	¥ 0	¥0
Other than Japan				
Pooled funds*2	18,508	0	0	0
Debt securities:				
Japan				
Pooled funds*3	18,524	0	0	0
Other than Japan				
Pooled funds*4	21,127	0	0	0
Other assets:				
Life insurance company general accounts*5	26,731	0	26,731	0
Others*6	15,198	0	15,198	0
	¥116,990	¥0	¥41,929	¥0

*1 These funds invest in listed shares including shares of ORIX Corporation in the amounts of ¥44 million at March 31, 2017.

*2 These funds invest in listed shares.

*3 These funds invest approximately 60% in Japanese government bonds, approximately 10% in Japanese municipal bonds, and approximately 30% in Japanese corporate bonds. These funds include corporate bonds of ORIX Corporation in the amounts of ¥4,873 million at March 31, 2017.

*4 These funds invest entirely in foreign government bonds.

*5 Life insurance company general accounts are accounts with guaranteed capital and minimum interest rate, in which life insurance companies manage funds on several contracts.

*6 Others include derivative instruments held for hedging change in the fair value of equity securities, and short-term instruments.

At March 31, 2017, our policy for the portfolio of plans consists of three major components: approximately 30% is invested in equity securities, approximately 30% is invested in debt securities and approximately 40% is invested in other assets, primarily consisting of investments in life insurance company general accounts.

Level 2 assets are comprised principally of investments in life insurance company general accounts. Investments in life insurance company general accounts are valued at conversion value. Pooled funds are valued at the net asset value per share at the measurement date and they have not been classified in the fair value hierarchy.

The fair value of overseas pension plan assets at March 31, 2016 and 2017, by asset category, are as follows. The three levels of input used to measure fair value are described in Note 2 "Fair Value Measurement."

	Millions of yen			
	March 31, 2016			
	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)
Equity securities:				
Other than Japan				
Shares	¥29,367	¥29,367	¥ 0	¥0
Pooled funds*1	64	0	0	0
Debt securities:				
Other than Japan				
Government bonds	46,280	46,280	0	0
Municipal bonds	4,885	0	4,885	0
Corporate bonds	98	98	0	0
Other assets:				
Life insurance company general accounts*2	2,520	0	2,520	0
Others*3	1,966	0	1,966	0
	¥85,180	¥75,745	¥9,371	¥0

*1 These funds invest in listed shares.

*2 Life insurance company general accounts are accounts with guaranteed capital and minimum interest rate, in which life insurance companies manage funds on several contracts.

*3 Others include derivative instruments held for hedging change in the fair value of equity securities, and short-term instruments.

At March 31, 2016, our policy for the portfolio of plans consists of three major components: approximately 30% is invested in equity securities and approximately 60% is invested in debt securities and approximately 10% is invested in other assets, primarily consisting of investments in life insurance company general accounts.

	Millions of yen			
	March 31, 2017			
	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)
Equity securities:				
Other than Japan				
Shares	¥34,905	¥34,905	¥ 0	¥0
Pooled funds*1	67	0	0	0
Debt securities:				
Other than Japan				
Government bonds	39,969	39,969	0	0
Municipal bonds	4,650	0	4,650	0
Corporate bonds	0	0	0	0
Other assets:				
Life insurance company general accounts*2	2,487	0	2,487	0
Others*3	1,316	0	1,316	0
	¥83,394	¥74,874	¥8,453	¥0

*1 These funds invest in listed shares.

*2 Life insurance company general accounts are accounts with guaranteed capital and minimum interest rate, in which life insurance companies manage funds on several contracts.

*3 Others include derivative instruments held for hedging change in the fair value of equity securities, and short-term instruments.

At March 31, 2017, our policy for the portfolio of plans consists of three major components: approximately 40% is invested in equity securities and approximately 50% is invested in debt securities and approximately 10% is invested in other assets, primarily consisting of investments in life insurance company general accounts.

Each level into which assets are categorized is based on inputs used to measure the fair value of the assets. Level 1 assets are comprised principally of equity securities and debt securities, which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions. Level 2 assets are comprised principally of debt securities and investments in life insurance company general accounts. Investments in life insurance company general accounts are valued at conversion value. Pooled funds are valued at the net asset value per share at the measurement date and they have not been classified in the fair value hierarchy.

The Company and certain subsidiaries expect to contribute ¥3,324 million to its Japanese pension plans and ¥1,570 million to its overseas pension plans during the year ending March 31, 2018.

At March 31, 2017, the benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five years thereafter are as follows:

	Millions of yen	
Years ending March 31,	Japanese plans	Overseas plans
2018	¥ 2,142	¥ 1,235
2019	1,944	1,235
2020	2,095	1,258
2021	2,207	1,253
2022	2,390	1,293
2023-2027	15,151	8,096
Total	¥25,929	¥14,370

The cost recognized for Japanese defined contribution pension plans of the Company and certain of its subsidiaries for fiscal 2015, 2016 and 2017 were ¥1,248 million, ¥1,350 million and ¥1,422 million, respectively. The cost recognized for overseas defined contribution pension plans of the Company and certain of its subsidiaries for fiscal 2015, 2016 and 2017 were ¥2,526 million, ¥2,926 million and ¥2,077 million, respectively.

18. Redeemable Noncontrolling Interests

Changes in redeemable noncontrolling interests in fiscal 2015, 2016 and 2017 are as follows:

	Millions of yen		
	2015	2016	2017
Beginning Balance	¥53,177	¥ 66,901	¥ 7,467
Adjustment of redeemable noncontrolling interests to redemption value	220	(7,557)	(1,293)
Transaction with noncontrolling interests	2,269	(3,606)	0
Comprehensive income			
Net Income	4,970	819	432
Other comprehensive income (loss)			
Net change of foreign currency translation adjustments	9,295	919	(58)
Total other comprehensive income (loss)	9,295	919	(58)
Comprehensive income	14,265	1,738	374
Cash dividends	(3,030)	(11,272)	0
Property dividends	0	(3,776)	0
Partial sale of the parent's ownership interest in subsidiaries that results in the loss of control	0	(34,961)	0
Ending Balance	¥66,901	¥ 7,467	¥ 6,548

19. Stock-Based Compensation

The Company has a number of stock-based compensation plans as incentive plans for directors, executive officers, corporate auditors and selected employees.

Stock-option program

Since fiscal 2007, the Company has granted stock acquisition rights with a vesting period 1.92 years and an exercise period 9.92 years from grant date. The acquisition rights were to purchase the Company's common stock at a specified exercise price and were distributed to directors, executive officers, corporate auditors and certain employees of the Company, subsidiaries and capital tie-up companies such as affiliated companies. The Company did not grant stock options in fiscal 2015, 2016 and 2017.

A summary of the Company's stock acquisition rights is as follows:

Years ended March 31,	Exercise period	Number of shares granted*	Exercise price* Yen
2007	From June 21, 2008 to June 20, 2016	1,942,000	2,962
2008	From July 5, 2009 to June 22, 2017	1,449,800	3,101
2009	From July 18, 2010 to June 24, 2018	1,479,000	1,689

* The number of shares and exercise price of the granted options were adjusted for the 10-for-1 stock split implemented on April 1, 2013.

For the stock-option programs, the exercise prices, which are determined by a formula linked to the price of the Company's common stock on the Tokyo Stock Exchange, are equal or greater than the fair market value of the Company's common stock at the grant dates.

The following table summarizes information about the activity of these stock options for fiscal 2017:

	Number of shares*2	Weighted average exercise price*1*2 Yen	Weighted average remaining contractual life Years	Aggregate intrinsic value Millions of yen
Outstanding at beginning of the year	3,080,500	¥2,612		
Exercised	(48,500)	1,689		
Forfeited or expired	(1,348,800)	2,926		
Outstanding at end of year	1,683,200	2,386	0.67	¥0
Exercisable at end of year	1,683,200	¥2,386	0.67	¥0

*1 The exercise price of the granted options was adjusted in July 2009 for the issuance of new 18 million shares.

*2 The number of shares and exercise price of the granted options were adjusted for the 10-for-1 stock split implemented on April 1, 2013.

The Company received ¥1,014 million, ¥822 million and ¥81 million in cash from the exercise of stock options during fiscal 2015, 2016 and 2017, respectively.

The total intrinsic value of options exercised during fiscal 2015, 2016 and 2017 was ¥378 million, ¥39 million and ¥6 million, respectively.

In fiscal 2015, 2016 and 2017, the Company did not recognize any stock-based compensation costs of its stock-option program. As of March 31, 2017, the Company had no unrecognized compensation costs.

Stock compensation program

The Company maintains a stock compensation program for directors, executive officers and group executives of the Company. In July 2014, the company changed the way of provision of the compensation for retiree to provide these shares through “The Board Incentive Plan Trust (“the trust”)” by a resolution of the Compensation Committee. The trust purchases the Company’s common shares including future granting shares by an entrusted fund which the Company set in advance. The Company holds those shares as entrusted assets, separately from other treasury stock which the Company holds.

Under the program, points are granted annually to directors, executive officers and group executives of the Company based upon the prescribed standards of the Company. Upon retirement, eligible directors, executive officers and group executives receive a certain number of the Company’s common shares calculated by translating each point earned by that retiree to one common share.

In fiscal 2017, the Company granted 350,290 points, and 416,541 points were settled for individuals who retired during fiscal 2017. Total points outstanding under the stock compensation program as of March 31, 2017 were 1,576,708 points. The points were adjusted for the 10-for-1 stock split implemented on April 1, 2013.

During fiscal 2015, 2016 and 2017, the Company recognized stock-based compensation costs of its stock compensation program in the amount of ¥818 million, ¥646 million and ¥611 million, respectively.

20. Accumulated Other Comprehensive Income (Loss)

Changes in each component of accumulated other comprehensive income (loss) attributable to ORIX Corporation Shareholders in fiscal 2015, 2016 and 2017 are as follows:

	Millions of yen				
	Net unrealized gains (losses) on investment in securities	Defined benefit pension plans	Foreign currency translation adjustments	Net unrealized gains (losses) on derivative instruments	Accumulated other comprehensive income (loss)
Balance at March 31, 2014	¥ 38,651	¥ (6,230)	¥(31,949)	¥ (434)	¥ 38
Net unrealized gains on investment in securities, net of tax of ¥(15,416) million	34,914				34,914
Reclassification adjustment included in net income, net of tax of ¥8,501 million	(25,047)				(25,047)
Defined benefit pension plans, net of tax of ¥3,960 million		(14,834)			(14,834)
Reclassification adjustment included in net income, net of tax of ¥85 million		(118)			(118)
Foreign currency translation adjustments, net of tax of ¥(7,000) million			38,309		38,309
Reclassification adjustment included in net income, net of tax of ¥120 million			(1,154)		(1,154)
Net unrealized losses on derivative instruments, net of tax of ¥971 million				(2,985)	(2,985)
Reclassification adjustment included in net income, net of tax of ¥(716) million				2,424	2,424
Total other comprehensive income (loss)	9,867	(14,952)	37,155	(561)	31,509
Transaction with noncontrolling interests	0	0	96	0	96
Less: Other Comprehensive Income (loss) Attributable to the Noncontrolling Interest	(1,812)	(1,734)	(4,424)	(55)	(8,025)
Less: Other Comprehensive Income Attributable to the Redeemable Noncontrolling Interests	0	0	9,295	0	9,295
Balance at March 31, 2015	¥ 50,330	¥(19,448)	¥ 431	¥ (940)	¥ 30,373
Net unrealized gains on investment in securities, net of tax of ¥(3,579) million	14,593				14,593
Reclassification adjustment included in net income, net of tax of ¥9,582 million	(17,714)				(17,714)
Defined benefit pension plans, net of tax of ¥2,969 million		(4,440)			(4,440)
Reclassification adjustment included in net income, net of tax of ¥(15) million		317			317
Foreign currency translation adjustments, net of tax of ¥2,921 million			(27,763)		(27,763)
Reclassification adjustment included in net income, net of tax of ¥0 million			806		806
Net unrealized losses on derivative instruments, net of tax of ¥2,037 million				(4,901)	(4,901)
Reclassification adjustment included in net income, net of tax of ¥(341) million				838	838
Total other comprehensive income (loss)	(3,121)	(4,123)	(26,957)	(4,063)	(38,264)
Less: Other Comprehensive Income (loss) Attributable to the Noncontrolling Interest	24	313	(2,679)	(246)	(2,588)
Less: Other Comprehensive Income Attributable to the Redeemable Noncontrolling Interests	0	0	919	0	919
Balance at March 31, 2016	¥ 47,185	¥(23,884)	¥(24,766)	¥(4,757)	¥ (6,222)

