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, 2022

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, SOUTH TOWER, 2-4-1 Hamamatsu-cho, Minato-ku
Tokyo 105-5135, Japan

(Address of principal executive offices)

Akira Igarashi
World Trade Center Building, SOUTH TOWER, 2-4-1 Hamamatsu-cho, Minato-ku
Tokyo 105-5135, Japan
Telephone: +81-3-3435-1274
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	Trading Symbols(s)	Name of each exchange on which registered
(1) American depository shares (the "ADSs"), each of which represents five shares	IX	New York Stock Exchange
(2) Common stock without par value (the "Shares")*		

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, 2022, 1,258,277,087 Shares were outstanding, including Shares that were represented by 4,840,669 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 every Interactive Data File required to be submitted 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 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 whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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 ("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, 2022 is referred to throughout this annual report as "fiscal 2022," and other fiscal years are referred to in a corresponding manner. References to years not specified as being fiscal years are to calendar years.

FORWARD-LOOKING STATEMENTS

This annual report contains statements that constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. When included in this annual report, the words "will," "should," "expects," "intends," "anticipates," "estimates" and similar expressions, 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,				
	2018	2019	2020	2021	2022
	(Millions of yen)				
Income statement data*[1]:					
Total revenues*[2]	¥2,862,771	¥2,434,864	¥2,280,329	¥2,292,708	¥2,520,365
Total expenses	2,526,576	2,105,426	2,010,648	2,033,894	2,218,282
Operating income	336,195	329,438	269,681	258,814	302,083
Equity in Net Income (Loss) of Affiliates	50,103	32,978	67,924	481	15,006
Gains on sales of subsidiaries and affiliates and liquidation losses, net	49,203	33,314	74,001	23,300	187,787
Bargain purchase gain	0	0	955	4,966	0
Income before income taxes	435,501	395,730	412,561	287,561	504,876
Net Income	321,589	327,039	306,724	196,814	317,612
Net income attributable to the noncontrolling interests	8,002	2,890	3,640	4,453	5,477
Net income (loss) attributable to the redeemable noncontrolling interests	452	404	384	(23)	0
Net income attributable to ORIX Corporation shareholders	313,135	323,745	302,700	192,384	312,135

	As of March 31,				
	2018	2019	2020	2021	2022
	(Millions of yen, except number of shares)				
Balance sheet data*1:					
Investment in Direct Financing Leases*3	¥ 1,194,888	¥ 1,155,632	¥ 0	¥ 0	¥ 0
Net Investment in Leases*3	0	0	1,080,964	1,029,518	1,057,973
Installment Loans*3	2,823,769	3,277,670	3,740,486	3,670,784	3,862,604
Allowance for Doubtful Receivables on Finance Leases and Probable Loan Losses*4	(54,672)	(58,011)	(56,836)	0	0
Allowance for Credit Losses*4	0	0	0	(78,945)	(69,459)
Investment in Operating Leases	1,344,926	1,335,959	1,400,001	1,408,189	1,463,202
Investment in Securities	1,729,455	1,928,916	2,245,323	2,660,443	2,852,349
Property under Facility Operations	434,786	441,632	562,485	491,855	561,846
Others	3,952,830	4,093,119	4,095,105	4,381,238	4,542,157
Total Assets	¥ 11,425,982	¥ 12,174,917	¥ 13,067,528	¥ 13,563,082	¥ 14,270,672
Short-term Debt, Long-term Debt and Deposits	¥ 5,890,720	¥ 6,423,512	¥ 6,847,889	¥ 7,041,887	¥ 7,142,843
Policy Liabilities and Policy Account Balances	1,511,246	1,521,355	1,591,475	1,822,422	1,963,623
Common Stock	220,961	221,111	221,111	221,111	221,111
Additional Paid-in Capital	267,291	257,625	257,638	259,361	260,479
ORIX Corporation Shareholders' Equity	2,682,424	2,897,074	2,993,608	3,028,456	3,261,419
Number of Issued Shares	1,324,495,728	1,324,629,128	1,324,629,128	1,285,724,480	1,258,277,087
Number of Outstanding Shares*5	1,280,000,872	1,279,961,352	1,254,471,656	1,217,338,316	1,193,399,778

	As of and for the Year Ended March 31,				
	2018	2019	2020	2021	2022
	(Yen and dollars, except ratios and number of employees)				
Key ratios (%)*6:					
Return on ORIX Corporation shareholders' equity ("ROE")	12.1	11.6	10.3	6.4	9.9
Return on assets ("ROA")	2.76	2.74	2.40	1.44	2.24
ORIX Corporation shareholders' equity ratio	23.5	23.8	22.9	22.3	22.9
Allowance/investment in direct financing leases and installment loans	1.4	1.3	0	0	0
Allowance/net investment in leases and installment loans	0	0	1.2	0	0
Allowance for credit losses/net investment in leases and installment loans	0	0	0	1.7	1.4
Per share data and employees:					
ORIX Corporation shareholders' equity per share*7	¥2,095.64	¥2,263.41	¥2,386.35	¥2,487.77	¥2,732.88
Basic earnings per share for net income attributable to ORIX Corporation shareholders	244.40	252.92	237.38	155.54	259.37
Diluted earnings per share for net income attributable to ORIX Corporation shareholders	244.15	252.70	237.17	155.39	259.07
Dividends applicable to fiscal year per share	66.00	76.00	76.00	78.00	85.60
Dividends applicable to fiscal year per share*8	$ 0.60	$ 0.69	$ 0.71	$ 0.73	$ 0.70
Number of employees	31,890	32,411	31,233	33,153	32,235

*1 Accounting Standards Update 2014-09 ("Revenue from Contracts with Customers"—ASC 606 ("Revenue from Contracts with Customers")), Accounting Standards Update 2016-01 ("Recognition and Measurement of Financial Assets and Financial Liabilities"—ASC 825-10 ("Financial Instruments—Overall")) and Accounting Standards Update 2016-16 ("Intra-Entity Transfers of Assets Other Than Inventory"—ASC 740 ("Income Taxes")) were adopted on April 1, 2018. In addition, Accounting Standards Update 2016-02 (ASC 842 ("Leases")) (hereinafter, "New Lease Standard") was adopted on April 1, 2019.

*[2] Consumption tax is excluded from the stated amount of total revenues.

*[3] The sum of assets considered 90 days or more past due and loans individually evaluated for impairment amounted to ¥71,974 million, ¥86,046 million and ¥111,430 million as of March 31, 2018, 2019 and 2020, respectively. These sums included: (i) investment in direct financing leases considered 90 days or more past due of ¥12,084 million and ¥14,807 million as of March 31, 2018 and 2019, respectively, and net investment in leases considered 90 days or more past due of ¥15,346 million as of March 31, 2020, (ii) installment loans (excluding loans individually evaluated for impairment) considered 90 days or more past due of ¥12,748 million, ¥12,412 million and ¥10,264 million as of March 31, 2018, 2019 and 2020, respectively, and (iii) installment loans individually evaluated for impairment of ¥47,142 million, ¥58,827 million and ¥85,820 million as of March 31, 2018, 2019 and 2020, respectively. The sum of net investment in leases and installment loans considered non-performing amounted to ¥106,863 million and ¥104,539 million as of March 31, 2021 and 2022, respectively. These sums included: (i) net investment in leases considered non-performing of ¥18,925 million and ¥19,224 million as of March 31, 2021 and 2022, respectively, (ii) non-performing installment loans not individually assessed for credit losses of ¥28,181 million and ¥34,479 million as of March 31, 2021 and 2022, respectively, and (iii) non-performing installment loans individually assessed for credit losses of ¥59,757 million and ¥50,836 million as of March 31, 2021 and 2022, respectively. See "Item 5. Operating and Financial Review and Prospects—Results of Operations—Year Ended March 31, 2022 Compared to Year Ended March 31, 2021—Details of Operating Results—Revenues, New Business Volumes and Investments—Asset quality."

*[4] Accounting Standards Update 2016-13 ("Measurement of Credit Losses on Financial Instruments"—ASC 326 ("Financial Instruments—Credit Losses")) (hereinafter, "Credit Losses Standard") has been adopted since April 1, 2020, and the amounts of allowance for doubtful receivables on finance leases and probable loan losses have been reclassified to allowance for credit losses. For further information, see Note 1 of "Item 18. Financial Statements."

*[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 and excluded from the number of outstanding shares. The Board Incentive Plan Trust held 1,651,443 shares, 1,823,993 shares, 1,476,828 shares, 2,154,248 shares and 1,963,282 shares as of March 31, 2018, 2019, 2020, 2021 and 2022, 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. Allowance/net investment in leases and installment loans is the ratio as of the period end of the allowance for doubtful receivables on finance leases and probable loan losses to the sum of net investment in 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] 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.

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 financial loss as a result of these risks, 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.

For information about our management of the principal risks we face, see "Item 5. Risk Management—Management of Principal Risks."

1. Effects of COVID-19

Since the beginning of 2020, the novel coronavirus disease 2019 ("COVID-19") has spread worldwide and the world economy and business activity have been adversely impacted by preventative measures instituted by governments across the globe, including restrictions on people's movement and gatherings, such as stay-at-home orders and limitations on travel and immigration, and requests and orders to limit the operations of, or to close, certain public and private facilities and businesses. In particular, businesses in industries that rely on consumer spending, such as those relating to travel and recreation, passenger transport, in-store dining and lodging industries, have been significantly impacted and the global economy experienced a significant downturn. Although some countries have been showing some signs of recovery since the second half of 2020, many countries, including Japan, have continued to experience increases in COVID-19 cases, which has resulted in the imposition by some countries of additional restrictive measures, such as widespread lockdowns in many cities in China. Since 2021, new variants of coronavirus have also been reported in many countries around the world, including Japan, which could lead to further spread of COVID-19. The implementation of vaccination programs, treatments and medications and economic stimulus may help prevent further spread of COVID-19 and encourage economic activity. However, in many countries it is unclear how effectively vaccines will be able to contain the spread of COVID-19. Even in 2022, it continues to be difficult to predict when economic and business activity will return to levels seen before the COVID-19 pandemic.

As of the filing date of this annual report, the spread of COVID-19 is significantly impacting various businesses in the ORIX Group. In our Real Estate segment, Japan in-bound travel restrictions and declarations of state of emergencies within Japan have led to closings of facilities and other COVID-19-related factors are adversely impacting operating revenue of our businesses that operate hotels and Japanese inns and other recreational facilities. In our PE Investment and Concession segment, decreases in the number of flights and air passengers due to reduced demand for air travel is adversely impacting operating revenue from airports operations. In our Aircraft and Ships segment, our aircraft leasing business is adversely impacted by, among other effects, requests for forbearance on lease fees from airline companies that result from their decreased revenue, and may do so over the long term.

The ORIX Group has implemented various measures, including policies on working remotely and restrictions on face-to-face meetings, staggered working hours, rotation work and careful implementation of domestic and overseas business trips. Through the implementation of these and other measures, we will continue to make our best efforts to help prevent the spread of COVID-19.

The ORIX Group has expanded its various businesses into a global network that spans 28 countries and regions around the globe. For this and other reasons, if the global spread of COVID-19 continues, we expect it could have a multi-faceted and adverse impact on all businesses we operate.

If the COVID-19 pandemic continues or worsens over the long term, it is possible that our businesses described above and other businesses in the ORIX Group may experience increases in non-performing assets due to the deterioration of borrowers' business performance and declines in assets under management, as well as decreased revenue and increased costs. Adverse developments in the spread of COVID-19 may result in increases in liquidity risk, such as increased funding costs, a heightening of the various risks described above and elsewhere in this annual report and could adversely affect our business, management and financial results in ways that are currently unexpected or unknown to us. For further information, see "Item 4. Information on the Company—Strategy—Operating Environment," "Item 4. Information on the Company—Business Segments," "Item 5. Operating and Financial Review and Prospects—Overview—Results Overview" and "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources."

2. Risks Related to our External Environment (Risk Related to Unpredictable Events)

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

We conduct business operations in Japan and other areas of Asia, as well as in the Americas, Europe, Oceania and the Middle East. Our business is affected by general geopolitical, economic and financial conditions in these countries and regions. These conditions are affected by changes in various factors such as inflation or fiscal and monetary policies, as well as by wars, riots, terrorist outbreaks and other geopolitical instability, including, for example, trade and technology frictions between the United States and China. Continued fluctuations or shifts in commodity market prices and consumer demand, trade disputes, political, social or economic instability in these countries and regions could also adversely affect our business activities, financial condition and results of operations. As for the Russia-Ukraine crisis, our exposure to Russia and Ukraine is limited and we do not expect a significant impact to our financial performance as of this stage; however, our view is that it is difficult to predict the impact in case such conflict becomes prolonged.

Despite our attempts to minimize the adverse effects of such factors through, for example, improving our risk management procedures, global economic weakness and instability, or political turmoil could adversely affect our business activities, financial condition and results of operations.

(2) Competition could affect our business

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 low 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 publicity 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 publicity 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) Natural disasters and climate change could impact our business

Unpredictable events include natural events such as earthquakes, storms, floods, and tsunamis, as well as extreme weather, fires, and outbreaks of infectious diseases caused by climate change. If any such event occurs, it may, among other things, cause unexpectedly large market price movements or unanticipated deterioration of economic conditions in a country or region, or cause major injuries to our personnel or damage to our facilities, equipment and other property.

In addition, the physical risks and transition risks associated with climate change could also have a negative impact on the earnings of ORIX Group. Major physical risks include the possibility of a halt to business operations owing to damage at our facilities and offices, or a possible increase in operating or construction costs caused by rising temperatures. Major transition risks include the possibility that strengthened decarbonization policies impact our coal-biomass co-fired power plants, and the possibility of higher costs in each business owing to carbon taxes. These risks could adversely affect ORIX Group's business activities, financial condition and results of operations.

ORIX announced its support for the Task Force on Climate-related Financial Disclosures ("TCFD") in October 2020, with the aim of enhancing corporate value through the assessment and disclosure of the risks and opportunities posed by climate change. ORIX is working to expand its information disclosure in line with the TCFD framework's four themes involving governance, strategy, risk management, and metrics and goals. With regards to its ESG-related material issues and focus areas and key goals, ORIX has announced that it will actively promote its renewable energy business, reduce GHG (CO_2) emissions, and reduce our investment and credit balance in GHG (CO_2) emitting industries. While ORIX Group intends to maintain its commitment to ESG-related material issues and focus areas, developments in political, economic, technological, social and market environments or other factors, much of which are outside of its control and subject to significant uncertainties, may affect its strategies or capability to achieve its ESG-related goals as planned, and there is no assurance that ORIX will achieve its key goals in the specified time frames or otherwise. Moreover, these risks or a failure to achieve these goals, could adversely affect ORIX's business and operating results and significantly impact ORIX's mid- and long-term initiatives.

3. Credit Risk

We maintain an allowance for credit losses on finance 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, whether due to COVID-19 or otherwise, or deterioration of specific industries, markets or customers' business performance. While we constantly strive to diversify risk through 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, secondhand equipment, or other collateral measures, 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.

4. Business Risk

(1) We are exposed to risks from expansion of our businesses, acquisitions of companies and assets, entry into joint ventures and alliances with other companies and similar activities with uncertain outcomes

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. The breadth of our business and continued 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. Such unexpected costs and losses, which may result from regulatory, technological or other factors, may be particularly acute when we expand our business through acquisitions. In addition, we may not achieve targeted results if our business or business opportunities do not develop as expected or if competitive pressures undermine profitability. Furthermore, when we acquire companies or businesses to expand our business, we could be required to make large write-downs of goodwill or other assets if the results of operations of an acquired company or business are lower than what we expected at the time we made such acquisition, or if they encounter other financial or operational difficulties.

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 the 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 results of operations and reputation 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 real estate, aircraft, ships and other assets in Japan and overseas, which we may hold for our own use or lease to our customers. The market values of these assets and investments may be 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 or to mitigate an adverse credit event at one of our customers, 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.

In addition, due to our operation of asset management businesses, if there are changes in the market value of asset such as shares and other securities, it could affect the results of our asset management services, which could lead to reductions in our assets under management and related fees and negatively impact our revenue.

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.

5. 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 funding 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 an increase in early repayment of loans and a corresponding decrease in our assets, which could adversely impact our revenue generation capabilities.

Although 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 risk management strategy of using derivatives for hedging purposes may not be effective

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 if 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.

(4) The transition away from and discontinuation of LIBOR and other interest rate benchmarks could have a negative impact on our results of operations.

The UK Financial Conduct Authority ("FCA"), which regulates LIBOR, has announced that it will no longer persuade or compel banks to present rates for the calculation of the LIBOR benchmark after 2021. The administrator of LIBOR, ICE Benchmark Administration Limited, ceased the publication of various LIBOR settings, including Japanese yen and Euro LIBOR settings, from December 31, 2021, and has announced that it will cease the publication of one-, three-, six- and twelve-month U.S. dollar LIBOR after June 30, 2023. We have already identified certain assets and liabilities linked to U.S. dollar LIBOR with an extended cessation period for publication and other interest rate benchmarks across our businesses that require such transition; however, during the process of the transition away from and discontinuation of U.S. dollar LIBOR and other interest rate benchmarks, uncertainty as to the availability and/or suitability of alternative reference rates, and differences between U.S. dollar LIBOR and other interest rate benchmarks and alternative reference rates may affect financial markets and market participants, including us. In addition, we remain subject to the risks that our actions to address the transition may be delayed or may not be successful, which could adversely affect our financial condition and results of our operations.

6. Liquidity Risk

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"), 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.

For the ORIX Group, an increase in liquidity risk means an increase in the likelihood that it will be difficult to raise new funds and renew existing funding, and/or that funding costs will increase. 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 due to reasons such as market turmoil or the worsening of our financial condition 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 and borrowing from banks and other financial institutions, 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.

7. Compliance Risk

Our efforts to implement and maintain thorough internal controls for appropriate compliance and legal risk management, as well as compliance education programs for our staff, in order to prevent violations of applicable laws, regulations and 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 not be fully effective. If we are unable to implement and maintain robust internal controls to prevent any such violations and adjust such controls in response to expansion of our business, we may be subject to sanctions, which could also apply to our officers or employees. Such events could adversely affect our business activities, financial condition, results of operations and reputation.

In addition, we are also indirectly exposed to compliance risk through our joint venture and alliance partners, investee companies and other business partners or counterparties, whom we may not be able to control. If any of those parties engage in violations of applicable laws or regulations, our business activities, financial condition, results of operations and reputation may be adversely affected.

8. Legal Risk

(1) We are subject to various laws and regulations in Japan and overseas that may affect our business

Our businesses and employees are subject to domestic and international laws, as well as regulatory oversight by government authorities who implement those laws, relating to the various sectors in which we operate and to our business operations generally. These include laws and regulations applicable to specific businesses and industries, such as moneylending, financial instruments exchange, construction, real estate transactions, hotels, insurance, banking and trust services, as well as laws applicable more generally, such as laws and regulations on antitrust, personal data protection, anti-money laundering and anti-bribery and those applicable due to our public listing in Japan and the United States.

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.

For information on the regulations that apply to our businesses, see "Item 4. Information on the Company—Business Regulation."

(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 limit our investing and funding activities. Such enactment or changes may increase our compliance costs. In recent years, foreign laws and regulations on subject matters such as personal data protection, anti-money laundering, anti-bribery and antitrust have been enacted and strengthened such that they may directly apply to the activities of our businesses, even if conducted outside the relevant jurisdiction. If such pattern continues and it becomes necessary for us to comply with different countries' regulations, in addition to significantly increasing the number of laws and regulations that we need to comply with, it may also significantly 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.

(3) Contractual deficiencies may affect our business and other initiatives

When engaging in business and other transactions, deficiencies, including our failure to execute legally required or binding agreements or our execution of agreements that do not reflect our intentions regarding parties' contractual obligations, may lead to adverse events such as our being the target of infringement, breach of contract and other legal claims by contractual counterparties and third parties or disruption of our ability to obtain rights we expected as part of such transactions. Such events may adversely affect our business activities, financial condition and results of operations.

9. Information / Cybersecurity Risk

(1) Risks relating to loss, theft, damage or leakage of information

We utilize information systems for financial transactions, personal information management and business monitoring as part of business decision-making and risk management, and maintain various information 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. We also implement technical measures such as vulnerability countermeasures for our information systems and maintenance of various network security measures to protect against or mitigate cyber-attacks. However, in spite of such efforts, our measures may not be always effective and it is possible that our information may be lost, stolen, damaged or leaked.

In such event, we could be subject to governmental investigation, litigation or other proceedings in connection with potential violations of applicable data protection laws and regulations, such as the Act on the Protection of Personal Information of Japan and the General Data Protection Regulation adopted in the EU, and may be sued for damages.

(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

System shutdowns, malfunctions or failures, the mishandling of data or fraudulent acts by employees, vendors or other third parties, cyber or ransomware attack by a computer virus, hacking, unauthorized access, or other types of cyber-terrorism, or a large-scale natural disaster, could have adverse effects on our operations, by causing, for example, delays in the receipt and payment of funds, disruptions to our financial transactions, the generation of errors in information used by our management for business decision-making and risk management evaluation and planning, the suspension of certain products or services we provide to our customers or other interruptions of our business activities. In such event, our liquidity could be adversely affected.

We may also incur substantial costs to recover our business functionality and our business activities, financial condition, results of operations and reputation may be adversely affected.

10. Operational Risk

(1) If our internal control over financial reporting is identified as being 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 our management or independent registered public accounting firm may identify material weaknesses or deficiencies through the respective evaluations and audits of our internal control over financial reporting, that they conduct and such finding may cause us and our accountants to disclose that our internal control over financial reporting is 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, results of operations and reputation may be adversely affected.

(2) 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 always be effective. As a result, our business activities, financial condition and results of operations may be adversely affected. For a detailed discussion of our risk management system, see "Item 5. Operating and Financial Review and Prospects—Risk Management."

(3) 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, we may incur additional costs to hire specialists or the quality of our products and services may decline, which could prevent us from continuing our business operation in a stable manner and adversely affect our business activities, financial condition and results of operations.

(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 lack such capacity or fail to perform such operations 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 manage 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 results of operations and reputation may be adversely affected at any time due to this risk.

11. 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 effect service of process within the United States upon ORIX or ORIX's directors or executive officers, or to enforce against ORIX or those persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States

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

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

(3) We 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, SOUTH TOWER, 2-4-1 Hamamatsu-cho, Minato-ku, Tokyo 105-5135, Japan, and our phone number is: +81 3 3435 3000. Our general contact URL is https://www.orix.co.jp/grp/en/contact/inquiry-eng.html and our corporate website URL is: https://www.orix.co.jp/grp/en. The information on our website is not incorporated by reference into this annual report. ORIX Corporation USA is ORIX's agent in the United States, and its principal place of business is at 2001 Ross Avenue, Suite 1900, 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 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 had been listed on the first sections of the Tokyo Stock Exchange and the Osaka Securities Exchange (which was integrated into the Tokyo Stock Exchange in 2013). Since April 2022, we have transitioned from the First Section to the Prime Market under the restructure of the Tokyo Stock Exchange's market segments. 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 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 U.S. Securities and Exchange Commission ("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") (All shares sold through a wholly-owned subsidiary ORIX USA in July 2019). In 2010, we acquired RED Capital Group (presently ORIX Real Estate Capital Holdings, LLC), 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 (All shares sold through a wholly-owned subsidiary ORIX USA in July 2020).

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. (presently ORIX Corporation Europe N.V. ("OCE")), a holding company of global asset management companies based in the Netherlands, to pursue a new business model by combining finance with related services. In October 2016, ORIX purchased all the shares 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, which business we sold in March 2022.

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.

In November 2018, ORIX acquired 30% of the shares of Avolon Holdings Limited ("Avolon"), a leading global aircraft leasing company located in Ireland.

In January 2019, ORIX made DAIKYO INCORPORATED a wholly-owned subsidiary due to the acquisition of common shares of DAIKYO through a tender offer.

In July 2021, ORIX acquired 80% of the shares of Elawan Energy S.L., a renewable energy company located in Spain.

STRATEGY

Operating Environment

During the fiscal year ended March 31, 2022 the COVID-19 has not subsided worldwide yet. Due to the increase of uncertainty in the operating environment stemming from a shortage of semiconductors, rising crude oil prices, interest-rate hikes and a sharp depreciation of the yen, ORIX Group exercised extreme caution in managing its various business segments. In fiscal 2022, ORIX Group achieved a significant increase in profits primarily due to an increase in gains on sales of subsidiaries and affiliates resulting from the sale of the business of Yayoi. The business environments in the facility operation business in the Real Estate Segment, the concession business in the PE Investment and Concession Segment, and the aircraft leasing business in the Aircraft and Ships Segment did not recover from the previous fiscal year when it was affected by the impact of the COVID-19 pandemic.

In the future, vaccination programs, dissemination of antiviral pills or other treatments, and economic policy are expected to balance the prevention of the further spread of COVID-19 with economic recovery. However, the situation remains unpredictable for the foreseeable future. While the impact of the Russia-Ukraine crisis on our business is unpredictable, our exposure to Russia and Ukraine is limited and there has been no significant impact on our business performance to date.

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 credit ratings to indicate financial soundness.

In fiscal 2022, although COVID-19 has not subsided yet, net income attributable to ORIX Corporation shareholders was ¥312.1 billion due to the stable contribution of profits from the strength of our diversified businesses. ROE for fiscal 2022 increased from 6.4% in the previous fiscal year to 9.9% due to an increase in net income.

As our medium-term target in terms of these performance indicators, ORIX Group aims to accomplish net income attributable to ORIX Corporation shareholders of ¥440.0 billion, ROE of 11.7%, and maintain financial soundness equivalent to an A credit rating.

Three- year trends in performance indicators are as follows.

		As of March 31,		
		2020	**2021**	**2022**
Net income attributable to ORIX Corporation shareholders . . .	(Millions of yen)	302,700	192,384	312,135
ROE[1]	(%)	10.3	6.4	9.9

(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.

Corporate Challenges to be Addressed

ORIX Group believes that providing new value to society and being a company that is needed by society is what enables a company to achieve sustainable growth. To this end, ORIX Group believes that it must strengthen its management base through the following initiatives.

Promote Sustainability: In November 2021, ORIX's Board of Directors established a basic policy for sustainability which sets out ESG-related material issues, focus areas and the seven key goals for ORIX Group.

In addition, we have begun to disclose information in line with the TCFD framework. To help resolve social issues through our business activities, each business unit at ORIX Group is moving forward with plans to promote sustainability depending on their respective characteristics.

Enhance risk management: We are formulating risk management policies and standards necessary for ORIX Group to achieve its management strategy and are creating mechanisms to continuously improve the effectiveness of structures and internal control systems for that purpose. In addition, we are making ongoing efforts to develop and enhance the operation of the system that can appropriately identify, evaluate, control, and manage risks.

Strengthen information security and promote digital transformation: We are promoting the digitalization of operations and strengthening the security of digitized management information. In the next step, we are considering effective uses for the massive transactional data accumulated over the years, leveraging information technology to expand existing businesses and launch new ones.

PROFILE OF BUSINESS BY SEGMENT

For a discussion of the basis for the breakdown of segments, see Note 34 of “Item 18. Financial Statements.” The following table shows a breakdown of profits by segment for fiscal 2020, 2021 and 2022. Since April 1, 2020, the reporting segments have been changed to the aforementioned segments. As a result of this change for fiscal 2021, segment data for fiscal 2020 has been retrospectively restated.

	Years ended March 31,		
	2020	2021	2022
	(Millions of yen)		
Corporate Financial Services and Maintenance Leasing	¥ 74,712	¥ 70,727	¥251,384
Real Estate	81,513	25,886	33,558
PE Investment and Concession	44,508	3,842	(11,261)
Environment and Energy	11,147	27,543	2,948
Insurance	45,954	56,152	54,560
Banking and Credit	40,816	49,913	43,779
Aircraft and Ships	44,885	5,357	(1,838)
ORIX USA	50,955	40,296	76,263
ORIX Europe	45,084	39,446	49,559
Asia and Australia	11,787	13,124	52,255
Total segment profits	451,361	332,286	551,207
Difference between segment total and consolidated amounts	(38,800)	(44,725)	(46,331)
Total Consolidated Amounts	¥412,561	¥287,561	¥504,876

Each of our segments is briefly described below.

BUSINESS SEGMENTS

ORIX Group organizes its businesses into ten segments to facilitate strategy formulation, resource allocation and portfolio balancing at the segment level. These ten business segments are: Corporate Financial Services and Maintenance Leasing, Real Estate, PE Investment and Concession, Environment and Energy, Insurance, Banking and Credit, Aircraft and Ships, ORIX USA, ORIX Europe, Asia and Australia. 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 ten segments follows. However, the operating strategy of each business may change in the future due to developments relating to the spread of COVID-19, including the duration and extent to which preventative measures are maintained across the globe, and the impact of market volatility and potential economic or geopolitical instability around the world.

Corporate Financial Services and Maintenance Leasing

This segment is involved in finance and fee business; leasing and rental of automobiles, electronic measuring instruments and ICT-related equipment; and Yayoi.

In corporate financial services, we are engaged in leasing and lending businesses with a focus on profitability. We also focus on fee businesses by providing life insurance and environment and energy-related products and services to domestic small and medium-sized enterprise customers, as well as business succession support and M&A broking in domestic regions. In the automobile-related businesses, we aim to increase market share in small and medium-sized enterprises and individual customers, as well as large corporate customers by enhancing our competitive advantages stemming from our industry-leading number of fleets under management and one-stop automobile-related services. In the rental business operated by ORIX Rentec Corporation, we are not only providing electronic measuring instruments and ICT-related equipment lending, but also developing new services relating to robots, drones, etc. On December 17, 2021, we announced that we had agreed to sell all of the business of Yayoi, including Yayoi's development, sales and support of business software and related services. The sale was completed on March 1, 2022.

Real Estate

This segment consists of real estate development, rental and management, facility operation, and real estate asset management.

In our real estate business, we aim to promote portfolio rebalancing by selling rental properties in favorable market conditions while investing in real estate development projects that can generate added value. We are also expanding our asset management business, which is less affected by volatility in the real estate market, and our housing-related business with a focus on residential condominiums. Our real estate business also operates hotels and Japanese inns, and we aim to improve profitability by attracting customers in response to diversifying customer needs. In the future, we will promote the innovation and the efficiency of our business through digital transformation, and develop businesses that take advantage of our strengths in a diverse value chain that includes real estate development and rental, asset management, facility operations, residential condominiums management, office building management, construction contracting, and real estate brokerage.

PE Investment and Concession

This segment consists of private equity investment, and concession.

In the private equity business, we aim to earn stable profits from investees and sustainable gains on sales through rebalancing our portfolio. We aim to expand investment in focused industries and increase value through rollups and alliances with existing investees as a starting point. At the same time, we seek business opportunities created by changes in the industrial structure and explore diversified investment methods. In the concession business, we aim to strengthen our operations in the three airports in Kansai (Kansai International Airport, Osaka International Airport and Kobe Airport), and proactively engage in the operation of public infrastructures other than airports.

Environment and Energy

This segment consists of domestic and overseas renewable energy, electric power retailing, ESCO services, sales of solar panels and battery energy storage system, and recycling and waste management.

In the environment and energy business, we aim to increase services revenue as a comprehensive energy service provider by promoting our renewable energy business and electric power retailing business. In our solar power generation business, we have owned and operated one of the largest solar power capacities in total in Japan. In the recycling and waste management business, we are making new investments in facilities with the aim of further expansion of business. We intend to accelerate our renewable energy business overseas by utilizing the expertise we have gained in the domestic market.

Insurance

This segment consists of life insurance.

In the life insurance business, we sell life insurance through agents, banks and other financial institutions, face-to-face sales through our own consulting services, and online sales. With "simple-to-understand" and "providing reasonable guarantee at reasonable price" as the concepts of product development, we aim to expand the number of new life insurance contracts and increase life insurance premium income by constantly incorporating our customer needs while expanding the product lineup.

Banking and Credit

This segment consists of banking and consumer finance.

In the banking business, we aim to increase finance revenues mainly by origination of real estate investment loans, which is the core of our banking business. In the consumer finance business, we aim to increase finance revenues by providing loans directly to our customers with our expertise in credit screening. We also aim to increase guarantee fees income by expanding guarantees against loans disbursed by other financial institutions. In the mortgage bank business, we aim to expand our market share by expanding our agency network and strengthening our product lineup.

Aircraft and Ships

This segment consists of aircraft leasing and management, and ship-related finance and investment.

In the aircraft-related operations, we are focusing on a wide range of profit opportunities, including operating leases of owned aircraft, sale of aircraft to investors, and asset management services for aircraft owned by domestic and overseas investors. We aim for medium- and long-term growth by further enhancing our presence in the global aircraft-leasing market including through mutually complementary relationships with Avolon. In the ship-related business, we flexibly replace assets while closely monitoring the market environment, and aim to achieve goals such as an increase of commission income by arranging investment in ships for domestic corporate investors. In the future, we aim to expand our business by collaborating with excellent partners based on our expertise in finance and investment.

ORIX USA

This segment consists of finance, investment and asset management in the Americas.

ORIX Corporation USA provides various types of finance services such as corporate finance, real estate finance, private equity investment, and investment in bonds to our clients in response to their needs. We aim to expand such asset businesses by making the most of our expertise in them. We are also engaged in expanding the function of our asset management and servicing platform to increase stable fee revenues. With the expansion of both principal investments and assets under management, we aim for the growth of profits along with improvement of capital efficiency.

ORIX Europe

This segment consists of asset management of global equity and fixed income.

Under OCE as the holding company, Robeco Institutional Asset Management B.V. (hereinafter, "Robeco") and Transtrend B.V. headquartered in the Netherlands, Boston Partners Global Investors, Inc. and Harbor Capital Advisors, Inc. headquartered in the United States are engaged in the asset management business through investments in stocks, bonds, etc. In addition to the focus on expanding the existing businesses by leveraging the expertise of Robeco, a pioneer in sustainable investment, we aim to increase assets under management with expanding products and investment strategies through M&A activities. ORIX Europe is also engaged in capturing a wide range of business opportunities as the strategic business location of ORIX Group in Europe.

Asia and Australia

This segment consists of finance and investment businesses in Asia and Australia.

Our overseas subsidiaries are well-versed in business practices and laws and regulations that vary from region to region, and are primarily engaged in financial services such as leasing and lending. Our overseas subsidiaries also invest in private equity in Asian countries, particularly in China. We will further enhance the functions of our overseas subsidiaries and further invest in targeted markets in order to expand our business with an emphasis on profitability.

DIVISIONS, MAJOR SUBSIDIARIES AND AFFILIATES

A list of major subsidiaries and affiliates 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

As 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, two coal-biomass co-fired power plants, three solar power stations and two hotels.

	As of March 31, 2022	
	Book Value[1]	**Land Space[2]**
	(Millions of yen)	**(Thousands of m²)**
Office building (Tachikawa, Tokyo)	¥11,276	2
Office building (Shiba, Minato-ku, Tokyo)	31,190	2
Office building (Osaka, Osaka)	9,325	2
Coal-biomass co-fired power plants (Kitakyushu, Fukuoka)	17,013	37
Coal-biomass co-fired power plants (Soma, Fukushima)	22,507	63
Solar power station (Tsu, Mie)	12,319	1,193
Solar power station (Niigata, Niigata)	11,990	251
Solar power station (Tomakomai, Hokkaido)	10,439	—
Hotel (Beppu, Oita)[3]	22,780	166
Hotel (Kanazawa, Ishikawa)	10,544	2

(1) Right-of-use assets (hereinafter, "ROU assets") are included in the book value.

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

(3) Book value of hotel (Beppu, Oita) includes advances for property under facility operations of ¥3,375 million.

We plan to make capital expenditures totaling approximately ¥696,350 million to support the growth and development of our operating lease business and power generation business during fiscal 2023. The following table shows a breakdown of planned capital expenditures and includes the estimated investment amounts and expected methods of financing the expenditures.

	Fiscal 2023	
	Estimated investment amounts	**Expected methods of financing**
	(Millions of yen)	
Operating lease equipment and property	¥601,000	Funds on hand, bank borrowings, etc.
Power generation equipment	95,350	Funds on hand, bank borrowings, etc.
Total	¥696,350	

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 ¥240,421 million as of March 31, 2022.

As of March 31, 2022, the acquisition cost of equipment we held for operating leases amounted to ¥2,144,574 million, consisting of ¥1,438,621 million of transportation equipment, ¥326,680 million of measuring and information-related equipment, ¥307,338 million of real estate and ¥71,935 million of others, before accumulated depreciation. Accumulated depreciation on equipment held for operating leases was ¥819,839 million. We also recognized ¥107,742 million of ROU assets of operating leases, ¥31,639 million of accrued rental receivables and ¥(914) million of allowance for doubtful receivables on operating leases 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 primarily governed by, the Companies Act and other Japanese laws. However, because certain of ORIX's group companies are organized in jurisdictions other than Japan, and ORIX and its group companies are involved in diverse businesses, joint ventures and acquisitions in overseas jurisdictions, including in the United States, Europe, Asia and Oceania, we are therefore subject to various laws and regulations in each jurisdiction in which they are organized or operate, including, but not limited to, regulations relating to corporate governance, business and investment approvals, competition, anti-corruption, anti-money laundering and terrorism financing, consumer and business taxation, foreign exchange controls, intellectual property and personal information protection. In recent years, there has been an increasing number of laws and regulations on competition, anti-corruption, anti-money laundering and terrorism financing, and personal data protection that can apply directly to business activities taking place outside of the jurisdiction that enacted such law or regulation (extraterritorial application). Given the need for ORIX and its group companies to deal with the laws and regulations of multiple countries on each legal topic, there has been a tendency for costs to increase as a result of the increasing number of laws and regulations that need to be assessed. In addition, there is an increasing number of cases where significant fines and penalties have been imposed for violations of such laws and regulations. For example, fines for violations of the European Union's General Data Protection Regulation can be up to 4% of total global turnover and fines for violations of the U.S. Foreign Corrupt Practices Act can be up to twice the benefit sought, in addition to penalties such as disgorgement of profits and prejudgment interest.

The next section describes the main laws and regulations applicable to each of our business segments.

1. Corporate Financial Services and Maintenance Leasing

ORIX and certain of our group companies are engaged in the moneylending business in Japan. The Moneylending Business Act requires that all companies engaged in moneylending business register with the Prime Minister or the relevant prefectural governors. Moneylenders permitted to register are regulated by the Financial Services Agency ("FSA"), and are required to file various notifications and provide documents such as their annual business reports. Further, moneylenders are required to comply with applicable laws and to establish an internal management system to ensure the appropriate management of money lending operations. These obligations are supervised by the FSA. Accordingly, pursuant to the Moneylending Business Act, ORIX and certain of our group companies have registered with the Prime Minister or various prefectural governors, established the necessary internal systems, and provide the necessary reporting and notification to the FSA. The FSA has the power to issue business improvement orders, suspend all or part of a money lender's activities, or to revoke the registration of a moneylender that has violated the law, depending on the severity of the violation.

Certain businesses conducted by ORIX and our group companies are governed by the Financial Instruments and Exchange Act. The act was established to regulate activities such as the issuance, sale and purchase of stocks and other securities in order to protect investors and facilitate finance, and requires that any person conducting such activities register with the Prime Minister as a "financial instruments traders." Financial instruments traders are divided among 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, and companies in the Corporate Financial Services and Maintenance Leasing segment conducting such activities are registered with the Prime Minister as Second Class Financial Instruments Exchange Businesses. Registered financial instruments traders are obligated to establish an internal management system to ensure compliance with relevant laws and regulations and appropriate management of its business, as well as to provide and deliver material information and explain risks to their customers. The relevant supervisory authority, the FSA, monitors registered financial instruments traders and 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, depending on the severity of the violation:

While the ORIX Group includes a life insurance company engaged in the insurance business, ORIX and certain of our group companies are also separately registered with the Prime Minister as insurance agencies for life insurance and/or non-life insurance and are subject to Insurance Business Act. As insurance agencies, the companies are obligated to establish certain systems and provide and deliver material information and explain risks to their customers. In the event an insurance agency violates such obligations, 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 the insurance agency that has violated the law, depending on the severity of the violation. For information on regulations applicable to our insurance business other than our insurance agencies, see "*—5. Insurance*" below.

Leasing and rental businesses generally do not require registration or licenses. However, the renting of automobiles (operation of a car rental business) and car-sharing business is subject to licensing by the Minister of the Ministry of Land, Infrastructure and Transport ("MoLIT"). In addition, the leasing or renting of some types of goods may require compliance with regulations that specify reporting or notification obligations based on certain characteristics of the goods.

2. Real Estate

While it is unnecessary for a company to obtain a license to become a real estate developer, there are various regulations that apply to real estate activities. Certain of our group companies have obtained Construction Business Licenses from MoLIT for constructing buildings and conducting interior finishing work. Furthermore, ORIX and certain of our group companies, including ORIX Real Estate Corporation and DAIKYO, are required to be licensed by MoLIT or relevant prefectural governors under the Building Lots and Buildings Transaction Business Act to engage in activities such as the buying and selling land and buildings in Japan, and their operations are regulated by such laws, including the maintenance of registered real estate transaction managers on staff and the duty to provide and deliver material information to counterparties.

In addition, lodging facilities, such as Japanese inns and hotels, operated by ORIX Hotel Management Corporation have licenses from relevant prefectural governors under the Inns and Hotels Act, etc.

ORIX's wholly owned subsidiaries ORIX Asset Management Corporation ("OAM") and ORIX Real Estate Investment Advisors Corporation ("ORIA") are each registered with the Prime Minister under the Financial

Instruments and Exchange Act as an investment manager. 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 and ORIA.

ORIA is 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.

3. PE Investment and Concession

ORIX conducts investment activities in a broad range of fields without regard for the specific industry. Due to this, we are subject to a wide variety of regulations, including those that are applicable to our investment activities and those that apply due to the type of business conducted by our investees. ORIX generally does not directly involve itself in the management of its investees, but it is necessary for us to pay attention to regulations that apply to our investees so that we can monitor their management.

4. Environment and Energy

The businesses that comprise our renewable energy business, such as our solar power generation business, are subject to and must comply with various requirements and regulations in the jurisdictions where they operate, including the Electricity Business Act, Environmental Impact Assessment Act and Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities in Japan and similar laws and regulations in other jurisdictions, when setting up a power generation facility, including business notification requirements, regulations relating to the facility location, and other various regulations, such as those designed to protect the environment and visual landscape and ensure safety from the perspective of disaster prevention.

5. Insurance

In order to engage in the life insurance business, ORIX Life Insurance has obtained and maintains a license from the Prime Minister under the Insurance Business Act. The relevant supervisory authority, the FSA, has the power to conduct broad supervision and guidance of the life insurance industry and to issue business improvement orders, suspend all or part of an insurance company's activities, or to revoke the license of an insurance company that has violated the law or that has been determined to have an insufficient internal management system, depending on the severity of the violation or insufficiency. It is also generally necessary to receive FSA approval for the sale of new products and to revise pricing terms for existing products.

Any entity attempting to acquire voting rights in an insurance company at or above a specified threshold must receive permission from the Prime Minister in accordance with the Insurance Business Act. ORIX has received such permission as a major shareholder of ORIX Life Insurance.

6. Banking and Credit

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. A bank must establish a system for the protection of customers' interests, which is supervised by the FSA.

In addition, any entity that attempts to obtain voting rights in a bank at or above a specified threshold must receive permission from the Prime Minister in accordance with the Banking Act. ORIX has received such permission as a major shareholder of ORIX Bank.

ORIX Credit is engaged in the business of providing moneylending services to consumers and licensed as a moneylender. For information on regulations applicable to moneylenders, see "*—1. Corporate Financial Services and Maintenance Leasing*" above.

7. Aircraft and Ships

The business of leasing aircraft and ships generally does not require a license, however it is necessary to register the ownership of aircraft and ships. In most jurisdictions, the lessee under an aircraft lease is responsible for registering the aircraft, while the lessor under a ship lease registers the ship with the appropriate flag state. In the case of ship leases, there are certain regulations that we must comply with because they apply directly not just to the lessee but also the lessor, such as environmental regulations.

8. ORIX USA

Certain of our businesses in our ORIX USA segment are subject to extensive regulation in the United States and Brazil. Certain subsidiaries of ORIX Corporation USA manage private investments, collateralized loan obligations and separately managed accounts and are registered as investment advisers with the SEC under the U.S. Investment Advisers Act of 1940, as amended ("Advisers Act") and are subject to the requirements and regulations of the Advisers Act. Such requirements relate to, among other things, fiduciary duties to advisory clients, maintaining an effective compliance program and code of ethics, operational and marketing requirements, recordkeeping and reporting requirements, disclosure obligations and general anti-fraud prohibitions.

Lument Securities, a wholly owned subsidiary of ORIX Corporation USA, through which we conduct an investment banking, private placement and municipal securities business, is registered as a broker-dealer with the SEC and the Financial Industry Regulatory Authority ("FINRA"). Lument Securities is a municipal securities dealer registered with the SEC and the Municipal Securities Rulemaking Board ("MSRB"), and hence is subject to regulation and oversight by the SEC, FINRA, and the MSRB. Lument Securities is registered as a broker-dealer in 53 states/U.S. jurisdictions, and as a result is a member of and is subject to regulation by FINRA, a self-regulatory organization subject to oversight by the SEC that adopts and enforces rules governing the conduct, and examines the activities, of its member firms. State securities regulators also have regulatory oversight authority over Lument Securities. Broker-dealers are subject to regulations that cover all aspects of the securities business, including, among others, the implementation of a supervisory control system over the securities business, advertising and sales practices, conduct of and compensation in connection with public securities offerings, maintenance of adequate net capital, record keeping and the conduct and qualifications of employees.

By virtue of their involvement in the multifamily and seniors housing mortgage lending business, Lument and its mortgage company 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/Federal Housing Administration, the United States Department of Agriculture, and the Federal Home Loan Mortgage Corporation.

Certain of ORIX Corporation USA's subsidiaries are licensed California Finance Lenders.

Boston Financial Investment Management, LP ("BFIM"), a subsidiary of ORIX Corporation USA, is a provider of syndication services as well as asset and portfolio management in the U.S. Low-Income Housing Tax Credits industry in connection with financing for the construction and rehabilitation of affordable housing. As the beneficiary of tax credits and often other subsidy and loan programs, a Low-Income Housing Tax Credits property is typically regulated at the U.S. federal, state, and local levels. Day-to-day responsibility of the property resides with a third party general partner, who in addition to directing the agent that manages the property, has responsibility for compliance with applicable laws and regulations. As the general partner of a limited partnership, BFIM monitors such compliance on behalf of the other limited partners.

RB Capital S.A. (“RB Capital”), a majority-owned subsidiary of ORIX Corporation USA headquartered in Sao Paulo, is a Brazilian capital markets and asset management platform. RB Capital and its subsidiaries’ financial and investment activities are regulated by the Central Bank of Brazil and the Securities and Exchange Commission of Brazil and RB Capital is a member of the Brazilian Financial and Capital Markets Association.

9. ORIX Europe

Certain of our businesses in our ORIX Europe segment, which includes entities and businesses that are organized in or operating in jurisdictions outside of Europe, are subject to extensive regulation in various jurisdictions across Europe, the United States and Asia.

Dutch subsidiaries of OCE are subject to European financial supervisory regulation, including, amongst others and as the case may be, the Alternative Investment Fund Managers Directive, the Undertakings for Collective Investment in Transferable Securities (“UCITS”) Directive, the Markets in Financial Instruments Directive, the European Market Infrastructure Regulation, the Market Abuse Regulation, the 5th Anti-Money Laundering Directive, the Benchmark Regulation, the Securities Financing Transactions Regulation and the Shareholder Rights Directive II. UK-regulated subsidiaries of OCE are subject to the UK FCA Conduct of Business Sourcebook. U.S. subsidiaries of OCE are subject to regulation, primarily at the federal level, by, as the case may be, the SEC, Department of Labor, Federal Reserve, Office of the Comptroller of the Currency, FINRA, National Futures Association (“NFA”), Department of Justice, Commodity Futures Trading Commission (“CFTC”) and New Hampshire Banking Department (“NHBD”), as well as being subject to the Advisers Act.

Robeco Institutional Asset Management B.V. (“RIAM”), a subsidiary of OCE, is registered as an alternative investment fund manager (“AIFM”) and fund manager of UCITS in the Netherlands and regulated by the Dutch Authority for the Financial Markets (“AFM”) and the Dutch Central Bank (“DNB”). RIAM has branches and representative offices worldwide, including in Dubai, Germany, Spain, Italy and the United Kingdom, each of which either benefits from RIAM’s European passport or is subject to local regulatory supervision.

Robeco Schweiz AG, a subsidiary of OCE, is authorized and regulated by the Swiss Financial Market Supervisory Authority (“FINMA”). Robeco Schweiz is subject to Swiss legislation, including amongst others and as the case may be, the Federal Act on Collective Investment Schemes, the Federal Ordinance on Collective Investment Schemes, the FINMA Collective Investment Schemes Ordinance, the Financial Services Act , the Financial Institutions Act, the Anti-Money Laundering Act, the Anti-Money Laundering Ordinance, the FINMA Anti-Money Laundering Ordinance, the FINMA Circular 2018/3 on Outsourcing, the FINMA Circular 2013/8 on Market Conduct Rules, the FINMA Circular 2010/1 on Remuneration Principles, the Code of Conduct from the Asset Management Association Switzerland and their respective industry Guidelines.

Certain other subsidiaries of OCE located across Europe, the United States and Asia that are affiliated with the Robeco group are registered, licensed or approved, as the case may be, by regulators in the jurisdictions in which they operate and subject to local regulations regarding their businesses. Such regulators include the AFM, SEC, Securities & Futures Commission of Hong Kong, Financial Services Commission of Korea (“FSC”), Australian Securities and Investments Commission, Asset Management Association of China and Monetary Authority of Singapore.

Transtrend B.V., a wholly owned subsidiary of OCE that offers asset management and commodity trading advisory services, is registered as an AIFM in the Netherlands and regulated by the AFM and DNB. Transtrend is also registered with the NFA and regulated by the CFTC.

Boston Partners Global Investors, Inc. (“Boston Partners”) is a subsidiary of OCE and registered with the SEC as an investment adviser. Boston Partners is also a member of the NFA and is registered as a commodity pool operator and as a commodity trading adviser with the CFTC. Furthermore, Boston Partners is registered with the FSC, and Guam Department of Revenue and Taxation. Certain subsidiaries of Boston Partners located in the United States and the United Kingdom are also registered with the SEC, NHBD, FINRA and the FCA.

Harbor Capital Advisors, Inc. (“Harbor”) is a subsidiary of OCE and is registered with the SEC as an investment adviser. Harbor is also a member of the NFA and is registered as a commodity pool operator with the CFTC. Certain subsidiaries of Harbor are registered with the SEC, NHBD and a member of FINRA.

Gravis Capital Management Limited (“Gravis”) is a UK asset manager and is authorized as a full-scope UK AIFM by the FCA. OCE acquired 70% of the shares in Gravis in January 2021.

10. Asia and Australia

Our group companies in our Asia and Australia segment are subject to the laws and regulations of the various jurisdictions across Asia and Oceania in which they operate. Many of the businesses are also subject to oversight by regulatory authorities in those jurisdictions due to the industries in which they operate, particularly those businesses that offer of financial services, such as leasing, lending and banking. Regulatory authorities in these jurisdictions have authority with respect to financial services and can grant, suspend or cancel licenses or registrations that are necessary for our businesses to conduct certain of their operations.

Among group companies in the segment, ORIX Asia Limited is registered with the Hong Kong Monetary Authority as a restricted license bank. A wholly owned subsidiary of ORIX Leasing Malaysia Berhad has a money lending license from the Malaysia Ministry of Housing and Local Government, and is registered with Bank Negara Malaysia. PT. ORIX Indonesia Finance has a financial institution business license and is regulated by the Indonesia Financial Services Authority. ORIX Australia Corporation Limited is registered with the Australian Prudential Regulation Authority as a registered finance corporation. ORIX Capital Korea Corporation is registered with the Korea Financial Supervisory Service as a specialized credit finance business company. ORIX Asia Asset Management Co., Limited is registered with the Hong Kong Securities and Futures Commission as a licensed entity to carry on Type 1, 4 and 9 regulated activities.

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.

Basic approach to financial and capital strategy

Regarding funding activities, we strive to maintain a high ratio of long-term funds procured and staggered repayment periods, keeping in mind the diversification and balance of fund procurement methods and sources. We strive to ensure that liquidity on hand is at an appropriate level through stress testing and other means. With regard to shareholders' equity, we measure risk in all assets using our own method, and strive to monitor the ratio of use of shareholders' equity at an appropriate level while considering the balance between flexibility and financial soundness for new investments.

We aim to keep maximum effort to maintain A grade. ORIX is working to achieve its goals by measuring and evaluating its capital adequacy, financing conditions, and asset quality internally, and by regularly confirming evaluations from credit rating agencies.

The issuer ratings (or counterparty ratings) that the ORIX Group has obtained from rating agencies as of the filing date of this annual report are "A-" for S&P Global Ratings Japan, "A3" for Moody's Investors Service, "A-" for Fitch Ratings Japan, "AA-" for Rating and Investment Information, Inc. (R&I), and "AA" for Japan Credit Rating Agency, Ltd. (JCR).

Major Use of funding

The ORIX Group's major uses of funding include purchases of leased assets, such as office equipment, automobiles, ICT equipment, measuring equipment, real estate, and aircraft, loans to customers, investments in affiliates, acquisition of subsidiaries, purchases of investment securities, and purchases of business assets.

Results Overview

In fiscal 2022, net income attributable to ORIX corporation shareholders increased 62% to ¥312.1 billion compared to the previous fiscal year. For fiscal 2022, ROE was 9.9%.

The segment profit in fiscal 2022 increased 66% to ¥551.2 billion to compared to the previous fiscal year due to an increase in segment profit in Corporate Financial Services and Maintenance Leasing, Real Estate, ORIX USA, ORIX Europe, and Asia and Australia, despite a decrease in segment profit in PE Investment and Concession, Environment and Energy, Insurance, Banking and Credit, and Aircraft and Ships. The summary of the main factors behind the consolidated business results for fiscal 2022 is included in "Item 5. Operating and Financial Review and Prospects—The Fiscal Year vs Last Fiscal Year" in this annual report.

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 real estate loans for consumers, 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. 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 finance 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. In addition, revenues from guarantees, which are from commission income by guarantees against loans disbursed by other financial institutions, are also included in finance revenues.

Securities investment activities originated by the Company were extended to certain group companies, including our subsidiaries operating in the Americas.

Sales of goods and real estate consists of revenues from sales of real estate and various types of goods, including precious metals and jewels.

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, automobile related services, facilities operation, environment and energy services, real estate management, brokerage and contract work, maintenance services of software, measurement equipment and other, and fee 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 and provision for credit 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, 2022 Compared to Year Ended March 31, 2021” and “Year Ended March 31, 2021 Compared to Year Ended March 31, 2020.”

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, 2022 COMPARED TO YEAR ENDED MARCH 31, 2021

Performance Summary

Financial Results

	Year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except ratios, per Share data and percentages)			
Total revenues	¥ 2,292,708	¥ 2,520,365	¥ 227,657	10
Total expenses	2,033,894	2,218,282	184,388	9
Income before Income Taxes	287,561	504,876	217,315	76
Net Income Attributable to ORIX Corporation Shareholders	192,384	312,135	119,751	62
Earnings per Share (Basic)	155.54	259.37	103.83	67
(Diluted)	155.39	259.07	103.68	67
ROE*1	6.4	9.9	3.5	—
ROA*2	1.44	2.24	0.80	—

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

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

Total revenues for fiscal 2022 increased 10% to ¥2,520,365 million compared to fiscal 2021 due to increases in services income, operating leases revenues, sales of goods and real estate, gains on investment securities and dividends.

Total expenses for fiscal 2022 increased 9% to ¥2,218,282 million compared to fiscal 2021 due to increases in services expense, costs of operating leases, costs of goods and real estate sold, selling, general and administrative expenses, and write-downs of long-lived assets.

Equity in net income (loss) of affiliates for fiscal 2022 increased by ¥14,525 million to ¥15,006 million compared to fiscal 2021 and gains on sales of subsidiaries and affiliates and liquidation losses, net for fiscal 2022 increased by ¥164,487 million to ¥187,787 million compared to fiscal 2021.

Due to the above results, income before income taxes for fiscal 2022 increased 76% to ¥504,876 million compared to fiscal 2021 and net income attributable to ORIX Corporation shareholders increased 62% to ¥312,135 million compared to fiscal 2021.

Balance Sheet data

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen except ratios, per share and percentages)			
Total Assets	¥13,563,082	¥14,270,672	¥ 707,590	5
(Segment assets)	11,341,789	11,999,584	657,795	6
Total Liabilities	10,459,938	10,899,271	439,333	4
(Short-term and Long-term debt)	4,724,102	4,866,685	142,583	3
(Deposits)	2,317,785	2,276,158	(41,627)	(2)
ORIX Corporation Shareholders' Equity	3,028,456	3,261,419	232,963	8
ORIX Corporation Shareholders' Equity per share	2,487.77	2,732.88	245.11	10
ORIX Corporation Shareholders' Equity ratio*	22.3 %	22.9 %	0.6 %	—
D/E ratio (Debt-to-equity ratio) (Short-term and Long-term debt (excluding deposits) / ORIX Corporation Shareholders' Equity)	1.6 x	1.5 x	(0.1)x	—

* 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 5% to ¥14,270,672 million compared to the balance as of March 31, 2021 due to increases in installment loans, investment in securities, investment in affiliates and other assets. In addition, segment assets increased 6% to ¥11,999,584 million compared to the balance as of March 31, 2021.

Total liabilities increased 4% to ¥10,899,271 million compared to the balance as of March 31, 2021 due to increases in short-term debt, policy liabilities and policy account balances and other liabilities being offset by a decrease in deposits.

Shareholders' equity increased 8% to ¥3,261,419 million compared to the balance as of March 31, 2021.

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 operating segments used by the chief operating decision maker to make decisions about resource allocations and assess performance are organized into ten segments based on our business management organization which is classified by the nature of major products and services, customer base, regulations, and business areas. The ten segments are Corporate Financial Services and Maintenance Leasing, Real Estate, PE Investment and Concession, Environment and Energy, Insurance, Banking and Credit, Aircraft and Ships, ORIX USA, ORIX Europe, and Asia and Australia.

Financial information about the operating segments reported below is that which is available by segment and regularly reviewed by the chief operating decision maker to make decisions about resource allocations and assess performance. The chief operating decision maker evaluates the performance of the segments based on income before income taxes, net income attributable to noncontrolling interests and net income attributable to redeemable noncontrolling interests before applicable tax effect. Tax expenses are excluded from the segment profits.

Since April 1, 2021, a portion of interest expenses, which were initially included in the difference between segment total profits and consolidated amounts, have been charged directly to its respective segments. In addition, a portion of selling, general and administrative expenses, which were initially recorded in each respective segment, have been included in the difference between segment total profits and consolidated amounts. Furthermore, a portion of the leasing business in the Environment and Energy segment was transferred to the Corporate Financial Services and Maintenance Leasing segment. As a result of these changes, segment data for fiscal 2021 have been retrospectively restated.

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

	Year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Corporate Financial Services and Maintenance Leasing	¥ 431,015	¥ 445,338	¥ 14,323	3
Real Estate	359,798	390,688	30,890	9
PE Investment and Concession	331,222	385,739	54,517	16
Environment and Energy	141,971	160,232	18,261	13
Insurance	491,894	486,704	(5,190)	(1)
Banking and Credit	83,724	84,821	1,097	1
Aircraft and Ships	31,617	38,639	7,022	22
ORIX USA	138,017	161,344	23,327	17
ORIX Europe	160,798	221,112	60,314	38
Asia and Australia	128,309	148,055	19,746	15
Segment Total	2,298,365	2,522,672	224,307	10
Difference between Segment Total and Consolidated Amounts	(5,657)	(2,307)	3,350	—
Consolidated Amounts	¥ 2,292,708	¥ 2,520,365	¥ 227,657	10

	Year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Profits:				
Corporate Financial Services and Maintenance Leasing	¥ 70,727	¥ 251,384	¥ 180,657	255
Real Estate	25,886	33,558	7,672	30
PE Investment and Concession	3,842	(11,261)	(15,103)	—
Environment and Energy	27,543	2,948	(24,595)	(89)
Insurance	56,152	54,560	(1,592)	(3)
Banking and Credit	49,913	43,779	(6,134)	(12)
Aircraft and Ships	5,357	(1,838)	(7,195)	—
ORIX USA	40,296	76,263	35,967	89
ORIX Europe	39,446	49,559	10,113	26
Asia and Australia	13,124	52,255	39,131	298
Segment Total	332,286	551,207	218,921	66
Difference between Segment Total and Consolidated Amounts	(44,725)	(46,331)	(1,606)	—
Consolidated Amounts	¥ 287,561	¥ 504,876	¥ 217,315	76

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Assets:				
Corporate Financial Services and Maintenance Leasing	¥ 1,676,063	¥ 1,516,795	¥(159,268)	(10)
Real Estate	872,095	910,101	38,006	4
PE Investment and Concession	378,698	353,581	(25,117)	(7)
Environment and Energy	489,174	703,608	214,434	44
Insurance	1,959,521	2,072,145	112,624	6
Banking and Credit	2,690,627	2,687,156	(3,471)	(0)
Aircraft and Ships	601,762	684,098	82,336	14
ORIX USA	1,220,081	1,364,142	144,061	12
ORIX Europe	369,546	401,869	32,323	9
Asia and Australia	1,084,222	1,306,089	221,867	20
Segment Total	11,341,789	11,999,584	657,795	6
Difference between Segment Total and Consolidated Amounts	2,221,293	2,271,088	49,795	2
Consolidated Amounts	¥13,563,082	¥14,270,672	¥ 707,590	5

Corporate Financial Services and Maintenance Leasing

Segment profits increased 255% to ¥251,384 million compared to fiscal 2021. This increase was primarily due to an increase in gains on sales of subsidiaries and affiliates resulting from the sale of the business of Yayoi, but also due to an increase in operating leases revenues resulting from an increase in gains on sales of used cars in our automobile-related businesses and an increase in gains on investment securities and dividends resulting from the IPO of an investee.

Segment assets decreased 10% to ¥1,516,795 million compared to the end of fiscal 2021. This decrease was due to decreases in net investment in leases, investment in operating leases, and goodwill, intangible assets acquired in business combinations.

	Year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 58,996	¥ 57,580	¥ (1,416)	(2)
Gains on investment securities and dividends	1,616	4,417	2,801	173
Operating leases	247,190	254,956	7,766	3
Sales of goods and real estate	10,348	9,741	(607)	(6)
Services income	112,865	118,644	5,779	5
Total Segment Revenues	431,015	445,338	14,323	3
Interest expense	5,613	5,109	(504)	(9)
Costs of operating leases	199,774	191,291	(8,483)	(4)
Costs of goods and real estate sold	6,832	6,516	(316)	(5)
Services expense	56,447	58,148	1,701	3
Selling, general and administrative expenses	74,882	76,845	1,963	3
Provision for credit losses and write-downs of long-lived assets and securities	1,405	2,388	983	70
Other	16,528	17,175	647	4
Total Segment Expenses	361,481	357,472	(4,009)	(1)
Segment Operating Income	69,534	87,866	18,332	26
Equity in Net income (Loss) of Affiliates, and others	1,193	163,518	162,325	—
Segment Profits	¥ 70,727	¥ 251,384	¥ 180,657	255

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases	¥ 610,366	¥ 580,161	¥ (30,205)	(5)
Installment loans	330,917	325,482	(5,435)	(2)
Investment in operating leases	548,677	517,233	(31,444)	(6)
Investment in securities	30,318	34,987	4,669	15
Property under facility operations	18,726	17,199	(1,527)	(8)
Inventories	630	594	(36)	(6)
Advances for finance lease and operating lease	500	1,800	1,300	260
Investment in affiliates	18,049	16,929	(1,120)	(6)
Goodwill, intangible assets acquired in business combinations	117,880	22,410	(95,470)	(81)
Total Segment Assets	¥ 1,676,063	¥ 1,516,795	¥(159,268)	(10)

Real Estate

Segment profits increased 30% to ¥33,558 million compared to fiscal 2021. This increase was due to an increase in services income from operating facilities, an increase in operating leases revenues resulting from sales of real estate under operating leases, and an increase in gains on investment securities and dividends resulting from the sale of an investee.