	Millions of yen				
	Net unrealized gains (losses) on investment in securities	Defined benefit pension plans	Foreign currency translation adjustments	Net unrealized gains (losses) on derivative instruments	Accumulated other comprehensive income (loss)
Balance at March 31, 2016	¥ 47,185	¥(23,884)	¥(24,766)	¥(4,757)	¥ (6,222)
Net unrealized gains on investment in securities, net of tax of ¥(1,962) million	(470)				(470)
Reclassification adjustment included in net income, net of tax of ¥8,255 million	(14,456)				(14,456)
Defined benefit pension plans, net of tax of ¥(2,422) million		7,226			7,226
Reclassification adjustment included in net income, net of tax of ¥(160) million		444			444
Foreign currency translation adjustments, net of tax of ¥9,385 million			(6,570)		(6,570)
Reclassification adjustment included in net income, net of tax of ¥(809) million			602		602
Net unrealized losses on derivative instruments, net of tax of ¥(788) million				2,020	2,020
Reclassification adjustment included in net income, net of tax of ¥559 million				(1,694)	(1,694)
Total other comprehensive income (loss)	(14,926)	7,670	(5,968)	326	(12,898)
Transaction with noncontrolling interests	12	(954)	(4,245)	0	(5,187)
Less: Other Comprehensive Income (loss) Attributable to the Noncontrolling Interest	(8)	162	(3,185)	52	(2,979)
Less: Other Comprehensive Income (loss) Attributable to the Redeemable Noncontrolling Interests	0	0	(58)	0	(58)
Balance at March 31, 2017	¥ 32,279	¥(17,330)	¥(31,736)	¥(4,483)	¥(21,270)

Amounts reclassified to net income from accumulated other comprehensive income (loss) for fiscal 2015, 2016 and 2017 are as follows:

	March 31, 2015	
Details about accumulated other comprehensive income components	**Reclassification adjustment included in net income**	**Consolidated statements of income caption**
	Millions of yen	
Net unrealized gains (losses) on investment in securities		
Sales of investment securities	¥32,733	Gains on investment securities and dividends
Sales of investment securities	5,599	Life insurance premiums and related investment income
Amortization of investment securities	29	Finance revenues
Amortization of investment securities	(1,960)	Life insurance premiums and related investment income
Others	(2,853)	Write-downs of securities and other
	33,548	Total before tax
	(8,501)	Tax expenses or benefits
	¥25,047	Net of tax
Defined benefit pension plans		
Amortization of prior service credit	¥ 978	See Note 17 "Pension Plans"
Amortization of net actuarial loss	(717)	See Note 17 "Pension Plans"
Amortization of transition obligation	(58)	See Note 17 "Pension Plans"
	203	Total before tax
	(85)	Tax expenses or benefits
	¥ 118	Net of tax
Foreign currency translation adjustments		
Sales or liquidation	¥ 1,274	Gains on sales of subsidiaries and affiliates and liquidation losses, net
	1,274	Total before tax
	(120)	Tax expenses or benefits
	¥ 1,154	Net of tax
Net unrealized gains (losses) on derivative instruments		
Interest rate swap agreements	¥ 32	Finance revenues/Interest expense
Foreign exchange contracts	1,356	Other (income) and expense, net
Foreign currency swap agreements	(4,528)	Finance revenues/Interest expense/ Other (income) and expense, net
	(3,140)	Total before tax
	716	Tax expenses or benefits
	¥ (2,424)	Net of tax

Details about accumulated other comprehensive income components	March 31, 2016 Reclassification adjustment included in net income	Consolidated statements of income caption
	Millions of yen	
Net unrealized gains (losses) on investment in securities		
Sales of investment securities	¥25,673	Gains on investment securities and dividends
Sales of investment securities	6,453	Life insurance premiums and related investment income
Amortization of investment securities	(182)	Finance revenues
Amortization of investment securities	(1,584)	Life insurance premiums and related investment income
Others	(3,064)	Write-downs of securities and other
	27,296	Total before tax
	(9,582)	Tax expenses or benefits
	¥17,714	Net of tax
Defined benefit pension plans		
Amortization of prior service credit	¥ 1,041	See Note 17 “Pension Plans”
Amortization of net actuarial loss	(1,321)	See Note 17 “Pension Plans”
Amortization of transition obligation	(52)	See Note 17 “Pension Plans”
	(332)	Total before tax
	15	Tax expenses or benefits
	¥ (317)	Net of tax
Foreign currency translation adjustments		
Sales or liquidation	¥ (806)	Gains on sales of subsidiaries and affiliates and liquidation losses, net
	(806)	Total before tax
	0	Tax expenses or benefits
	¥ (806)	Net of tax
Net unrealized gains (losses) on derivative instruments		
Interest rate swap agreements	¥ (27)	Finance revenues/Interest expense
Foreign exchange contracts	2,608	Other (income) and expense, net
Foreign currency swap agreements	(3,760)	Finance revenues/Interest expense/Other (income) and expense, net
	(1,179)	Total before tax
	341	Tax expenses or benefits
	¥ (838)	Net of tax

Details about accumulated other comprehensive income components	March 31, 2017	
	Reclassification adjustment included in net income	Consolidated statements of income caption
	Millions of yen	
Net unrealized gains (losses) on investment in securities		
Sales of investment securities	¥16,404	Gains on investment securities and dividends
Sales of investment securities	14,297	Life insurance premiums and related investment income
Amortization of investment securities	(648)	Finance revenues
Amortization of investment securities	(1,125)	Life insurance premiums and related investment income
Others	(6,217)	Write-downs of securities and other
	22,711	Total before tax
	(8,255)	Tax expenses or benefits
	¥14,456	Net of tax
Defined benefit pension plans		
Amortization of prior service credit	¥ 1,021	See Note 17 “Pension Plans”
Amortization of net actuarial loss	(1,576)	See Note 17 “Pension Plans”
Amortization of transition obligation	(49)	See Note 17 “Pension Plans”
	(604)	Total before tax
	160	Tax expenses or benefits
	¥ (444)	Net of tax
Foreign currency translation adjustments		
Sales or liquidation	¥(1,411)	Gains on sales of subsidiaries and affiliates and liquidation losses, net
	(1,411)	Total before tax
	809	Tax expenses or benefits
	¥ (602)	Net of tax
Net unrealized gains (losses) on derivative instruments		
Interest rate swap agreements	¥ 7	Finance revenues/Interest expense
Foreign exchange contracts	(136)	Other (income) and expense, net
Foreign currency swap agreements	2,382	Finance revenues/Interest expense/ Other (income) and expense, net
	2,253	Total before tax
	(559)	Tax expenses or benefits
	¥ 1,694	Net of tax

Comprehensive income (loss) and its components attributable to ORIX Corporation and noncontrolling interests have been reported, net of tax, in the consolidated statements of changes in equity, and information about comprehensive income (loss) and its components attributable to redeemable noncontrolling interests is provided in Note 18 “Redeemable Noncontrolling Interests.” Total comprehensive income (loss) and its components have been reported, net of tax, in the consolidated statements of comprehensive income.

21. ORIX Corporation Shareholders' Equity

Changes in the number of shares issued in fiscal 2015, 2016 and 2017 are as follows:

	Number of shares		
	2015	2016	2017
Beginning balance	1,322,777,628	1,323,644,528	1,324,058,828
Exercise of stock options	866,900	414,300	48,500
Ending balance	1,323,644,528	1,324,058,828	1,324,107,328

The Japanese Companies Act (the "Act") provides that an amount equivalent to 10% of any dividends resulting from appropriation of retained earnings be appropriated to the legal reserve until the aggregate amount of the additional paid-in capital and the legal reserve equals 25% of the issued capital. The Act also provides that both additional paid-in capital and the legal reserve are not available for dividends but may be capitalized or may be reduced by resolution of the general meeting of shareholders. However, if specified in the Company's articles of incorporation, dividends can be declared by the Board of Directors instead of the general meeting of shareholders. In accordance with this, the Board of Directors of the Company resolved in May 2017 that a total of ¥38,162 million dividends shall be distributed to the shareholders of record as of March 31, 2017. The liability for declared dividends and related impact on total equity is accounted for in the period of such Board of Directors' resolution.

The Act provides that at least one-half of amounts paid for new shares are included in common stock when they are issued. In conformity therewith, the Company has divided the principal amount of bonds converted into common stock and proceeds received from the issuance of common stock, including the exercise of warrants and stock acquisition rights, equally between common stock and additional paid-in capital, and set off expenses related to the issuance from the additional paid-in capital.

The amount available for dividends under the Act is calculated based on the amount recorded in the Company's non-consolidated financial statements prepared in accordance with accounting principles generally accepted in Japan. As a result, the amount available for dividends is ¥597,858 million as of March 31, 2017.

Retained earnings at March 31, 2017 include ¥50,799 million relating to equity in undistributed earnings of the companies accounted for by the equity method.

As of March 31, 2017, the restricted net assets of certain subsidiaries, which include regulatory capital requirements mainly for banking operations and life insurance of ¥25,177 million, do not exceed 25% of consolidated net assets.

22. Gains on Investment Securities and Dividends

Gains on investment securities and dividends in fiscal 2015, 2016 and 2017 consist of the following:

	Millions of yen		
	2015	2016	2017
Net gains on investment securities	¥50,617	¥31,134	¥27,233
Dividends income, other	5,778	4,652	3,095
	¥56,395	¥35,786	¥30,328

Net gains on investment securities include net trading gains of ¥2,843 million, net trading gains of ¥892 million and net trading losses of ¥65 million for fiscal 2015, 2016 and 2017, respectively.

23. Life Insurance Operations

Life insurance premiums and related investment income in fiscal 2015, 2016 and 2017 consist of the following:

	Millions of yen		
	2015	2016	2017
Life insurance premiums	¥186,547	¥209,120	¥247,427
Life insurance related investment income (loss)	164,946	(19,699)	48,513
	¥351,493	¥189,421	¥295,940

Life insurance premiums include reinsurance benefits, net of reinsurance premiums. For fiscal 2015, 2016 and 2017, reinsurance benefits and reinsurance premiums included in life insurance premiums are as follows:

	Millions of yen		
	2015	2016	2017
Reinsurance benefits	¥ 2,483	¥ 2,298	¥ 4,023
Reinsurance premiums	(11,430)	(11,530)	(9,657)

The benefits and expenses of life insurance operations included in life insurance costs in the consolidated statements of income are recognized so as to associate with earned premiums over the life of contracts. This association is accomplished by means of the provision for future policy benefits and the deferral and subsequent amortization of policy acquisition costs (principally commissions and certain other expenses directly relating to policy issuance and underwriting). Amortization charged to income for fiscal 2015, 2016 and 2017 amounted to ¥11,917 million, ¥12,585 million and ¥14,346 million, respectively.

Life insurance premiums and related investment income include net realized and unrealized gains or losses from investment assets under management on behalf of variable annuity and variable life policyholders, and net gains or losses from derivative contracts, which consist of gains or losses from futures, foreign exchange contracts and options held, entered to economically hedge a portion of the minimum guarantee risk relating to variable annuity and variable life insurance contracts. In addition, life insurance costs include the net amount of the changes in fair value of the variable annuity and variable life insurance contracts elected for the fair value option and insurance costs recognized for insurance and annuity payouts as a result of insured events. Certain subsidiaries have elected the fair value option for certain reinsurance contracts to partially offset the changes in fair value recognized in earnings of the policy liabilities and policy account balances attributable to the changes in the minimum guarantee risks of the variable annuity and variable life insurance contracts, and the changes in the fair value of the reinsurance contracts were recorded in life insurance costs.