Segment assets increased 4% to ¥910,101 million compared to the end of fiscal 2021. This increase was due to an increase in investment in affiliates and advances for finance lease and operating lease.

	Year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 6,206	¥ 5,602	¥ (604)	(10)
Operating leases	46,022	48,091	2,069	4
Sales of goods and real estate	91,348	97,138	5,790	6
Services income	215,805	235,746	19,941	9
Other	417	4,111	3,694	886
Total Segment Revenues	359,798	390,688	30,890	9
Interest expense	2,282	2,584	302	13
Costs of operating leases	24,929	25,006	77	0
Costs of goods and real estate sold	76,071	79,612	3,541	5
Services expense	202,161	218,909	16,748	8
Selling, general and administrative expenses	34,766	33,474	(1,292)	(4)
Provision for credit losses and write-downs of long-lived assets and securities	1,994	262	(1,732)	(87)
Other	(2,170)	(1,150)	1,020	—
Total Segment Expenses	340,033	358,697	18,664	5
Segment Operating Income	19,765	31,991	12,226	62
Equity in Net income (Loss) of Affiliates, and others	6,121	1,567	(4,554)	(74)
Segment Profits	¥ 25,886	¥ 33,558	¥ 7,672	30

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases	¥ 66,371	¥ 62,498	¥ (3,873)	(6)
Investment in operating leases	291,877	300,460	8,583	3
Investment in securities	8,543	4,289	(4,254)	(50)
Property under facility operations	149,479	155,750	6,271	4
Inventories	94,429	97,667	3,238	3
Advances for finance lease and operating lease	98,820	112,309	13,489	14
Investment in affiliates	99,105	113,178	14,073	14
Advances for property under facility operations	4,089	6,857	2,768	68
Goodwill, intangible assets acquired in business combinations	59,382	57,093	(2,289)	(4)
Total Segment Assets	¥ 872,095	¥ 910,101	¥ 38,006	4

PE Investment and Concession

Segment profits decreased by ¥15,103 million to losses of ¥11,261 million as compared to segment profits of ¥3,842 million in fiscal 2021. This decrease was due to the write-down of assets to be transferred in connection with the conclusion of asset transfer agreements at a certain investee, as well as the write-down of inventories at a certain investee. In addition, there was a decrease in equity in net income (loss) of affiliates at our three airports in Kansai in our concession business.

Segment assets decreased 7% to ¥353,581 million compared to the end of fiscal 2021. This decrease was due to a decrease in inventories and property under facility operations at a certain investee and a decrease in the book value of investment in affiliates resulting from the inclusion of equity in net loss of our three airports in Kansai.

	Year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 152	¥ 237	¥ 85	56
Gains on investment securities and dividends	846	2,555	1,709	202
Operating leases	6,462	33,870	27,408	424
Sales of goods and real estate	301,732	320,104	18,372	6
Services income	22,030	28,973	6,943	32
Total Segment Revenues	331,222	385,739	54,517	16
Interest expense	1,455	2,268	813	56
Costs of operating leases	3,099	23,643	20,544	663
Costs of goods and real estate sold	259,740	289,522	29,782	11
Services expense	15,947	19,150	3,203	20
Selling, general and administrative expenses	35,324	52,600	17,276	49
Provision for credit losses and write-downs of long-lived assets and securities	3,622	12,599	8,977	248
Other	266	(11,844)	(12,110)	—
Total Segment Expenses	319,453	387,938	68,485	21
Segment Operating Income	11,769	(2,199)	(13,968)	—
Equity in Net income (Loss) of Affiliates, and others	(7,927)	(9,062)	(1,135)	—
Segment Profits	¥ 3,842	¥ (11,261)	¥ (15,103)	—

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases	¥ 1,541	¥ 1,689	¥ 148	10
Investment in operating leases	23,455	43,686	20,231	86
Investment in securities	12,918	12,129	(789)	(6)
Property under facility operations	43,972	40,725	(3,247)	(7)
Inventories	45,597	39,554	(6,043)	(13)
Investment in affiliates	55,421	43,498	(11,923)	(22)
Advances for property under facility operations	6,732	1,323	(5,409)	(80)
Goodwill, intangible assets acquired in business combinations	189,062	170,977	(18,085)	(10)
Total Segment Assets	¥ 378,698	¥ 353,581	¥ (25,117)	(7)

Environment and Energy

Segment profits decreased 89% to ¥2,948 million compared to fiscal 2021. This decrease was due to the write-down of our two coal-biomass co-fired power plants, which considered changes in the environment surrounding the power generation business and our business strategy for those plants in the fiscal year, in addition, the absence of bargain purchase gains and gains on sales of subsidiaries and affiliates recorded in the previous fiscal year resulting from the conversion of an investee involved in wind power generation business in India into a wholly-owned subsidiary. However these decreases were partially offset by an increase in equity in net income (loss) of affiliates at an investee.

Segment assets increased 44% to ¥703,608 million compared to the end of fiscal 2021. This increase was due to the acquisition of a subsidiary that resulted in the recording of property under facility operations and goodwill, intangible assets acquired in business combinations.

	Year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 1,315	¥ 1,001	¥ (314)	(24)
Services income	136,360	155,303	18,943	14
Other	4,296	3,928	(368)	(9)
Total Segment Revenues	141,971	160,232	18,261	13
Interest expense	11,469	6,651	(4,818)	(42)
Services expense	106,577	123,981	17,404	16
Selling, general and administrative expenses	10,810	11,628	818	8
Provision for credit losses and write-downs of long-lived assets and securities	567	19,564	18,997	—
Other	608	1,518	910	150
Total Segment Expenses	130,031	163,342	33,311	26
Segment Operating Income	11,940	(3,110)	(15,050)	—
Equity in Net income (Loss) of Affiliates, and others	15,603	6,058	(9,545)	(61)
Segment Profits	¥ 27,543	¥ 2,948	¥ (24,595)	(89)

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases	¥ 8,978	¥ 7,910	¥ (1,068)	(12)
Installment loans	0	711	711	—
Investment in operating leases	2,051	279	(1,772)	(86)
Investment in securities	814	961	147	18
Property under facility operations	262,016	330,598	68,582	26
Inventories	396	356	(40)	(10)
Advances for finance lease and operating lease	1,392	6	(1,386)	(100)
Investment in affiliates	180,492	204,260	23,768	13
Advances for property under facility operations	19,963	57,520	37,557	188
Goodwill, intangible assets acquired in business combinations	13,072	101,007	87,935	673
Total Segment Assets	¥ 489,174	¥ 703,608	¥ 214,434	44

Insurance

Despite an increase in life insurance premiums and related investment income at ORIX Life Insurance in line with an increase in insurance contracts, segment profits decreased 3% to ¥54,560 million compared to fiscal 2021. This decrease was due to the absence of reversal of policy liability reserve related to variable life insurance contracts at the former Hartford Life Insurance recorded in the previous fiscal year.

Segment assets increased 6% to ¥2,072,145 million compared to the end of fiscal 2021. This increase was due to an increase in investment in securities.

	Year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 242	¥ 265	¥ 23	10
Life insurance premiums and related investment income	489,985	484,377	(5,608)	(1)
Other	1,667	2,062	395	24
Total Segment Revenues	491,894	486,704	(5,190)	(1)
Interest expense	6	9	3	50
Life insurance costs	374,394	368,926	(5,468)	(1)
Selling, general and administrative expenses	61,160	63,003	1,843	3
Provision for credit losses and write-downs of long-lived assets and securities	7	(0)	(7)	—
Other	184	288	104	57
Total Segment Expenses	435,751	432,226	(3,525)	(1)
Segment Operating Income	56,143	54,478	(1,665)	(3)
Equity in Net income (Loss) of Affiliates, and others	9	82	73	811
Segment Profits	¥ 56,152	¥ 54,560	¥ (1,592)	(3)

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans	¥ 17,315	¥ 17,983	¥ 668	4
Investment in operating leases	28,909	28,296	(613)	(2)
Investment in securities	1,908,148	2,021,134	112,986	6
Goodwill, intangible assets acquired in business combinations	5,149	4,732	(417)	(8)
Total Segment Assets	¥ 1,959,521	¥ 2,072,145	¥ 112,624	6

Banking and Credit

Segment profits decreased 12% to ¥43,779 million compared to fiscal 2021. This decrease was primarily at ORIX Credit, due to the absence of the reversal of provision for credit losses recorded in the previous fiscal year resulting from reducing the demand for funds owing to the COVID-19 pandemic, and an increase in advertising expenses in the fiscal year.

Segment assets totaled ¥2,687,156 million, remaining relatively unchanged compared to the end of fiscal 2021.

	Year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 78,071	¥ 76,190	¥ (1,881)	(2)
Gains on investment securities and dividends	675	2,204	1,529	227
Services income	4,978	6,427	1,449	29
Total Segment Revenues	83,724	84,821	1,097	1
Interest expense	4,931	4,946	15	0
Services expense	5,791	6,726	935	16
Selling, general and administrative expenses	22,621	27,144	4,523	20
Provision for credit losses and write-downs of long-lived assets and securities	508	2,395	1,887	371
Other	(37)	(168)	(131)	—
Total Segment Expenses	33,814	41,043	7,229	21
Segment Operating Income	49,910	43,778	(6,132)	(12)
Equity in Net income (Loss) of Affiliates, and others	3	1	(2)	(67)
Segment Profits	¥ 49,913	¥ 43,779	¥ (6,134)	(12)

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans	¥ 2,402,916	¥ 2,397,532	¥ (5,384)	(0)
Investment in securities	275,740	277,786	2,046	1
Investment in affiliates	200	67	(133)	(67)
Goodwill, intangible assets acquired in business combinations	11,771	11,771	0	—
Total Segment Assets	¥ 2,690,627	¥ 2,687,156	¥ (3,471)	(0)

Aircraft and Ships

Segment profits decreased by ¥7,195 million to losses of ¥1,838 million as compared to ¥5,357 million of segment profits in fiscal 2021. This decrease was primarily due to impairment losses and other factors of ¥7,855 million (reduced to reflect the Group's ownership share) on Avolon's aircraft placed within the Russian territories, despite increases in services income and operating leases revenues in our ship-related businesses.

Segment assets increased 14% to ¥684,098 million compared to the end of fiscal 2021. This increase was due to an increase in installment loans in our ship-related businesses.

	Year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 1,172	¥ 2,580	¥ 1,408	120
Operating leases	27,105	28,620	1,515	6
Services income	3,340	7,439	4,099	123
Total Segment Revenues	31,617	38,639	7,022	22
Interest expense	12,760	11,003	(1,757)	(14)
Costs of operating leases	14,188	17,965	3,777	27
Services expense	655	865	210	32
Selling, general and administrative expenses	6,793	7,241	448	7
Provision for credit losses and write-downs of long-lived assets and securities	(159)	2,331	2,490	—
Other	372	(4,932)	(5,304)	—
Total Segment Expenses	34,609	34,473	(136)	(0)
Segment Operating Income	(2,992)	4,166	7,158	—
Equity in Net income (Loss) of Affiliates, and others	8,349	(6,004)	(14,353)	—
Segment Profits	¥ 5,357	¥ (1,838)	¥ (7,195)	—

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases	¥ 2,994	¥ 0	¥ (2,994)	—
Installment loans	30,757	81,695	50,938	166
Investment in operating leases	262,482	271,910	9,428	4
Investment in securities	0	0	0	—
Inventories	0	113	113	—
Advances for finance lease and operating lease	578	0	(578)	—
Investment in affiliates	293,469	320,058	26,589	9
Goodwill, intangible assets acquired in business combinations	11,482	10,322	(1,160)	(10)
Total Segment Assets	¥ 601,762	¥ 684,098	¥ 82,336	14

ORIX USA

Segment profits increased 89% to ¥76,263 million compared to fiscal 2021. This increase was due to increases in gains on investment securities and dividends and gains on sales of subsidiaries and affiliates resulting from the sales of investees. In addition, there was a decrease in provision for credit losses as compared to fiscal 2021.

Segment assets increased 12% to ¥1,364,142 million compared to the end of fiscal 2021. This increase was primarily due to foreign exchange effects.

	Year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 87,172	¥ 90,708	¥ 3,536	4
Gains on investment securities and dividends	24,510	37,802	13,292	54
Services income	22,546	29,699	7,153	32
Other	3,789	3,135	(654)	(17)
Total Segment Revenues	138,017	161,344	23,327	17
Interest expense	19,598	16,117	(3,481)	(18)
Services expense	2,765	4,149	1,384	50
Selling, general and administrative expenses	68,081	79,399	11,318	17
Provision for credit losses and write-downs of long-lived assets and securities	13,480	(88)	(13,568)	—
Other	1,496	1,989	493	33
Total Segment Expenses	105,420	101,566	(3,854)	(4)
Segment Operating Income	32,597	59,778	27,181	83
Equity in Net income (Loss) of Affiliates, and others	7,699	16,485	8,786	114
Segment Profits	¥ 40,296	¥ 76,263	¥ 35,967	89

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases	¥ 458	¥ 475	¥ 17	4
Installment loans	617,822	717,183	99,361	16
Investment in operating leases	5,317	4,653	(664)	(12)
Investment in securities	342,631	367,190	24,559	7
Property under facility operations and servicing assets	72,094	79,000	6,906	10
Inventories	603	685	82	14
Advances for finance lease and operating lease	378	945	567	150
Investment in affiliates	43,816	45,337	1,521	3
Goodwill, intangible assets acquired in business combinations	136,962	148,674	11,712	9
Total Segment Assets	¥ 1,220,081	¥ 1,364,142	¥ 144,061	12

ORIX Europe

Segment profits increased 26% to ¥49,559 million compared to fiscal 2021. This increase was due to an increase in services income resulting from an increase in the average amount of assets under management, partially offset by the write-down of intangible assets.

Segment assets increased 9% to ¥401,869 million compared to the end of fiscal 2021. This increase was due to an increase in investment in securities.

	Year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 171	¥ 56	¥ (115)	(67)
Gains on investment securities and dividends	10,239	1,849	(8,390)	(82)
Services income	150,388	219,207	68,819	46
Total Segment Revenues	160,798	221,112	60,314	38
Interest expense	(435)	(840)	(405)	—
Services expense	39,877	53,199	13,322	33
Selling, general and administrative expenses	73,526	95,588	22,062	30
Provision for credit losses and write-downs of long-lived assets and securities	34	0	(34)	—
Other	6,836	23,115	16,279	238
Total Segment Expenses	119,838	171,062	51,224	43
Segment Operating Income	40,960	50,050	9,090	22
Equity in Net income (Loss) of Affiliates, and others	(1,514)	(491)	1,023	—
Segment Profits	¥ 39,446	¥ 49,559	¥ 10,113	26

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in securities	¥ 45,540	¥ 82,770	¥ 37,230	82
Investment in affiliates	1,770	2,221	451	25
Goodwill, intangible assets acquired in business combinations	322,236	316,878	(5,358)	(2)
Total Segment Assets	¥ 369,546	¥ 401,869	¥ 32,323	9

Asia and Australia

Segment profits increased 298% to ¥52,255 million compared to fiscal 2021. This increase was due to the absence of the recording of impairment loss on investments in affiliates recorded in the previous fiscal year and an increase in equity in net income (loss) of affiliates at an investee. In addition, there were increases in finance revenues in China and operating leases revenues in South Korea and Australia.

Segment assets increased 20% to ¥1,306,089 million compared to the end of fiscal 2021. This increase was due to increases in net investment in leases, installment loans, and investment in operating leases in China, South Korea, and Australia. In addition, there was an increase in investment in affiliates in China.

	Year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 39,931	¥ 47,166	¥ 7,235	18
Gains on investment securities and dividends	7,578	3,673	(3,905)	(52)
Operating leases	68,104	82,004	13,900	20
Services income	12,631	14,635	2,004	16
Other	65	577	512	788
Total Segment Revenues	128,309	148,055	19,746	15
Interest expense	19,678	19,659	(19)	(0)
Costs of operating leases	50,954	61,595	10,641	21
Services expense	8,881	9,672	791	9
Selling, general and administrative expenses	25,755	29,510	3,755	15
Provision for credit losses and write-downs of long-lived assets and securities	3,514	891	(2,623)	(75)
Other	1,003	(888)	(1,891)	—
Total Segment Expenses	109,785	120,439	10,654	10
Segment Operating Income	18,524	27,616	9,092	49
Equity in Net income (Loss) of Affiliates, and others	(5,400)	24,639	30,039	—
Segment Profits	¥ 13,124	¥ 52,255	¥ 39,131	298

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases	¥ 338,603	¥ 405,043	¥ 66,440	20
Installment loans	271,038	321,994	50,956	19
Investment in operating leases	235,182	286,214	51,032	22
Investment in securities	32,804	48,052	15,248	46
Property under facility operations	1,284	1,084	(200)	(16)
Inventories	377	483	106	28
Advances for finance lease and operating lease	3,064	3,919	855	28
Investment in affiliates	195,413	232,471	37,058	19
Goodwill, intangible assets acquired in business combinations	6,457	6,829	372	6
Total Segment Assets	¥ 1,084,222	¥ 1,306,089	¥ 221,867	20

Revenues, New Business Volumes and Investments

Finance revenues

	Year ended March 31, 2021	Year ended March 31, 2022	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues:				
Finance revenues	¥ 271,194	¥ 279,589	¥ 8,395	3

Finance revenues increased 3% to ¥279,589 million for fiscal 2022 compared to fiscal 2021 primarily due to an increase in the average balance of installment loans and net investment in leases.

Net investment in leases

	As of and for the year ended March 31, 2021	As of and for the year ended March 31, 2022	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases:				
New equipment acquisitions	¥ 353,256	¥ 464,150	¥ 110,894	31
Japan	192,708	210,773	18,065	9
Overseas	160,548	253,377	92,829	58
Net investment in leases	1,029,518	1,057,973	28,455	3

New equipment acquisitions related to net investment in leases decreased 31% to ¥464,150 million compared to fiscal 2021. In Japan, new equipment acquisitions increased 9% in fiscal 2022 compared to fiscal 2021. In overseas, new equipment acquisitions increased 58% in fiscal 2022 compared to fiscal 2021 due to increases in Asia.

Net investment in leases as of March 31, 2022 increased 3% to ¥1,057,973 million compared to March 31, 2021 mainly due to increases in assets in Overseas.

As of March 31, 2022, no single lessee represented more than 1% of the balance of net investment in leases. As of March 31, 2022, 62% of our net investment in leases were to lessees in Japan, while 38% were to overseas lessees. 12% and 5% of our net investment in leases were to lessees in China and Malaysia, respectively. No other overseas country represented more than 5% of our total portfolio of net investment in leases.

	As of March 31, 2021	As of March 31, 2022	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases by category:				
Transportation equipment	¥ 437,759	¥ 434,944	¥ (2,815)	(1)
Industrial equipment	212,655	247,398	34,743	16
Electronics	121,021	112,871	(8,150)	(7)
Information-related and office equipment	95,708	94,292	(1,416)	(1)
Commercial services equipment	42,339	46,941	4,602	11
Other	120,036	121,527	1,491	1
Total	¥ 1,029,518	¥ 1,057,973	¥ 28,455	3

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

Installment loans

	As of and for the year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
New loans added	¥ 1,198,028	¥ 1,202,677	¥ 4,649	0
Japan	862,930	766,453	(96,477)	(11)
Overseas	335,098	436,224	101,126	30
Installment loans	3,670,784	3,862,604	191,820	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 remained flat at ¥1,202,677 million compared to fiscal 2021. In Japan, new loans added decreased 11% to ¥766,453 million in fiscal 2022 compared to fiscal 2021. In overseas, new loans added increased 30% to ¥436,224 million compared to fiscal 2021 mainly due to increased lending activity in the Americas and ship-related finance.

The balance of installment loans as of March 31, 2022 increased 5% to ¥3,862,604 million compared to March 31, 2021, mainly due to increases in the new loans added in the Americas and ship-related finance, as well as the effect of changes in foreign exchange rates.

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
Consumer borrowers in Japan				
Real estate loans	¥ 1,995,031	¥ 2,007,570	¥ 12,539	1
Card loans	188,547	173,687	(14,860)	(8)
Other	27,698	27,770	72	0
Subtotal	2,211,276	2,209,027	(2,249)	(0)
Corporate borrowers in Japan				
Real estate companies	279,046	278,607	(439)	(0)
Non-recourse loans	47,956	74,085	26,129	54
Commercial, industrial and other companies	203,890	168,607	(35,283)	(17)
Subtotal	530,892	521,299	(9,593)	(2)
Consumer borrowers in overseas				
Real estate loans	75,890	105,860	29,970	39
Other	26,192	30,136	3,944	15
Subtotal	102,082	135,996	33,914	33
Corporate borrowers in overseas				
Real estate companies	197,074	273,789	76,715	39
Non-recourse loans	113,129	80,918	(32,211)	(28)
Commercial, industrial companies and other	503,980	627,828	123,848	25
Subtotal	814,183	982,535	168,352	21
Purchased loans*	12,351	13,747	1,396	11
Total	¥ 3,670,784	¥ 3,862,604	¥ 191,820	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, 2022, ¥17,983 million, or 0.7%, 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, 2022, ¥552,396 million, or 14%, of the balance of installment loans were to real estate companies in Japan and overseas.

The balance of installment loans to consumer borrowers in Japan as of March 31, 2022 remained flat at ¥2,209,027 million compared to the balance as of March 31, 2021, primarily due to a decrease in the balance of card loans despite an increase in the balance of real estate loans for consumer. The balance of installment loans to corporate borrowers in Japan as of March 31, 2022 decreased 2% to ¥521,299 million compared to the balance as of March 31, 2021, mainly due to the collection amount exceeded the new loans added. The balance of installment loans to consumer borrowers in overseas as of March 31, 2022 increased 33% to ¥135,996 million compared to the balance as of March 31, 2021, primarily due to an increase in the balance of real estate loans for consumer and foreign exchange effects. The balance of installment loans to corporate borrowers in overseas as of March 31, 2022 increased 21% to ¥982,535 million compared to the balance as of March 31, 2021 in line with the aforementioned increase in the Americas and ship-related finance, as well as foreign exchange effects.

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

Asset quality

Net investment in leases

	As of March 31,	
	2021	2022
	(Millions of yen, except percentage data)	
Non-performing net investment in leases and allowance for credit losses on net investment in leases:		
Non-performing net investment in leases	¥18,925	¥19,224
Non-performing net investment in leases as a percentage of the balance of net investment in leases	1.84%	1.82%
Provision for credit losses as a percentage of the average balance of net investment in leases*	0.31%	0.15%
Allowance for credit losses on net investment in leases	¥16,522	¥16,303
Allowance for credit losses on net investment in leases as a percentage of the balance of net investment in leases	1.60%	1.54%
The ratio of charge-offs as a percentage of the average balance of net investment in leases*	0.25%	0.27%

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

The balance of non-performing net investment in leases increased ¥299 million to ¥19,224 million as of March 31, 2022 compared to March 31, 2021. As a result, the non-performing net investment in leases as a percentage of net investment in leases as of March 31, 2022 decreased 0.02% to 1.82% from March 31, 2021.

We believe that the ratio of allowance for credit losses to the balance of investment in net investment in leases provides a reasonable indication that our allowance for credit losses was appropriate as of March 31, 2022 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 assets, and we can expect to recover at least a portion of the outstanding lease receivables by selling the collateral.

Loans not individually assessed for credit losses

	As of March 31,	
	2021	2022
	(Millions of yen, except percentage data)	
Non-performing loans not individually assessed for credit losses and allowance for credit losses on installment loans not individually assessed for credit losses:		
Non-performing loans not individually assessed for credit losses	¥28,181	¥34,479
Non-performing loans not individually assessed for credit losses as a percentage of the balance of installment loans not individually assessed for credit losses	0.78%	0.90%
Provision for credit losses as a percentage of the average balance of installment loans not individually assessed for credit losses*	0.02%	0.06%
Allowance for credit losses on installment loans not individually assessed for credit losses	¥44,064	¥36,618
Allowance for credit losses on installment loans not individually assessed for credit losses as a percentage of the balance of installment loans not individually assessed for credit losses	1.22%	0.96%
The ratio of charge-offs as a percentage of the average balance of loans not individually assessed for credit losses*	0.37%	0.33%

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

The provision as a percentage of the average balance of installment loans not individually assessed for credit losses increased 0.04% compared to fiscal 2021 mainly due to a decrease in a reversal in the Americas. The reversal in fiscal 2021 resulted from the improvement of forecasted future economic indicators such as GDP growth rates and unemployment rates in the Americas.

The balance of non-performing loans not individually assessed that are estimated for credit losses by using installment loans with similar risk characteristics as one pool increased ¥6,298 million to ¥34,479 million as of March 31, 2022 compared to March 31, 2021.

	As of March 31, 2021	As of March 31, 2022
	(Millions of yen)	
Non-performing loans not individually assessed for credit losses:		
Consumer borrowers in Japan		
Real estate loans	¥ 1,267	¥ 1,361
Card loans	1,132	671
Other	6,503	3,179
Subtotal	8,902	5,211
Corporate borrowers in Japan		
Real estate companies	31	101
Commercial, industrial and other companies	0	529
Subtotal	31	630
Consumer borrowers in overseas		
Real estate loans	366	345
Other	320	235
Subtotal	686	580
Corporate borrowers in overseas		
Real estate companies	14,505	20,879
Non-recourse loans	542	2,187
Commercial, industrial and other companies	3,515	4,992
Subtotal	18,562	28,058
Total	¥28,181	¥34,479

We recognize allowances for real estate loans, card loans and other loans to individual borrowers 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, the forecasted future economic indicators correlated with the prior charge-off experience and the current portfolio composition.

Loans individually assessed for credit losses

	As of March 31, 2021	As of March 31, 2022
	(Millions of yen)	
Non-performing loans individually assessed for credit losses and allowance for credit losses on installment loans individually assessed for credit losses:		
Non-performing installment loans individually assessed for credit losses	¥59,757	¥50,836
Allowance for credit losses on installment loans individually assessed for credit losses*	13,404	11,213

* 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.

The provision for credit losses on installment loans individually assessed for credit losses was ¥15,248 million and ¥3,355 million, respectively, in fiscal 2021 and fiscal 2022. The charge-off of installment loans individually assessed for credit losses was ¥16,356 million and ¥5,502 million, respectively, in fiscal 2021 and fiscal 2022. The provision for credit losses on installment loans individually assessed for credit losses decreased ¥11,893 million compared to fiscal 2021. The charge-off of installment loans individually assessed for credit losses decreased ¥10,854 million compared to fiscal 2021.

The table below sets forth the outstanding balance of non-performing loans individually assessed for credit losses by region and type of borrower as of the dates indicated. Consumer loans in Japan primarily consist of restructured smaller-balance homogeneous loans individually assessed for credit losses. The balance of individually assessed non-performing loans of commercial, industrial and other companies in overseas decreased mainly due to a decrease in the Americas.

	As of March 31,	
	2021	2022
	(Millions of yen)	
Non-performing loans individually assessed for credit losses:		
Consumer borrowers in Japan		
Real estate loans	¥ 7,738	¥10,850
Card loans	3,693	3,415
Other	16,573	15,317
Subtotal	28,004	29,582
Corporate borrowers in Japan		
Real estate companies	1,711	2,203
Commercial, industrial and other companies	7,263	2,765
Subtotal	8,974	4,968
Consumer borrowers in overseas		
Real estate loans	268	129
Other	390	286
Subtotal	658	415
Corporate borrowers in overseas		
Non-recourse loans	774	856
Commercial, industrial and other companies	19,524	13,531
Subtotal	20,298	14,387
Purchased loans	1,823	1,484
Total	¥59,757	¥50,836

Troubled debt restructuring

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 balance of pre-modification outstanding recorded investment of troubled debt restructurings for financing receivables occurred during fiscal 2021 and 2022 were ¥24,002 million and ¥14,242 million, respectively. And the balance of post-modification outstanding recorded investment were ¥19,776 million and ¥11,471 million for fiscal 2021 and 2022, respectively.

While there were certain other payment deferral requests for financing receivables which we accepted, due to the spread of the COVID-19, those receivables are not included in the troubled debt restructuring as we determined those deferrals did not meet the definition of troubled debt restructuring.

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

Allowance for credit losses

We recognize allowances for credit losses on net investment in leases and installment loans.

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Allowance for credit losses:				
Beginning balance	¥ 55,687	¥ 73,990	¥ 18,303	33
Cumulative Effect of Adopting Accounting Standards Update 2016-13	30,376	0	(30,376)	—
(Adjusted) Beginning balance	86,063	73,990	(12,073)	(14)
Net investment in leases	15,242	16,522	1,280	8
Loans not individually assessed for credit losses	57,685	44,064	(13,621)	(24)
Loans individually assessed for credit losses	13,136	13,404	268	2
Provision (Reversal)*1	19,113	7,154	(11,959)	(63)
Net investment in leases	3,285	1,577	(1,708)	(52)
Loans not individually assessed for credit losses	580	2,222	1,642	283
Loans individually assessed for credit losses	15,248	3,355	(11,893)	(78)
Charge-offs (net)	(32,395)	(20,597)	11,798	(36)
Net investment in leases	(2,658)	(2,781)	(123)	5
Loans not individually assessed for credit losses	(13,381)	(12,314)	1,067	(8)
Loans individually assessed for credit losses	(16,356)	(5,502)	10,854	(66)
Other*2	1,209	3,587	2,378	197
Net investment in leases	653	985	332	51
Loans not individually assessed for credit losses	(820)	2,646	3,466	—
Loans individually assessed for credit losses	1,376	(44)	(1,420)	—
Ending balance	73,990	64,134	(9,856)	(13)
Net investment in leases	16,522	16,303	(219)	(1)
Loans not individually assessed for credit losses	44,064	36,618	(7,446)	(17)
Loans individually assessed for credit losses	13,404	11,213	(2,191)	(16)

*1 “Provision for credit losses” in the consolidated statements of income amounted to ¥16,021 million and ¥3,939 million for fiscal 2021 and 2022, respectively, and the amounts include provision for credit losses on other than net investment in leases and installment loans.

*2 Other mainly includes foreign currency translation adjustments and increases or decreases in allowance due to consolidation or deconsolidation of subsidiaries.

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Provision for credit losses:				
Net investment in leases	¥ 3,285	¥ 1,577	¥ (1,708)	(52)
Loans not individually assessed for credit losses	580	2,222	1,642	283
Loans individually assessed for credit losses	15,248	3,355	(11,893)	(78)
Subtotal	19,113	7,154	(11,959)	(63)
Off-balance sheet credit exposures	(7,437)	(4,449)	2,988	(40)
Available-for-sale debt securities	117	21	(96)	(82)
Accounts receivable	4,228	1,213	(3,015)	(71)
Total	¥ 16,021	¥ 3,939	¥(12,082)	(75)

Credit Losses Standard has been adopted since April 1, 2020, and the allowance for credit losses is estimated for all credit losses expected to occur in future over the remaining life of net investment in leases and installment loans, and is recognized adequately based on management judgement. We adopted Credit Losses Standard through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption.

The provision on installment loans not individually assessed for credit losses were ¥580 million and ¥2,222 million in fiscal 2021 and 2022, respectively. The provision for credit losses on loans not individually assessed in fiscal 2022 increased compared to fiscal 2021 mainly due to a decrease in a reversal in the Americas. The reversal in fiscal 2021 resulted from the improvement of forecasted future economic indicators such as GDP growth rates and unemployment rates in the Americas.

The provision on installment loans individually assessed for credit losses were ¥15,248 million and ¥3,355 million in fiscal 2021 and 2022, respectively. The provision for credit losses on loans individually assessed decreased mainly in the Americas.

The provision for credit losses on off-balance sheet credit exposures in fiscal 2021 was a reversal of ¥7,437 million, which was mainly caused by a decrease in outstanding financial guarantees of card loans and other credit facilities extended by Japanese financial institutions as a result of restrained customer demand for funds and an increase in repayments reflecting changes in consumer behavior due to COVID-19. The provision for credit losses on off-balance sheet credit exposures in fiscal 2022 was a reversal of ¥4,449 million, which was mainly caused by improved macroeconomic forecast in the Americas.

For further information, see Note 9 of "Item 18. Financial Statements." In addition, for further information about allowance for off-balance sheet credit exposures and allowance for credit losses on available-for-sale debt securities, see Note 31 and 10 of "Item 18. Financial Statements."

Investment in Securities

	As of and for the year ended March 31,		Change	
	2021	**2022**	**Amount**	**Percent (%)**
	(Millions of yen, except percentage data)			
Investment in securities:				
New securities added	¥ 765,663	¥ 620,660	¥(145,003)	(19)
Japan	698,555	509,164	(189,391)	(27)
Overseas	67,108	111,496	44,388	66
Investment in securities	2,660,443	2,852,349	191,906	7

Note: The balance of investment in securities related to our life insurance operations is 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 to ¥620,660 million in fiscal 2022 compared to fiscal 2021. New securities added in Japan decreased 27% in fiscal 2022 compared to fiscal 2021 primarily due to a decrease in investments in government bond securities and corporate debt securities. New securities added overseas increased 66% in fiscal 2022 compared to fiscal 2021 primarily due to an increase in investments in equity securities and available-for-sale debt securities.

The balance of our investment in securities as of March 31, 2022 increased 7% to ¥2,852,349 million compared to March 31, 2021.

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in securities by security type:				
Equity securities	¥ 540,082	¥ 560,643	¥ 20,561	4
Trading debt securities	2,654	2,503	(151)	(6)
Available-for-sale debt securities	2,003,917	2,174,891	170,974	9
Held-to-maturity debt securities	113,790	114,312	522	0
Total	¥ 2,660,443	¥ 2,852,349	¥ 191,906	7

Investments in equity securities as of March 31, 2022 increased 4% to ¥560,643 million compared to March 31, 2021 primarily due to an increase in investment in equity securities with readily determinable fair value in Europe and fund investment in Asia. Investments in trading debt securities as of March 31, 2022 decreased 6% to ¥2,503 million compared to March 31, 2021. Investments in available-for-sale debt securities as of March 31, 2022 increased 9% to ¥2,174,891 million compared to March 31, 2021 primarily due to an increase in investments in government bond securities, municipal bond securities and corporate debt securities in Japan. Held-to-maturity debt securities mainly consist of our life insurance business's investment in Japanese government bonds.

For further information, see Note 10 of "Item 18. Financial Statements."

Gains on investment securities and dividends

	Year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Gains on investment securities and dividends:				
Net gains on investment securities	¥ 44,622	¥ 54,585	¥ 9,963	22
Dividends income	1,475	1,925	450	31
Total	¥ 46,097	¥ 56,510	¥ 10,413	23

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

2. Unrealized changes in fair value of investments in equity securities have been included in "Net gains on investment securities".

Net gains on investment securities increased 22% to ¥54,585 million in fiscal 2022 compared to fiscal 2021 due to increases in gains on sales of shares and net unrealized holding gains on investment funds. Dividends income increased 31% to ¥1,925 million in fiscal 2022 compared to fiscal 2021. Due to the above results, gains on investment securities and dividends increased 23% to ¥56,510 million in fiscal 2022 compared to fiscal 2021.

As of March 31, 2022, gross unrealized gains on available-for-sale debt securities, including those held in connection with our life insurance operations, were ¥23,242 million, compared to ¥25,291 million as of March 31, 2021. As of March 31, 2022, gross unrealized losses on available-for-sale debt securities, including those held in connection with our life insurance operations, were ¥124,623 million, compared to ¥48,021 million as of March 31, 2021.

Operating leases

	As of and for the year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Operating leases:				
Operating lease revenues	¥ 397,065	¥ 450,454	¥ 53,389	13
Costs of operating leases	295,628	322,070	26,442	9
New equipment acquisitions	302,835	388,403	85,568	28
Japan	174,116	232,059	57,943	33
Overseas	128,719	156,344	27,625	21
Investment in operating leases	1,408,189	1,463,202	55,013	4

Revenues from operating leases in fiscal 2022 increased 13% to ¥450,454 million compared to fiscal 2021 primarily due to an increase resulting from the acquisition of a subsidiary and an increase in gains on sales of vehicles under operating leases. In fiscal 2021 and 2022, gains from the disposition of operating lease assets were ¥26,358 million and ¥40,148 million, respectively.

Costs of operating leases increased 9% to ¥322,070 million in fiscal 2022 compared to fiscal 2021 primarily due to an increase resulting from the acquisition of a subsidiary.

New equipment acquisitions related to operating leases increased 28% to ¥388,403 million in fiscal 2022 compared to fiscal 2021 primarily due to an increase in investments in real estate under operating leases in Japan, and an increase in new equipment acquisitions in the automobile leasing business in Asia and Australia.

Investment in operating leases as of March 31, 2022 increased 4% to ¥1,463,202 million compared to March 31, 2021.

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in operating leases by category:				
Transportation equipment	¥ 873,697	¥ 898,602	¥ 24,905	3
Measuring and information-related equipment	118,758	120,067	1,309	1
Real estate	249,225	260,284	11,059	4
Other	24,291	45,782	21,491	88
Right-of-use assets	114,268	107,742	(6,526)	(6)
Accrued rental receivables	28,259	31,639	3,380	12
Allowance for doubtful receivables on operating leases	(309)	(914)	(605)	—
Total	¥ 1,408,189	¥ 1,463,202	¥ 55,013	4

Investment in transportation equipment operating leases as of March 31, 2022 increased 3% to ¥898,602 million compared to March 31, 2021 primarily due to an increase in new equipment acquisitions in the automobile leasing business in Asia and Australia. Investment in measuring and information-related equipment operating leases as of March 31, 2022 increased 1% to ¥120,067 million compared to March 31, 2021 primarily due to an increase in investment in the rental business. Investment in real estate operating leases as of March 31, 2022 increased 4% to ¥260,284 million compared to March 31, 2021 primarily due to an increase in investments in real estate under operating leases in Japan. Investment in other operating leases as of March 31, 2022 increased 88% to ¥45,782 million compared to March 31, 2021 primarily due to an increase resulting from the acquisition of a subsidiary.

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

Life insurance

We reflect all income and losses (other than provision for credit 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	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Life insurance premiums and related investment income and life insurance costs:				
Life insurance premiums	¥ 403,799	¥ 431,289	¥ 27,490	7
Life insurance-related investment income	83,751	50,521	(33,230)	(40)
Total	¥ 487,550	¥ 481,810	¥ (5,740)	(1)
Life insurance costs	¥ 374,348	¥ 368,140	¥ (6,208)	(2)

	Year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Breakdown of life insurance-related investment income (loss):				
Net income on investment securities	¥ 94,029	¥ 43,323	¥ (50,706)	(54)
Losses recognized in income on derivative	(10,680)	6,276	16,956	—
Interest on loans, income on real estate under operating leases, and others	402	922	520	129
Total	¥ 83,751	¥ 50,521	¥ (33,230)	(40)

Life insurance premiums and related investment income decreased 1% to ¥481,810 million in fiscal 2022 compared to fiscal 2021.

Life insurance premiums increased 7% to ¥431,289 million in fiscal 2022 compared to fiscal 2021 due to an increase in the number of policies in force.

Life insurance-related investment income decreased 40% to ¥50,521 million in fiscal 2022 compared to fiscal 2021. Net income on investment securities decreased mainly in investment income from assets under variable annuity and variable life insurance contracts.

Life insurance costs decreased 2% to ¥368,140 million in fiscal 2022 compared to fiscal 2021 mainly due to a decrease in a provision of liability reserve in line with the aforementioned decrease in investment income from variable annuity and variable life insurance contracts.

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investments by life insurance operations:				
Equity securities	¥ 269,167	¥ 232,413	¥ (36,754)	(14)
Available-for-sale debt securities	1,525,191	1,674,409	149,218	10
Held-to-maturity debt securities	113,790	114,312	522	0
Total investment in securities	1,908,148	2,021,134	112,986	6
Installment loans, real estate under operating leases and other investments	46,224	46,279	55	0
Total	¥ 1,954,372	¥ 2,067,413	¥ 113,041	6

Investment in securities as of March 31, 2022 increased 6% to ¥2,021,134 million compared to March 31, 2021 due to an increase in available-for-sale debt securities as a result of an increase in investments in government bond securities and corporate debt securities despite a decrease in equity securities due to a decrease in assets under variable annuity and variable life insurance contracts.

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

Sales of goods and real estate, Inventories

	Year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Sales of goods and real estate, Inventories:				
Sales of goods and real estate	¥ 410,953	¥ 435,398	¥ 24,445	6
Costs of goods and real estate sold	347,721	381,119	33,398	10
New real estate added	81,854	76,334	(5,520)	(7)
Inventories	142,156	139,563	(2,593)	(2)

Sales of goods and real estate increased 6% to ¥435,398 million compared to fiscal 2021 mainly due to an increase in sales of goods of investees.

Costs of goods and real estate sold increased 10% to ¥381,119 million compared to fiscal 2021 mainly due to an increase in costs of goods. We recognized ¥2,510 million and ¥10,492 million of write-downs for fiscal 2021 and 2022, respectively, which were included in costs of goods and real estate sold. Costs of goods and real estate sold include the upfront costs associated with advertising and creating model rooms.

New real estate added decreased 7% to ¥76,334 million in fiscal 2022 compared to fiscal 2021.

Inventories as of March 31, 2022 decreased 2% to ¥139,563 million compared to March 31, 2021.

For further information, see Note 4 of "Item 18. Financial Statements."

Services, Property under Facility Operations

	As of and for the year ended March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Services, Property under Facility Operations				
Services income	¥ 679,849	¥ 816,604	¥ 136,755	20
Services expense	439,233	495,110	55,877	13
New assets added	30,143	80,415	50,272	167
Japan	30,053	28,600	(1,453)	(5)
Overseas	90	51,815	51,725	—
Property under Facility Operations	491,855	561,846	69,991	14

Services income increased 20% to ¥816,604 million in fiscal 2022 compared to fiscal 2021 mainly due to an increase in the average balance of assets under management in the asset management business in fiscal 2021.

Services expense increased 13% to ¥495,110 million in fiscal 2022 compared to fiscal 2021 mainly due to an increase in the average balance of assets under management in the asset management business in fiscal 2021, similar to the aforementioned decrease in services income.

New assets added for property under facility operations increased to ¥80,415 million in fiscal 2022 compared to fiscal 2021 due to the increase in investments in electric power facilities overseas.

Property under facility operations as of March 31, 2022 increased 14% to ¥561,846 million compared to March 31, 2021 due mainly to the acquisition of a power generation business overseas.

For further information, see Note 4 of "Item 18. Financial Statements."

Expenses

Interest expense

Interest expense decreased 13% to ¥68,232 million in fiscal 2022 compared to ¥78,068 million in fiscal 2021. Our total outstanding short-term debt, long-term debt and deposits as of March 31, 2022 increased 1% to ¥7,142,843 million compared to ¥7,041,887 million as of March 31, 2021.

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 0.1% to 0.3% in fiscal 2022 compared to 0.4% in fiscal 2021. 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 0.5% to 2.0% in fiscal 2022 compared to 2.5% in fiscal 2021. 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

Other (income) and expense included a net expense of ¥17,125 million during fiscal 2021 and a net expense of ¥20,494 million during fiscal 2022. Foreign currency transaction losses (gains) included in other (income) and expense included losses of ¥3,349 million during fiscal 2022 compared to gains of ¥1,805 million during fiscal 2021. We recognized impairment losses on goodwill and other intangible assets included in other (income) and expense in the amount of ¥22,561 million during fiscal 2022 compared to the amount of ¥2,652 million on goodwill and other intangible assets during fiscal 2021. For further information on our goodwill and other intangible assets, see Note 14 of "Item 18. Financial Statements."

Selling, general and administrative expenses

	Year ended March 31, 2021	Year ended March 31, 2022	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Selling, general and administrative expenses:				
Personnel expenses	¥ 263,026	¥ 300,590	¥ 37,564	14
Selling expenses	64,749	76,678	11,929	18
Administrative expenses	120,751	136,431	15,680	13
Depreciation of office facilities	8,269	9,083	814	10
Total	¥ 456,795	¥ 522,782	¥ 65,987	14

Employee salaries and other personnel expenses accounted for 58% of selling, general and administrative expenses in fiscal 2022, 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 2022 increased 14% year on year.

Write-downs of long-lived assets

As a result of impairment reviews we performed in fiscal 2022 for long-lived assets in Japan and overseas, such as office buildings, commercial facilities other than office buildings, condominiums, hotels, and land undeveloped or under construction, write-downs of long-lived assets increased by ¥32,646 million to ¥35,666 million in fiscal 2022 compared to ¥3,020 million in fiscal 2021. These write-downs, which are reflected as write-downs of long-lived assets, consisted of impairment losses of ¥869 million on 4 commercial facilities other than office buildings, ¥96 million on 51 condominiums and ¥34,701 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 2022 include write-downs of ¥31,205 million of property under facility operations and others held by subsidiaries and ¥2,331 million of two aircraft. For further information, see Note 25 of "Item 18. Financial Statements."

Write-downs of securities

Write-downs of securities in fiscal 2022 were mainly in connection with foreign available-for-sale debt securities and non-marketable equity securities. Write-downs of securities decreased to ¥730 million in fiscal 2022 compared to ¥5,935 million in fiscal 2021. For further information, see Note 10 of "Item 18. Financial Statements."

Equity in net income (loss) of affiliates

Equity in net income (loss) of affiliates increased in fiscal 2022 to ¥15,006 million compared to ¥481 million in fiscal 2021 due to increases in equity in net income (loss) of affiliates from an investee relating to overseas renewable energy and investees in Asia despite decreases in equity in net income (loss) of affiliates from our three airports in Kansai, and equity in net income (loss) of Avolon which recorded losses primarily resulting from an impairment losses on aircraft located in Russia. For further information, see Note 13 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 ¥187,787 million in fiscal 2022 compared to ¥23,300 million in fiscal 2021, due to the favorable profit from sales in Japan and the Americas including the sale of the business of Yayoi in fiscal 2022. For further information, see Note 3 of "Item 18. Financial Statements."

Bargain Purchase Gain

In fiscal 2022, we recognized no bargain purchase gain compared to bargain purchase gains of ¥4,966 million in fiscal 2021. For further information, see Note 3 of "Item 18. Financial Statements."

Provision for income taxes

Provision for income taxes increased to ¥187,264 million in fiscal 2022 compared to ¥90,747 million in fiscal 2021 primarily due to an increase in income before income taxes. For further information, see Note 17 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 2022 was ¥5,477 million, compared to ¥4,453 million in fiscal 2021.

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 loss attributable to the redeemable noncontrolling interests in fiscal 2021 was ¥23 million. There was no net income or loss attributable to the redeemable noncontrolling interests in fiscal 2022. For further information, see Note 19 of "Item 18. Financial Statements."

YEAR ENDED MARCH 31, 2021 COMPARED TO YEAR ENDED MARCH 31, 2020

Performance Summary

Financial Results

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except ratios, per Share data and percentages)			
Total revenues	¥ 2,280,329	¥ 2,292,708	¥ 12,379	1
Total expenses	2,010,648	2,033,894	23,246	1
Income before Income Taxes	412,561	287,561	(125,000)	(30)
Net Income Attributable to ORIX Corporation Shareholders	302,700	192,384	(110,316)	(36)
Earnings per Share (Basic)	237.38	155.54	(81.84)	(34)
(Diluted)	237.17	155.39	(81.78)	(34)
ROE*1	10.3	6.4	(3.9)	—
ROA*2	2.40	1.44	(0.96)	—

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

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

Total revenues for fiscal 2021 increased 1% to ¥2,292,708 million compared to fiscal 2020 due to increases in life insurance premiums and related investment income, and gains on investment securities and dividends despite decreases in services income, and operating leases revenues.

Total expenses for fiscal 2021 increased 1% to ¥2,033,894 million compared to fiscal 2020 due to an increase in life insurance costs despite decreases in interest expense, and services expense.

On the other hand, equity in net income (loss) of affiliates for fiscal 2021 decreased 99% to ¥481 million compared to fiscal 2020 and gains on sales of subsidiaries and affiliates and liquidation losses, net for fiscal 2021 decreased 69% to ¥23,300 million compared to fiscal 2020.

Due to the above results and the impact of COVID-19, income before income taxes for fiscal 2021 decreased 30% to ¥287,561 million compared to fiscal 2020 and net income attributable to ORIX Corporation shareholders decreased 36% to ¥192,384 million compared to fiscal 2020.

Balance Sheet data

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen except ratios, per share and percentages)			
Total Assets	¥13,067,528	¥13,563,082	¥ 495,554	4
(Segment assets)	10,883,545	11,341,789	458,244	4
Total Liabilities	9,991,362	10,459,938	468,576	5
(Short-term and Long-term debt)	4,616,186	4,724,102	107,916	2
(Deposits)	2,231,703	2,317,785	86,082	4
ORIX Corporation Shareholders' Equity	2,993,608	3,028,456	34,848	1
ORIX Corporation Shareholders' Equity per share	2,386.35	2,487.77	101.42	4
ORIX Corporation Shareholders' Equity ratio*	22.9%	22.3%	(0.6)%	—
D/E ratio (Debt-to-equity ratio) (Short-term and Long-term debt (excluding deposits) / ORIX Corporation Shareholders' Equity)	1.5x	1.6x	0.1x	—

* 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 4% to ¥13,563,082 million compared to the balance as of March 31, 2020 due to an increase in investment in securities despite decreases in net investment in leases, installment loans and property under facility operations, and furthermore, an increase in allowance for credit losses compared to allowance for doubtful receivables on finance leases and probable loan losses as of March 31, 2020 as a result of the adoption the Credit Losses Standard. In addition, segment assets increased 4% to ¥11,341,789 million compared to the balance as of March 31, 2020.

Total liabilities increased 5% to ¥10,459,938 million compared to the balance as of March 31, 2020 due to increases in deposits, long-term debt, and policy liabilities and policy account balances despite decreases in short-term debt and trade notes, accounts and other payable.

Shareholders' equity increased 1% to ¥3,028,456 million compared to the balance as of March 31, 2020.

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 operating segments used by the chief operating decision maker to make decisions about resource allocations and assess performance are organized into ten segments based on our business management organization which is classified by the nature of major products and services, customer base, regulations, and business areas. The ten segments are Corporate Financial Services and Maintenance Leasing, Real Estate, PE Investment and Concession, Environment and Energy, Insurance, Banking and Credit, Aircraft and Ships, ORIX USA, ORIX Europe, and Asia and Australia. Since April 1, 2020, our reportable segments have been organized as the aforementioned business segments. As a result of this change for fiscal 2021, segment data as of the end of and for fiscal 2020 has been retrospectively restated.

Financial information about the operating segments reported below is that which is available by segment and regularly reviewed by the chief operating decision maker to make decisions about resource allocations and assess performance. The chief operating decision maker evaluates the performance of the segments based on income before income taxes, net income attributable to noncontrolling interests and net income attributable to redeemable noncontrolling interests before applicable tax effect. Tax expenses are excluded from the segment profits.

Since April 1, 2020, the selling, general and administrative expenses that should be borne by ORIX Group as a whole, which were initially charged directly to its respective segments, have been included in the difference between segment total profits and consolidated amounts for fiscal 2021. As a result of this change, segment data for fiscal 2020 has been retrospectively restated.

Since April 1, 2020, Credit Losses Standard has been adopted, and the amounts of provision for doubtful receivables and probable loan losses have been reclassified to provision for credit losses. For further information, see Note 1 of "Item 18. Financial Statements."

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	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Corporate Financial Services and Maintenance Leasing	¥ 428,961	¥ 431,015	¥ 2,054	0
Real Estate	468,086	359,798	(108,288)	(23)
PE Investment and Concession	296,365	331,222	34,857	12
Environment and Energy	147,498	141,971	(5,527)	(4)
Insurance	371,387	491,894	120,507	32
Banking and Credit	84,355	83,724	(631)	(1)
Aircraft and Ships	64,650	31,617	(33,033)	(51)
ORIX USA	135,709	138,017	2,308	2
ORIX Europe	148,524	160,798	12,274	8
Asia and Australia	137,797	128,309	(9,488)	(7)
Segment Total	2,283,332	2,298,365	15,033	1
Difference between Segment Total and Consolidated Amounts	(3,003)	(5,657)	(2,654)	—
Consolidated Amounts	¥ 2,280,329	¥ 2,292,708	¥ 12,379	1

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Profits:				
Corporate Financial Services and Maintenance Leasing	¥ 74,712	¥ 70,727	¥ (3,985)	(5)
Real Estate	81,513	25,886	(55,627)	(68)
PE Investment and Concession	44,508	3,842	(40,666)	(91)
Environment and Energy	11,147	27,543	16,396	147
Insurance	45,954	56,152	10,198	22
Banking and Credit	40,816	49,913	9,097	22
Aircraft and Ships	44,885	5,357	(39,528)	(88)
ORIX USA	50,955	40,296	(10,659)	(21)
ORIX Europe	45,084	39,446	(5,638)	(13)
Asia and Australia	11,787	13,124	1,337	11
Segment Total	451,361	332,286	(119,075)	(26)
Difference between Segment Total and Consolidated Amounts	(38,800)	(44,725)	(5,925)	—
Consolidated Amounts	¥ 412,561	¥ 287,561	¥(125,000)	(30)

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Assets:				
Corporate Financial Services and Maintenance Leasing	¥ 1,804,216	¥ 1,676,063	¥(128,153)	(7)
Real Estate	821,194	872,095	50,901	6
PE Investment and Concession	322,522	378,698	56,176	17
Environment and Energy	464,273	489,174	24,901	5
Insurance	1,580,158	1,959,521	379,363	24
Banking and Credit	2,603,736	2,690,627	86,891	3
Aircraft and Ships	585,304	601,762	16,458	3
ORIX USA	1,374,027	1,220,081	(153,946)	(11)
ORIX Europe	317,847	369,546	51,699	16
Asia and Australia	1,010,268	1,084,222	73,954	7
Segment Total	10,883,545	11,341,789	458,244	4
Difference between Segment Total and Consolidated Amounts	2,183,983	2,221,293	37,310	2
Consolidated Amounts	¥13,067,528	¥13,563,082	¥ 495,554	4

Corporate Financial Services and Maintenance Leasing

Segment profits decreased 5% to ¥70,727 million due to an increase in costs of operating leases and services expense, and the absence of bargain purchase gains recorded in relation to companies acquired in our corporate financial services business during fiscal 2020.

Segment assets decreased 7% to ¥1,676,063 million compared to the end of fiscal 2020. This decrease was mainly due to decreases in net investment in leases, installment loans, and investment in operating leases.

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 62,327	¥ 58,996	¥ (3,331)	(5)
Gains on investment securities and dividends	111	1,616	1,505	—
Operating leases	243,977	247,190	3,213	1
Sales of goods and real estate	11,536	10,348	(1,188)	(10)
Services income	111,010	112,865	1,855	2
Total Segment Revenues	428,961	431,015	2,054	0
Interest expense	6,148	5,613	(535)	(9)
Costs of operating leases	194,162	199,774	5,612	3
Costs of goods and real estate sold	6,814	6,832	18	0
Services expense	53,020	56,447	3,427	6
Selling, general and administrative expenses	76,275	74,882	(1,393)	(2)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	1,189	0	(1,189)	—
Provision for credit losses and write-downs of long-lived assets and securities	0	1,405	1,405	—
Other	17,952	16,528	(1,424)	(8)
Total Segment Expenses	355,560	361,481	5,921	2
Segment Operating Income	73,401	69,534	(3,867)	(5)
Equity in Net income (Loss) of Affiliates, and others	1,311	1,193	(118)	(9)
Segment Profits	¥ 74,712	¥ 70,727	¥ (3,985)	(5)

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases	¥ 663,150	¥ 610,366	¥ (52,784)	(8)
Installment loans	379,541	330,917	(48,624)	(13)
Investment in operating leases	572,492	548,677	(23,815)	(4)
Investment in securities	28,616	30,318	1,702	6
Property under facility operations	19,992	18,726	(1,266)	(6)
Inventories	736	630	(106)	(14)
Advances for finance lease and operating lease	293	500	207	71
Investment in affiliates	18,347	18,049	(298)	(2)
Advances for property under facility operations	760	0	(760)	—
Goodwill, intangible assets acquired in business combinations	120,289	117,880	(2,409)	(2)
Total Segment Assets	¥ 1,804,216	¥ 1,676,063	¥(128,153)	(7)

Real Estate

Due to the above-mentioned reasons as well as the absence of gains on the sale of a subsidiary which operates senior housings, which had been recorded during fiscal 2020, segment profits decreased 68% to ¥25,886 million compared to fiscal 2020 despite a decrease in services expense and costs of goods and real estate sold.

Investment in operating leases decreased due to the sales of real estate under operating leases. However, this decrease was offset by increases in inventories and advances for finance lease and operating lease. As a result, segment assets increased 6% to ¥872,095 million compared to the end of fiscal 2020.

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 6,723	¥ 6,206	¥ (517)	(8)
Operating leases	63,149	46,022	(17,127)	(27)
Sales of goods and real estate	122,230	91,348	(30,882)	(25)
Services income	276,123	215,805	(60,318)	(22)
Other	(139)	417	556	—
Total Segment Revenues	468,086	359,798	(108,288)	(23)
Interest expense	1,790	2,282	492	27
Costs of operating leases	26,654	24,929	(1,725)	(6)
Costs of goods and real estate sold	108,637	76,071	(32,566)	(30)
Services expense	238,952	202,161	(36,791)	(15)
Selling, general and administrative expenses	37,462	34,766	(2,696)	(7)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	545	0	(545)	—
Provision for credit losses and write-downs of long-lived assets and securities	0	1,994	1,994	—
Other	1,267	(2,170)	(3,437)	—
Total Segment Expenses	415,307	340,033	(75,274)	(18)
Segment Operating Income	52,779	19,765	(33,014)	(63)
Equity in Net income (Loss) of Affiliates, and others	28,734	6,121	(22,613)	(79)
Segment Profits	¥ 81,513	¥ 25,886	¥ (55,627)	(68)

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases	¥ 73,279	¥ 66,371	¥ (6,908)	(9)
Investment in operating leases	319,550	291,877	(27,673)	(9)
Investment in securities	7,274	8,543	1,269	17
Property under facility operations	140,416	149,479	9,063	6
Inventories	82,762	94,429	11,667	14
Advances for finance lease and operating lease	37,272	98,820	61,548	165
Investment in affiliates	91,835	99,105	7,270	8
Advances for property under facility operations	7,327	4,089	(3,238)	(44)
Goodwill, intangible assets acquired in business combinations	61,479	59,382	(2,097)	(3)
Total Segment Assets	¥ 821,194	¥ 872,095	¥ 50,901	6

PE Investment and Concession

Due to the impact of COVID-19, the number of passengers and flights at our three airports in Kansai decreased substantially, resulting in a decrease in equity in net income of affiliates in our concession business. Also, due to the absence of gains on the sale of a subsidiary in our private equity business, which had been recorded during fiscal 2020, in addition, provision for credit losses and write-downs of long-lived assets and securities recorded against trade accounts receivable at a certain investee during fiscal 2021, segment profits decreased 91% to ¥3,842 million compared to fiscal 2020.

Segment assets increased 17% to ¥378,698 million compared to the end of fiscal 2020. This increase was mainly due to increases in goodwill and investment in operating leases associated with the acquisition of subsidiaries during fiscal 2021.

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 124	¥ 152	¥ 28	23
Gains on investment securities and dividends	585	846	261	45
Operating leases	1,716	6,462	4,746	277
Sales of goods and real estate	261,475	301,732	40,257	15
Services income	32,465	22,030	(10,435)	(32)
Total Segment Revenues	296,365	331,222	34,857	12
Interest expense	911	1,455	544	60
Costs of operating leases	852	3,099	2,247	264
Costs of goods and real estate sold	229,905	259,740	29,835	13
Services expense	22,021	15,947	(6,074)	(28)
Selling, general and administrative expenses	33,395	35,324	1,929	6
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	98	0	(98)	—
Provision for credit losses and write-downs of long-lived assets and securities	0	3,622	3,622	—
Other	(50)	266	316	—
Total Segment Expenses	287,132	319,453	32,321	11
Segment Operating Income	9,233	11,769	2,536	27
Equity in Net income (Loss) of Affiliates, and others	35,275	(7,927)	(43,202)	—
Segment Profits	¥ 44,508	¥ 3,842	¥ (40,666)	(91)

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases	¥ 141	¥ 1,541	¥ 1,400	993
Investment in operating leases	9,367	23,455	14,088	150
Investment in securities	17,916	12,918	(4,998)	(28)
Property under facility operations	43,735	43,972	237	1
Inventories	40,263	45,597	5,334	13
Investment in affiliates	68,603	55,421	(13,182)	(19)
Advances for property under facility operations	245	6,732	6,487	—
Goodwill, intangible assets acquired in business combinations	142,252	189,062	46,810	33
Total Segment Assets	¥ 322,522	¥ 378,698	¥ 56,176	17

Environment and Energy

Segment profits increased 147% to ¥27,543 million compared to fiscal 2020. This increase was mainly due to the recording of gains of sales of an investee involved in wind power generation business in India.

Segment assets increased 5% to ¥489,174 million compared to the end of fiscal 2020. This increase was due to an increase in investments in affiliates, despite a decrease in business assets.

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 1,034	¥ 1,315	¥ 281	27
Services income	141,714	136,360	(5,354)	(4)
Other	4,750	4,296	(454)	(10)
Total Segment Revenues	147,498	141,971	(5,527)	(4)
Interest expense	8,403	11,469	3,066	36
Services expense	111,436	106,577	(4,859)	(4)
Selling, general and administrative expenses	10,699	10,810	111	1
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	2,081	0	(2,081)	—
Provision for credit losses and write-downs of long-lived assets and securities	0	567	567	—
Other	2,744	608	(2,136)	(78)
Total Segment Expenses	135,363	130,031	(5,332)	(4)
Segment Operating Income	12,135	11,940	(195)	(2)
Equity in Net income (Loss) of Affiliates, and others	(988)	15,603	16,591	—
Segment Profits	¥ 11,147	¥ 27,543	¥ 16,396	147

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases	¥ 10,832	¥ 8,978	¥ (1,854)	(17)
Investment in operating leases	1,958	2,051	93	5
Investment in securities	191	814	623	326
Property under facility operations	338,695	262,016	(76,679)	(23)
Inventories	394	396	2	1
Advances for finance lease and operating lease	1,861	1,392	(469)	(25)
Investment in affiliates	82,253	180,492	98,239	119
Advances for property under facility operations	12,229	19,963	7,734	63
Goodwill, intangible assets acquired in business combinations	15,860	13,072	(2,788)	(18)
Total Segment Assets	¥ 464,273	¥ 489,174	¥ 24,901	5

Insurance

Due to the above-mentioned reasons as well as the recording of reversals of policy liability reserves related to variable life insurance contracts, etc., segment profits increased 22% to ¥56,152 million compared to fiscal 2020.

Segment assets increased 24% to ¥1,959,521 million compared to the end of fiscal 2020 due to an increase in investment in securities.

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 220	¥ 242	¥ 22	10
Life insurance premiums and related investment income	370,144	489,985	119,841	32
Other	1,023	1,667	644	63
Total Segment Revenues	371,387	491,894	120,507	32
Interest expense	1	6	5	500
Life insurance costs	271,943	374,394	102,451	38
Selling, general and administrative expenses	53,095	61,160	8,065	15
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	(0)	0	0	—
Provision for credit losses and write-downs of long-lived assets and securities	0	7	7	—
Other	408	184	(224)	(55)
Total Segment Expenses	325,447	435,751	110,304	34
Segment Operating Income	45,940	56,143	10,203	22
Equity in Net income (Loss) of Affiliates, and others	14	9	(5)	(36)
Segment Profits	¥ 45,954	¥ 56,152	¥ 10,198	22

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans	¥ 17,720	¥ 17,315	¥ (405)	(2)
Investment in operating leases	29,271	28,909	(362)	(1)
Investment in securities	1,528,042	1,908,148	380,106	25
Goodwill, intangible assets acquired in business combinations	5,125	5,149	24	0
Total Segment Assets	¥ 1,580,158	¥ 1,959,521	¥ 379,363	24

Banking and Credit

Segment profits increased 22% to ¥49,913 million compared to fiscal 2020 resulting from a decrease in provision for credit losses during fiscal 2021, which was primarily due to the impacts of a decrease in new loan executions as well as low default rates in ORIX Credit.