The above mentioned gains or losses relating to variable annuity and variable life insurance contracts for fiscal 2015, 2016 and 2017 are as follows:

	Millions of yen		
	2015	2016	2017
Life insurance premiums and related investment income :			
Net realized and unrealized gains or losses from investment assets	¥ 174,602	¥ (33,318)	¥ 37,016
Net gains or losses from derivative contracts :	(28,227)	1,633	(10,568)
Futures	(10,216)	1,116	(9,118)
Foreign exchange contracts	(1,680)	496	220
Options held	(16,331)	21	(1,670)
Life insurance costs :			
Changes in the fair value of the policy liabilities and policy account balances	¥(510,961)	¥(459,482)	¥ (189,481)
Insurance costs recognized for insurance and annuity payouts as a result of insured events	611,663	418,731	185,830
Changes in the fair value of the reinsurance contracts	36,072	(1,817)	15,739

24. Sales of Goods and Real Estate

The following table provides information about sales of goods and real estate and costs of goods and real estate sold for fiscal 2015, 2016 and 2017:

	Millions of yen		
	2015	2016	2017
Sales of goods	¥ 352,228	¥ 707,502	¥ 898,022
Real estate sales	98,641	126,508	117,227
Sales of goods and real estate	¥ 450,869	¥ 834,010	¥ 1,015,249
Costs of goods sold	¥ 308,723	¥ 641,715	¥ 832,423
Costs of real estate sold	93,298	106,544	96,371
Costs of goods and real estate sold	¥ 402,021	¥ 748,259	¥ 928,794

25. Services Income and Services Expense

The following table provides information about services income and services expense for fiscal 2015, 2016 and 2017:

	Millions of yen		
	2015	2016	2017
Revenues from asset management and servicing	¥214,372	¥201,470	¥190,454
Revenues from automobile related business	70,442	76,134	73,091
Revenues from facilities management related business	115,177	106,632	102,399
Revenues from environment and energy related business	62,286	85,271	100,102
Revenues from real estate management and contract work	171,562	174,170	181,088
Revenues from commissions for M&A advisory services, financing advice, financial restructuring advisory services and related services	78,342	22,983	0
Other	53,367	68,526	90,769
Services income	¥765,548	¥735,186	¥737,903
Expenses from asset management and servicing	¥ 52,825	¥ 55,283	¥ 47,126
Expenses from automobile related business	43,163	46,424	44,417
Expenses from facilities management related business	99,582	90,949	87,709
Expenses from environment and energy related business	51,436	68,888	77,020
Expenses from real estate management and contract work	152,447	156,075	160,917
Other	26,223	27,768	34,088
Services expense	¥425,676	¥445,387	¥451,277

26. Write-Downs of Long-Lived Assets

The Company and its subsidiaries perform tests for recoverability on long-lived assets classified as held and used for which events or changes in circumstances indicated that the assets might be impaired. The Company and its subsidiaries consider an asset's carrying amount as not recoverable when such carrying amount exceeds the undiscounted future cash flows estimated to result from the use and eventual disposition of the asset. The net carrying amount of assets not recoverable is reduced to fair value if lower than the carrying amount.

As of March 31, 2016 and 2017, the long-lived assets classified as held for sale in the accompanying consolidated balance sheets are as follows.

	Millions of yen	
	2016	2017
Investment in operating leases	¥70,300	¥32,283
Property under facility operations	2,811	1,977
Other assets	9,959	2,508

The long-lived assets classified as held for sale as of March 31, 2016 are included in Real Estate segment, Investment and Operation segment and Overseas Business segment. The long-lived assets classified as held for sale as of March 31, 2017 are included in Corporate Financial Services segment, Maintenance Leasing segment, Real Estate segment, Investment and Operation segment and Overseas Business segment.

The Company and its subsidiaries determine the fair value using appraisals prepared by independent third party appraisers or our own staff of qualified appraisers, based on recent transactions involving sales of similar assets or other valuation techniques such as discounted cash flows methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate.

During fiscal 2015, 2016 and 2017, the Company and its subsidiaries recognized impairment losses for the difference between carrying amounts and fair values in the amount of ¥34,887 million, ¥13,448 million and ¥9,134 million, respectively, which are reflected as write-downs of long-lived assets. Breakdowns of these amounts are as follows.

	Write-downs of the assets held for sale		Write-downs due to decline in estimated future cash flows	
Fiscal Year ended March 31, 2015	**Amount (Millions of yen)**	**The number of properties**	**Amount (Millions of yen)**	**The number of properties**
Office buildings	¥4,805	3	¥ 9,172	6
Commercial facilities other than office buildings	0	0	3,832	3
Condominiums	0	0	621	1
Land undeveloped or under construction	586	4	2,797	4
Others*	0	—	13,074	—
Total	¥5,391	—	¥29,496	—

	Write-downs of the assets held for sale		Write-downs due to decline in estimated future cash flows	
Fiscal Year ended March 31, 2016	**Amount (Millions of yen)**	**The number of properties**	**Amount (Millions of yen)**	**The number of properties**
Office buildings	¥2,183	5	¥ 5,855	6
Commercial facilities other than office buildings	502	2	1,559	3
Condominiums	780	1	0	0
Land undeveloped or under construction	22	1	0	0
Others*	2,353	—	194	—
Total	¥5,840	—	¥ 7,608	—

	Write-downs of the assets held for sale		Write-downs due to decline in estimated future cash flows	
Fiscal Year ended March 31, 2017	**Amount (Millions of yen)**	**The number of properties**	**Amount (Millions of yen)**	**The number of properties**
Office buildings	¥ 68	1	¥ 1,239	5
Commercial facilities other than office buildings	1,316	3	2,082	5
Condominiums	317	1	69	1
Land undeveloped or under construction	0	0	786	5
Others*	2,215	—	1,042	—
Total	¥3,916	—	¥ 5,218	—

* For the "Others", the number of properties are omitted. Write-downs of long-lived assets for fiscal 2015 include write-downs of ¥7,737 million of golf courses. Write-downs of long-lived assets for fiscal 2016 include write-downs of ¥2,338 million of aircraft. Write-downs of long-lived assets for fiscal 2017 include write-downs of ¥1,156 million of aircraft.

Breakdowns of these amounts by segment are provided in Note 34 “Segment Information.”

27. Discontinued Operations

In April 2014, Accounting Standards Update 2014-08 (“Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity”—ASC 205 (“Presentation of Financial Statements”) and ASC 360 (“Property, Plant, and Equipment”)) was issued. This Update requires an entity to report a disposal or a classification as held for sale of a component of an entity or a group of components of an entity in discontinued operations if it represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. The Company and its subsidiaries early adopted this Update on April 1, 2014. The Company and its subsidiaries report a disposal of a component or a group of components of the Company and its subsidiaries in discontinued operations if the disposal represents a strategic shift which has (or will have) a major effect on the Company and its subsidiaries’ operations and financial results when the component or group of components is disposed by sale or classified as held for sale on or after April 1, 2014.

During fiscal 2015, 2016 and 2017, there was no disposal or classification as held for sale of a component or a group of components which represents a strategic shift which has (or will have) a major effect on the Company and its subsidiaries’ operations and financial results.

Accounting Standards Update 2014-08 does not apply retrospectively to a disposal or a classification as held for sale of a component or a group of components of the Company and its subsidiaries which have previously been reported in the financial statements. Accordingly, during fiscal 2015, the Company and its subsidiaries continue to report gains on sales and the results of operations of subsidiaries and business units, which were classified as held for sale at March 31, 2014, as income from discontinued operations in the accompanying consolidated statements of income.

During fiscal 2014, the Company has determined to sell the food business unit of a subsidiary, which is composed of the food service business unit and the food business unit. During fiscal 2015, the operating income from the food business unit and the gain were ¥463 million. The Company has completed the sale of the food business unit of a subsidiary during fiscal 2015 and there are no amounts of assets or liabilities included in the accompanying consolidated balance sheets as of March 31, 2015, 2016 and 2017.

Discontinued operations in fiscal 2015 consist of the following. During fiscal 2016 and 2017, there was no income from discontinued operations.

	Millions of yen
	2015
Revenues	¥2,214
Income from discontinued operations, net*	463
Provision for income taxes	(166)
Discontinued operations, net of applicable tax effect	¥ 297

* Income from discontinued operations, net includes aggregate gains on sales of subsidiaries, business units and rental properties and liquidation on losses. The amount of such gains or losses in fiscal 2015 was net gain of ¥362 million.

28. Per Share Data

Reconciliation of the differences between basic and diluted earnings per share (EPS) in fiscal 2015, 2016 and 2017 is as follows:

In fiscal 2015, 2016 and 2017 the diluted EPS calculation excludes stock options for 6,499 thousand shares, 4,370 thousand shares and 2,697 thousand shares, as they were antidilutive.

	Millions of yen		
	2015	2016	2017
Net Income attributable to ORIX Corporation shareholders	¥ 234,651	¥ 260,169	¥ 273,239

	Thousands of shares		
	2015	2016	2017
Weighted-average shares	1,309,144	1,309,136	1,308,105
Effect of dilutive securities			
Exercise of stock options	1,865	1,377	1,277
Weighted-average shares for diluted EPS computation	1,311,009	1,310,513	1,309,382

	Yen		
	2015	2016	2017
Earnings per share for net income attributable to ORIX Corporation shareholders:			
Basic	¥ 179.24	¥ 198.73	¥ 208.88
Diluted	178.99	198.52	208.68

Note: The Company's shares held through the Board Incentive Plan Trust are included in the number of treasury stock shares to be deducted in calculation of the weighted-average shares for EPS computation (1,159,738 shares, 1,984,512 shares and 2,092,595 shares in fiscal 2015, 2016 and 2017).

29. Derivative Financial Instruments and Hedging

Risk management policy

The Company and its subsidiaries manage interest rate risk through asset and liability management systems. The Company and its subsidiaries use derivative financial instruments to hedge interest rate risk and avoid changes in interest rates that could have a significant adverse effect on the Company's results of operations. As a result of interest rate changes, the fair value and/or cash flow of interest sensitive assets and liabilities will fluctuate. However, such fluctuation will generally be offset by using derivative financial instruments as hedging instruments. Derivative financial instruments that the Company and its subsidiaries use as part of the interest risk management include interest rate swaps.

The Company and its subsidiaries utilize foreign currency borrowings, foreign exchange contracts and foreign currency swap agreements to hedge exchange rate risk that are associated with certain transactions and investments denominated in foreign currencies. Similarly, overseas subsidiaries generally structure their liabilities to match the currency-denomination of assets in each region. A certain subsidiary holds option agreements, futures and foreign exchange contracts for the purpose of economic hedges against minimum guarantee risk of variable annuity and variable life insurance contracts.

By using derivative instruments, the Company and its subsidiaries are exposed to credit risk in the event of nonperformance by counterparties. The Company and its subsidiaries attempt to manage the credit risk by carefully evaluating the content of transactions and the quality of counterparties in advance and regularly monitoring the amount of notional principal, fair value, type of transaction and other factors pertaining to each counterparty.

(a) Cash flow hedges

The Company and its subsidiaries designate interest rate swap agreements, foreign currency swap agreements and foreign exchange contracts as cash flow hedges for variability of cash flows originating from floating rate borrowings and forecasted transactions and for exchange fluctuations. Net gains (losses) before deducting applicable taxes on derivative contracts were reclassified from accumulated other comprehensive income (loss) into earnings when earnings were affected by the variability in cash flows of the designated hedged item. The amounts of these net gains (losses) after deducting applicable taxes were net losses of ¥2,424 million, ¥838 million and gains of ¥1,694 million during fiscal 2015, 2016 and 2017, respectively. The amount of net gains (losses), which represent the ineffectiveness of cash flow hedges, ¥510 million of gains, ¥111 million of gains and ¥310 million of gains were recorded in earnings for fiscal 2015, 2016 and 2017, respectively. The amount of net derivative gains, ¥3,170 million, included in accumulated other comprehensive income (loss), net of applicable income taxes at March 31, 2017 will be reclassified into earnings within fiscal 2018.

(b) Fair value hedges

The Company and its subsidiaries use financial instruments designated as fair value hedges to hedge their exposure to interest rate risk and foreign currency exchange risk. The Company and its subsidiaries designate foreign currency swap agreements and foreign exchange contracts to minimize foreign currency exposures on lease receivables, loan receivables, borrowings and others, denominated in foreign currency. The Company and its subsidiaries designate interest rate swap to hedge interest rate exposure of the fair values of loan receivables. The Company and certain overseas subsidiaries, which issued medium-term notes or bonds with fixed interest rates, use interest rate swap agreements to hedge interest rate exposure of the fair values of these medium-term notes or bonds. In cases where the medium-term notes were denominated in other than the subsidiaries' local currencies, foreign currency swap agreements are used to hedge foreign exchange rate exposure. A certain overseas subsidiary uses foreign currency long-term-debt to hedge foreign exchange rate exposure from unrecognized firm commitment. For fiscal 2015, 2016 and 2017, net gains of ¥21 million, net gains of ¥1 million and net losses of ¥2 million, respectively of hedge ineffectiveness associated with instruments designated as fair value hedges were recorded in earnings.

(c) Hedges of net investment in foreign operations

The Company uses foreign exchange contracts, borrowings and bonds denominated in the subsidiaries' local currencies to hedge the foreign currency exposure of the net investment in overseas subsidiaries. The gains and losses of these hedging instruments were recorded in foreign currency translation adjustments, which is a part of other comprehensive income (loss).

(d) Derivatives not designated as hedging instruments

The Company and the subsidiaries entered into interest rate swap agreements, futures and foreign exchange contracts for risk management purposes which are not qualified for hedge accounting. A certain subsidiary holds option agreements, futures and foreign exchange contracts for the purpose of economic hedges against minimum guarantee risk of variable annuity and variable life insurance contracts.

The effect of derivative instruments on the consolidated statements of income, pre-tax, for fiscal 2015 is as follows.