Segment assets increased 3% to ¥2,690,627 million compared to the end of fiscal 2020 due to an increase in the balance of real estate investment loans in our banking business.

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 80,868	¥ 78,071	¥ (2,797)	(3)
Gains on investment securities and dividends	196	675	479	244
Services income	3,291	4,978	1,687	51
Total Segment Revenues	84,355	83,724	(631)	(1)
Interest expense	4,488	4,931	443	10
Services expense	5,156	5,791	635	12
Selling, general and administrative expenses	21,919	22,621	702	3
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	11,971	0	(11,971)	—
Provision for credit losses and write-downs of long-lived assets and securities	0	508	508	—
Other	8	(37)	(45)	—
Total Segment Expenses	43,542	33,814	(9,728)	(22)
Segment Operating Income	40,813	49,910	9,097	22
Equity in Net income (Loss) of Affiliates, and others	3	3	0	—
Segment Profits	¥ 40,816	¥ 49,913	¥ 9,097	22

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans	¥ 2,318,347	¥ 2,402,916	¥ 84,569	4
Investment in securities	273,218	275,740	2,522	1
Investment in affiliates	400	200	(200)	(50)
Goodwill, intangible assets acquired in business combinations	11,771	11,771	0	—
Total Segment Assets	¥ 2,603,736	¥ 2,690,627	¥ 86,891	3

Aircraft and Ships

Due to the above-mentioned decrease in revenues and a decrease in equity in net income of affiliates from Avolon, segment profits decreased 88% to ¥5,357 million compared to fiscal 2020.

Segment assets increased 3% to ¥601,762 million compared to the end of fiscal 2020. This increase was mainly due to an increase in installment loans and investment in operating leases in our ship-related business, as well as an increase in investment in affiliates.

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 2,478	¥ 1,172	¥ (1,306)	(53)
Operating leases	49,271	27,105	(22,166)	(45)
Services income	10,216	3,340	(6,876)	(67)
Other	2,685	0	(2,685)	—
Total Segment Revenues	64,650	31,617	(33,033)	(51)
Interest expense	18,866	12,760	(6,106)	(32)
Costs of operating leases	15,070	14,188	(882)	(6)
Services expense	4,379	655	(3,724)	(85)
Selling, general and administrative expenses	9,337	6,793	(2,544)	(27)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	(0)	0	0	—
Provision for credit losses and write-downs of long-lived assets and securities	0	(159)	(159)	—
Other	789	372	(417)	(53)
Total Segment Expenses	48,441	34,609	(13,832)	(29)
Segment Operating Income	16,209	(2,992)	(19,201)	—
Equity in Net income (Loss) of Affiliates, and others	28,676	8,349	(20,327)	(71)
Segment Profits	¥ 44,885	¥ 5,357	¥ (39,528)	(88)

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases	¥ 1,839	¥ 2,994	¥ 1,155	63
Installment loans	24,088	30,757	6,669	28
Investment in operating leases	253,717	262,482	8,765	3
Investment in securities	0	0	0	—
Advances for finance lease and operating lease	4,990	578	(4,412)	(88)
Investment in affiliates	284,453	293,469	9,016	3
Goodwill, intangible assets acquired in business combinations	16,217	11,482	(4,735)	(29)
Total Segment Assets	¥ 585,304	¥ 601,762	¥ 16,458	3

ORIX USA

Due to the absence of gains on sales of equity interests of Houlihan Lokey, etc., which had been recorded during fiscal 2020, segment profits decreased 21% to ¥40,296 million compared to fiscal 2020.

Segment assets decreased 11% to ¥1,220,081 million compared to the end of fiscal 2020 due to a decrease in installment loans.

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 79,973	¥ 87,172	¥ 7,199	9
Gains on investment securities and dividends	15,956	24,510	8,554	54
Services income	37,116	22,546	(14,570)	(39)
Other	2,664	3,789	1,125	42
Total Segment Revenues	135,709	138,017	2,308	2
Interest expense	30,878	19,598	(11,280)	(37)
Services expense	3,235	2,765	(470)	(15)
Selling, general and administrative expenses	66,931	68,081	1,150	2
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	8,251	0	(8,251)	—
Provision for credit losses and write-downs of long-lived assets and securities	0	13,480	13,480	—
Other	(219)	1,496	1,715	—
Total Segment Expenses	109,076	105,420	(3,656)	(3)
Segment Operating Income	26,633	32,597	5,964	22
Equity in Net income (Loss) of Affiliates, and others	24,322	7,699	(16,623)	(68)
Segment Profits	¥ 50,955	¥ 40,296	¥ (10,659)	(21)

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases	¥ 1,172	¥ 458	¥ (714)	(61)
Installment loans	778,249	617,822	(160,427)	(21)
Investment in operating leases	9,148	5,317	(3,831)	(42)
Investment in securities	320,217	342,631	22,414	7
Property under facility operations and servicing assets	66,416	72,094	5,678	9
Inventories	1,442	603	(839)	(58)
Advances for finance lease and operating lease	1,259	378	(881)	(70)
Investment in affiliates	52,361	43,816	(8,545)	(16)
Goodwill, intangible assets acquired in business combinations	143,763	136,962	(6,801)	(5)
Total Segment Assets	¥ 1,374,027	¥ 1,220,081	¥(153,946)	(11)

ORIX Europe

Segment profits decreased 13% to ¥39,446 million due to the absence of gains on sale of some business unit which had been recorded during fiscal 2020, despite a decrease in selling, general and administrative expenses.

Segment assets increased 16% to ¥369,546 million compared to the end of fiscal 2020. This was mainly due to an increase in investment in securities, as well as increases in goodwill, intangible assets acquired in business combinations due to the effect of changes in foreign exchange rates.

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 559	¥ 171	¥ (388)	(69)
Gains on investment securities and dividends	(2,079)	10,239	12,318	—
Services income	150,044	150,388	344	0
Total Segment Revenues	148,524	160,798	12,274	8
Interest expense	(170)	(435)	(265)	—
Services expense	35,624	39,877	4,253	12
Selling, general and administrative expenses	81,383	73,526	(7,857)	(10)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	(17)	0	17	—
Provision for credit losses and write-downs of long-lived assets and securities	0	34	34	—
Other	(62)	6,836	6,898	—
Total Segment Expenses	116,758	119,838	3,080	3
Segment Operating Income	31,766	40,960	9,194	29
Equity in Net income (Loss) of Affiliates, and others	13,318	(1,514)	(14,832)	—
Segment Profits	¥ 45,084	¥ 39,446	¥ (5,638)	(13)

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in securities	¥ 38,057	¥ 45,540	¥ 7,483	20
Investment in affiliates	1,495	1,770	275	18
Goodwill, intangible assets acquired in business combinations	278,295	322,236	43,941	16
Total Segment Assets	¥ 317,847	¥ 369,546	¥ 51,699	16

Asia and Australia

Despite the decrease in equity in net income of affiliates resulting from an impairment loss on an investment in an affiliate during fiscal 2021, due to the absence of losses on valuation of investment securities of an investee in Asia which had been recorded during fiscal 2020, as well as the recognition of gains on sales of subsidiaries and affiliates in Asia during fiscal 2021, segment profits increased 11% to ¥13,124 million compared to fiscal 2020.

Segment assets increased 7% to ¥1,084,222 million compared to the end of fiscal 2020. The increase was mainly due to an increase in installment loans and investment in operating leases.

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 43,694	¥ 39,931	¥ (3,763)	(9)
Gains on investment securities and dividends	8,971	7,578	(1,393)	(16)
Operating leases	66,322	68,104	1,782	3
Services income	18,323	12,631	(5,692)	(31)
Other	487	65	(422)	(87)
Total Segment Revenues	137,797	128,309	(9,488)	(7)
Interest expense	26,316	19,678	(6,638)	(25)
Costs of operating leases	49,529	50,954	1,425	3
Services expense	13,082	8,881	(4,201)	(32)
Selling, general and administrative expenses	26,911	25,755	(1,156)	(4)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	15,318	0	(15,318)	—
Provision for credit losses and write-downs of long-lived assets and securities	0	3,514	3,514	—
Other	1,986	1,003	(983)	(49)
Total Segment Expenses	133,142	109,785	(23,357)	(18)
Segment Operating Income	4,655	18,524	13,869	298
Equity in Net income (Loss) of Affiliates, and others	7,132	(5,400)	(12,532)	—
Segment Profits	¥ 11,787	¥ 13,124	¥ 1,337	11

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases	¥ 330,346	¥ 338,603	¥ 8,257	2
Installment loans	222,465	271,038	48,573	22
Investment in operating leases	195,660	235,182	39,522	20
Investment in securities	29,248	32,804	3,556	12
Property under facility operations	2,600	1,284	(1,316)	(51)
Inventories	242	377	135	56
Advances for finance lease and operating lease	1,742	3,064	1,322	76
Investment in affiliates	221,853	195,413	(26,440)	(12)
Goodwill, intangible assets acquired in business combinations	6,112	6,457	345	6
Total Segment Assets	¥ 1,010,268	¥ 1,084,222	¥ 73,954	7

Revenues, New Business Volumes and Investments

Finance revenues

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues:				
Finance revenues	¥ 276,864	¥ 271,194	¥ (5,670)	(2)

Finance revenues decreased 2% to ¥271,194 million for fiscal 2021 compared to fiscal 2020 primarily due to a decrease in the average balance of installment loans and net investment in leases.

Net investment in leases

	As of and for the year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases:				
New equipment acquisitions	¥ 444,841	¥ 346,518	¥ (98,323)	(22)
Japan	244,087	192,708	(51,379)	(21)
Overseas	200,754	153,810	(46,944)	(23)
Net investment in leases	1,080,964	1,029,518	(51,446)	(5)

New equipment acquisitions related to net investment in leases decreased 22% to ¥346,518 million compared to fiscal 2020. In Japan, new equipment acquisitions decreased 21% in fiscal 2021 compared to fiscal 2020 due to a decreasing trend in new acquisition including auto leases. In overseas, new equipment acquisitions decreased 23% in fiscal 2021 compared to fiscal 2020 due to decreases in Asia.

Net investment in leases as of March 31, 2021 decreased 5% to ¥1,029,518 million compared to March 31, 2020 mainly due to decreases in assets in Japan.

As of March 31, 2021, no single lessee represented more than 1% of the balance of net investment in leases. As of March 31, 2021, 67% of our net investment in leases were to lessees in Japan, while 33% were to overseas lessees. 7% and 5% of our net investment in leases were to lessees in China and Malaysia, respectively. No other overseas country represented more than 5% of our total portfolio of net investment in leases.

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Net investment in leases by category:				
Transportation equipment	¥ 457,405	¥ 437,759	¥ (19,646)	(4)
Industrial equipment	210,248	212,655	2,407	1
Electronics	134,775	121,021	(13,754)	(10)
Information-related and office equipment	104,218	95,708	(8,510)	(8)
Commercial services equipment	45,062	42,339	(2,723)	(6)
Other	129,256	120,036	(9,220)	(7)
Total	¥ 1,080,964	¥ 1,029,518	¥ (51,446)	(5)

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

Installment loans

	As of and for the year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
New loans added	¥ 1,529,175	¥ 1,198,028	¥(331,147)	(22)
Japan	1,134,586	862,930	(271,656)	(24)
Overseas	394,589	335,098	(59,491)	(15)
Installment loans	3,740,486	3,670,784	(69,702)	(2)

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 22% to ¥1,198,028 million compared to fiscal 2020. In Japan, new loans added decreased 24% to ¥862,930 million in fiscal 2021 compared to fiscal 2020. In Overseas, new loans added decreased 15% to ¥335,098 million compared to fiscal 2020 mainly due to decreased lending activity in the Americas.

The balance of installment loans as of March 31, 2021 decreased 2% to ¥3,670,784 million compared to March 31, 2020, mainly due to the collection amount exceeded the new loans added.

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
Consumer borrowers in Japan				
Real estate loans	¥ 1,842,131	¥ 1,995,031	¥ 152,900	8
Card loans	223,651	188,547	(35,104)	(16)
Other	32,618	27,698	(4,920)	(15)
Subtotal	2,098,400	2,211,276	112,876	5
Corporate borrowers in Japan				
Real estate companies	300,984	279,046	(21,938)	(7)
Non-recourse loans	48,566	47,956	(610)	(1)
Commercial, industrial and other companies	255,309	203,890	(51,419)	(20)
Subtotal	604,859	530,892	(73,967)	(12)
Overseas				
Real estate companies	250,195	197,074	(53,121)	(21)
Non-recourse loans	83,515	113,129	29,614	35
Commercial, industrial companies and other	690,299	606,062	(84,237)	(12)
Subtotal	1,024,009	916,265	(107,744)	(11)
Purchased loans*	13,218	12,351	(867)	(7)
Total	¥ 3,740,486	¥ 3,670,784	¥ (69,702)	(2)

* 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, 2021, ¥17,315 million, or 0.6%, 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, 2021, ¥476,120 million, or 13%, of the balance of installment loans were to real estate companies in Japan and overseas.

The balance of installment loans to consumer borrowers in Japan as of March 31, 2021 increased 5% to ¥2,211,276 million compared to the balance as of March 31, 2020, primarily due to an increase in the balance of real estate loans for consumer. The balance of installment loans to corporate borrowers in Japan as of March 31, 2021 decreased 12% to ¥530,892 million compared to the balance as of March 31, 2020, mainly due to the collection amount exceeded the new loans added. The balance of installment loans in Overseas as of March 31, 2021 decreased 11% to ¥916,265 million compared to the balance as of March 31, 2020 in line with the aforementioned increase in the Americas.

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

Asset quality

Net investment in leases

	As of March 31,	
	2020	2021
	(Millions of yen, except percentage data)	
90+ days past-due net investment in leases/Non-performing net investment in leases and allowances for doubtful receivables/credit losses on net investment in leases:		
90+ days past-due net investment in leases/Non-performing net investment in leases	¥15,346	¥18,925
90+ days past-due net investment in leases/Non-performing net investment in leases as a percentage of the balance of net investment in leases	1.42%	1.84%
Provision for doubtful receivables/credit losses as a percentage of the average balance of net investment in leases*	0.29%	0.31%
Allowance for doubtful receivables/credit losses on net investment in leases	¥11,692	¥16,522
Allowance for doubtful receivables/credit losses on net investment in leases as a percentage of the balance of net investment in leases	1.08%	1.60%
The ratio of charge-offs as a percentage of the average balance of net investment in leases*	0.25%	0.25%

Note: Credit Losses Standard has been adopted since April 1, 2020, and the amounts of allowance for doubtful receivables on finance leases have been reclassified to allowance for credit losses on net investment in leases. In addition, 90+ days past-due net investment in leases have been changed to Non-performing net investment in leases.

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

The balance of non-performing net investment in leases as of March 31, 2021 increased ¥3,579 million to ¥18,925 million compared to the balance of 90+ days past-due net investment in leases as of March 31, 2020. As a result, the non-performing net investment in leases as a percentage of net investment in leases as of March 31, 2021 increased 0.42% to 1.84% from the 90+ days past-due net investment in leases as a percentage of net investment in leases as of March 31, 2020. Due to the change in the method of estimation of allowance for credit losses due to application of the Credit Losses Standard, the balance of allowance for credit losses on net investment in leases as of March 31, 2021 was ¥16,522 million, and as a percentage of the balance of net investment in leases as of March 31, 2021 increase 1.60% from allowance for doubtful receivables on net investment in leases as a percentage of the balance of net investment in leases as of March 31, 2020.

We believe that the ratio of allowance for credit losses to the balance of investment in net investment in leases provides a reasonable indication that our allowance for credit losses was appropriate as of March 31, 2021 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 assets, and we can expect to recover at least a portion of the outstanding lease receivables by selling the collateral.

Loans not individually assessed for credit losses

	As of March 31,	
	2020	**2021**
	(Millions of yen, except percentage data)	
90+ days past-due loans not individually evaluated for impairment/ Non-performing loans not individually assessed for credit losses and allowance for probable loan losses/credit losses on installment loans not individually assessed for credit losses:		
90+ days past-due loans not individually evaluated for impairment/Non-performing loans not individually assessed for credit losses	¥10,264	¥28,181
90+ days past-due loans not individually evaluated for impairment/Non-performing loans not individually assessed for credit losses as a percentage of the balance of installment loans not individually assessed for credit losses	0.28%	0.78%
Provision for probable loan losses/credit losses as a percentage of the average balance of installment loans not individually assessed for credit losses*	0.43%	0.02%
Allowance for probable loan losses/credit losses on installment loans not individually assessed for credit losses	¥31,697	¥44,064
Allowance for probable loan losses/credit losses on installment loans not individually assessed for credit losses as a percentage of the balance of installment loans not individually assessed for credit losses	0.87%	1.22%
The ratio of charge-offs as a percentage of the average balance of loans not individually assessed for credit losses*	0.43%	0.37%

Note: Credit Losses Standard has been adopted since April 1, 2020, and the amounts of allowance for probable loan losses have been reclassified to allowance for credit losses. In addition, 90+ days past-due loans not individually evaluated for impairment have been changed to Non-performing loans not individually assessed for credit losses.

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

The provision as a percentage of the average balance of installment loans not individually assessed for credit losses in fiscal 2021 compared to fiscal 2020 decreased due to the reversal occurred in fiscal 2021, mainly because of the improvement of forecasted future economic indicators such as GDP growth rates and unemployment rates in the Americas compared to the beginning of the year.

The balance of non-performing loans not individually assessed that are estimated for credit losses by using installment loans with similar risk characteristics as one pool was ¥28,181 million as of March 31, 2021.

	As of March 31, 2020	As of March 31, 2021
	(Millions of yen)	
90+ days past-due loans not individually evaluated for impairment/ Non-performing loans not individually assessed for credit losses:		
Consumer borrowers		
Real estate loans	¥ 1,370	¥ 1,633
Card loans	1,708	1,132
Other	7,025	6,823
Subtotal	10,103	9,588
Corporate borrowers in Japan		
Real estate companies	0	31
Subtotal	0	31
Corporate borrowers in Overseas		
Real estate companies	0	14,505
Non-recourse loans	0	542
Commercial, industrial and other companies	161	3,515
Subtotal	161	18,562
Total	¥10,264	¥28,181

Due to the application of Credit Losses Standard, certain installment loans have been changed to not individually assessed for credit losses from individually evaluated, mainly in the Americas and Asia.

We recognize allowances for real estate loans, card loans and other loans to individual borrowers 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 assessed for credit losses

	As of March 31, 2020	As of March 31, 2021
	(Millions of yen)	
Non-performing loans individually assessed for credit losses and allowance for probable loan losses/credit losses on installment loans individually assessed for credit losses:		
Non-performing installment loans individually assessed for credit losses	¥85,820	¥59,757
Allowance for probable loan losses/credit losses on installment loans individually assessed for credit losses*	13,447	13,404

* 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.

The provision for probable loan losses/credit losses on installment loans individually assesses for credit losses was ¥6,201 million and ¥15,248 million, respectively, in fiscal 2020 and fiscal 2021. The charge-off of impaired loans individually assessed for credit losses was ¥6,478 million and ¥16,356 million, respectively, in fiscal 2020 and fiscal 2021. The provision of probable loan losses/credit losses for installment loans individual assessed for credit losses increased ¥9,047 million compared to fiscal 2020. Charge-off of installment loans individual assessed for credit losses increased ¥9,878 million compared to fiscal 2020.

The table below sets forth the outstanding balance of non-performing loans individually assessed for credit losses by region and type of borrower as of the dates indicated. Consumer loans in Japan primarily consist of restructured smaller-balance homogeneous loans individually assessed for credit losses. The balance of individually assessed non-performing loans of real estate companies and commercial, industrial and other companies in Overseas decreased due to a decrease in the Americas.

	As of March 31,	
	2020	2021
	(Millions of yen)	
Non-performing loans individually assessed for credit losses:		
Consumer borrowers in Japan		
Real estate loans	¥ 5,758	¥ 8,006
Card loans	3,932	3,693
Other	16,426	16,963
Subtotal	26,116	28,662
Corporate borrowers in Japan		
Real estate companies	3,501	1,711
Commercial, industrial and other companies	12,480	7,263
Subtotal	15,981	8,974
Overseas		
Real estate companies	12,491	0
Non-recourse loans	2,466	774
Commercial, industrial companies and other	27,161	19,524
Subtotal	42,118	20,298
Purchased loans	1,605	1,823
Total	¥85,820	¥59,757

Due to the application of Credit Losses Standard, certain installment loans have been changed to not individually assessed for credit losses from individually evaluated, mainly in the Americas and Asia.

Troubled debt restructuring

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 balance of pre-modification outstanding recorded investment of troubled debt restructurings for financing receivables occurred during fiscal 2020 and 2021 were ¥16,826 million and ¥24,002 million, respectively. And the balance of post-modification outstanding recorded investment were ¥13,804 million and ¥19,776 million for fiscal 2020 and 2021, respectively.

While there were certain other payment deferral requests for financing receivables which we accepted, due to the spread of the COVID-19, those receivables are not included in the troubled debt restructuring as we determined those deferrals did not meet the definition of troubled debt restructuring.

For further information, see Note 8 and 9 of "Item 18. Financial Statements."

Allowance for doubtful receivables and probable loan losses and allowance for credit losses

We recognize allowances for doubtful receivables and probable loan losses and allowances for credit losses.

	As of March 31,		Change	
	2020	**2021**	**Amount**	**Percent (%)**
	(Millions of yen, except percentage data)			
Allowance for doubtful receivables on net investment in leases and probable loan losses on installment loans and allowance for credit losses:				
Beginning balance	¥ 58,011	¥ 55,687	¥ (2,324)	(4)
Cumulative Effect of Adopting Accounting Standards Update 2016-13	0	30,376	30,376	—
(Adjusted) Beginning balance	58,011	86,063	28,052	48
Net investment in leases	12,049	15,242	3,193	27
Loans not individually assessed for credit losses	32,231	57,685	25,454	79
Loans individually assessed for credit losses	13,731	13,136	(595)	(4)
Provision (Reversal)*1	24,425	19,113	(5,312)	(22)
Net investment in leases	3,304	3,285	(19)	(1)
Loans not individually assessed for credit losses	14,920	580	(14,340)	(96)
Loans individually assessed for credit losses	6,201	15,248	9,047	146
Charge-offs (net)	(24,132)	(32,395)	(8,263)	34
Net investment in leases	(2,835)	(2,658)	177	(6)
Loans not individually assessed for credit losses	(14,819)	(13,381)	1,438	(10)
Loans individually assessed for credit losses	(6,478)	(16,356)	(9,878)	152
Other*2	(1,468)	1,209	2,677	—
Net investment in leases	(826)	653	1,479	—
Loans not individually assessed for credit losses	(635)	(820)	(185)	29
Loans individually assessed for credit losses	(7)	1,376	1,383	—
Ending balance	56,836	73,990	17,154	30
Net investment in leases	11,692	16,522	4,830	41
Loans not individually assessed for credit losses	31,697	44,064	12,367	39
Loans individually assessed for credit losses	13,447	13,404	(43)	(0)

Note: Credit Losses Standard has been adopted since April 1, 2020, and the amounts of both allowance for doubtful receivables on net investment in leases and allowance for probable loan losses on installment loans have been reclassified to allowance for credit losses.

*1 "Provision for doubtful receivables and probable loan losses" in the consolidated statements of income amounted to ¥24,425 million for fiscal 2020. "Provision for credit losses" in the consolidated statements of income amounted to ¥16,021 million for fiscal 2021, and the amount includes provision for credit losses on other than net investment in leases and installment loans.

*2 Other mainly includes foreign currency translation adjustments and a decrease in allowance related to a sale of a subsidiary.

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Provision for doubtful receivables and probable loan losses / Provision for credit losses:				
Net investment in leases	¥ 3,304	¥ 3,285	¥ (19)	(1)
Loans not individually assessed for credit losses	14,920	580	(14,340)	(96)
Loans individually assessed for credit losses	6,201	15,248	9,047	146
Subtotal	24,425	19,113	(5,312)	(22)
Off-balance sheet credit exposures	0	(7,437)	(7,437)	—
Available-for-sale debt securities	0	117	117	—
Accounts receivable*	0	4,228	4,228	—
Total	¥ 24,425	¥ 16,021	¥ (8,404)	(34)

* Provision on accounts receivable was included in provision on loans not individually assessed in fiscal 2020.

Credit Losses Standard has been adopted since April 1, 2020, and the allowance for credit losses is estimated for all credit losses expected to occur in future over the remaining life of net investment in leases and installment loans, and is recognized adequately based on management judgement. We adopted Credit Losses Standard through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption.

The provision for probable loan losses on installment loans not individually assessed for credit losses was ¥14,920 million in fiscal 2020 while the provision for credit losses on installment loans not individually assessed for credit losses was ¥580 million in fiscal 2021. The provision in fiscal 2021 compared to fiscal 2020 decreased due to the reversal occurred in fiscal 2021, mainly because of the improvement of forecasted future economic indicators such as GDP growth rates and unemployment rates in the Americas compared to the beginning of the year.

The provision for credit losses on off-balance sheet credit exposures in fiscal 2021 was a reversal of ¥7,437 million, which was mainly caused by a decrease in outstanding financial guarantees of card loans and other credit facilities extended by Japanese financial institutions as a result of restrained customer demand for funds and an increase in repayments reflecting changes in consumer behavior due to COVID-19.

For further information, see Note 8 and 9 of "Item 18. Financial Statements."

Investment in Securities

	As of and for the year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in securities:				
New securities added	¥ 765,589	¥ 765,663	¥ 74	0
Japan	653,228	698,555	45,327	7
Overseas	112,361	67,108	(45,253)	(40)
Investment in securities	2,245,323	2,660,443	415,120	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 increased to ¥765,663 million in fiscal 2021 compared to fiscal 2020. New securities added in Japan increased 7% in fiscal 2021 compared to fiscal 2020 primarily due to an increase in investments in government bond securities, municipal bond securities and corporate debt securities. New securities added overseas decreased 40% in fiscal 2021 compared to fiscal 2020 primarily due to a decrease in investments in municipal bond securities and CMBS and RMBS in the Americas.

The balance of our investment in securities as of March 31, 2021 increased 18% to ¥2,660,443 million compared to March 31, 2020.

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in securities by security type:				
Equity securities	¥ 492,902	¥ 540,082	¥ 47,180	10
Trading debt securities	7,431	2,654	(4,777)	(64)
Available-for-sale debt securities	1,631,185	2,003,917	372,732	23
Held-to-maturity debt securities	113,805	113,790	(15)	(0)
Total	¥2,245,323	¥2,660,443	¥ 415,120	18

Investments in equity securities as of March 31, 2021 increased 10% to ¥540,082 million compared to March 31, 2020 primarily due to an increase in investment in equity securities with readily determinable fair value in the Europe and fund investment in the Americas. Investments in trading debt securities as of March 31, 2021 decreased 64% to ¥2,654 million compared to March 31, 2020 due to a decrease in investments in CMBS and RMBS in the Americas. Investments in available-for-sale debt securities as of March 31, 2021 increased 23% to ¥2,003,917 million compared to March 31, 2020 primarily due to an increase in investments in government bond securities, municipal bond securities and corporate debt securities in Japan. Held-to-maturity debt securities mainly consist of our life insurance business's investment in Japanese government bonds.

For further information, see Note 10 of "Item 18. Financial Statements."

Gains on investment securities and dividends

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Gains on investment securities and dividends:				
Net gains on investment securities	¥ 20,204	¥ 44,622	¥ 24,418	121
Dividends income	2,295	1,475	(820)	(36)
Total	¥ 22,499	¥ 46,097	¥ 23,598	105

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

2. Unrealized changes in fair value of investments in equity securities have been included in "Net gains on investment securities".

Net gains on investment securities increased 121% to ¥44,622 million in fiscal 2021 compared to fiscal 2020 due to an increase in net unrealized holding gains on equity securities. Dividends income decreased 36% to ¥1,475 million in fiscal 2021 compared to fiscal 2020. Gains on investment securities and dividends increased 105% to ¥46,097 million in fiscal 2021 compared to fiscal 2020 due to an increase in net unrealized holding gains on equity securities despite a decrease in dividends income.

As of March 31, 2021, gross unrealized gains on available-for-sale debt securities, including those held in connection with our life insurance operations, were ¥25,291 million, compared to ¥36,017 million as of March 31, 2020. As of March 31, 2021, gross unrealized losses on available-for-sale debt securities, including those held in connection with our life insurance operations, were ¥48,021 million, compared to ¥41,712 million as of March 31, 2020.

Operating leases

	As of and for the year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Operating leases:				
Operating lease revenues	¥ 430,665	¥ 397,065	¥ (33,600)	(8)
Costs of operating leases	289,604	295,628	6,024	2
New equipment acquisitions	493,666	302,835	(190,831)	(39)
Japan	234,188	174,116	(60,072)	(26)
Overseas	259,478	128,719	(130,759)	(50)
Investment in operating leases	1,400,001	1,408,189	8,188	1

Revenues from operating leases in fiscal 2021 decreased 8% to ¥397,065 million compared to fiscal 2020 primarily due to not only decreases in both the number of aircraft owned and the number of aircraft sold in the aircraft leasing business, but also a decrease in gains on sales of real estate under operating leases. In fiscal 2020 and 2021, gains from the disposition of operating lease assets were ¥51,072 million and ¥26,358 million, respectively.

Costs of operating leases increased 2% to ¥295,628 million in fiscal 2021 compared to fiscal 2020 primarily due to an increase in depreciation expenses resulting from a year-on-year increase in the average balance of investment in the rental business of electronic measuring instruments and IT-related equipment.

New equipment acquisitions related to operating leases decreased 39% to ¥302,835 million in fiscal 2021 compared to fiscal 2020 primarily due to a decrease in purchases of aircraft overseas.

Investment in operating leases as of March 31, 2021 increased 1% to ¥1,408,189 million compared to March 31, 2020.

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in operating leases by category:				
Transportation equipment	¥ 847,376	¥ 873,697	¥ 26,321	3
Measuring and information-related equipment	125,897	118,758	(7,139)	(6)
Real estate	269,483	249,225	(20,258)	(8)
Other	10,308	24,291	13,983	136
Right-of-use assets	121,553	114,268	(7,285)	(6)
Accrued rental receivables	25,384	28,259	2,875	11
Allowance for doubtful receivables on operating leases*	0	(309)	(309)	—
Total	¥1,400,001	¥1,408,189	¥ 8,188	1

* Credit Losses Standard has been adopted since April 1, 2020, and the allowance for doubtful accrued rental receivables on operating leases, which was previously recorded in allowance for doubtful receivables on finance leases and probable loan losses, has been reclassified to the balance of investment in operating leases.

Investment in transportation equipment operating leases as of March 31, 2021 increased 3% to ¥873,697 million compared to March 31, 2020 primarily due to an increase in new equipment acquisitions in the ship-related business, and an increase in investment in the automobile leasing business resulting from the effect of changes in foreign exchange rates. Investment in measuring and information-related equipment operating leases as of March 31, 2021 decreased 6% to ¥118,758 million compared to March 31, 2020 primarily due to depreciation of equipment held for operating leases in the rental business. Investment in real estate operating leases as of March 31, 2021 decreased 8% to ¥249,225 million compared to March 31, 2020 primarily due to continuous sales of real estate under operating leases in Japan. Investment in other operating leases as of March 31, 2021 increased 136% to ¥24,291 million compared to March 31, 2020 primarily due to an increase resulting from the acquisition of subsidiaries.

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 and provision for credit 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	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Life insurance premiums and related investment income and life insurance costs:				
Life insurance premiums	¥ 360,583	¥ 403,799	¥ 43,216	12
Life insurance-related investment income	7,195	83,751	76,556	—
Total	¥ 367,778	¥ 487,550	¥ 119,772	33
Life insurance costs	¥ 269,425	¥ 374,348	¥ 104,923	39

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Breakdown of life insurance-related investment income (loss):				
Net income on investment securities	¥ 8,674	¥ 94,029	¥ 85,355	984
Losses recognized in income on derivative	(1,910)	(10,680)	(8,770)	459
Interest on loans, income on real estate under operating leases, and others	431	402	(29)	(7)
Total	¥ 7,195	¥ 83,751	¥ 76,556	—

Life insurance premiums and related investment income increased 33% to ¥487,550 million in fiscal 2021 compared to fiscal 2020.

Life insurance premiums increased 12% to ¥403,799 million in fiscal 2021 compared to fiscal 2020 due to an increase in the number of policies in force.

Life insurance-related investment income increased to ¥83,751 million in fiscal 2021 compared to ¥7,195 million in fiscal 2020. Net income on investment securities increased mainly due to an increase in investment income from assets under variable annuity and variable life insurance contracts.

Life insurance costs increased 39% to ¥374,348 million in fiscal 2021 compared to fiscal 2020 due to the aforementioned increase in the number of policies in force.

	As of March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investments by life insurance operations:				
Equity securities	¥ 264,625	¥ 269,167	¥ 4,542	2
Available-for-sale debt securities	1,149,612	1,525,191	375,579	33
Held-to-maturity debt securities	113,805	113,790	(15)	(0)
Total investment in securities	1,528,042	1,908,148	380,106	25
Installment loans, real estate under operating leases and other investments	46,991	46,224	(767)	(2)
Total	¥1,575,033	¥1,954,372	¥ 379,339	24

Investment in securities as of March 31, 2021 increased 25% to ¥1,908,148 million compared to March 31, 2020 due to an increase in available-for-sale debt securities as a result of an increase in investments in government bond securities and corporate debt securities, as well as an increase in equity securities as a result of new investments.

Installment loans, real estate under operating leases and other investments as of March 31, 2021 decreased 2% to ¥46,224 million compared to March 31, 2020.

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

Sales of goods and real estate, Inventories

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Sales of goods and real estate, Inventories:				
Sales of goods and real estate	¥ 406,511	¥ 410,953	¥ 4,442	1
Costs of goods and real estate sold	354,006	347,721	(6,285)	(2)
New real estate added	82,442	81,854	(588)	(1)
Inventories	126,013	142,156	16,143	13

Sales of goods and real estate increased 1% to ¥410,953 million compared to fiscal 2020 mainly due to an increase in sales of goods of investees, partially offset by a decrease in sales of real estate.

Costs of goods and real estate sold decreased 2% to ¥347,721 million compared to fiscal 2020 due to a decrease in costs of real estate sold. We recognized ¥863 million and ¥2,510 million of write-downs for fiscal 2020 and 2021, respectively, which were included in costs of goods and real estate sold. Costs of goods and real estate sold include the upfront costs associated with advertising and creating model rooms.

New real estate added decreased 1% to ¥81,854 million in fiscal 2021 compared to fiscal 2020.

Inventories as of March 31, 2021 increased 13% to ¥142,156 million compared to March 31, 2020.

For further information, see Note 4 of "Item 18. Financial Statements."

Services, Property under Facility Operations

	As of and for the year ended March 31,		Change	
	2020	**2021**	**Amount**	**Percent (%)**
	(Millions of yen, except percentage data)			
Services, Property under Facility Operations				
Services income	¥ 776,012	¥ 679,849	¥ (96,163)	(12)
Services expense	483,914	439,233	(44,681)	(9)
New assets added	34,181	30,143	(4,038)	(12)
Japan	33,312	30,053	(3,259)	(10)
Overseas	869	90	(779)	(90)
Property under Facility Operations	562,485	491,855	(70,630)	(13)

Services income decreased 12% to ¥679,849 million in fiscal 2021 compared to fiscal 2020 mainly due to the temporary closure of operating facilities and the sales of a subsidiary and an asset management-related business in fiscal 2020.

Services expense decreased 9% to ¥439,233 million in fiscal 2021 compared to fiscal 2020 mainly due to the temporary closure of operating facilities and the sale of a subsidiary in fiscal 2020, similar to the aforementioned decrease in services income.

New assets added for property under facility operations decreased 12% to ¥30,143 million in fiscal 2021 compared to fiscal 2020 due to the decrease in investments in electric power facilities.

Property under facility operations as of March 31, 2021 decreased 13% to ¥491,855 million compared to March 31, 2020, largely attributed to the sales of investees involved in wind power generation business in India.

For further information, see Note 4 of "Item 18. Financial Statements."

Expenses

Interest expense

Interest expense decreased 21% to ¥78,068 million in fiscal 2021 compared to ¥99,138 million in fiscal 2020. Our total outstanding short-term debt, long-term debt and deposits as of March 31, 2021 increased 3% to ¥7,041,887 million compared to ¥6,847,889 million as of March 31, 2020.

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, remained flat in fiscal 2021 at 0.4% compared to 0.4% in fiscal 2020. 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 0.8% to 2.5 % in fiscal 2021 compared to 3.3% in fiscal 2020. 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

Other (income) and expense included a net expense of ¥14,925 million during fiscal 2020 and a net expense of ¥17,125 million during fiscal 2021. Foreign currency transaction losses (gains) included in other (income) and expense included gains of ¥1,805 million during fiscal 2021 compared to losses of ¥1,679 million during fiscal 2020. We recognized impairment losses on goodwill and other intangible assets included in other (income) and expense in the amount of ¥2,652 million during fiscal 2021 compared to no impairment losses on goodwill and other intangible assets during fiscal 2020. For further information on our goodwill and other intangible assets, see Note 14 of "Item 18. Financial Statements."

Selling, general and administrative expenses

	Year ended March 31,		Change	
	2020	2021	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Selling, general and administrative expenses:				
Personnel expenses	¥ 256,931	¥ 263,026	¥ 6,095	2
Selling expenses	75,860	64,749	(11,111)	(15)
Administrative expenses	119,694	120,751	1,057	1
Depreciation of office facilities	7,714	8,269	555	7
Total	¥ 460,199	¥ 456,795	¥ (3,404)	(1)

Employee salaries and other personnel expenses accounted for 58% of selling, general and administrative expenses in fiscal 2021, 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 2021 decreased 1% year on year.

Write-downs of long-lived assets

As a result of impairment reviews we performed in fiscal 2021 for long-lived assets in Japan and overseas, such as office buildings, commercial facilities other than office buildings, condominiums, hotels, and land undeveloped or under construction, write-downs of long-lived assets decreased 1% to ¥3,020 million in fiscal 2021 compared to ¥3,043 million in fiscal 2020. These write-downs, which are reflected as write-downs of long-lived assets, consisted of impairment losses of ¥331 million on one office building, ¥1,256 million on six commercial facilities other than office buildings, ¥64 million on two condominiums, ¥98 million on two pieces of land undeveloped or under construction and ¥1,271 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 2021 include a write-down of ¥1,099 million of three hotels. For further information, see Note 25 of “Item 18. Financial Statements.”

Write-downs of securities

Write-downs of securities in fiscal 2021 were mainly in connection with foreign available-for-sale debt securities and non-marketable equity securities. Write-downs of securities decreased to ¥5,935 million in fiscal 2021 compared to ¥11,969 million in fiscal 2020. For further information, see Note 10 of “Item 18. Financial Statements.”

Equity in net income (loss) of affiliates

Equity in net income (loss) of affiliates decreased in fiscal 2021 to ¥481 million compared to ¥67,924 million in fiscal 2020 due to decreases in the number of passengers and flights at our three airports in Kansai, and equity in net income (loss) of affiliates from Avolon. For further information, see Note 13 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 decreased to ¥23,300 million in fiscal 2021 compared to ¥74,001 million in fiscal 2020, due to the favorable profit from sales in Japan, the Americas and the Europe in fiscal 2020. For further information, see Note 3 of “Item 18. Financial Statements.”

Bargain Purchase Gain

In fiscal 2021, we recognized bargain purchase gains of ¥4,966 million associated with two of the acquisitions executed in fiscal 2020 compared to bargain purchase gains of ¥955 million in fiscal 2020. For further information, see Note 3 of "Item 18. Financial Statements."

Provision for income taxes

Provision for income taxes decreased to ¥90,747 million in fiscal 2021 compared to ¥105,837 million in fiscal 2020 primarily due to lower income before income taxes. For further information, see Note 17 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 2021 was ¥4,453 million, compared to ¥3,640 million in fiscal 2020.

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 2020 was ¥384 million. Net loss attributable to the redeemable noncontrolling interests in fiscal 2021 was ¥23 million. For further information, see Note 19 of "Item 18. Financial Statements."

LIQUIDITY AND CAPITAL RESOURCES

Funding Activities

ORIX Group formulates funding policies that are designed to maintain and improve procurement stability and reduce liquidity risk. As a concrete measure to maintain and improve procurement stability while engaging in activities such as borrowing, capital market procurement and securitization of assets, we are diversifying our procurement methods and our country and investor base. To reduce liquidity risk, we are prolonging our borrowings from financial institutions and issuing long-term corporate bonds domestically and internationally with dispersed redemption periods. We are also holding cash and entering into committed credit facilities agreements. In order to maintain an appropriate level of liquidity at hand, we conduct stress tests from the perspective of both procurement stability and financial efficiency and review the necessary levels accordingly. Also, ORIX Group considers reducing procurement costs to be an important issue. For this reason, we place great importance on ratings by rating agencies and strive to maintain a certain level of rating. Furthermore, we believe that maintaining our ratings are effective not only in terms of minimizing procurement costs, but also facilitating capital market procurement when in unstable financial market conditions.

Instabilities in financial markets due to the COVID-19 pandemic subsided to a degree during fiscal 2022, however uncertainties caused by geopolitical instability remain, including due to the Russia-Ukraine crisis and increased rates of inflation around the world. Depending on future developments, we expect an increase in liquidity risk, including higher procurement costs. Specifically, we may be unable to borrow new funds or roll-over existing funds; we may be unable to issue bonds, MTNs and CP in the capital markets; or there may be an increase in the amount of interest we need to pay if we are able to access such funding. Notwithstanding the current environment, the ORIX Group is working to maintain stable procurement and reduce liquidity risk in accordance with the above policy. In addition, with respect to rising costs, we are working to maintain a high rating from rating agencies and to maintain good communication with the market so that we can raise funds at reasonable interest rates when refinancing our existing funding.

ORIX Bank and ORIX Life Insurance are regulated by Japanese financial authorities. They are our main regulated subsidiaries in terms of liquidity controls, although several other subsidiaries also operate under liquidity control related regulations.

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 domestic and overseas 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 levels of overseas subsidiaries by establishing local commitment lines and maintaining multi-currency commitment lines available to ORIX and certain of its overseas subsidiaries.

ORIX Bank obtains most of the funds it needs to operate its business through deposit taking. Although ORIX Bank provides loans to several companies 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 is restricted from making 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.

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, 2022, the number of our lenders was about 200. We have promoted regular face-to-face communications and established positive working relationships with financial institutions in Japan and overseas. The majority of our loan balances consists of borrowings from Japanese financial institutions. As of March 31, 2021 and 2022, short-term debt from Japanese and foreign financial institutions were ¥291,578 million and ¥399,589 million, respectively, while long-term debt from financial institutions were ¥3,189,083 million and ¥3,240,763 million, respectively.

In fiscal 2022, we made an advance prepayment of ¥60,000 million for subordinated syndicated loans (hybrid loans), that may be repaid after 5 years from the execution, out of the total amount of ¥94,000 million borrowed in fiscal 2017. On the other hand, in order to procure the same amount, in fiscal 2021, we issued ¥50,000 million of unsecured subordinated bonds with interest payment deferrable clauses and optional early redemption conditions (hybrid bonds), and in fiscal 2022, we procured ¥10,000 million in financing by entering into a subordinated syndicated loan (hybrid loan). We intend to continue to strengthen our financial condition, while maintaining appropriately diverse funding.

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, 2021 and 2022 were ¥612,737 million and ¥651,379 million, respectively. Of these figures, the unused amount as of March 31, 2021 and 2022 were ¥524,451 million and ¥507,181 million, respectively. A portion of these facilities is arranged to be drawn down in foreign currencies by ORIX and certain of our overseas subsidiaries. The decision to enter into a committed credit facility is made based on factors including our balance of cash and cash equivalents 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 loans receivables and other assets. In fiscal 2021, we issued unsecured subordinated bonds with interest payment deferrable clauses and optional early redemption conditions (hybrid bonds) in Japan.

Bonds and MTNs

We plan to continue to issue bonds and MTNs in a balanced manner to institutional and individual investors both inside and outside Japan in line with our strategy of maintaining and improving procurement stability and reducing liquidity risk.

We issue straight bonds, MTNs and unsecured subordinated bonds with interest payment deferrable clauses and optional early redemption conditions (hybrid bonds) domestically and internationally, each to diversify our funding sources and maintain longer liability maturities.

The total balance of bonds and MTNs issued as of March 31, 2021 and 2022 were ¥1,069,720 million and ¥1,029,933 million, respectively, of which bonds and MTNs amounting to ¥58,293 million and ¥63,053 million, respectively, were issued by overseas subsidiaries.

As of March 31, 2021 and 2022, the balance of bonds issued by ORIX for domestic institutional investors were ¥378,614 million and ¥418,735 million, respectively, while the balance of bonds issued by ORIX for individual investors were ¥159,747 million and ¥149,780 million, respectively. The balances of bonds and MTNs issued outside Japan were ¥462,883 million and ¥388,195 million as of March 31, 2021 and 2022, respectively.

CP

We offer CP as a direct financing source, and have successfully obtained a diverse range of investors such as financial institutions and investment trusts, as well as private corporations. We consider our liquidity levels and stagger the dates of issuance and maturity over time so as to avoid significant overlap. The balances of outstanding CP as of March 31, 2021 and 2022 were ¥14,355 million and ¥40,050 million, respectively.

Securitization

We securitize loan receivables and other assets. We recognize liabilities consolidated with such investments as our liabilities when required under applicable accounting standards. The total amounts of payables under securitized loan receivables and other assets as of March 31, 2021 and 2022 were ¥159,366 million and ¥156,350 million, respectively.

Deposits

ORIX Bank and ORIX Asia Limited each accept deposits from customers. These deposits 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 mainly attracts retail deposits, and which deposit balances remain stable. Deposit balances of ORIX Bank as of March 31, 2021 and 2022 were ¥2,303,552 million and ¥2,267,323 million, respectively.

Short-term and long-term debt and deposits

Short-term Debt

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Short-term debt :				
Borrowings from financial institutions	¥ 291,578	¥ 399,589	¥ 108,011	37
Medium-term notes	1,336	0	(1,336)	—
Commercial paper	14,355	40,050	25,695	179
Total short-term debt	¥ 307,269	¥ 439,639	¥ 132,370	43

Note: The total amount includes liabilities of consolidated VIEs, for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries. Such liabilities as of March 31, 2021 were ¥500 million. There were no such liabilities as of March 31, 2022.

Short-term debt as of March 31, 2022 was ¥439,639 million. The ratio was 7% and 9% of total debt (excluding deposits) as of March 31, 2021 and 2022. As of March 31, 2022, 91% of short-term debt was borrowings from financial institutions.

Long-term debt

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Long-term debt :				
Borrowings from financial institutions	¥ 3,189,083	¥ 3,240,763	¥ 51,680	2
Bonds	927,088	997,654	70,566	8
Medium-term notes	141,296	32,279	(109,017)	(77)
Payable under securitized loan receivables and other assets	159,366	156,350	(3,016)	(2)
Total long-term debt	¥ 4,416,833	¥ 4,427,046	¥ 10,213	0

Note: The total amount includes liabilities of consolidated VIEs, for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries. Such liabilities as of March 31, 2021 and 2022 were ¥413,268 million and ¥431,312 million, respectively.

Long-term debt as of March 31, 2022 was ¥4,427,046 million. The ratio was 93% and 91% of total debt (excluding deposits) as of March 31, 2021 and 2022. Borrowings from financial institutions comprised 73% of the long-term debt as of March 31, 2022.

44% of interest paid on long-term debt in fiscal 2022 was fixed rate interest, with the remainder being floating rate interest.

For information regarding the repayment schedule of our long-term debt and interest rates for short-term and long-term debt, see Note 15 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 27 of "Item 18. Financial Statements."

Deposits

	As of March 31,		Change	
	2021	2022	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Deposits	¥ 2,317,785	¥ 2,276,158	¥ (41,627)	(2)

Note: VIEs did not have any deposits as of March 31, 2021 and 2022.

For further information with respect to deposits, see Note 16 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 special purpose entities (hereinafter, "SPEs"), which issue asset-backed securities to investors.

We expect to continue to utilize special purpose entity (hereinafter, "SPE") structures for securitization of assets. For further information on our transfer of financial assets, see Note 11 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 12 of "Item 18. Financial Statements" for further information concerning our SPEs.

Contractual Obligations

The table below sets forth the maturities of contractual cash obligations as of March 31, 2022.

	Payments due by period				
	Total	Within 1 year	1-3 years	3-5 years	After 5 years
	(Millions of yen)				
Contractual cash obligations:					
Deposits	¥2,276,158	¥1,114,219	¥ 800,276	¥ 347,637	¥ 14,026
Long-term debt	4,427,046	752,828	1,374,800	909,520	1,389,898
Unconditional purchase obligations of lease equipment	3,475	0	3,475	0	0
Lease liabilities related to lessee leases	301,370	48,570	72,100	53,573	127,127
Unconditional noncancelable contracts for computer systems	10,774	5,205	5,349	209	11
Interest rate swaps:					
Notional amount (floating to fixed)	511,656	65,302	120,735	115,612	210,007
Total contractual cash obligations	¥7,530,479	¥1,986,124	¥2,376,735	¥1,426,551	¥1,741,069

Items excluded from the above table include short-term debt of ¥439,639 million, trade notes, accounts and other payable of ¥291,422 million and policy liabilities and policy account balances of ¥1,963,623 million as of March 31, 2022.

For information on pension plans and derivatives, see Notes 18 and 27 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 15 and 16 of "Item 18. Financial Statements."

For information on lease liabilities, see Note 6 of "Item 18. Financial Statements."

We secure liquidity by holding cash and entering into committed credit facilities agreements in consideration of known contractual obligations.

CASH FLOWS

Our cash flows are primarily generated from the followings:

- cash outflows and inflows which are generated primarily from principal payments received under net investment in lease, life insurance related income and costs, costs of inventories and sales of inventories, and services income and services expense classified as cash flows from operating activities;
- cash outflows and inflows which are generated primarily from purchases of lease equipment and proceeds from sales of lease equipment, purchases of securities and proceeds from sales of securities, and execution of installment loans to customers and principal payments received under installment loans classified as cash flows from investing activities; and
- cash outflows and inflows which are generated primarily from proceeds from short-term and long-term debt, repayment of short-term and long-term debt, and deposits due to customers classified as cash flows from financing activities.

The use of cash is heavily dependent on the volume of operating assets for new business. As new business volumes for assets such as leases and loans increase, we require more cash to meet the needs, while a decrease in new business volumes results in a less use of cash and an increase in debt repayment.

For cash flow information regarding interest and income tax payments, see Note 5 of "Item 18. Financial Statements."

Year Ended March 31, 2022 Compared to Year Ended March 31, 2021

Cash, cash equivalents and restricted cash increased by ¥12,237 million to ¥1,091,812 million compared to March 31, 2021.

Cash flows provided by operating activities were ¥1,103,370 million during fiscal 2022, up from ¥1,102,414 million during fiscal 2021. This change resulted primarily from a change from a decrease to an increase in income taxes payable, partially offset by a decrease in an increase in policy liabilities and policy account balances.

Cash flows used in investing activities were ¥808,846 million during fiscal 2022, down from ¥1,209,990 million during fiscal 2021. This change resulted primarily from a decrease in purchases of available-for-sale debt securities and sales of subsidiaries, partially offset by an increase in purchases of lease equipment.

Cash flows used in financing activities were ¥306,618 million during fiscal 2022 compared to the inflow of ¥39,884 million during fiscal 2021. This change resulted primarily from a decrease in proceeds from and an increase in repayment of debt with maturities longer than three months.

Year Ended March 31, 2021 Compared to Year Ended March 31, 2020

Cash, cash equivalents and restricted cash decreased by ¥55,709 million to ¥1,079,575 million compared to March 31, 2020.

Cash flows provided by operating activities were ¥1,102,414 million during fiscal 2021, up from ¥1,042,466 million during fiscal 2020. This change resulted primarily from an increase in life insurance premiums due to an increase in in-force life insurance contracts, partially offset by a decrease in services income.

Cash flows used in investing activities were ¥1,209,990 million during fiscal 2021, down from ¥1,470,486 million during fiscal 2020. This change resulted primarily from a decrease in installment loans made to customers, partially offset by a decrease in proceeds from sales of operating lease assets.

Cash flows provided by financing activities were ¥39,884 million during fiscal 2021, down from ¥288,703 million during fiscal 2020. This change resulted primarily from a decrease in deposits due to customers, partially offset by an increase in proceeds from debt with maturities longer than three months.

COMMITMENTS FOR CAPITAL EXPENDITURES

As of March 31, 2022, we had commitments for the purchase of equipment to be leased in the amount of ¥3,475 million. For information on commitments, guarantees and contingent liabilities, see Note 31 of "Item 18. Financial Statements."

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, 2022.

	Amount of commitment expiration per period				
	Total	Within 1 year	1-3 years	3-5 years	After 5 years
	(Millions of yen)				
Commitments:					
Guarantees	¥ 850,959	¥ 85,647	¥209,361	¥196,513	¥359,438
Committed credit lines and other	565,233	163,407	123,444	41,741	236,641
Total commercial commitments	¥1,416,192	¥249,054	¥332,805	¥238,254	¥596,079

A subsidiary in the United States is authorized to underwrite, originate, fund and service multi-family and senior housing loans without prior approval from Federal National Mortgage Association ("Fannie Mae") under the Delegated Underwriting and Servicing program and Federal Home Loan Mortgage Corporation ("Freddie Mac") under the Delegated Underwriting Initiative program. As part of these programs, Fannie Mae and Freddie Mac provide a commitment to purchase the loans.

Under these programs, the subsidiary guarantees the performance of the loans transferred to Fannie Mae and Freddie Mac 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 ¥417,587 million as of March 31, 2022.

The subsidiary makes certain representations and warranties in connection with the sale of loans through Fannie Mae and Freddie Mac, including among others, that: the mortgage meets Fannie Mae and Freddie Mac 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 and Freddie Mac for any related losses incurred. The subsidiary had no such repurchase claims during fiscal 2022.

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

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.

In addition, we carefully considered the future outlook regarding the spread of the COVID-19 etc. As of March 31, 2022, there was no significant impact on our accounting estimates. However, the outlook for future outbreaks of COVID-19 etc. and the resulting global economic slowdown is uncertain and it may change rapidly. Therefore, our accounting estimates may change over time.

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 other intangible assets, 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 certain loans held for sale, trading debt securities, available-for-sale debt securities, certain equity securities, derivatives, certain 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 bond securities and foreign corporate debt securities included in available-for-sale debt securities, certain investment funds included in equity securities, certain reinsurance contracts, 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, 2022:

	March 31, 2022			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Millions of yen)			
Financial Assets:				
Loans held for sale	¥ 151,601	¥ 0	¥ 151,601	¥ 0
Trading debt securities	2,503	0	2,503	0
Available-for-sale debt securities	2,174,891	1,095	2,032,736	141,060
Equity securities	385,271	112,200	160,099	112,972
Derivative assets	51,366	292	46,214	4,860
Other assets	5,214	0	0	5,214
Total	¥2,770,846	¥113,587	¥2,393,153	¥264,106
Financial Liabilities:				
Derivative liabilities	¥ 105,705	¥ 2,026	¥ 95,047	¥ 8,632
Policy Liabilities and Policy Account Balances	198,905	0	0	198,905
Total	¥ 304,610	¥ 2,026	¥ 95,047	¥207,537

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, 2022, financial assets measured at fair value on a recurring basis and classified as Level 3 and the percentages of total assets are as follows:

	March 31, 2022	
	Significant Unobservable Inputs (Level 3)	Percentage of Total Assets (%)
	(Millions of yen, except percentage data)	
Level 3 Assets:		
Available-for-sale debt securities	¥ 141,060	1
Japanese prefectural and foreign municipal bond securities	3,053	0
Corporate debt securities	697	0
Other asset-backed securities and debt securities	137,310	1
Equity securities	112,972	1
Investment funds, and others	112,972	1
Derivative assets	4,860	0
Options held/written and other	4,860	0
Other assets	5,214	0
Reinsurance recoverables	5,214	0
Total Level 3 financial assets	¥ 264,106	2
Total assets	¥14,270,672	100

As of March 31, 2022, the amount of financial assets classified as Level 3 was ¥264,106 million, among financial assets that we measured at fair value on a recurring basis. Level 3 assets represent 2% of our total assets.

Other asset-backed securities and debt securities, and Investment funds, and others classified as Level 3 were ¥137,310 million and ¥112,972 million respectively, as of March 31, 2022, which are 52% and 43% of total Level 3 financial assets, respectively.

Investment funds classified as Level 3 are investments held by the investment companies which are owned by a certain Americas subsidiary, and certain investments in investment funds for which certain subsidiaries elected the fair value option. With respect to investments held by the investment companies which are owned by a certain Americas subsidiary, fair value measurement is based on the combination of discounted cash flow methodologies and market multiple valuation methods, or broker quotes. Discounted cash flow methodologies use future cash flows to be generated from investees, weighted average cost of capital (WACC) and others. Market multiple valuation methods use earnings before interest, taxes, depreciation and amortization (EBITDA) multiples based on actual and projected cash flows, comparable peer companies, and comparable precedent transactions and others. With respect to certain investments in investment funds for which certain subsidiaries elected the fair value option, the subsidiaries measure their fair value using discounting to net asset value based on inputs that are unobservable in the market, or broker quotes.

With respect to the 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 using valuation techniques such as discounted cash flow methodologies using Level 3 inputs in order to estimate fair value of these debt 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 other asset-backed securities.

In determining whether the inputs are observable or unobservable, 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 CREDIT LOSSES

We estimate all credit losses expected to occur in future over the remaining life of financial assets, and allowance for credit losses is recognized. This evaluation process is subject to management’s estimates and judgments. The estimate made in determining the allowance for credit losses is a critical accounting estimate for all of our segments.

In developing the allowance for credit losses, we consider, among other things, the following factors:

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

There are two methods for estimating the allowance for credit losses; collective evaluation and individual evaluation. We also recognize allowances for off-balance sheet credit exposures.

Collective evaluation

When certain financial assets have similar risk characteristics to other financial assets, we collectively evaluate these financial assets as a pool. The forecasted future economic indicators correlated with the prior charge-off experience are reflected to the estimate of the allowance for credit losses. Economic indicators correlated with prior charge-off experience are determined over the reasonable and supportable forecasted period. Economic indicators include GDP growth rates, consumer price indices, unemployment rates, and government bond interest rates. We also consider forward-looking scenarios of how the selected economic indicators will change in the future. We use the latest economic forecasts available from the economic reports published by the government and the Financial Services Agency, the Bank of Japan and third-party information providers as economic indicators.

Individual evaluation

When financial assets do not have similar risk characteristics to other financial assets, we evaluate individually the financial assets. In the individual assessment the allowance for credit losses is estimated individually 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 and purchased loans, in principle, the estimated collectible amount is determined based on the fair value of the real estate collateral securing the loans as they are real estate collateral-dependent. Further for certain non-recourse loans and purchased 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.

We charge off doubtful receivables when the likelihood of any future collection is believed to be minimal considering debtor's creditworthiness and the liquidation status of collateral.

Allowance for off-balance sheet credit exposures

If the entity has a present contractual obligation to extend the credit and the obligation is not unconditionally cancelable by the entity, credit losses related the loan commitments of card loans and installment loans and financial guarantees are in the scope of the allowance for credit losses.

For loan commitments of card loans and installment loans, credit losses are recognized on the loan commitments for the portion expected to be drawn.

For financial guarantees, the allowance is recognized for the contingent obligation which generates credit risk exposures.

These allowance for off-balance sheet credit exposures is measured using the same measurement objectives as the allowance for loans and net investment leases, considering quantitative and qualitative factors including historical loss experience, current economic and business conditions and reasonable and supportable forecasts.

The allowance for these off-balance sheet credit exposures is recorded in other liabilities on the consolidated balance sheets.

While management considers the allowance is adequate based on the currently available information, additional provisions may be required due to future uncertain events and factors.

IMPAIRMENT OF INVESTMENT IN SECURITIES

We make decisions about impairment of investment in debt securities other than trading and investment in equity securities elected for the measurement alternative as follows.

As for impairment of available-for-sale debt securities, if the fair value is less than the amortized cost, the debt securities are impaired. We identify per each impaired security whether the decline of fair value is due to credit losses component or non-credit losses component. Impairment related to credit losses is recognized in earnings through an allowance for credit losses. Impairment related to other factors than credit losses is recognized in other comprehensive income (loss), net of applicable income taxes. In estimating an allowance for credit losses, we consider that credit losses exist when the present value of estimated cash flows is less than the amortized cost basis. When we intend to sell the debt securities for which an allowance for credit losses is previously established or it is more likely than not that we will be required to sell the debt securities before recovery of the amortized cost basis, the allowance for credit losses is fully written off and the amortized cost is reduced to the fair value after recognizing additional impairment in earnings. In addition, we recognize in earnings the full difference between the amortized cost and the fair value of the debt securities by direct write-down, without any allowance for credit losses, if the debt securities are expected to be sold and the fair value is less than the amortized cost.

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

- the extent to which the fair value is less than the amortized cost basis;
- continuing analysis of the underlying collateral, age of the collateral, business climate, economic conditions and geographical considerations;
- trends in delinquencies and charge-offs;
- payment structure and subordination levels of the debt security; and
- changes to the rating of the security by a rating agency.

Held-to-maturity debt securities are in the scope of Credit Losses Standard, see Note 1 “Significant Accounting and Reporting Policies (h) Allowance for credit losses” of “Item 18. Financial Statements.”

For equity securities elected for the measurement alternative, we determine that the investment shall be written down to its fair value with losses included in income if a qualitative assessment indicates that the investment is impaired and the fair value of the investment is less than its carrying value.

In assessing whether equity securities elected for the measurement alternative are impaired, we make a qualitative assessment considering impairment indicators, including but not limited to the following factors:

- a significant deterioration in the earnings performance, credit rating, asset quality, or business prospects of the investee;
- a significant adverse change in the regulatory, economic, or technological environment of the investee;
- a significant adverse change in the general market condition of either the geographical area or the industry in which the investee operates;

- a bona fide offer to purchase, an offer by the investee to sell, or a completed auction process for the same or similar investment for an amount less than the carrying amount of that investment; and
- factors that raise significant concerns about the investee's ability to continue as a going concern, such as negative cash flows from operations, working capital deficiencies, or noncompliance with statutory capital requirements or debt covenants.

Determinations of whether investments in securities are impaired often involve estimating the outcome of future events that are highly uncertain at the time the estimates are made. Management judges whether there are any facts that an impairment loss should be recognized, based primarily on objective factors.

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 OTHER INTANGIBLE ASSETS

We perform an impairment test for goodwill and any indefinite-lived intangible assets at least annually. Additionally, if events or changes in circumstances indicate that the asset might be impaired, we test for impairment whenever 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 quantitative goodwill impairment test. We perform the qualitative assessment for some goodwill but bypass the qualitative assessment and proceed directly to the quantitative goodwill impairment test for other goodwill. For the goodwill for which the qualitative assessment is performed, 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 quantitative goodwill impairment test. However, if we conclude otherwise or determine to bypass the qualitative assessment, we proceed to perform the quantitative goodwill impairment test. The quantitative goodwill impairment test 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, an impairment loss is recognized in an amount equal to the difference. We test the goodwill either at the operating segment level or one level below the operating segments.

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. We perform the qualitative assessment for some indefinite-lived intangible assets but bypass the qualitative assessment and perform the quantitative impairment test for other indefinite-lived intangible assets. For those indefinite-lived intangible assets for which the qualitative assessment is performed, if, after assessing the totality of events and circumstances, we conclude that it is not more likely than not that the indefinite-lived intangible 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 impairment test for other indefinite-lived intangible assets.