(1) Cash flow hedges

	Gains (losses) recognized in other comprehensive income on derivative (effective portion)	Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion)		Gains (losses) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location	Millions of yen
Interest rate swap agreements	¥ (610)	Finance revenues/Interest expense	¥ 32	—	¥ 0
Foreign exchange contracts	(1,908)	Other (income) and expense, net	1,356	—	0
Foreign currency swap agreements	(1,438)	Finance revenues/Interest expense/Other (income) and expense, net	(4,528)	Other (income) and expense, net	510

(2) Fair value hedges

	Gains (losses) recognized in income on derivative and other		Gains (losses) recognized in income on hedged item	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location
Interest rate swap agreements	¥ (1,298)	Finance revenues/Interest expense	¥ 1,318	Finance revenues/Interest expense
Foreign exchange contracts	(26,863)	Other (income) and expense, net	26,863	Other (income) and expense, net
Foreign currency swap agreements	(3,398)	Other (income) and expense, net	3,399	Other (income) and expense, net
Foreign currency long-term debt	(1,551)	Other (income) and expense, net	1,551	Other (income) and expense, net

(3) Hedges of net investment in foreign operations

	Gains (losses) recognized in other comprehensive income on derivative and others (effective portion)	Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion)		Gains (losses) recognized in income on derivative and others (ineffective portion and amount excluded from effectiveness testing)	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location	Millions of yen
Foreign exchange contracts	¥(18,670)	Gains on sales of subsidiaries and affiliates and liquidation losses, net	¥1,274	—	¥0
Borrowings and bonds in local currency	(6,968)	—	0	—	0

(4) Derivatives not designated as hedging instruments

	Gains (losses) recognized in income on derivative	
	Millions of yen	Consolidated statements of income location
Interest rate swap agreements	¥ (127)	Other (income) and expense, net
Futures	(10,262)	Gains on investment securities and dividends Life insurance premiums and related investment income*
Foreign exchange contracts	(3,463)	Gains on investment securities and dividends Life insurance premiums and related investment income* Other (income) and expense, net
Credit derivatives held	71	Other (income) and expense, net
Options held/written and other	(16,175)	Other (income) and expense, net Life insurance premiums and related investment income*

* Futures, foreign exchange contracts and options held/written and other in the above table include losses arising from futures, foreign exchange contracts and options held to economically hedge the minimum guarantee risk of variable annuity and variable life insurance contracts for fiscal 2015 (see Note 23 “Life Insurance Operations”).

The effect of derivative instruments on the consolidated statements of income, pre-tax, for fiscal 2016 is as follows.

(1) Cash flow hedges

	Gains (losses) recognized in other comprehensive income on derivative (effective portion)	Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion)		Gains (losses) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location	Millions of yen
Interest rate swap agreements	¥ (4,463)	Finance revenues/Interest expense	¥ (27)	—	¥ 0
Foreign exchange contracts	491	Other (income) and expense, net	2,608	—	0
Foreign currency swap agreements	(2,786)	Finance revenues/Interest expense/Other (income) and expense, net	(3,760)	Other (income) and expense, net	111

(2) Fair value hedges

	Gains (losses) recognized in income on derivative and other		Gains (losses) recognized in income on hedged item	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location
Interest rate swap agreements	¥ (608)	Finance revenues/Interest expense	¥ 608	Finance revenues/Interest expense
Foreign exchange contracts	24,746	Other (income) and expense, net	(24,746)	Other (income) and expense, net
Foreign currency swap agreements	3,261	Other (income) and expense, net	(3,260)	Other (income) and expense, net
Foreign currency long-term debt	1,648	Other (income) and expense, net	(1,648)	Other (income) and expense, net

(3) Hedges of net investment in foreign operations

	Gains (losses) recognized in other comprehensive income on derivative and others (effective portion)	Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion)		Gains (losses) recognized in income on derivative and others (ineffective portion and amount excluded from effectiveness testing)	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location	Millions of yen
Foreign exchange contracts	¥18,209	Gains on sales of subsidiaries and affiliates and liquidation losses, net	¥(57)	—	¥0
Borrowings and bonds in local currency	11,626	—	0	—	0

(4) Derivatives not designated as hedging instruments

	Gains (losses) recognized in income on derivative	
	Millions of yen	Consolidated statements of income location
Interest rate swap agreements	¥ (95)	Other (income) and expense, net
Futures	1,092	Gains on investment securities and dividends Life insurance premiums and related investment income*
Foreign exchange contracts	470	Gains on investment securities and dividends Life insurance premiums and related investment income* Other (income) and expense, net
Credit derivatives held	109	Other (income) and expense, net
Options held/written and other	(272)	Other (income) and expense, net Life insurance premiums and related investment income*

* Futures, foreign exchange contracts and options held/written and other in the above table include losses arising from futures, foreign exchange contracts and options held to economically hedge the minimum guarantee risk of variable annuity and variable life insurance contracts for fiscal 2016 (see Note 23 "Life Insurance Operations").

The effect of derivative instruments on the consolidated statements of income, pre-tax, for fiscal 2017 is as follows.

(1) Cash flow hedges

	Gains (losses) recognized in other comprehensive income on derivative (effective portion)	Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion)		Gains (losses) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location	Millions of yen
Interest rate swap agreements	¥ 1,757	Finance revenues/Interest expense	¥ 7	—	¥ 0
Foreign exchange contracts	(1,174)	Other (income) and expense, net	(136)	—	0
Foreign currency swap agreements	2,225	Finance revenues/Interest expense/Other (income) and expense, net	2,382	Other (income) and expense, net	310

(2) Fair value hedges

	Gains (losses) recognized in income on derivative and other		Gains (losses) recognized in income on hedged item	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location
Interest rate swap agreements	¥ (56)	Finance revenues/Interest expense	¥ 56	Finance revenues/Interest expense
Foreign exchange contracts	(4,463)	Other (income) and expense, net	4,463	Other (income) and expense, net
Foreign currency swap agreements	595	Other (income) and expense, net	(597)	Other (income) and expense, net
Foreign currency long-term debt	78	Other (income) and expense, net	(78)	Other (income) and expense, net

(3) Hedges of net investment in foreign operations

	Gains (losses) recognized in other comprehensive income on derivative and others (effective portion)	Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion)		Gains (losses) recognized in income on derivative and others (ineffective portion and amount excluded from effectiveness testing)	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location	Millions of yen
Foreign exchange contracts	¥2,300	Gains on sales of subsidiaries and affiliates and liquidation losses, net	¥858	—	¥0
Borrowings and bonds in local currency	8,908	—	0	—	0

(4) Derivatives or derivatives not designated as hedging instruments

	Gains (losses) recognized in income on derivative	
	Millions of yen	Consolidated statements of income location
Interest rate swap agreements	¥ 634	Other (income) and expense, net
Futures	(9,104)	Gains on investment securities and dividends Life insurance premiums and related investment income*
Foreign exchange contracts	4,602	Gains on investment securities and dividends Life insurance premiums and related investment income* Other (income) and expense, net
Credit derivatives held	(103)	Other (income) and expense, net
Options held/written and other	(2,324)	Other (income) and expense, net Life insurance premiums and related investment income*

* Futures, foreign exchange contracts and options held/written and other in the above table include losses arising from futures, foreign exchange contracts and options held to economically hedge the minimum guarantee risk of variable annuity and variable life insurance contracts for fiscal 2017 (see Note 23 "Life Insurance Operations").

Notional amounts of derivative instruments and other, fair values of derivative instruments and other before offsetting at March 31, 2016 and 2017 are as follows.

March 31, 2016

	Notional amount	Asset derivatives		Liability derivatives	
		Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
	Millions of yen	Millions of yen		Millions of yen	
Derivatives designated as hedging instruments and other:					
Interest rate swap agreements	¥ 257,700	¥ 80	Other Assets	¥5,686	Other Liabilities
Futures, foreign exchange contracts	1,035,342	17,636	Other Assets	5,966	Other Liabilities
Foreign currency swap agreements	96,539	6,571	Other Assets	3,601	Other Liabilities
Foreign currency long-term debt	225,711	0	—	0	—
Derivatives not designated as hedging instruments:					
Interest rate swap agreements	¥ 4,856	¥ 13	Other Assets	¥ 235	Other Liabilities
Options held/written and other*	246,068	8,789	Other Assets	3,637	Other Liabilities
Futures, foreign exchange contracts*	1,047,878	658	Other Assets	689	Other Liabilities
Credit derivatives held	3,380	0	—	56	Other Liabilities

* The notional amounts of options held/written and other and futures, foreign exchange contracts in the above table include options held of ¥46,926 million, futures contracts of ¥51,021 million and foreign exchange contracts of ¥20,884 million to economically hedge the minimum guarantee risk of variable annuity and variable life insurance contracts at March 31, 2016, respectively. Asset derivatives in the above table include fair value of the options held, futures contracts and foreign exchange contracts before offsetting of ¥3,332 million, ¥25 million and ¥568 million and liability derivatives include fair value of the futures and foreign exchange contracts before offsetting of ¥417 million and ¥98 million at March 31, 2016, respectively.

March 31, 2017

	Notional amount	Asset derivatives		Liability derivatives	
		Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
	Millions of yen	Millions of yen		Millions of yen	
Derivatives designated as hedging instruments and other:					
Interest rate swap agreements	¥243,197	¥ 71	Other Assets	¥4,391	Other Liabilities
Futures, foreign exchange contracts	745,481	6,373	Other Assets	8,021	Other Liabilities
Foreign currency swap agreements	74,482	4,545	Other Assets	1,677	Other Liabilities
Foreign currency long-term debt	280,266	0	—	0	—
Derivatives not designated as hedging instruments:					
Interest rate swap agreements	¥ 8,258	¥ 233	Other Assets	¥ 176	Other Liabilities
Options held/written and other*	224,064	5,804	Other Assets	1,071	Other Liabilities
Futures, foreign exchange contracts*	565,981	5,973	Other Assets	800	Other Liabilities
Credit derivatives held	6,942	0	—	159	Other Liabilities

* The notional amounts of options held/written and other and futures, foreign exchange contracts in the above table include options held of ¥46,063 million, futures contracts of ¥52,791 million and foreign exchange contracts of ¥16,690 million to economically hedge the minimum guarantee risk of variable annuity and variable life insurance contracts at March 31, 2017, respectively. Asset derivatives in the above table include fair value of the options held, futures contracts and foreign exchange contracts before offsetting of ¥1,708 million, ¥694 million and ¥57 million and liability derivatives include fair value of the futures and foreign exchange contracts before offsetting of ¥37 million and ¥45 million at March 31, 2017, respectively.

Certain of the Company's derivative instruments contain provisions that require the Company to maintain an investment grade credit rating from each of the major credit rating agencies. If the Company's credit rating were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment on derivative instruments that are in net liability positions. There are no derivative instruments with credit-risk-related contingent features that were in a net liability position on March 31, 2016 and 2017.

30. Offsetting Assets and Liabilities

The gross amounts recognized, gross amounts offset, and net amounts presented in the consolidated balance sheet regarding to derivative assets and liabilities and other assets and liabilities as of March 31, 2016 and 2017 are as follows.

March 31, 2016

	Millions of yen					
				Gross amounts not offset in the consolidated balance sheets*1		
	Gross amounts recognized	Gross amounts offset in the consolidated balance sheets	Net amounts presented in the consolidated balance sheets	Financial instruments	Collateral received/ pledged	Net amount
Derivative assets	¥ 33,747	¥ (5,757)	¥ 27,990	¥ 0	¥ (3,332)	¥ 24,658
Reverse repurchase, securities borrowing, and similar arrangements*2	5,186	(5,186)	0	0	0	0
Total assets	¥ 38,933	¥ (10,943)	¥ 27,990	¥ 0	¥ (3,332)	¥ 24,658
Derivative liabilities	¥ 19,870	¥ (5,757)	¥ 14,113	¥ 0	¥ (225)	¥ 13,888
Repurchase, securities lending, and similar arrangements*2	5,203	(5,186)	17	0	0	17
Total liabilities	¥ 25,073	¥ (10,943)	¥ 14,130	¥ 0	¥ (225)	¥ 13,905

March 31, 2017

	Millions of yen					
				Gross amounts not offset in the consolidated balance sheets*1		
	Gross amounts recognized	Gross amounts offset in the consolidated balance sheets	Net amounts presented in the consolidated balance sheets	Financial instruments	Collateral received/ pledged	Net amount
Derivative assets	¥ 22,999	¥ (4,019)	¥ 18,980	¥ 0	¥ (3,132)	¥ 15,848
Reverse repurchase, securities borrowing, and similar arrangements*2	3,582	(3,503)	79	0	0	79
Total assets	¥ 26,581	¥ (7,522)	¥ 19,059	¥ 0	¥ (3,132)	¥ 15,927
Derivative liabilities	¥ 16,295	¥ (4,019)	¥ 12,276	¥ (1,105)	¥ (398)	¥ 10,773
Repurchase, securities lending, and similar arrangements*2	3,503	(3,503)	0	0	0	0
Total liabilities	¥ 19,798	¥ (7,522)	¥ 12,276	¥ (1,105)	¥ (398)	¥ 10,773

*1 The balances related to enforceable master netting agreements or similar agreements which were not offset in the consolidated balance sheets.