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.

The fair value of a reporting unit under the quantitative goodwill impairment test 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 assets. 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 rates. For example, determining the fair value of an asset management contract included in intangible assets involves the estimated balances of assets under management, including the amounts of inflows and outflows related to the underlying investment funds that provide the asset management service, and estimates and assumptions regarding the WACC. Management believes that the assumptions used in estimating fair value used to determine impairment are reasonable, but we may charge additional losses to income 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.

The accounting estimates relating to impairment of goodwill and any intangible assets 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 and intangible assets being depreciated or amortized, consisting primarily of office buildings, condominiums, aircraft, ships, mega solar facilities and other properties under facility operations. 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. For example, we estimate the future cash flows expected to be generated by aircraft mainly based on the underlying operating lease contracts and the appraisals obtained from independent third-party appraisers. 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. Although management believes that the expected future cash flows and the calculations of fair value used to determine impairment are reasonable, 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 FINANCE LEASES AND OPERATING LEASES

We estimate unguaranteed residual values of leased equipment (such as automobiles, office equipment, etc.) when we calculate unearned lease income to be recognized as income over the lease term for finance 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 finance leases and operating leases affect mainly Corporate Financial Services and Maintenance Leasing segment, and Asia and Australia segment.

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 and expense margins, 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 Insurance segment.

ASSESSING HEDGE EFFECTIVENESS

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. 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, we use techniques including regression analysis and the cumulative dollar offset method.

The accounting estimates used to assess hedge effectiveness could affect mainly Insurance segment and Asia and Australia 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 2022 would decrease or increase, respectively, by approximately ¥2,646 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 2022 would decrease by approximately ¥1,346 million. If we were to assume a 1% decrease in the discount rate, and keep other assumptions constant, pension expense for fiscal 2022 would increase by approximately ¥2,164 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 tax loss carryforwards, before they expire. The valuation allowance is primarily recognized for deferred tax assets of consolidated subsidiaries with tax loss carryforwards. 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 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 important accounting policies, including accounting estimate of particular importance with our Audit Committee.

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 2022, as well as the fair value as of the end of fiscal 2022.

Year ended March 31, 2022			
Carrying amount *[1]			
Balance at April 1, 2021	Change amount	Balance at March 31, 2022	Fair value at March 31, 2022 *[2]
(Millions of yen)			
¥350,799	¥22,294	¥373,093	¥437,008

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

*[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 2022 were as follows:

Year Ended March 31, 2022		
Revenue*[1]	Expense*[2]	Net
(Millions of yen)		
¥55,333	¥30,121	¥25,212

*[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 rental payment, depreciation expense, repair cost, insurance cost, tax and duty which are included in "Costs of operating leases," and "Write-downs of long-lived assets."

RECENT DEVELOPMENTS

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In August 2018, Accounting Standards Update 2018-12 ("Targeted Improvements to the Accounting for Long-Duration Contracts"—ASC 944 ("Financial Services—Insurance")) was issued, and the original effective date was deferred by two years by related amendments which were issued thereafter. These updates change the recognition, measurement, presentation and disclosure requirements for long-duration contracts issued by an insurance entity. These updates require an insurance entity to review and, if there is a change, update cash flow assumptions at least annually and to update discount rate used for liability for future policy benefits at each reporting date for nonparticipating traditional long-duration and limited-payment contracts. The effect of updating the discount rate is recognized in other comprehensive income (loss). These updates also require market risk benefits to be measured at fair value, and simplify amortization of deferred acquisition costs. Furthermore, these updates require additional disclosures for long-duration contracts. These updates are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted. For the liability for future policy benefits and deferred acquisition costs, these updates are applied to contracts in force as of beginning of the earliest period presented (hereinafter, “the transition date” of these updates) on a modified retrospective basis, and an insurance entity may elect to apply retrospectively. For the market risk benefits, these updates are applied retrospectively at the transition date, and the difference between fair value and carrying value requires an adjustment to retained earnings at the transition date. The cumulative effect of changes in the instrument-specific credit risk between contract inception date and the transition date should be recognized in accumulated other comprehensive income at the transition date. The Company and its subsidiaries will adopt these updates on April 1, 2023. The Company and its subsidiaries are currently evaluating the effect that the adoption of these updates will have on the Company and its subsidiaries’ results of operations or financial position, as well as changes in disclosures required by these updates.

In July 2021, Accounting Standards Update 2021-05 (“Lessors—Certain Leases with Variable Lease Payments”—ASC 842 (“Leases”)) was issued as the amendments to ASC 842 (“Leases”). This update requires that lessors classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if classifying the lease as a sales-type lease or a direct financing lease would result in the recognition of a selling loss at lease commencement. This update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021 and early adoption is permitted. Entities that have adopted ASC 842 (“Leases”) before the issuance date of this update have the option to apply the amendments either retrospectively to leases that commenced or were modified on or after the adoption of Update 2016-02 (ASC 842 (“Leases”)) or prospectively to leases that commence or are modified on or after the date that an entity first applies the amendments. The Company and its subsidiaries will adopt this update on April 1, 2022 using the option to apply the amendments prospectively to leases that commence or are modified on or after the date that an entity first applies the amendments. 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 October 2021, Accounting Standards Update 2021-08 (“Accounting for Contract Assets and Contract Liabilities from Contracts with Customers”—ASC 805 (“Business Combinations”)) was issued. This update requires us to apply ASC 606 (“Revenue from Contracts with Customers”) to recognize and measure contract assets and contract liabilities acquired in a business combination. This update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022 and early adoption is permitted. This update is applied prospectively to business combinations occurring on or after the date that an entity first applies the amendments. The Company and its subsidiaries will adopt this update on April 1, 2023. 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 November 2021, Accounting Standards Update 2021-10 (“Disclosures by Business Entities about Government Assistance”—ASC 832 (“Government Assistance”)) was issued. This update requires annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance. The annual disclosure shall include; (1) information about the nature of the transactions and the related accounting policy used to account for the transactions, (2) the line items on the consolidated balance sheet and consolidated income statement that are affected by the transactions, and the amounts applicable to each financial statement line item, and (3) significant terms and conditions of the transactions, including commitments and contingencies. This update is effective for fiscal years beginning after December 15, 2021, and early adoption is permitted. The Company and its subsidiaries will adopt this update on April 1, 2022. 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 March 2022, Accounting Standards Update 2022-02 ("Troubled Debt Restructurings and Vintage Disclosures"—ASC 326 ("Financial Instruments—Credit Losses")) was issued. This update eliminates the recognition and measurement guidance on troubled debt restructuring (hereinafter, "TDR") and, instead, requires that an entity evaluate whether certain modifications on contractual terms made to borrowers experiencing financial difficulty should be accounted for as a new loan or a continuation of an existing loan. Additionally, enhanced disclosures for certain modifications made to borrowers experiencing financial difficulty are newly required. In addition, this update also requires that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20 ("Financial Instruments—Credit Losses—Measured at Amortized Cost") in the existing vintage disclosure, where an entity discloses the amortized cost basis by credit quality indicator and class of financing receivable by year of origination. This update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022 and early adoption is permitted. This update should be applied prospectively from the beginning of the fiscal year of adoption, including interim periods, except for the optional transition method related to the recognition and measurement of TDRs for which an entity may elect to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The Company and its subsidiaries will adopt this update on April 1, 2023. 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, as well as changes in disclosures required by this update.

RISK MANAGEMENT

Group-Wide Risk Management System

Risk Management System

The allocation of management resources within ORIX Group is conducted taking into account group-wide risk preferences determined by management strategies and the business strategies of individual business units. We have established our risk management system to appropriately recognize risks relating to Group businesses on a global basis in order to realize allocations of management resources that are appropriate for the risks we face and report such risks to the board of directors, the Audit Committee of the board of directors, such as the Executive Committee as the situation warrants. The board of directors and executive bodies comprehensively evaluate the performance of business units and the characteristics of the risks they face and implement necessary measures in response thereto. Through this process, we are able to control our balance sheet and allocate additional management resources to business units with strong potential for growth, and the internal control-related functions work together to analyze and manage risks.

The risk management system has been adopted by the board of directors as a part of our internal control system. The status of the operation of such internal control system is examined and reported to the board of directors annually. For descriptions of our board of directors, Audit Committee, Executive Committee and other internal committees, see "Item 6. Directors, Senior Management and Employees—Corporate Governance System."

Management of Principal Risks

We recognize that credit risk, business risk, market risk, liquidity risk (risk relating to funding), compliance risk, legal risk, information/ cybersecurity risk, operational risk, external environment-related risk (risk relating to unpredictable events) are the principal risks we face, and we manage each of these risks according to its characteristics.

Credit Risk Management

We define credit risk as uncertainty regarding recovery of credit caused by a debtor's default or deterioration in their credit standing.

To analyze credit risk, we evaluate factors such as the adequacy of collateral and guarantees and the diversification of our customers' industry and business. A typical practice is to 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 potentially higher risk markets.

We recognize that certain assets 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. We consolidate accumulated collection knowhow ranging from sending an initial reminder to actively seizing collateral in the credit department and reflect it in our evaluation criteria for individual credit transactions and portfolio analysis.

Business Risk Management

We define business risk as uncertainty regarding recovery of investments caused by negative performance of our businesses or investees, variability in market prices for the types of products or services we offer or the potential degradation or obsolescence of the products or services we offer or a decline in their quality.

To address new businesses and investments, we monitor business plans and operations using scenario analyses and stress tests when we first begin the business or investment. In addition to on-going monitoring, we also evaluate and verify the cost of withdrawal from a business, business area or investment.

For products and services we offer, in addition to monitoring quality, we regularly review the content of our product and services line up 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, the relevant market environments and the overall business environment. We limit our operating leases to leased properties and other assets with high versatility, and evaluate the sale of such properties and other assets depending on changes in market conditions.

We endeavor to minimize the risk related to fluctuation in market prices for real estate by sufficiently taking into account declines in market prices based on know-how we have developed to date, including through our experiences during financial crises.

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 based on factors such as 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. The analysis methods we use are modified, as required, depending on the situation.

We generally manage exchange rate risk by using means such as 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 relating to 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.

With respect to the transition away from and discontinuation of LIBOR and other interest rate benchmarks, we have completed it except for those in some contracts of U.S.dollars for which the official cessation is extended to the end of June 2023, and continue to take necessary steps to proactively address the remaining transition, including monitoring external developments, negotiating successor reference rates with relevant counterparties, planning for the circumstances where the transition results in a mismatch with the fallback reference rates used (particularly in the case of derivatives contracts used for hedging purposes), and evaluating the potential impact on our financial results and condition.

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

Liquidity Risk Management

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 deterioration in the financial condition of 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 regulated by Japanese financial authorities and 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 categorizes the degree of cash-flow tightness into several stages, and has established measures to strengthen its liquidity risk management system according to each stage. In addition, ORIX Bank has established limits on the required amount of liquid assets and the amount of market-based funding, and the department in charge of risk management monitors compliance with these limits.

ORIX Life Insurance strives to maintain appropriate liquidity by setting standards for its holdings of cash and highly liquid governmental and corporate bonds. In addition to assessing current and future funding needs, ORIX Life Insurance has set categories corresponding to the urgency of such funding needs and established standards and contingency plans so that it can swiftly and appropriately respond to situations that take place within each category in times of stress.

Compliance Risk Management

We define compliance risk as the risk of financial loss, regulatory sanction, disadvantage or reputational damage resulting from a failure by ORIX Group to comply with laws and regulations applicable to ORIX Group's business or company management and/or a failure to comply with ORIX Group's corporate philosophy, internal rules and generally accepted standards of business conduct.

ORIX Group views compliance as one of the top priorities of management. The ORIX Group strives to build a robust and comprehensive compliance program and promote a culture of compliance, with an emphasis on high standards of ethical behavior at all levels of the organization, and to conduct its business activities in a sincere, fair and transparent manner.

In order to lower the level of compliance risk at the Group level, the compliance department requires companies in the ORIX Group to formulate a compliance plans and monitor compliance risks within ORIX Group in order to avoid, mitigate or prevent the realization of such risks. By implementing programs that sustain a culture of compliance, the compliance department seeks to prevent or mitigate compliance risk, and thereby contribute to the sound business and management of 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 the ORIX Group Principles of Conduct, which sets forth ORIX Group's principles of compliance. Progress in sustaining a culture of compliance through internal training and other activities is regularly reported to our Audit Committee.

As part of our internal control system, we have established internal whistleblower systems for use by executives and employees in the ORIX Group and external whistleblower systems for use by business partners outside the ORIX Group, and developed internal and external systems designed to prevent compliance risk. We have also established a system whereby material matters that are reported through the internal and external whistleblower systems and those that relate to legal or other violations are promptly reported to the representative executive officer and appropriate actions are taken in response to instructions received from the representative executive officer. The statuses of responses to material matters are reported to our Audit Committee and information is appropriately shared.

Furthermore, from the perspective of compliance with applicable tax laws, we are committed to paying taxes in conformance with tax laws of relevant jurisdictions, tax treaties and guidelines, and internal rules, to managing our tax affairs in good faith and in compliance with applicable tax systems and to achieving tax transparency on a group-wide basis.

Legal Risk Management

We define legal risk as limitations or other negative effects on our businesses or company management that could result from the enactment of or change in relevant laws and regulations or from deficiencies in contracts.

In addition to establishing internal rules necessary for ensuring compliance with laws and regulations, in order to comply appropriately with revisions in laws and regulations, we have also taken measures to understand the applicability of such laws and regulations to each business in ORIX Group and provide instructions to business units to which such laws and regulations apply.

To avoid, reduce and prevent transactional legal risk, we generally require that the legal department, the compliance department and the credit department each be involved in evaluating and/or executing transactions.

For transactional agreements relating to business transactions, we have established a contract review and approval process involving the legal department in accordance with our prescribed internal rules.

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 each 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. In addition, we have in place systems to prevent disputes and litigation such as a system for monitoring for trademark applications that could infringe on trademarks held by ORIX Group.

The legal department manages intellectual property rights and takes necessary protective measures immediately if an actual or potential infringement of ORIX Group's intellectual property rights is discovered.

Information / Cybersecurity Risk Management

We define information / cybersecurity risk as the risk of loss, theft, damage or leakage of information, the failure of our information systems or cyber-attacks.

ORIX group has established internal rules governing appropriate handling of information and the use of information systems by executives and employees, as well as governing structure, basic policies, and management standards for information security, education, and audits.

The information security control department implements vulnerabilities management including vulnerability tests of information systems and technical measures for network defense to reduce risk of loss due to external threats such as cyber-attacks. Also, internal rules have been established to collect and manage security logs so that external perimeters as well as information leakage by internal frauds are addressed.

The information security control department implements vulnerabilities management including vulnerability tests of information systems and technical measures for network defense to reduce cyber risks. Also, internal rules have been established to collect and manage security logs so that external perimeters as well as information leakage by internal frauds are addressed.

The information security control department is responsible for reducing the risk of security breaches, such as system failures including cyber-attacks and information security by establishing a security incident response process. In the event of an information security incident, the information security control department, legal department and compliance department work together to minimize damage and prevent additional damages, and significant information is reported to the CEO as required and appropriate actions are taken under the CEO's direction. The status of the incident response is appropriately reported to the Audit Committee so that appropriate information sharing takes place. A reporting system is being implemented for timely disclosure of significant cybersecurity incidents and regular disclosures of management status, risk management, strategy and governance in response to incidents.

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 failure to secure necessary human resources or prevention of human error or by a failure in operations due to external events such as natural disasters.

In order to clarify internal processes for business execution, we have established internal rules and conduct training to improve awareness of such rules. In addition, for compliance purpose, we are focused on developing and evaluating our internal control.

In order to reliably secure and retain diverse human resources, we promote diversity and inclusivity and strive to create a workplace valuable for all of our employees so that each of them can fully utilize their various skills and specialized knowledge while engaging in their work in a manner that matches their life style. In addition to developing our human resource systems to take into account factors such as national and regional labor markets, market practices, compensation standards, laws and regulations, job duties and business characteristics, we have developed a work environment that respects human rights and seeks to ensure that employees can engage in meaningful work in a lively manner within a healthy and safe environment.

Additionally, we have established a system for teams to contact risk management departments swiftly in cases where an incident, customer claim or similar matter has arisen so that we can respond quickly and carefully and take measures to prevent reoccurrences.

The internal audit department conducts monitoring activities based on an annual internal audit plan that includes monitoring of 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.

External Environment-related Risk Management (Risk Management Related to Unpredictable Events)

Among the external environment-related risks that we face such as those relating to the business environment, we are particularly focused on addressing our systems to address and manage risks related to natural disasters and other unexpected risks. We have established internal rules to manage risks associated with disasters, and implemented a framework for organizational implementation of basic principles to manage risks arising from events such as natural disasters, terrorism and infectious diseases, as well as related activities.

For example, we have established systems for confirming the safety and status of all employees in the event our offices are closed due to an event such as a disaster or the spread of an infectious disease. To prepare for situations where employees working from our offices is impossible or inadvisable, we have also introduced systems to permit employees to work remotely so that our business operations are not disrupted.

The ORIX Group is prepared for the occurrence of unexpected events, by diversifying its profit structure through a diversified business portfolio and ensuring sufficient liquidity, which allow it to maintain sound financial health.

Individual Business Risk Management

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

Corporate Financial Services and Maintenance Leasing

Legal risk and credit risk are the main risks of the corporate financial services business.

Due to the offering of various products and services by business units in our corporate financial services business, the enactment of or revisions or changes to related laws, regulations and accounting standards may adversely affect the products and services we offer and lead to a decline in fee income. In order to reduce such risk, business units conduct information gathering and coordinate with the legal department with regard to information on changes in relevant laws and regulation, as well as reassessing their business strategies as necessary.

With regard to credit transactions, the corporate financial services business regularly monitors the performance, related collateral, and collection status of customers whose balances exceed specified levels. The credit department regularly evaluates customers with large credit balances.

Within the corporate financial services business, 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.

Business risk and credit risk are the main risks of the maintenance leasing business.

To manage the risk of changes in the market value of property under operating leases, we continuously monitor market conditions and fluctuations in the value of leased property and reassess residual value estimates of leased property in new investment transactions accordingly.

Cost fluctuation is a risk when providing various services associated with operating leases. In response to this, we analyze initial cost planning and performance, monitor future forecasts and control costs at an appropriate level.

In addition, our 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 provide services at a level that meets our clients' expectations and to improve our services in line with the operating environment.

Furthermore, we not only conduct credit examinations of individual transactions to manage credit risk, but also conduct comprehensive assessments that take into account changes in, and our expectations regarding, the business environment.

Real Estate

Business risk and market risk are the main risks of the Real Estate segment.

With respect to our real estate investments, 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.

Furthermore, when we invest in large scale or long-term projects, we consider diversifying risk by making joint investments with our partners.

In our development and leasing business, 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.

In our condominium business (new and used), we monitor sales figures and profitability of individual businesses while keeping in mind the market environment, construction costs, relevant interest rates and real estate-related taxation systems. Additionally, in our construction business, we seek to control construction costs and construction periods, while also focusing on health and safety management.

PE Investment and Concession

Business risk, market risk and operation risk are the main risks of PE Investment and Concession segment.

When making investment decisions with regard to potential investees in the private equity business, we conduct a credit evaluation, analyzing the investee's financial condition and assessing its cash flow, as is done for credit examinations. We also perform a multi-faceted evaluation of the characteristics of the business operation and investment scheme, in which administrative departments such as accounting and legal are also involved. In addition, after the initial investment, individual transactions are monitored for divergence from the initial scenario.

We emphasize monitoring financial condition of a company 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 ORIX Group, we work to strengthen management through measures such as seconding of management personnel.

We conduct our concession business in public facilities such as airports, together with business partners.

The long-term nature of this business adds uncertainty and, therefore, we conduct stress tests in advance to evaluate the effect of disaster recovery or business withdrawal costs on operating revenue and cash flow based on demand forecasts and monitor business plans and operations on a regular basis and as the situation warrants. We also strive to train staff with expertise on the management of public facilities and reduce operational risk by establishing a management system with business partners and strengthening governance.

Environment and Energy

Business risk, legal risk and operation risk are the main risks of the Environment and Energy segment.

In the environment and energy business, we conduct various businesses in the renewable energy, energy conservation, electricity retail, resource recycling and waste processing operations sectors both in and outside of Japan. They are easily impacted by factors such as the external environment, and changes in social trends and systems and legal regulations, a spike in natural resource prices in recent years, a steep rise in electricity prices and an increase in their volatility, and disruption in supply chains can be ongoing threats. Due to these potential factors, while there are cases when it becomes necessary to change the revenue structure of individual businesses, we are able to quickly identify trend changes in the external environment and seek new revenue generation opportunities through business model shifts, new business developments, and business portfolio shuffles.

In each business, we operate a wide variety of facilities related to electricity generation, resource recycling and waste processing operations, and proactively seek out investment opportunities in various M&As and strategic alliances to further expand our businesses, but we also continue to strengthen internal governance by reassuring internal controls set in place. We also make efforts to optimize our operations mainly together with specialists groups with technical expertise in order to develop business continuity plan structures that ensure safety and appropriateness of each facility and develop readiness for situations such as natural disasters, accidents, and epidemics.

Insurance

Business risk and market risk are the main risks in the Insurance segment.

In insurance underwriting, we risk sustaining losses due to changes in the economic environment or insurance accident rates over time such that they differ significantly from the assumptions made when the insurance fees were set. Through monitoring of these factors that could cause losses, we re-evaluate underwriting standards, develop new products, update or discontinue existing products. Furthermore, we employ reinsurance as one means of ensuring payments of insurance fees and the stability of our business management. When utilizing reinsurance, we determine standards for reinsurance and maintenance according to the characteristic of the transferred risk and effect of reinsurance. When choosing a reinsurance company, we focus on ensuring that there is a high probability we can recover the fees paid for reinsurance by taking into account underwriting capacity and financial health.

In the case of market risk, to prepare for changes in the value of our assets and liabilities, we establish monitoring items for general account assets and conduct risk assessments and monitoring. Furthermore, from an asset liability management perspective we strive to limit interest rate risk through the purchase of policy reserve matching bonds.

Banking and Credit

Credit risk is the main risk of the Banking and Credit segment.

Regarding each real estate investment 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 real estate investment appetite, supporting documentation, and ability to repay but also the cash flows that can be derived from the property and its collateral value. Throughout this process, we carefully select partner realtors and 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, intended use of proceeds, expected source of repayment and industry trends. We also reduce risk by avoiding overconcentration in any particular business type and product in our portfolio.

The unsecured 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 their ability to repay. Also, we undertake subsequent credit evaluations at regular intervals to monitor changes in the customer's financial condition.

Aircraft and Ships

In the aircraft business, we operate in the operating lease business and aircraft asset management business, where the main risks the businesses face are business risk, credit risk, market risk and operating risk. We generally limit the aircraft to those with high versatility that are comparatively easy to re-lease and evaluate sales depending on changes in market conditions. In addition, we conduct comprehensive assessments of the customers' performance and related collateral at the time of financing. With regard to our affiliate, Avolon, we continuously monitor its business plan and operations. In addition, we support the sound management of Avolon by contributing to its management through the exercise of our rights as a shareholder and our members of its board of directors.

In the ships business, we operate in the financing business, including operating leases, where the main risks the businesses face are credit risk, business risk, market risk and operating risk. Credit risk is handled at the time of financing through comprehensive assessments of the borrower's performance and related collateral. After conducting the financing, we continue to monitor borrowers and, for borrowers that require caution, our policy requires management to consider the collectability of the financing and to determine the necessity of an allowance for credit losses or an impairment. We generally limit our financing to small and medium-sized ships with high versatility that are comparatively easy to re-lease and evaluate sales depending on changes in market conditions. Operational risk primarily arises from the risk of managing ships that we own, but we are able to substantially mitigate the possibility of unforeseen events by limiting the outsourcing of ship management to experienced and stable partners and conducting regular assessments.

ORIX USA

Credit risk and market risk related to lending and investment are the main risks facing the lending investment business and finance business in the ORIX USA segment.

Regarding credit risk, at the time an investment or loan is made, we assign an internal risk rating to such investment or loan taking into consideration various standard credit metrics, collateral value, and enterprise value. The loan or investment is continuously monitored and the risk rating is periodically reviewed and updated if necessary. For any investments and/or loans for which the rating of the customer has reached or exceeded the cautionary level, our policy requires management to determine the necessity of an allowance for credit 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 agency lending business in the United States. We make and sell loans and mortgage backed securities and provide servicing and asset management services with regard to those loans and mortgage backed securities. The majority of those loans and mortgage backed securities are insured by the Federal Housing Administration or guaranteed by a government-sponsored financial institution such as Fannie Mae and Freddie Mac. We conduct our agency lending business in accordance with the designated procedures set forth by these government agencies and government-sponsored institutions; and monitor and manage loan servicing and asset management quality through internal auditing for compliance with the designated procedures and periodic reviews by these agencies and institutions.

Operational risk is the main risk for the asset management business.

We promote the standardization of business processes, regulations and manuals 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 supervisors in business operations.

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

ORIX Europe

Under the supervision of OCE, OCE group companies mainly operate in the asset management industry, where the main risks they face are operational risk and compliance risk.

To mitigate operational and compliance risks in the asset management business, particularly risks arising from acting as a fiduciary manager for customer and client property, we promote a transparent risk culture and the standardization of business processes, internal regulations and procedures. Some operational risk in the asset management business stems from changes in the highly regulated environment of jurisdictions in which the companies operate so OCE group companies actively monitor regulatory developments at an early stage to address these risks, both directly and through representative associations. OCE group companies further ensure proper risk management by implementing risk management policies and frameworks in compliance with applicable regulations, client demand, and sound risk management practices. OCE's role within the OCE group is to oversee and monitor the risk management and internal control frameworks of each OCE group company.

Asia and Australia

Our local subsidiaries in the Asia, and Australia segment primarily operate leasing, loan, automobile leasing and investment businesses. The main risks those businesses face are credit risk, business risk and market risk.

In the leasing and loan businesses, comprehensive assessments of customers' business performance and collateral are conducted. Regular monitoring is conducted for purposes such as tracking unpaid amounts and preventing deviations in portfolios at the local subsidiary level and corrective action is taken when necessary. In the automobile leasing business, risk management is conducted taking into account factors that vary from country to country like lease taxation systems and characteristics of the used automobile market.

In the investment business, investments are conducted in a manner similar to domestic investments, with an assessment of the transaction conducted initially and regular monitoring conducted after the transaction takes place. In cases where we have rights as a shareholder as a result of the transaction or have dispatched a director, we support sound management of the investee through our involvement in its board of directors.

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 Management's Basic Policy and to ensure objective management.

ORIX's corporate governance system is characterized by:

- separation of execution and supervision through a "Company with Nominating Committee, etc." board model;
- Nominating, Audit and Compensation Committees composed entirely of outside directors;
- all outside directors satisfying "Requirements for Independent Directors"; and
- all outside directors being highly qualified in their respective fields.

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

We believe that swift execution of operations is vital to effectively respond to changes in the business environment. Furthermore, we believe that ORIX promotes improved management transparency through a corporate governance system in which outside directors, who have expert knowledge in their respective fields, monitor and advise on the lawful and appropriate execution of operations with an independent view.

Based on these principles, our Board of Directors possesses an oversight function and, under the "Company with Nominating Committee, etc." board model delegates certain responsibilities to the three board committees to carry out the role of effective governance.

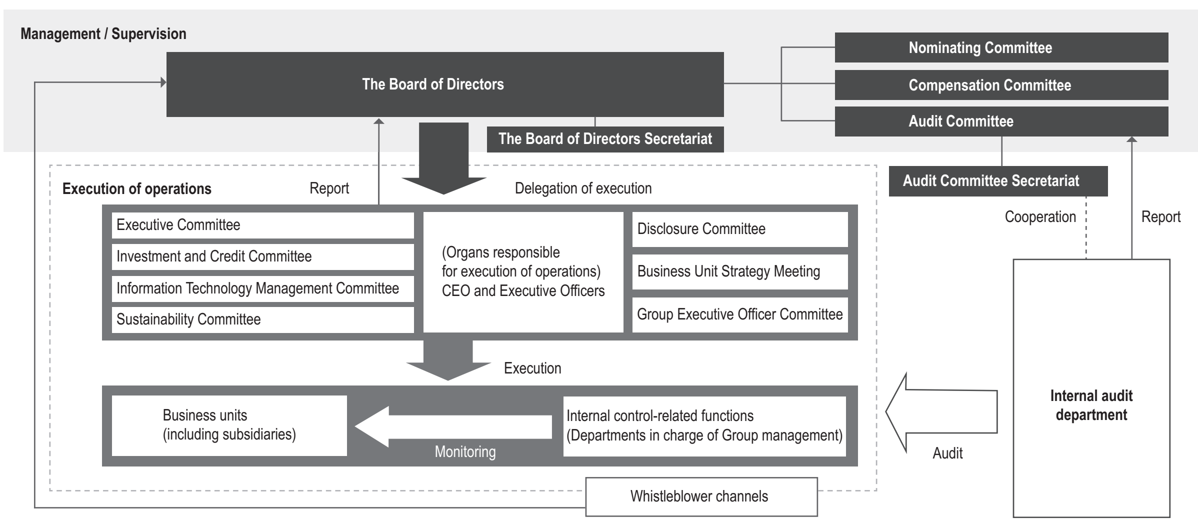
All members of the three committees (Nominating, Audit and Compensation) are outside directors to separate the oversight function of the Board of Directors from the execution of operations and avoid conflicts of interest with our shareholders.

In addition, all outside directors meet objective and specific "Requirements for Independent Directors" stipulated 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 Director System
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 Committee, etc." board model in line with the amendment of the Companies Act of Japan

The "Company with Nominating Committee, 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 Committee, etc." board model, expires at the close of the first annual general meeting of shareholders after his or her election or re-election as the case may be.

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, such as management policies and basic policy on the internal control system, and other important items as determined by the regulations of the Board of Directors. The Board of Directors monitors the execution of duties by the directors and executive officers using management and internal control policies, which are reviewed and updated on a regular basis. Furthermore, the Board of Directors receives reports from executive officers and the three committees regarding execution status of their respective duties. Accordingly, the Board of Directors collects information and monitors the appropriateness of operational execution based on such information.

The Board of Directors sometimes delegates certain decision-making authority regarding operational execution to the representative executive officer to promote decision-making efficiency and operational execution. For example, the board may delegate to the representative executive officer 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, 2021 through March 31, 2022, the Board of Directors met nine times. The attendance rate of directors for these meetings was 99%.

Composition and size of Board of Directors

The Board of Directors is composed of directors, including outside directors who 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.

The Board of Directors as of June 29, 2022 included 11 members, six of whom are outside directors.

Structure and Activities of the Three Committees

As of June 29, 2022, all three committees (Nominating, Audit and Compensation Committees) are composed 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, 2022	3 Members (Outside Directors: 3) Sakie Akiyama (Chairperson) Hiroshi Watanabe Aiko Sekine	3 Members (Outside Directors: 3) Aiko Sekine (Chairperson) Chikatomo Hodo Noriyuki Yanagawa	3 Members (Outside Directors: 3) Hiroshi Watanabe (Chairperson) Michael Cusumano Chikatomo Hodo
Number of meetings held during fiscal 2022 (Attendance rate)	Seven (7) meetings (100%)	Twelve (12) meetings (97%)	Four (4) meetings (100%)

Nominating Committee

The Nominating Committee is authorized to propose the slate of director appointments or dismissals to be submitted to the general meeting of shareholders. Directors are appointed and dismissed by a resolution of the general meeting of shareholders. In addition, the Nominating Committee deliberates on the agenda concerning the 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 stipulates the "Requirements for Independent Directors" in accordance with the nomination criteria for director candidates described below. 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 and 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 the independence-related 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 entity's consolidated total sales (or consolidated total revenues) or one million U.S. dollars in any fiscal year during 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 a consultant, account specialist or legal expert may not receive a large amount of compensation (equivalent to more than the greater of 2% of such entity's 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, at least 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 ORIX Group.