*2 Reserve repurchase agreements and securities borrowing, and similar transactions are reported within other assets in the consolidated balance sheets. Repurchase agreements and securities lending, and similar transactions are reported within other liabilities in the consolidated balance sheets.

31. Significant Concentrations of Credit Risk

The Company and its subsidiaries have established various policies and procedures to manage credit exposure, including initial credit approval, credit limits, collateral and guarantee requirements, obtaining rights of offset and continuous oversight. The Company and its subsidiaries' principal financial instrument portfolio consists of investment in direct financing leases which are secured by title to the leased assets and installment loans which are secured by assets specifically collateralized in relation to loan agreements. When deemed necessary, guarantees are also obtained. The value and adequacy of the collateral are continually monitored. Consequently, the risk of credit loss from counterparties' failure to perform in connection with collateralized financing activities is believed to be minimal. The Company and its subsidiaries have access to collateral in case of bankruptcy and other losses. However, a significant decline in real estate markets could result in a decline in fair value of the collateral real estate below the mortgage setting amount, which would expose the Company and certain subsidiaries to unsecured credit risk.

At March 31, 2016 and 2017, no concentration with a single obligor exceeded 1% of the Company's consolidated total assets. With respect to the Company and its subsidiaries' credit exposures on a geographic basis, ¥6,104 billion, or 78%, at March 31, 2016 and ¥6,072 billion, or 75%, at March 31, 2017 of the credit risks arising from all financial instruments are attributable to customers located in Japan. The largest concentration of credit risk outside of Japan is exposure attributable to obligors located in Americas. The gross amount of such exposure is ¥849 billion and ¥965 billion as of March 31, 2016 and 2017, respectively.

The Company and its subsidiaries have transportation equipment such as automobile operations and aircraft. Transportation equipment is mainly recorded in investment in direct financing leases and operating leases. In connection with investment in direct financing leases and operating leases, the percentage of investment in transportation equipment to consolidated total assets is 11.0% and 11.4% as of March 31, 2016 and 2017, respectively.

The Company and its subsidiaries provide consumers with housing loans. In connection with installment loans, the percentage of housing loans to consolidated total assets is 10.3% and 11.4% as of March 31, 2016 and 2017, respectively.

32. Estimated Fair Value of Financial Instruments

The following information is provided to help readers gain an understanding of the relationship between carrying amount of financial instruments reported in the Company's consolidated balance sheets and the related market or fair value. For derivative financial instruments, see Note 2 "Fair Value Measurements."

The disclosures do not include investment in direct financing leases, investment in affiliates, pension obligations and insurance contracts and reinsurance contracts except for those classified as investment contracts.

March 31, 2016

	Millions of yen				
	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Assets:					
Trading securities	¥ 725,821	¥ 725,821	¥ 37,592	¥ 688,229	¥ 0
Cash and cash equivalents	730,420	730,420	730,420	0	0
Restricted cash	80,979	80,979	80,979	0	0
Installment loans (net of allowance for probable loan losses)	2,545,542	2,553,006	0	264,452	2,288,554
Investment in securities:					
Practicable to estimate fair value	1,480,499	1,511,161	99,347	1,271,506	140,308
Not practicable to estimate fair value*1	138,472	138,472	0	0	0
Other Assets:					
Time deposits	9,843	9,843	0	9,843	0
Derivative assets*2	27,990	27,990	0	0	0
Reinsurance recoverables (Investment contracts)	93,838	94,656	0	0	94,656
Liabilities:					
Short-term debt	¥ 349,624	¥ 349,624	¥ 0	¥ 349,624	¥ 0
Deposits	1,398,472	1,400,528	0	1,400,528	0
Policy liabilities and Policy account balances (Investment contracts)	306,058	308,064	0	0	308,064
Long-term debt*3	3,936,918	3,955,178	0	1,102,332	2,852,846
Other Liabilities:					
Derivative liabilities*2	14,113	14,113	0	0	0

*1 The fair value of investment securities of ¥138,472 million was not estimated, as it was not practical.

*2 It represents the amount after offset under counterparty netting of derivative assets and liabilities. For the information of input level before netting, see Note 2 “Fair Value Measurements.”

*3 Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 (“Simplifying the Presentation of Debt Issuance Costs”—ASC 835-30 (“Interest—Imputation of Interest”)) on April 1, 2016.

March 31, 2017

	Millions of yen				
	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Assets:					
Trading securities	¥ 569,074	¥ 569,074	¥ 37,500	¥ 531,574	¥ 0
Cash and cash equivalents	1,039,870	1,039,870	1,039,870	0	0
Restricted cash	93,342	93,342	93,342	0	0
Installment loans (net of allowance for probable loan losses)	2,767,016	2,783,466	0	254,708	2,528,758
Investment in securities:					
Practicable to estimate fair value	1,307,618	1,332,941	93,995	1,086,629	152,317
Not practicable to estimate fair value*1	149,820	149,820	0	0	0
Other Assets:					
Time deposits	9,375	9,375	0	9,375	0
Derivative assets*2	18,980	18,980	0	0	0
Reinsurance recoverables (Investment contracts)	72,615	73,967	0	0	73,967
Liabilities:					
Short-term debt	¥ 283,467	¥ 283,467	¥ 0	¥ 283,467	¥ 0
Deposits	1,614,608	1,615,655	0	1,615,655	0
Policy liabilities and Policy account balances (Investment contracts)	287,463	288,372	0	0	288,372
Long-term debt	3,854,984	3,862,815	0	1,184,261	2,678,554
Other Liabilities:					
Derivative liabilities*2	12,276	12,276	0	0	0

*1 The fair value of investment securities of ¥149,820 million was not estimated, as it was not practical.

*2 It represents the amount after offset under counterparty netting of derivative assets and liabilities. For the information of input level before netting, see Note 2 “Fair Value Measurements.”

Input level of fair value measurement

If active market prices are available, fair value measurement is based on quoted active market prices and classified as Level 1. If active market prices are not available, fair value measurement is based on observable inputs other than quoted prices included within Level 1 such as quoted market prices of similar assets and classified as Level 2. If market prices are not available and there are no observable inputs, then fair value is estimated by using valuation models including discounted cash flow methodologies, commonly used option-pricing models and broker quotes and classified as Level 3, as the valuation models and broker quotes are based on inputs that are unobservable in the market.

Estimation of fair value

The following methods and significant assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate a value:

Cash and cash equivalents, restricted cash, time deposits and short-term debt**—**The carrying amounts recognized in the balance sheets were determined to be reasonable estimates of their fair values due to their short maturity.

Installment loans**—**The carrying amounts of floating-rate installment loans with no significant changes in credit risk and which could be repriced within a short-term period were determined to be reasonable estimates of their fair values. The carrying amounts of purchased loans were determined to be reasonable estimates of their fair values because the carrying amounts (net of allowance) are considered to properly reflect the recoverability and value of these loans. For certain homogeneous categories of medium- and long-term fixed-rate loans, such as housing loans, the estimated fair values were calculated by discounting the future cash flows using the current interest rates charged by the Company and its subsidiaries for new loans made to borrowers with similar credit ratings and remaining maturities. Concerning the above, if available, estimated fair values were based on quoted market prices or quotations provided by dealers.

Investment in securities**—**For trading securities and available-for-sale securities other than specified bonds issued by SPEs and certain other mortgage-backed and asset-backed securities, the estimated fair values, which are also the carrying amounts recorded in the balance sheets, were generally based on quoted market prices or quotations provided by dealers. As for the specified bonds issued by the SPEs and certain other mortgage-backed and asset-backed securities included in available-for-sale securities, the Company and its subsidiaries estimated the fair value by using valuation models including discounted cash flow methodologies and broker quotes (see Note 2 “Fair Value Measurements”). For held-to-maturity securities, the estimated fair values were mainly based on quoted market prices. For certain investment funds included in other securities, the fair values were estimated based on net asset value per share or discounted cash flow methodologies. With regard to other securities other than the investment funds described above, the Company and its subsidiaries have not estimated the fair value, as it is not practicable to do so. Those other securities mainly consist of non-marketable equity securities and preferred capital shares. Because there were no quoted market prices for such other securities and each security has a different nature and characteristics, reasonable estimates of fair values could not be made without incurring excessive costs.

Deposits**—**The carrying amounts of demand deposits recognized in the consolidated balance sheets were determined to be reasonable estimates of their fair values. The estimated fair values of time deposits were calculated by discounting the future cash flows. The current interest rates offered for the deposits with similar terms and remaining average maturities were used as the discount rates.

Long-term debt**—**The carrying amounts of long-term debt with floating rates which could be repriced within short-term periods were determined to be reasonable estimates of their fair values. For medium-and long-term fixed-rate debt, the estimated fair values were calculated by discounting the future cash flows. The borrowing interest rates that would be currently available to the Company and its subsidiaries offered by financial institutions for debt with similar terms and remaining average maturities were used as the discount rates. Concerning the above, if available, estimated fair values were based on quoted market prices or quotations provided by dealers.

Derivatives**—**For exchange-traded derivatives, fair value is based on quoted market prices. Fair value estimates for other derivatives generally reflect the estimated amounts that the Company and its subsidiaries would receive or pay to terminate the contracts at the balance sheet date, thereby taking into account the current unrealized gains or losses of open contracts. In estimating the fair value of most of the Company's and its subsidiaries' derivatives, estimated future cash flows are discounted using the current interest rate.

Reinsurance recoverables and Policy liabilities and Policy account balances**—**A certain subsidiary has fixed annuity contracts, variable annuity and variable life insurance contracts, and reinsurance contracts which are classified as investment contracts because they do not expose the subsidiary to mortality or morbidity risks. In estimating the fair value of those contracts, estimated future cash flows are discounted using the current interest rate.

33. Commitments, Guarantees and Contingent Liabilities

Commitments—As of March 31, 2017, the Company and certain subsidiaries have commitments for the purchase of equipment to be leased, having a cost of ¥706 million.

The minimum future rentals on non-cancelable operating leases are as follows:

Years ending March 31,	Millions of yen
2018	¥ 6,713
2019	6,305
2020	5,572
2021	4,570
2022	4,207
Thereafter	37,151
Total	¥64,518

The Company and certain subsidiaries lease office space under operating lease agreements, which are primarily cancelable, and made rental payments totaling ¥15,782 million, ¥14,036 million and ¥13,849 million in fiscal 2015, 2016 and 2017, respectively.

Certain computer systems of the Company and certain subsidiaries have been operated and maintained under non-cancelable contracts with third-party service providers. For such services, the Company and certain subsidiaries made payments totaling ¥4,231 million, ¥4,754 million and ¥5,068 million in fiscal 2015, 2016 and 2017, respectively. The longest contract of them will mature in fiscal 2023. As of March 31, 2017, the amounts due are as follows:

Years ending March 31,	Millions of yen
2018	¥ 5,255
2019	4,239
2020	3,063
2021	828
2022	679
Thereafter	333
Total	¥14,397

The Company and certain subsidiaries have commitments to fund estimated construction costs to complete ongoing real estate development projects and other commitments, totaling ¥88,447 million as of March 31, 2017.

The Company and certain subsidiaries have agreements to commit to execute loans for customers, and to invest in funds, as long as the agreed-upon terms are met. As of March 31, 2017, the total unused credit and capital amount available is ¥333,540 million.

Guarantees—At the inception of a guarantee, the Company and its subsidiaries recognize a liability in the consolidated balance sheets at fair value for the guarantee within the scope of ASC460 (“Guarantees”). The following table represents the summary of potential future payments, book value recorded as guarantee liabilities of the guarantee contracts outstanding and maturity of the longest guarantee contracts as of March 31, 2016 and 2017:

	2016			2017		
	Millions of yen		Fiscal year	Millions of yen		Fiscal year
Guarantees	Potential future payment	Book value of guarantee liabilities	Maturity of the longest contract	Potential future payment	Book value of guarantee liabilities	Maturity of the longest contract
Corporate loans	¥396,340	¥ 5,875	2023	¥451,597	¥ 7,274	2024
Transferred loans	174,322	1,587	2046	167,799	1,300	2047
Consumer loans	179,225	21,748	2018	249,719	29,641	2018
Housing loans	28,919	5,853	2051	26,448	5,362	2048
Other	482	179	2024	935	307	2025
Total	¥779,288	¥35,242	—	¥896,498	¥43,884	—

Guarantee of corporate loans: The Company and certain subsidiaries mainly guarantee corporate loans issued by financial institutions for customers. The Company and the subsidiaries are obliged to pay the outstanding loans when the guaranteed customers fail to pay principal and/or interest in accordance with the contract terms. In some cases, the corporate loans are secured by the guaranteed customers’ assets. Once the Company and the subsidiaries assume the guaranteed customers’ obligation, the Company and the subsidiaries obtain a right to claim the collateral assets. In other cases, certain contracts that guarantee corporate loans issued by financial institutions for customers include contracts that the amounts of performance guarantee are limited to a certain range of guarantee commissions. As of March 31, 2016 and 2017, total notional amount of the loans subject to such guarantees are ¥1,278,000 million and ¥1,326,000 million, respectively, and book value of guarantee liabilities are ¥1,080 million and ¥1,722 million, respectively. The potential future payment amounts for these guarantees are limited to a certain range of the guarantee commissions, which are less than the total notional amounts of the loans subject to these guarantees. The potential future payment amounts for the contract period are calculated from the guarantee limit which is arranged by financial institutions in advance as to contracts that the amounts of performance guarantee are unlimited to a certain range of guarantee commissions. For this reason, the potential future payment amounts for these guarantees include the amount of the guarantee which may occur in the future, which is larger than the balance of guarantee executed as of the end of the fiscal year. The executed guarantee balance includes defrayment by financial institutions which we bear temporarily at the time of execution, and credit risk for financial institutions until liquidation of this guarantee. Our substantial amounts of performance guarantee except credit risk for financial institutions are limited to our defrayment which is arranged by financial institutions in advance.

Payment or performance risk of the guarantees is considered based on the historical experience of credit events. There have been no significant changes in the payment or performance risk of the guarantees in fiscal 2017.

Guarantee of transferred loans: A subsidiary in the United States is authorized to underwrite, originate, fund, and service multi-family and seniors housing loans without prior approval from Fannie Mae under Fannie Mae's Delegated Underwriting and Servicing program. As part of this program, Fannie Mae provides a commitment to purchase the loans.

In return for the delegated authority, the subsidiary guarantees the performance of certain housing loans transferred to Fannie Mae and has the payment or performance risk of the guarantees to absorb some of the losses when losses arise from the transferred loans.

There were no significant changes in the payment or performance risk of these guarantees in fiscal 2017.

Guarantee of consumer loans: A certain subsidiary guarantees consumer loans, typically card loans, issued by Japanese financial institutions. The subsidiary is obligated to pay the outstanding obligations when these loans become delinquent generally a month or more.

Payment or performance risk of the guarantees is considered based on the historical experience of credit events.

There were no significant changes in the payment or performance risk of the guarantees in fiscal 2017.

Guarantee of housing loans: The Company and certain subsidiaries guarantee housing loans issued by Japanese financial institutions to third party individuals. The Company and the subsidiaries are typically obliged to pay the outstanding loans when these loans become delinquent three months or more. The housing loans are usually secured by the real properties. Once the Company and the subsidiaries assume the guaranteed parties' obligation, the Company and the subsidiaries obtain a right to claim the collateral assets.

Payment or performance risk of the guarantees is considered based on the historical experience of credit events.

There were no significant changes in the payment or performance risk of the guarantees in fiscal 2017.

Other guarantees: Other guarantees include the guarantees to financial institutions and the guarantees derived from collection agency agreements. Pursuant to the contracts of the guarantees to financial institutions, a certain subsidiary pays to the financial institutions when customers of the financial institutions become debtors and default on the debts. Pursuant to the agreements of the guarantees derived from collection agency agreements, the Company and certain subsidiaries collect third parties' debt and pay the uncovered amounts.

Litigation—The Company and certain subsidiaries are involved in legal proceedings and claims in the ordinary course of business. In the opinion of management, none of such proceedings and claims will have a significant impact on the Company's financial position or results of operations.

34. Segment Information

Financial information about the operating segments reported below is that which is available by segment and evaluated regularly by the management in deciding how to allocate resources and in assessing performance.

An overview of operations for each of the six segments follows below.

Corporate Financial Services	:	Lending, leasing and fee business
Maintenance Leasing	:	Automobile leasing and rentals, car sharing, and test and measurement instruments and IT-related equipment rentals and leasing
Real Estate	:	Real estate development and rental, facility operation, REIT asset management and real estate investment advisory services
Investment and Operation	:	Environment and energy business, principal investment, loan servicing (asset recovery), and concession business
Retail	:	Life insurance, banking and card loan business
Overseas Business	:	Leasing, lending, investment in bonds, asset management and ship- and aircraft-related operations

Financial information of the segments for fiscal 2015, 2016 and 2017 is as follows:

	Millions of yen						
Year ended March 31, 2015	**Corporate Financial Services**	**Maintenance Leasing**	**Real Estate**	**Investment and Operation**	**Retail**	**Overseas Business**	**Total**
Revenues	¥ 85,502	¥263,499	¥182,321	¥ 666,120	¥ 425,977	¥ 561,893	¥2,185,312
Finance revenues	35,624	11,103	4,057	15,650	52,510	63,259	182,203
Interest expense	8,627	3,690	6,968	3,609	5,669	29,989	58,552
Depreciation and amortization	3,373	125,013	16,900	5,919	15,190	47,397	213,792
Other significant non-cash items:							
Provision for doubtful receivables and probable loan losses	597	372	(85)	(296)	3,975	8,086	12,649
Write-downs of long-lived assets	653	0	29,418	211	0	4,605	34,887
Decrease in policy liabilities and policy account balances	0	0	0	0	(506,043)	0	(506,043)
Equity in net income (loss) of affiliates and gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	740	59	9,633	11,985	633	28,433	51,483
Bargain Purchase Gain	0	0	0	0	36,082	0	36,082
Discontinued operations	0	0	0	463	0	0	463
Segment profits	25,519	40,366	3,484	42,414	120,616	104,143	336,542
Segment assets	1,132,468	662,851	835,386	660,014	3,700,635	2,178,895	9,170,249
Long-lived assets	35,470	450,099	652,524	145,153	49,838	289,097	1,622,181
Expenditures for long-lived assets	8,717	162,323	45,019	70,616	144	106,338	393,157
Investment in affiliates	20,875	2,074	91,275	51,108	3,785	209,027	378,144

Year ended March 31, 2016	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment and Operation	Retail	Overseas Business	Total
	Millions of yen						
Revenues	¥ 107,150	¥271,662	¥191,540	¥1,028,355	¥ 254,289	¥ 526,008	¥2,379,004
Finance revenues	34,215	12,067	6,720	12,625	55,318	75,004	195,949
Interest expense	7,214	3,545	4,676	3,539	4,654	33,356	56,984
Depreciation and amortization	4,764	127,862	15,908	8,836	17,489	52,606	227,465
Other significant non-cash items:							
Provision for doubtful receivables and probable loan losses	(701)	24	(110)	(940)	7,370	7,277	12,920
Write-downs of long-lived assets	0	0	8,036	214	0	4,978	13,228
Decrease in policy liabilities and policy account balances	0	0	0	0	(405,014)	0	(405,014)
Equity in net income (loss) of affiliates and gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	1,064	191	6,048	18,822	796	76,747	103,668
Segment profits	42,418	42,935	42,902	57,220	51,756	142,879	380,110
Segment assets	1,049,867	731,329	739,592	704,156	3,462,772	2,284,733	8,972,449
Long-lived assets	41,170	479,619	600,693	193,970	52,359	386,950	1,754,761
Expenditures for long-lived assets	14,180	151,330	49,858	74,645	439	272,315	562,767
Investment in affiliates	22,755	1,996	91,010	108,237	911	305,674	530,583

Year ended March 31, 2017	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment and Operation	Retail	Overseas Business	Total
	Millions of yen						
Revenues	¥ 102,979	¥270,615	¥212,050	¥1,271,973	¥ 368,665	¥ 458,912	¥2,685,194
Finance revenues	30,153	13,029	2,319	10,680	59,177	81,251	196,609
Interest expense	6,032	3,360	3,085	4,870	4,041	36,535	57,923
Depreciation and amortization	6,517	130,272	15,169	13,176	18,914	50,960	235,008
Other significant non-cash items:							
Provision for doubtful receivables and probable loan losses	(96)	210	33	(1,047)	10,109	13,959	23,168
Write-downs of long-lived assets	0	46	3,353	1,569	0	3,908	8,876
Decrease in policy liabilities and policy account balances	0	0	0	0	(103,878)	0	(103,878)
Equity in net income (loss) of affiliates and gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	3,354	178	4,160	39,750	14	42,470	89,926
Bargain Purchase Gain	0	0	0	5,802	0	0	5,802
Segment profits	38,032	39,787	72,841	85,000	72,865	112,312	420,837
Segment assets	1,032,152	752,513	657,701	768,675	3,291,631	2,454,200	8,956,872
Long-lived assets	42,337	452,840	512,930	269,515	45,267	435,368	1,758,257
Expenditures for long-lived assets	8,330	164,486	32,875	74,787	276	196,451	477,205
Investment in affiliates	18,392	1,880	99,347	71,481	810	332,154	524,064

Segment figures reported in these tables include operations classified as discontinued operations in the accompanying consolidated statements of income.

The accounting policies of the segments are almost the same as those described in Note 1 "Significant Accounting and Reporting Policies" except for the treatment of income tax expenses, net income attributable to the noncontrolling interests, net income attributable to the redeemable noncontrolling interests, income from discontinued operations and the consolidation of certain variable interest entities (VIEs). Income taxes are not included in segment profits or losses because the management evaluates segments' performance on a pre-tax basis. Also, net income attributable to noncontrolling interests and redeemable noncontrolling interests are not included in segment profits or losses because the management evaluates segments' performance based on profits or losses (pre-tax) attributable to ORIX Corporation Shareholders. On the other hand, income from discontinued operations is included in segment profits or losses because the management considers such disposal activities as part of the ordinary course of business. Net income attributable to the noncontrolling interests, net income attributable to the redeemable noncontrolling interests and income from discontinued operations, which are recognized net of tax in the accompanying consolidated statements of income, are adjusted to profit or loss before income taxes, when calculating segment profits or losses. Most of selling, general and administrative expenses, including compensation costs that are directly related to the revenue generating activities of each segment, have been accumulated by and charged to each segment. Gains and losses that management does not consider for evaluating the performance of the segments, such as write-downs of certain securities, write-downs of certain long-lived assets and certain foreign exchange gains or losses (included in other (income) and expense, net) are excluded from the segment profits or losses, and are regarded as corporate items.

Assets attributed to each segment are investment in direct financing leases, installment loans, investment in operating leases, investment in securities, property under facility operations, investment in affiliates, inventories, advances for investment in operating leases (included in other assets), advances for investment in property under facility operations (included in other assets) and goodwill and other intangible assets recognized as a result of business combination (included in other assets). This has resulted in the depreciation of office facilities being included in each segment's profit or loss while the carrying amounts of corresponding assets are not allocated to each segment's assets. However, the effect resulting from this allocation is not significant.

For those VIEs that are used for securitization and are consolidated, for which the VIE's assets can be used only to settle related obligations of those VIEs and the creditors (or beneficial interest holders) do not have recourse to other assets of the Company or its subsidiaries, segment assets are measured based on the amount of the Company and its subsidiaries' net investments in the VIEs, which is different from the amount of total assets of the VIEs, and accordingly, segment revenues are also measured at a net amount representing the revenues earned on the net investments in the VIEs.

Certain gains or losses related to assets and liabilities of consolidated VIEs, which are not ultimately attributable to the Company and its subsidiaries, are excluded from segment profits.

The reconciliation of segment totals to consolidated financial statement amounts is as follows. Significant items to be reconciled are segment revenues, segment profits and segment assets. Other items do not have a significant difference between segment amounts and consolidated amounts.

Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 ("Simplifying the Presentation of Debt Issuance Costs"—ASC 835-30 ("Interest—Imputation of Interest")) on April 1, 2016.

	Millions of yen		
	2015	2016	2017
Segment revenues:			
Total revenues for segments	¥ 2,185,312	¥ 2,379,004	¥ 2,685,194
Revenues related to corporate assets	6,531	9,230	9,244
Revenues related to assets of certain VIEs	6,356	5,455	4,513
Revenues from inter-segment transactions	(21,702)	(24,487)	(20,292)
Revenues from discontinued operations	(2,214)	0	0
Total consolidated revenues	¥ 2,174,283	¥ 2,369,202	¥ 2,678,659
Segment profits:			
Total segment profits	¥ 336,542	¥ 380,110	¥ 420,837
Corporate losses	(15,638)	(5,261)	(3,634)
Gains related to assets or liabilities of certain VIEs	3,267	5,632	75
Discontinued operations, pre-tax	(463)	0	0
Net income attributable to the noncontrolling interests and net income attributable to the redeemable noncontrolling interests, net of applicable tax effect	20,309	10,821	7,687
Total consolidated income before income taxes and discontinued operations	¥ 344,017	¥ 391,302	¥ 424,965
Segment assets:			
Total segment assets	¥ 9,170,249	¥ 8,972,449	¥ 8,956,872
Cash and cash equivalents, restricted cash	913,079	811,399	1,133,212
Allowance for doubtful receivables on direct financing leases and probable loan losses	(72,326)	(60,071)	(59,227)
Trade notes, accounts and other receivable	348,404	294,638	283,427
Other corporate assets	785,882	700,612	672,562
Assets of certain VIEs	294,586	273,891	245,049
Total consolidated assets	¥11,439,874	¥10,992,918	¥11,231,895

The following information represents geographical revenues and income before income taxes, which are attributed to geographic areas, based on the country location of the Company and its subsidiaries.

	Millions of yen				
	Year Ended March 31, 2015				
	Japan	The Americas*2	Other*3*4	Difference between Geographic Total and Consolidated Amounts	Total
Total Revenues	¥1,602,610	¥209,923	¥363,964	¥(2,214)	¥2,174,283
Income before Income Taxes*1	228,063	32,382	84,035	(463)	344,017

	Millions of yen				
	Year Ended March 31, 2016				
	Japan	The Americas*2	Other*3*4	Difference between Geographic Total and Consolidated Amounts	Total
Total Revenues	¥1,827,582	¥186,186	¥355,434	¥ 0	¥2,369,202
Income before Income Taxes	241,794	74,546	74,962	0	391,302

	Millions of yen				
	Year Ended March 31, 2017				
	Japan	The Americas*2	Other*3*4	Difference between Geographic Total and Consolidated Amounts	Total
Total Revenues	¥2,195,389	¥142,430	¥340,840	¥0	¥2,678,659
Income before Income Taxes	313,175	44,083	67,707	0	424,965

*1 Results of discontinued operations pre-tax are included in each amount attributed to each geographic area.

*2 Mainly the United States

*3 Mainly Asia, Europe, Australasia and Middle East

*4 Robeco, one of the Company's subsidiaries domiciled in the Netherlands, conducts principally an asset management business. Due to the integrated nature of such business with its customer base spread across the world, "Other" locations include the total revenues and the income before income taxes of Robeco for fiscal 2015, 2016 and 2017, respectively. The revenues of Robeco aggregated on a legal entity basis were ¥99,059, million in the Americas and ¥96,966 million in other for fiscal 2015, ¥108,446 million in the Americas and ¥76,726 million in other for fiscal 2016, and ¥96,157 million in the Americas and ¥76,012 million in other for fiscal 2017.

No single customer accounted for 10% or more of the Company's total revenues for fiscal 2015, 2016 and 2017.

35. Subsequent Events

The share repurchase based on the resolution at the Board of Directors meeting held on October 26, 2016 and February 16, 2017 was completed. The details of share repurchasing subsequent to the balance sheet date are as follows.

- Classification of shares acquired Common shares
- Total number of shares acquired 23,448,500 shares
- Total value of shares acquired ¥39,108,901,400
- Acquisition period April 1, 2017 – April 21, 2017
- Acquisition method Open market purchase on the Tokyo Stock Exchange

(Reference)

Cumulative number of own shares acquired based on the above resolution at the Board of Directors meeting as of April 21, 2017

- Classification of shares acquired Common shares
- Total number of shares acquired 29,993,100 shares
- Total value of shares acquired ¥49,999,872,350
- Acquisition period October 27, 2016 – April 21, 2017
- Acquisition method Open market purchase on the Tokyo Stock Exchange

Schedule II.—Valuation and Qualifying Accounts and Reserves

ORIX Corporation and Subsidiaries

	Millions of yen					
	Year Ended March 31, 2015					
Description	Balance at beginning of period	Acquisitions	Addition: Charged to costs and expenses	Deduction	Translation adjustment	Balance at end of period
Restructuring cost:						
Severance and other benefits to terminated employees	¥ 1,932	¥ 0	¥ 0	¥(1,474)	¥ (66)	¥ 392
Total	¥ 1,932	¥ 0	¥ 0	¥(1,474)	¥ (66)	¥ 392

	Millions of yen					
	Year Ended March 31, 2016					
Description	Balance at beginning of period	Acquisitions	Addition: Charged to costs and expenses	Deduction	Translation adjustment	Balance at end of period
Restructuring cost:						
Severance and other benefits to terminated employees	¥ 392	¥ 0	¥ 0	¥ (237)	¥ 1	¥ 156
Total	¥ 392	¥ 0	¥ 0	¥ (237)	¥ 1	¥ 156

	Millions of yen					
	Year Ended March 31, 2017					
Description	Balance at beginning of period	Acquisitions	Addition: Charged to costs and expenses	Deduction	Translation adjustment	Balance at end of period
Restructuring cost:						
Severance and other benefits to terminated employees	¥ 156	¥ 0	¥ 86	¥ (91)	¥ (7)	¥ 144
Total	¥ 156	¥ 0	¥ 86	¥ (91)	¥ (7)	¥ 144

	Millions of yen					
Description	Balance at beginning of period	Acquisitions	Addition: Charged to costs and expenses	Deduction*1	Other*2	Balance at end of period
Deferred tax assets:						
Valuation allowance						
Year ended March 31, 2015	¥30,570	¥22,563	¥9,591	¥(9,944)	¥(2,265)	¥50,515
Year ended March 31, 2016	¥50,515	¥ 419	¥2,936	¥(4,622)	¥(6,028)	¥43,220
Year ended March 31, 2017	¥43,220	¥ 1,606	¥2,043	¥(2,104)	¥(1,278)	¥43,487

*1 The amount of deduction includes benefits recognized in earnings, expiry of loss carryforwards and sales of subsidiaries.

*2 The amount of other includes translation adjustment, the effect of changes in statutory tax rate and the effect of the amendment to tax loss carryforward rules.

EXHIBIT INDEX

Exhibit Number	Description
Exhibit 1.1	Articles of Incorporation of ORIX Corporation, as amended on June 27, 2017.
Exhibit 1.2	Regulations of the Board of Directors of ORIX Corporation, as amended on June 1, 2015 (Incorporated by reference from the annual report on Form 20-F filed on June 25, 2015, commission file number 001-14856).
Exhibit 1.3	Share Handling Regulations of ORIX Corporation, as amended on October 7, 2013 (Incorporated by reference from the annual report on Form 20-F filed on June 26, 2014, 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 18, 2014 (Incorporated by reference from the annual report on Form 20-F filed on June 26, 2014, 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.

Exhibit 1.1

Articles of Incorporation of ORIX Corporation

Chapter I. General Provisions

Article 1. (Corporate Name)

The name of the Company shall be “ORIX Kabushiki Kaisha” (in English “ORIX CORPORATION”).

Article 2. (Purposes)

The purpose of the Company shall be to engage in the following businesses:

(1) lease, purchase and sale (including purchase and sale on an installment basis.), maintenance and management of movable property of all types;

(2) 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;

(3) holding, investment in, management, purchase and sale of financial instruments such as securities and other investment business;

(4) advice, brokerage and recommendation relating to the merger, capital participation, business alliance and business succession and reorganization, etc.;

(5) 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;

(6) non-life insurance agency business, insurance agency business under the Automobile Accident Compensation Security Law, and service related to soliciting life insurance;

(7) lease, purchase and sale, ground preparation, development, maintenance and management of real property and warehousing;

(8) contracting for construction, civil engineering, building utility and interior and exterior finishing, and design and supervision thereof;

(9) management of various facilities for sports, lodging, restaurant, medical treatment, welfare and training and education, etc., and conducting sports, etc.;

(10) facility planning, developmemt, maintenance, management and operation of airports, roads, other public facilities and similar kinds of aforementioned facilities and the assumption or undertaking of public works;

(11) production, processing, sale, purchase, research and development of agricultural products, food products and agriculture-related products and facilities;

(12) waste-disposal business;

(13) trading of emission rights for greenhouse gases and other various subjects;

(14) supply of various energy resources and the products in relation thereto;

(15) planning, developing and contracting for lease and sale of intangible property rights.;

(16) information processing and providing services, telecommunications business;

(17) business of dispatching workers to enterprise and employment agency business;

(18) purchase and sale of antiques;

(19) transport business;

(20) mining of various minerals, and the manufacture and sale of the products in relation thereto;

(21) brokerage, agency, investigation and consulting for business relating to any of the preceding items, and pension consulting service;

(22) 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;

(23) any and all businesses incidental or related to any of the preceding items;

Article 3. (Head Office)

The head office of the Company shall be located in Minato-ku, Tokyo.

Chapter II. Shares

Article 4. (Total Number of Shares Authorized to be Issued)

The total number of shares authorized to be issued by the Company shall be 2,590,000,000.

Article 5. (Number of Shares that Constitute One Unit)

In relation to the shares issued by the Company, one hundred (100) shares of the Company shall constitute one (1) Unit with which a shareholder may exercise one (1) vote at a General Meeting of Shareholders.

Article 6. (Rights of Shares Less than One Unit)

A shareholder of the Company may not, in relation to the shares that it holds that are less than one (1) Unit, exercise shareholders' rights in relation thereto other than the rights set forth below:

(1) The rights set forth in each item of Article 189 Paragraph 2 of the Company Law;

(2) The right to make demands pursuant to the provisions of Article 166 Paragraph 1 of the Company Law;

(3) 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 a shareholder; and

(4) The right to make the demands provided under the immediately following article.

Article 7. (Demand for Sales by a Shareholder of Shares Less Than One Unit)

A shareholder of the Company may demand, in accordance with the provisions of the Share Etc. Handling Regulations that the Company sell to it the number of additional shares necessary to make the number of shares of less than one (1) Unit held by such shareholder, equal to one (1) Unit.

Article 8. (Administrator of the Register of Shareholders)

The Company shall have an Administrator of the Register of Shareholders.

2. The Administrator of the Register of Shareholders shall, on behalf of the Company, create and keep the Register of Shareholders and Register of Stock Acquisition Rights and otherwise perform matters concerning the Register of Shareholders and Register of Stock Acquisition Rights. The Company shall not perform such matters.

Article 9. (Shares Etc. Handling Regulations)

The handling of shares and procedures for exercise of shareholders'rights of the Company shall be in accordance with the Shares Etc. Handling Regulations as well as the applicable laws and ordinances and this Articles of Incorporation.

Chapter III. Organizations

Sub-Chapter 1. Organizations

Article 10. (Organizations)

The Company shall have the following organizations:

(1) General Meeting of Shareholders;

(2) Directors;

(3) Board of Directors;

(4) Nominating Committee, Audit Committee and Compensation Committee;

(5) Executive officers and representative executive officers; and

(6) Accounting auditor

Sub-Chapter 2. General Meeting of Shareholders

Article 11. (Holding of General Meeting of Shareholders)

An annual General Meeting of Shareholders shall be convened within a certain term following the end of each fiscal year and held in June of each year, and an extraordinary General Meeting of Shareholders shall be held at any time whenever necessary.

Article 12. (Record Date for Exercise of Voting Rights)

Those shareholders of the Company who are permitted to exercise their voting rights at an annual General Meeting of Shareholders to be convened after the completion of each fiscal year shall be those shareholders registered or recorded as having voting rights on the Register of Shareholders as of the end of the same fiscal year.

2. Notwithstanding the provisions of the preceding paragraph, the Company may choose a date other than the date specified in the preceding paragraph as the date as of which shareholders shall be registered or recorded as having voting rights on the Register of Shareholders in order to be able to exercise their voting rights at the annual General Meeting of Shareholders. In such a case, two (2) weeks prior public notice shall be given as to the chosen date.

Article 13. (Authorized Person to Convene a General Meeting of Shareholders and Chairman Thereat)

General Meetings of Shareholders shall be convened by a director determined in advance by a resolution of the Board of Directors meeting. Furthermore, the director designated in advance by a resolution of the Board of Directors meeting shall act as a chairman.

2. If the person determined in accordance with the preceding paragraph is unable to act, another director shall convene the General Meeting of Shareholders or act as a chairman, in accordance with the order so designated in advance by a resolution of the Board of Directors meeting.

3. The Company may deem that at the time of convocation of a General Meeting of Shareholders, information concerning the matters that should be contained or provided for in the reference documents for the General Meeting of Shareholders, business reports, financial statements and consolidated financial statements, audit reports and accounting audit reports, were provided to the shareholders by disclosing such information through use of the internet in accordance with applicable laws and ordinances.

Article 14. (Resolution of General Meeting of Shareholders)

Unless otherwise provided under applicable laws or ordinances or by the Company's Articles of Incorporation, resolutions of the General Meetings of Shareholders shall be adopted by a majority of votes of the shareholders present at the meetings who are permitted to exercise their voting rights.

2. The special resolution provided in Article 309 Paragraph 2 of the Company Law shall be adopted by two-thirds or more of the votes of the shareholders present at a meeting at which shareholders who hold more than one-third of the voting rights held by all of the shareholders of the Company who are permitted to exercise their voting rights at the general meeting of shareholders are present.

Article 15. (Vote by Proxy)

A shareholder may exercise his vote by proxy given to another shareholder, who has the right to vote. In such case the shareholder or the proxy holder must file with the Company a document evidencing his authority.

Sub-Chapter 3. Directors

Article 16. (Number of Directors)

There shall be no less than three (3) directors of the Company.

Article 17. (Election and Removal of Directors)

Directors shall be elected and removed by a resolution of the General Meeting of Shareholders.

2. The resolution of the General Meeting of Shareholders for election and removal of directors in the preceding paragraph shall be adopted by a majority of the votes of the shareholders present at a meeting at which shareholders who hold one-third or more of the voting rights held by all of the shareholders of the Company who are permitted to exercise their voting rights at the general meeting of shareholders are present.

3. In case of election(s) of directors, cumulative voting shall not be used.

Article 18. (Term of Office of Directors)

Directors' terms of office shall expire upon the conclusion of the annual General Meeting of Shareholders for the last fiscal year ending within one (1) year after election of director.

2. The terms of office of directors elected as directors, to replace a director that left the office prior to expiration of such director's term of office, or due to the increase of directors, shall be until the terms of office of the other directors expire.

Sub-Chapter 4. Board of Directors

Article 19. (Person who Convenes Meetings of the Board of Directors and Chairman)

Unless otherwise provided under applicable laws or ordinances, meetings of the Board of Directors shall be convened by the director designated in advance by a resolution of the Board of Directors meeting. Furthermore, the director designated in advance by a resolution of the Board of Directors meeting shall act as a chairman.

2. If the person determined in accordance with provisions of the preceding paragraph is unable to act, another director shall convene the Board of Directors meeting or act as a chairman, in accordance with the order they are so designated in advance by a resolution of the Board of Directors meeting.

Article 20. (Procedure for Convocation of Meetings of the Board of Directors)

The person convening the Board of Directors meetings shall, on or prior to the third (3rd) day preceding the date of such Board of Directors meetings, send notice thereof to each director, provided, however, that in case of emergency, such period may be shortened.

2. Notwithstanding the provisions of the preceding paragraph, if there is a unanimous consent of the directors, the Board of Directors may hold a Board of Directors meeting without taking the procedure for convocation of meeting.

Article 21. (Resolution of Board of Directors Meeting)

Resolutions of the Board of Directors shall be adopted by a majority of the directors meetings present at meetings attended by a majority of the directors that may participate in making resolutions thereat.

Article 22. (Abbreviation of Resolutions of Board of Directors Meetings)

If a director proposes a matter for resolution by the Board of Directors meeting, and if the directors (to the extent capable of participating in the resolution of such matter) express their intensions to unanimously consent to such proposal in writing or electromagnetic record form, the Company shall deem such proposal approved by a resolution of the Board of Directors meeting.

Article 23. (Release of Directors' and Executive Officers' Liability)

If the directors and executive officers (including former directors and executive officers. Hereinafter collectively referred to as "Directors and Officers") were without knowledge and were not grossly negligent in the performance of their duties, and upon determination by the Company after giving due consideration to content of the facts that caused the relevant liability, situations of the relevant Directors and Officers' performance of their duties, and other circumstances that it is particularly necessary, the Company may by a resolution of the Board of Directors meeting release, to the extent of the maximum amount that may be released under the applicable laws and ordinances, the liability for damages of Directors and Officers arising from failure to perform their duties.

2. The Company may enter into an agreement with Outside Directors that provides that if such Outside Directors were without knowledge and were not grossly negligent in the performance of their duties, their liability for damages arising from failure to perform their duties shall be limited to the extent of the minimum amount of liability provided under the applicable laws and ordinances.

Sub-Chapter 5. Board Committees

Article 24. (Election Etc. of Committee Members)

Each Board Committee shall be composed of three (3) or more members.

2. The members of each Board Committee shall be elected from among the directors by a resolution of the Board of Directors meeting.

3. The majority of members of each Board Committee must be Outside Directors.

4. No member of the Audit Committee shall be an executive officer or an Operating Director of the Company or any of its subsidiaries or the accounting advisor (if the accounting advisor is a corporate body, the member thereof that performs such duties) manager or other employee of any of the Company's subsidiaries.

Article 25. (Procedure for Convocation of Meetings of Committee)

Each Board Committee shall be convened pursuant to provisions of applicable laws and ordinances and the determinations made by the Board of Directors.

Article 26. (Resolution of Committee Meeting)

Each Board Committee resolution shall be made by a majority of the members at attendance at a Board Committee at which a majority of the members that can participate in making the relevant resolution attend.

2. Notwithstanding the preceding paragraph, a resolution to remove the Company's accounting auditor at an audit committee meeting must be made by a unanimous consent of the members of the audit committee.

Sub-Chapter 6. Executive Officers

Article 27. (Number of Executive Officers)

There shall be three (3) or more executive officers of the Company.

Article 28. (Election of Executive Officers)

Executive officers shall be elected by a resolution of the Board of Directors meeting.

Article 29. (Term of Office of Executive Officers)

An executive officer's term of office shall expire upon the conclusion of the first Board of Directors meeting to be convened after the conclusion of the annual General Meeting of Shareholders for the last fiscal year ending within one (1) year after election of executive officers.

2. The terms of office of executive officers elected as executive officers, to replace executive officers that left the office prior to expiration of such executive officer's term of office, or due to the increase of executive officers, shall be until the terms of office of the other executive officers expire.

Article 30. (Election of Representative Executive Officers)

The Board of Directors shall elect one (1) or more representative executive officers from among the executive officers.

Sub-Chapter 7. Accounting Auditor

Article 31. (Election of Accounting Auditor)

The accounting auditor shall be elected by a resolution of a General Meeting of Shareholder.

Article 32. (Term of Office of Accounting Auditor)

Accounting auditor's terms of office shall expire upon the conclusion of the annual General Meeting of Shareholders for the last fiscal year ending within one (1) year after election of the accounting auditor.

2. Unless otherwise specifically resolved at the annual General Meeting of Shareholders under the preceding paragraph, an accounting auditor shall be deemed to have been re-elected at the relevant annual General Meeting of Shareholders.

CHAPTER IV. ACCOUNTS

Article 33. (Fiscal Year)

The fiscal year of the Company shall be one (1) year commencing on the first day of April of each year and ending on the last day of March of the following year.

Article 34. (The Organization to determine Distribution of Dividends Etc. from Retained Earnings)

The Company may determine matters set forth in each item of Article 459, Paragraph 1, such as the distribution of dividends from retained earnings, which shall not be determined by a resolution of a General Meeting of Shareholders.

Article 35. (Record Date for Distributions of Dividends from Retained Earnings)

The Company shall treat shareholders or share pledgees registered or recorded on the Register of Shareholders as of March 31 of each year as the persons having rights to receive year-end dividends.

2. The Company shall treat shareholders or share pledgees registered or recorded on the Register of Shareholders as of September 30 of each year as the persons having rights to receive interim dividends.

Article 36. (Term of Expiration of Dividends)

Distributable Assets or other distributable assets shall not incur interest thereon. If the relevant distributed assets are not received within a full three (3) years from the date on which the distribution of relevant distributed assets became effective, the Company shall be released from its obligation to distribute such assets.

CHAPTER V. Public Notice

Article 37. (Method of Public Notice)

The method of public notices of the Company shall be electronic public notice. However, if the Company is unable to give an electronic public notice due to an accident or any other unavoidable reason, public notices of the Company shall be given in the “Nihon Keizai Shinbun.”

Exhibit 7.1

Ratios in the annual report have been calculated in the manner described therein.

Exhibit 8.1

LIST OF SUBSIDIARIES

Name	Country of Incorporation	Principal Business	ORIX Voting Power[1]
Yayoi Co., Ltd.	Japan	Development, Marketing, and Support of Business Management Software and Related Services	99%
ORIX Auto Corporation	Japan	Automobile Leasing, Rentals, Car Sharing, Sales of Used Automobiles	100%
ORIX Rentec Corporation	Japan	Rental and Leasing of Test and Measurement Instruments and IT-Related Equipment	100%
ORIX Real Estate Corporation	Japan	Real Estate Development and Rental, Facilities Operation	100%
ORIX Golf Holdings Corporation	Japan	Golf Course Management	100%
ORIX Real Estate Investment Advisors Corporation	Japan	Real Estate Investment and Advisory Services	100%
ORIX Living Corporation	Japan	Senior Housing Management	99%
Osaka City Dome Co., Ltd.	Japan	Multipurpose Hall Management	90%
ORIX Asset Management Corporation	Japan	Asset Management of J-REIT	100%
ORIX Eco Services Corporation	Japan	Trading of Recycled Metals and other Resources, Collection and Transportation of Industrial Waste, and Intermediate Waste Processing	100%
ORIX Asset Management & Loan Services Corporation	Japan	Loan Servicing	100%
DAIKYO INCORPORATED	Japan	Real Estate Development and Sales, Urban Development	64%
NET JAPAN Co., Ltd	Japan	Purchases and Sales of Precious Metals (gold, silver platinum and palladium) and Purchases and Refining of Precious Metals Scraps	96%
ORIX Life Insurance Corporation	Japan	Life Insurance	100%
ORIX Bank Corporation	Japan	Banking	100%
ORIX Credit Corporation	Japan	Consumer Finance Services	100%
ORIX USA Corporation	U.S.A.	Financial Services	100%
ORIX Asia Limited	China (Hong Kong)	Leasing, Automobile Leasing, Lending, Banking	100%
ORIX Leasing Malaysia Berhad	Malaysia	Leasing, Lending	100%
PT. ORIX Indonesia Finance	Indonesia	Leasing, Automobile Leasing	85%
ORIX Australia Corporation Limited	Australia	Automobile Leasing and Truck Rentals	100%
ORIX Aviation Systems Limited	Ireland	Aircraft Leasing, Asset Management, Aircraft-Related Technical Services	100%
ORIX (China) Investment Co., Ltd.	China	Leasing, Equity Investment, Other Financial Services	100%
ORIX Capital Korea Corporation	South Korea	Automobile Leasing, Leasing, Lending	100%
Thai ORIX Leasing Co., Ltd	Thailand	Leasing, Automobile Leasing and Rentals	96%
ORIX Auto Infrastructure Services Limited	India	Automobile Leasing and Rentals	99%
ORIX Taiwan Corporation	Taiwan	Leasing, Sales Finance, Insurance Agency Services	100%
Robeco Groep N.V.	Netherlands	Asset Management	100%
Another 822 Subsidiaries			

(1) ORIX voting power includes ORIX's indirect voting power.

Exhibit 12.1

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Makoto Inoue, certify that:

1. I have reviewed this annual report on Form 20-F of ORIX KABUSHIKI KAISHA (the "company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 29, 2017

By: /s/ MAKOTO INOUE

Name: Makoto Inoue

Title: Chief Executive Officer

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Kazuo Kojima, certify that:

1. I have reviewed this annual report on Form 20-F of ORIX KABUSHIKI KAISHA (the "company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 29, 2017

By: /s/ KAZUO KOJIMA

Name: Kazuo Kojima

Title: Chief Financial Officer

Exhibit 13.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

The certification set forth below is being submitted in connection with the annual report of ORIX KABUSHIKI KAISHA on Form 20-F for the year ended March 31, 2017 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the United States Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Makoto Inoue, the Chief Executive Officer and Kazuo Kojima, the Chief Financial Officer of ORIX KABUSHIKI KAISHA, each certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of ORIX KABUSHIKI KAISHA.

Date: June 29, 2017

By:	/s/ MAKOTO INOUE
Name:	Makoto Inoue
Title:	Chief Executive Officer
By:	/s/ KAZUO KOJIMA
Name:	Kazuo Kojima
Title:	Chief Financial Officer

Exhibit 15.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
ORIX Corporation:

We consent to the incorporation by reference in the registration statements (No. 333-197721) on Form F-3 of ORIX Corporation of our reports dated June 29, 2017, with respect to the consolidated balance sheets of ORIX Corporation and its subsidiaries as of March 31, 2016 and 2017, 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, 2017, and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of March 31, 2017, which reports appear in the March 31, 2017 annual report on Form 20-F of ORIX Corporation.

KPMG AZSA LLC
Tokyo, Japan
June 29, 2017