(6) No individual may have served as an accounting auditor or an accounting advisor (*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 during 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 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 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 execution of duties of the directors and executive officers and prepares audit reports. In addition, the Audit Committee decides the content of proposals to appoint, dismiss or refuse the reappointment of the Company's Independent Auditor, which are submitted to the general meeting of shareholders.

Under the "Company with Nominating Committee, etc." board model, the directors who compose the Audit Committee are not permitted to be executive officers, executive directors of the Company or its subsidiaries, or managers, employees or accounting advisors (*kaikei san-yo*) of the Company's subsidiaries. Under the "Company with Nominating Committee, 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 Committee, etc." board model, and within the scope of laws and ordinances, corporate decisions made at the Board of Directors are delegated to the representative executive officer (CEO) to accelerate and achieve efficiency in business operations. The representative executive officer makes important business execution decisions after deliberations by the Executive Committee ("EXCO") or other appropriate committees 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:

Executive Committee

The EXCO, which consists of the CEO and executive officers and group executives appointed by the CEO, deliberates on important matters related to the management of the Company. Matters considered crucial to our operations are reported to the Board of Directors as appropriate.

Sustainability Committee

The Sustainability Committee, which consists of the CEO and executive officers and group executives appointed by the CEO, deliberates on important matters related to promoting and implementing sustainability. Additionally, certain matters are reported to the Board of Directors depending on their content and level of importance.
*External experts may potentially be invited.

Investment and Credit Committee

The Investment and Credit Committee, which consists of the CEO and executive officers and group executives appointed by the CEO, deliberates on investments and credit transactions that exceed certain specified investment or credit amounts. Matters considered crucial to our operations are reported to the Board of Directors as appropriate after being discussed by the EXCO.

Information Technology Management Committee

The Information Technology Management Committee, which consists of the CEO, the officer in charge of the Technology Department and executive officers appointed by the CEO, deliberates on important matters related to establishing fundamental policies for IT operations and IT strategy and implementing and maintaining IT systems.

Disclosure Committee

To ensure timely and appropriate disclosure of information material to ORIX Group, the Disclosure Committee, which consists of the executive officers in charge of the group management departments related to the disclosure of information material to ORIX Group, receives reports on material non-public information from persons in charge of each unit, and takes steps necessary to determine whether or not timely disclosure of such information is necessary, and the appropriate means of disclosing such information.

Group Executive Officer Committee

The Group Executive Officer Committee, in which all executive officers and group executives participate, discusses important matters relating to the business execution of ORIX Group.

Business Unit Strategy Meeting

The Business Unit Strategy Meeting, in which the CEO and executive officers appointed by the CEO participate, discusses matters such as the strategy of each business unit and changes in the business environment.

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 independent certified public accountants are maintaining their 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 independent certified public accountants, and others as necessary. The Audit Committee also has access to external experts necessary to carry out its duties.

The Auditing functions of the Company are as follows.

Audit Committee

The Audit Committee which consists of three outside directors evaluates the Group's internal control systems from an independent standpoint and may appoint outside experts to conduct its duties if necessary. Aiko Sekine, chairperson of the Audit Committee, is qualified as a certified public accountant and has extensive knowledge in finance and accounting as a professional accountant. The number of meetings of the Audit Committee held and the attendance of each member in Fiscal 2022 are as follows.

Name	Status of attendance at Audit Committee Meetings held in Fiscal 2022
Aiko Sekine	Attended twelve of twelve meetings of the Audit Committee
Hiroshi Watanabe	Attended twelve of twelve meetings of the Audit Committee
Chikatomo Hodo	Attended nine of nine meetings of the Audit Committee
Heizo Takenaka	Attended two of three meetings of the Audit Committee during his term as a member of the Audit Committee

In fiscal 2022, the main items executed by the Audit Committee were the receipt of regular activity reports on the status of business execution from executive officers, the exchange of opinions with the CEO, the approval of the audit plan of the Group Internal Audit Department, the evaluation of the independent certified public accountants, the agreement on audit fees in cooperation with the independent certified public accountants, the reporting to the Board of Directors on the contents of deliberation by the Audit Committee, examination of the reporting by executive officers etc. and the necessary examination of qualitative and quantitative enhancement of audits conducted by the Audit Committee. In addition, the members of the Audit Committee attended Audit Committee meetings and deliberated on the above mentioned matters, collected information necessary for audit activities such as the current status of each business of ORIX Group, business strategy, project progress, etc. through briefing sessions with executive officers and conducting online site visit etc..

Audit Committee Secretariat

The Audit Committee Secretariat which includes four 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.

Operating Officer Responsible for Group Internal Audit Department

The Operating Officer Responsible for the Group Internal Audit Department supports the Audit Committee in collecting information. Such person is 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.

Reporting System to the Audit Committee

The following reporting system is in place to ensure that the information required by the Audit Committee is reported in a timely and accurate manner.

- The directors, executive officers and employees of ORIX Group shall report information requested by the Appointed Audit Member to the Audit Committee of the Company (i.e. the member responsible for the collection of information regarding the performance of duties and investigation of operating assets, hereinafter the "Appointed Audit Member") periodically or as appropriate.
- The directors, executive officers and employees of ORIX Group shall report to the Audit Committee upon knowledge of any business activity by a group company that may constitute a serious breach of laws or regulations or a serious breach of the Articles of Incorporation of the relevant group company or serious misconduct, or any fact that could cause significant damage to such group company (hereinafter referred to as an incident of "corruption or scandal").
- Upon becoming aware that an incident of corruption or scandal is occurring, the directors, executive officers or employees of ORIX Group shall report to, consult with and provide the basis for such knowledge or suspicion to, the internal or external whistleblower channels. If the head of whistleblower channels judges that such report or consultation is serious in nature, he / she shall report such information to the Audit Committee of the Company. In addition, the directors, executive officers and employees of ORIX may report concerns regarding accounting, internal controls or auditing matters as well as concerns related to directors, executive officers, and group executives to the Audit Committee or the Appointed Audit Member within the Audit Committee.
- ORIX internal rules stipulate that any director, executive officer or employee of ORIX Group who has reported to or consulted with the whistleblower channels and/or the Audit Committee shall not be treated adversely by reason of said report or consultation. ORIX has established and maintains a system in which persons who have so reported or consulted will not be subject to adverse treatment as a result

of their reporting or consulting, including internal rules that stipulate that any person who engages in adverse treatment of an individual who so reports or consults shall be disciplined pursuant to the internal rules.

Group Internal Audit Department and Group Corporate Auditors

The Group Internal Audit Department, which includes 63 staff (as of the end of May 2022), performs internal audits in accordance with the Institute of Internal Auditors (IIA) standards*. An external quality assessment confirmed our practices as "Generally Conforms" to IIA standards. The scope of our internal auditing focuses on the effectiveness of internal control systems, the efficiency and effectiveness of operations, compliance, and other factors pertaining to the management of the ORIX Group through a risk-based approach. The Group Internal Audit Department also jointly identifies and monitors critical risk through cooperation with corporate auditors and internal audit functions at group companies and works to maintain and enhance the ORIX Group's internal auditing system.

*IIA standards : "The International Professional Practices Framework" and "Code of Ethics" set by The IIA. The IIA was founded in 1941 in the United States, and provides leadership for the global profession of internal auditing.

Interactions among the Audit Committee, the Independent Certified Public Accountants and Others

In order to ensure the effectiveness of audits, the Audit Committee, the Audit Committee Secretariat, the internal audit department and the internal control-related functions, and the independent certified public accountants work together through the following procedures.

- The Audit Committee reviews and approves the annual audit plan prepared by the internal audit department. In addition, the Audit Committee confirms the audit plan of the independent certified public accountants.
- The Audit Committee receives reports on the results of internal audit department audits and the improvement status of the issues pointed out, and confirms problems in business execution.
- The internal audit department always cooperates with the Audit Committee and fully cooperates with the Audit Committee's request for investigation.
- The Audit Committee receives and discusses the status of internal control evaluation related to financial reporting by the internal audit department and reports on the evaluation results.
- The Audit Committee hears and examines the audit opinion and recommendations of the independent certified public accountants for quarterly and year-end closing.
- The Audit Committee receives and discusses important information on accounting audits and internal control audits conducted by the independent certified public accountants.
- The Audit Committee exchanges views with the independent certified public accountants as necessary on important audit matters.
- The internal audit department exchanges views with the independent certified public accountants on risk recognition regarding financial reporting as necessary, and works to strengthen collaboration in order to enhance the effectiveness and efficiency of the supervisory function.
- The internal control-related functions regularly reports on the status of operation of the internal control system to the Audit Committee.

Interactions among outside director's monitoring, internal audit, audit conducted by the Audit Committee and external audit, and with the internal control-related functions

- Outside directors, as members of the Board of Directors, determine the company's direction and strategy, establish basic policy on the internal control system and determine execution of important business affairs. They also demonstrate highly effective oversight functions through reporting about the status of the performance of duties by the Audit Committee and executive officers and reporting as to the status of operation of internal control systems within the internal control-related functions etc., separating from the execution of operations.

- The Audit Committee is composed entirely of outside directors. The Audit Committee conducts an audit regarding the status of the performance of directors' and executive officers' duties and an oversight of the Company's independent certified public accountants in terms of its solid independent position.
- The Audit Committee Secretariat provides an opportunity for an interview between members of the Audit Committee and executive officers of ORIX Group in order that members consisting of solely outside directors obtain further understanding of ORIX Group's business.
- After the closing of the Board of Directors meetings, debriefing sessions are held to report the current status of each business, business strategy, progress of projects, etc. and to share information necessary to enable appropriate oversight by the outside directors.

AUDITOR INDEPENDENCE

Presently, our independent certified public accountants are KPMG AZSA LLC. The independence of KPMG AZSA LLC has been evaluated by our Audit Committee. KPMG AZSA LLC has continuously audited ORIX Group since 1985.

ORIX Group prepares 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.

We select the independent certified public accountants to conduct the Company's audit or determine the reappointment thereof based on the external auditor basic appointment policy ("basic appointment policy") defined by the Audit Committee, which takes into consideration their independence from the Company, as well as their expert knowledge, comprehensive ability to conduct audits, audit quality and the number of continuous audit years in the Company.

With regard to the independent certified public accountants, based on the basic appointment policy described above, if we deem that the independent certified public accountants do not demonstrate adequate expert knowledge, comprehensive ability to conduct audits, audit quality, or if they are in violation of laws or regulations, including the Companies Act and the Certified Public Accountants Act, if they are offensive to public order and morals, or if there are other suitable reasons, the Company's Audit Committee shall submit a proposal to the General Meeting of Shareholders concerning the dismissal or non-reappointment of the independent certified public accountants.

In addition, if the Company's Audit Committee deems that the independent certified public accountants' circumstances qualify as a reason for dismissal provided for in Article 340, Paragraph (1) of the Companies Act, the Audit Committee shall dismiss the independent certified public accountants.

The independent certified public accountants are to be evaluated each year based on the basic appointment policy, and in the fiscal year under review, we performed a comprehensive evaluation based on audit performance, audit quality, and audit fees.

In the opinion of management, the provision of non-audit services did not impair the independence of KPMG AZSA LLC.

DIRECTORS

The Member of the Board of Directors of ORIX as of June 29, 2022 are as follows:

Name (Date of birth)	Current positions and principal outside positions (1)	Business experience		Number of shares held (of which number of shares scheduled to be issued by share-based compensation plans) in the Company as of June 29, 2022
Makoto Inoue (Oct. 2, 1952)	Member of the Board of Directors, Representative Executive Officer, President and Chief Executive Officer, Responsible for Group Strategy Business Unit	Apr. 1975	Joined the Company	96,387 (603,948)
		Mar. 2001	General Manager of Investment Banking Headquarters	
		Jan. 2003	Deputy Head of Investment Banking Headquarters	
		Feb. 2005	Assumed office of Executive Officer, the Company Head of Alternative Investment & Development Headquarters	
		Jan. 2006	Assumed office of Managing Executive Officer, the Company	
		Dec. 2006	Head of Alternative Investment & Development Headquarters, Responsible for IT Planning Office	
		Jun. 2008	Head of International Administrative Headquarters, Head of Alternative Investment & Development Headquarters, Responsible for IT Planning Office	
		Jun. 2009	Assumed office of Senior Managing Executive Officer, the Company	
		Jun. 2010	Assumed office of Member of the Board of Directors, Deputy President, the Company	
		Jan. 2011	Assumed office of Member of the Board of Directors, Representative Executive Officer, President, the Company Chief Operating Officer	
		Jan. 2014	Co-Chief Executive Officer	
		Jun. 2014	Chief Executive Officer	
		Jan. 2017	Responsible for Group IoT Business Department,	

Name (Date of birth)	Current positions and principal outside positions [1]		Business experience	Number of shares held (of which number of shares scheduled to be issued by share-based compensation plans) in the Company as of June 29, 2022
			Responsible for New Business Development Department I and II	
		Apr. 2017	Responsible for Group IoT Business Department, Responsible for New Business Development Department	
		May 2017	Responsible for Open Innovation Business Department, Responsible for Group IoT Business Department, Responsible for New Business Development Department	
		Jan. 2018	Responsible for Group Strategy Business Unit	
Shuji Irie (Mar. 14, 1963)	Member of the Board of Directors, Senior Managing Executive Officer, Head of Investment and Operation Headquarters	May 2001	Joined Mizuho Securities CO., Ltd. (retired in Apr. 2011)	3,816 (131,490)
		Apr. 2011	Joined the Company	
		Sep. 2011	Deputy Head of Investment and Operation Headquarters	
		Jan. 2013	Assumed office of Executive Officer, the Company	
		Jan. 2014	Head of Investment and Operation Headquarters	
		Jan. 2016	Assumed office of Managing Executive Officer, the Company	
		Jun. 2018	Assumed office of Member of the Board of Directors, Managing Executive Officer, the Company	
		Jan. 2020	Assumed office of Member of the Board of Directors, Senior Managing Executive Officer, the Company	

Name (Date of birth)	Current positions and principal outside positions (1)	Business experience		Number of shares held (of which number of shares scheduled to be issued by share-based compensation plans) in the Company as of June 29, 2022
Satoru Matsuzaki (Apr. 12, 1966)	Member of the Board of Directors, Senior Managing Executive Officer, Head of Corporate Business Headquarters Chairman, ORIX Auto Corporation Chairman, ORIX Rentec Corporation	Apr. 1989	Joined Crown Leasing Corporation (retired in Apr. 1997)	9,416 (126,420)
		Aug. 1997	Joined the Company	
		Oct. 2005	General Manager of Strategic Planning Group, Investment Banking Headquarters	
		Apr. 2006	General Manager of Investment and Operation Group, Investment Banking Headquarters	
		Feb. 2010	Head of Office of the President	
		Jun. 2010	General Manager of Corporate Planning Department	
		Jan. 2012	General Manager of Corporate Planning Department, General Manager of Corporate Communications Department	
		May 2012	General Manager of Corporate Planning Department, Special Advisor to Responsible for Corporate Communications Department	
		Jan. 2013	Assumed office of Executive Officer, the Company Responsible for Corporate Planning Department, Responsible for Corporate Communications Department	
		Jan. 2014	Domestic Sales Administrative Headquarters: Head of New Business Development and Head of Tokyo Sales	
		Jun. 2015	Responsible for New Business Development Department I and II, Head of Tokyo Sales Headquarters	
		Jan. 2017	Head of Eastern Japan Sales Headquarters	

Name (Date of birth)	Current positions and principal outside positions (1)		Business experience	Number of shares held (of which number of shares scheduled to be issued by share-based compensation plans) in the Company as of June 29, 2022
		Jan. 2018	Assumed office of Managing Executive Officer, the Company Head of Domestic Sales Administrative Headquarters, Head of Eastern Japan Sales Headquarters	
		Jan. 2019	Head of Corporate Business Headquarters	
		Jun. 2019	Assumed office of Member of the Board of Directors, Managing Executive Office, the Company	
		Jan. 2020	Assumed office of Member of the Board of Directors, Senior Managing Executive Officer, the Company Chairman, ORIX Auto Corporation, Chairman, ORIX Rentec Corporation	
Yoshiteru Suzuki (Jan. 15, 1963)	Member of the Board of Directors, Senior Managing Executive Officer President and Chief Executive Officer, ORIX Corporation USA	Apr. 1985	Joined the Company (retired in May 1993)	0 (77,295)
		Jul. 1999	Partner, KPMG LLP (retired in May 2002)	
		Jun. 2002	Joined Cerberus Capital Management, L.P.	
		Jan. 2010	Assumed office of Representative Director and President, Cerberus Japan K.K. (retired in Jun. 2015)	
		Oct. 2015	Rejoined the Company	
		Jan. 2018	Assumed office of Executive Officer, the Company Assumed office of Deputy President, ORIX USA Corporation (currently ORIX Corporation USA)	
		Jan. 2019	Assumed office of Managing Executive Officer, the Company	
		Sep. 2019	Assumed office of President and Chief Executive Officer, ORIX Corporation USA	

Name (Date of birth)	Current positions and principal outside positions (1)	Business experience		Number of shares held (of which number of shares scheduled to be issued by share-based compensation plans) in the Company as of June 29, 2022
		Jan. 2020	Assumed office of Senior Managing Executive Officer, the Company	
		Jun. 2020	Assumed office of Member of the Board of Directors, Senior Managing Executive Officer, the Company	
Stan Koyanagi (Dec. 25, 1960)	Member of the Board of Directors, Managing Executive Officer, Global General Counsel Responsible for Legal and Compliance Headquarters	Oct. 1985	Joined SHEPPARD, MULLIN, RICHTER & HAMPTON LLP (retired in May 1988)	5,000 (0)
		Jan. 1993	Partner, GRAHAM & JAMES LLP (currently Squire Patton Boggs LLP) (retired in Feb. 1997)	
		Mar. 1997	Vice President, ORIX USA Corporation (currently ORIX Corporation USA)	
		Mar. 1999	General Counsel, Vice President and Manager, ORIX USA Corporation (currently ORIX Corporation USA) (retired in Dec. 2003)	
		Jan. 2004	Vice President and Associate General Counsel, KB HOME (retired in Jun. 2013)	
		Jul. 2013	Joined the Company Global General Counsel of Global Business Headquarters	
		Jun. 2017	Assumed office of Member of the Board of Directors, Managing Executive Officer, the Company Responsible for Enterprise Risk Management, Global General Counsel	
		Jun. 2018	Head of Enterprise Risk Management Headquarters	
		Jan. 2019	Responsible for Enterprise Risk Management Headquarters	
		Jan. 2022	Responsible for Legal and Compliance Headquarters	

Name (Date of birth)	Current positions and principal outside positions [(1)]		Business experience	Number of shares held (of which number of shares scheduled to be issued by share-based compensation plans) in the Company as of June 29, 2022
Michael Cusumano (Sep. 5, 1954)	Member of the Board of Directors (Outside Director) Deputy Dean and Professor, Faculty of Management, Sloan School of Management at Massachusetts Institute of Technology Member of the Board of Directors (Outside Director), Multitude SE	Jul. 1986	Assistant Professor, Sloan School of Management at Massachusetts Institute of Technology	0 (4,500)
		Jul. 1996	Professor, Faculty of Management, Sloan School of Management at Massachusetts Institute of Technology	
		Jul. 2007	Professor, Faculty of Engineering Systems, School of Engineering at Massachusetts Institute of Technology (retired in Mar. 2016)	
		Apr. 2016	Special Vice President and Dean, Tokyo University of Science (retired in May 2017)	
		Apr. 2019	Assumed office of Member of the Board of Directors (Outside Director), Ferratum Plc (currently Multitude SE)	
		Jun. 2019	Assumed office of Member of the Board of Directors (Outside Director), the Company	
		Apr. 2020	Senior Specially Appointed Professor, Tokyo University of Science (retired in Mar. 2022)	
		Jul. 2020	Deputy Dean, Faculty of Management, Sloan School of Management at Massachusetts Institute of Technology	
Sakie Akiyama (Dec. 1, 1962)	Member of the Board of Directors (Outside Director) Founder, Saki Corporation Member of the Board of Directors (Outside Director), Sony Group Corporation Board of Directors (Outside Director), JAPAN POST HOLDINGS Co., Ltd.	Apr. 1987	Joined Arthur Andersen & Co. (retired in Apr. 1991)	0 (4,500)
		Apr. 1994	Founded Saki Corporation Assumed office of Representative Director and Chief Executive Officer, Saki Corporation (retired in Sep. 2018)	
		Oct. 2018	Assumed office of Founder, Saki Corporation	
		Jun. 2019	Assumed office of Member of the Board of Directors (Outside Director), the Company	

Name (Date of birth)	Current positions and principal outside positions (1)		Business experience	Number of shares held (of which number of shares scheduled to be issued by share-based compensation plans) in the Company as of June 29, 2022
	Member of the Board (Outside Director), Mitsubishi Corporation		Assumed office of Member of the Board of Directors (Outside Director), Sony Corporation (currently Sony Group Corporation)	
			Assumed office of Board of Directors (Outside Director), JAPAN POST HOLDINGS Co., Ltd.	
		Jun. 2020	Assumed office of Member of the Board (Outside Director), Mitsubishi Corporation	
Hiroshi Watanabe (Jun. 26, 1949)	Member of the Board of Directors (Outside Director)	Apr. 1972	Joined the Ministry of Finance	0 (3,000)
	President, Institute for International Monetary Affairs	Jan. 2003	Director-General, International Bureau, Ministry of Finance	
	Director (Outside Director), Mitsubishi Materials Corporation	Jul. 2004	Vice Minister of Finance for International Affairs, Ministry of Finance (retired in Jul. 2007)	
		Oct. 2007	Special Advisor, Japan Center for International Finance (retired in Sep. 2008)	
		Apr. 2008	Professor, Graduate School of Commerce and Management, Faculty of Commerce and Management at Hitotsubashi university (currently School of Business Administration at Hitotsubashi University Business School) (retired in Sep. 2008)	
		Oct. 2008	Assumed office of Deputy Governor, Japan Finance Corporation (retired in Mar. 2012)	
		Apr. 2012	Assumed office of Deputy Governor, Japan Bank for International Cooperation	
		Dec. 2013	Assumed office of Governor, Japan Bank for International Cooperation (retired in Jun. 2016)	

Name (Date of birth)	Current positions and principal outside positions [1]	Business experience		Number of shares held (of which number of shares scheduled to be issued by share-based compensation plans) in the Company as of June 29, 2022
		Oct. 2016	Assumed office of President, Institute for International Monetary Affairs	
		Jun. 2017	Assumed office of Director (Outside Director), Mitsubishi Materials Corporation	
		Jun. 2020	Assumed office of Member of the Board of Directors (Outside Director), the Company	
Aiko Sekine (May 13, 1958)	Member of the Board of Directors (Outside Director) Professor, Faculty of Commerce at Waseda University Member of the Nominating Committee, International Federation of Accountants Trustee, International Valuation Standards Council Advisor, Japanese Institute of Certified Public Accountants Audit & Supervisory Board Member (Outside), Sumitomo Riko Company Limited Audit & Supervisory Board Member (Outside), IHI Corporation	Apr. 1981	Joined Citibank, N.A., Tokyo Branch (retired in Jan. 1984)	0 (3,000)
		Oct. 1985	Joined Aoyama Audit Corporation	
		Mar. 1989	Certified as Public Accountant, Japan	
		Jul. 2001	Partner of Chuo Aoyama Audit Corporation (retired in Aug. 2006)	
		Sep. 2006	Partner of Aarata Audit Corporation (currently PricewaterhouseCoopers Aarata LLC) (retired in Jul. 2016)	
		Jul. 2007	Executive Board Member of Japanese Institute of Certified Public Accountants	
		Jan. 2008	Board Member of International Ethics Standards Board for Accountants, International Federation of Accountants (retired in Dec. 2010)	
		Jul. 2010	Assumed office of Deputy President of Japanese Institute of Certified Public Accountants	
		Jul. 2016	Assumed office of Chairman and President of Japanese Institute of Certified Public Accountants (retired in Jul. 2019)	
		Jan. 2019	Member of the Nominating Committee, International Federation of Accountants	

Name (Date of birth)	Current positions and principal outside positions [1]	Business experience		Number of shares held (of which number of shares scheduled to be issued by share-based compensation plans) in the Company as of June 29, 2022
		Jul. 2019	Advisor, Japanese Institute of Certified Public Accountants	
		Jun. 2020	Assumed office of Member of the Board of Directors (Outside Director), the Company	
			Assumed office of Audit & Supervisory Board Member (Outside), Sumitomo Riko Company Limited	
			Assumed office of Audit & Supervisory Board Member (Outside), IHI Corporation	
		Sep. 2020	Professor, Faculty of Commerce at Waseda University	
		Oct. 2020	Trustee, International Valuation Standards Council	
Chikatomo Hodo (Jul. 31, 1960)	Member of the Board of Directors (Outside Director) Outside Director, Konica Minolta Inc. Outside Director, Mitsubishi Chemical Holdings Corporation	Sep. 1982	Joined Accenture Japan Ltd.	0 (1,500)
		Sep. 2005	Assumed office of Representative Director, Accenture Japan Ltd.	
		Apr. 2006	Assumed office of Representative Director and President, Accenture Japan Ltd.	
		Sep. 2015	Assumed office of Director and Chairman, Accenture Japan Ltd. (retired in Aug. 2017)	
		Sep. 2017	Assumed office of Director and Senior Corporate Advisor, Accenture Japan Ltd. (retired as a Director on Jun. 2018)	
		Jun. 2018	Assumed office of Outside Director, Konica Minolta Inc.	
		Jul. 2018	Senior Corporate Advisor, Accenture Japan Ltd. (retired in Aug. 2021)	
		Jun. 2019	Assumed office of Outside Director, Mitsubishi Chemical Holdings Corporation	
		Jun. 2021	Assumed office of Member of the Board of Directors (Outside Director), the Company	

Name (Date of birth)	Current positions and principal outside positions (1)	Business experience		Number of shares held (of which number of shares scheduled to be issued by share-based compensation plans) in the Company as of June 29, 2022
Noriyuki Yanagawa (Apr. 23, 1963)	Member of the Board of Directors (Outside Director) Professor, Faculty of Economics of Graduate School of Economics at the University of Tokyo	Apr. 1993	Assistant Professor, Faculty of Economics of Keio University	0 (0)
		Apr. 1996	Assistant Professor, Faculty of Economics of Graduate School of Economics at the University of Tokyo	
		Apr. 2007	Associate Professor, Faculty of Economics of Graduate School of Economics at the University of Tokyo	
		Dec. 2011	Professor, Faculty of Economics of Graduate School of Economics at the University of Tokyo	
		Jun. 2022	Assumed office of Member of the Board of Directors (Outside Director), the Company	

Notes: 1. All ORIX Members of the Board of Directors are engaged full-time except Michael Cusumano, Sakie Akiyama, Hiroshi Watanabe, Aiko Sekine, Chikatomo Hodo and Noriyuki Yanagawa.

2. Name on the family register of Aiko Sekine is Aiko Sano.

EXECUTIVE OFFICERS

The executive officers of the ORIX Group as of June 29, 2022, excluding those who are also directors as listed above are as follows:

Name	Title	Areas of duties	Number of shares held (of which number of shares scheduled to be issued by share-based compensation plans) in the Company as of June 29, 2022
Yasuaki Mikami	Managing Executive Officer	Group Human Resources and Corporate Administration Headquarters Secretariat of The Board of Directors Work Style Reform Project	2,072 (69,180)
Hidetake Takahashi	Managing Executive Officer	Energy and Eco Services Headquarters Member of the Board of Directors, Ubiteq, INC.	7,100 (33,625)
Hitomaro Yano	Executive Officer	Treasury and Accounting Headquarters	5,100 (51,013)
Toyonori Takahashi	Executive Officer	Group Kansai Representative MICE-IR Office Real Estate Sales Department Senior Managing Executive Officer, ORIX Real Estate Corporation	7,492 (59,830)
Yasuhiro Tsuboi	Executive Officer	Credit and Investment Management Headquarters	2,206 (40,750)
Michio Minato	Executive Officer	Group Strategy Business Unit President, ORIX Baseball Club Co., Ltd.	400 (40,750)
Tetsuya Kotera	Executive Officer	Corporate Business Headquarters	1,688 (21,750)
Eiji Arita	Executive Officer	Corporate Business Headquarters Member of the Board of Directors (Outside Director), Kanamoto Co., Ltd.	1,600 (21,750)
Seiichi Miyake	Executive Officer	Investment and Operation Headquarters	3,488 (21,750)
Tomoko Kageura	Executive Officer	Legal and Compliance Headquarters	5,531 (21,750)
Nobuki Watanabe	Executive Officer	CEO’s Office New Business Development Department Corporate Communications Department	456 (31,750)
Hiroyuki Ido	Executive Officer	Group Internal Audit Department	0 (5,833)
Kiyoshi Habiro	Executive Officer	ORIX Corporation Europe and Robeco Group Chief Executive Officer, ORIX Corporation Europe N.V.	1,300 (5,833)
Ryujiro Tokuma	Executive Officer	Global Transportation Services Headquarters	3,223 (5,833)
Hao Li	Executive Officer	Greater China Group	0 (5,833)

Name	Title	Areas of duties	Number of shares held (of which number of shares scheduled to be issued by share-based compensation plans) in the Company as of June 29, 2022
Toshinari Fukaya	Group Managing Executive	President, ORIX Real Estate Corporation President, DAIKYO INCORPORATED	4,300 (70,080)
Hiroko Yamashina	Group Executive	Chairman, ORIX Credit Corporation	32,700 (85,930)
Yuji Kamiyauchi	Group Executive	President, ORIX Auto Corporation Member of the Board of Directors, Ubiteq, INC.	4,906 (40,750)
Takaaki Nitanai	Group Executive	Senior Managing Executive Officer, ORIX Real Estate Corporation	540 (40,750)
Nobuhisa Hosokawa	Group Executive	President, ORIX Rentec Corporation	2,800 (31,750)

Notes: 1. Name on the family register of Tomoko Kageura is Tomoko Kanda.
2. Name on the family register of Hiroko Yamashina is Hiroko Arai.

EMPLOYEES

As of March 31, 2022, we had 32,235 full-time employees, compared to 33,153 as of March 31, 2021 and 31,233 as of March 31, 2020. We employ 5,243 staff in Corporate Financial Services and Maintenance Leasing, 8,275 staff in Real Estate, 4,778 staff in PE Investment and Concession, 777 staff in Environment and Energy, 2,407 staff in Insurance, 1,201 staff in Banking and Credit, 141 staff in Aircraft and Ships, 1,398 staff in ORIX USA, 1,469 staff in ORIX Europe, 4,489 staff in Asia and Australia, 2,057 staff as part of our headquarters function as of March 31, 2022. As of March 31, 2022, we had 19,272 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 ¥9,845 million, ¥11,018 million and ¥12,369 million in fiscal 2020, 2021 and 2022, respectively.

SHARE OWNERSHIP

As of June 29, 2022, the directors, executive officers and group executives of the Company directly held an aggregate of 201,521 Shares, representing 0.01% 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."

Compensation for directors, executive officers and group executives in fiscal 2022 was as follows (in millions of yen);

	Fixed compensation (Number of people)	Performance-linked compensation (Number of people)	Share-based compensation (Number of people)	Total compensation
Non-Executive Director and Outside Director	¥ 93	—	¥ 13	¥ 106
	(7)	—	(7)	(7)
Executive Officer and Group Executive	¥669	¥686	¥615	¥1,970
	(27)	(27)	(27)	(27)
Total	¥762	¥686	¥628	¥2,076
	(34)	(27)	(34)	(34)

The above list is the amount paid in accordance with the policies for the compensation of directors and Executive Officers resolved by the Compensation Committee held on June 25, 2021.

The amount paid listed in the table above with regard to the share-based compensation is calculated by multiplying the number of points confirmed to be provided as the portion for the fiscal year ended in March 2022 by the stock market price paid by the trust when ORIX's shares were acquired (¥1,479.87 per share).

The targets and results with regard to the KPIs of the performance-linked compensation listed in the table above are as follows:

- Company-wide performance indicator

We targeted the milestone rate with regard to the consolidated net income growth set by the compensation committee towards the achievement of the Company's mid-term strategic directions, and achieved 103%.

- Division performance indicator

We set the performance target for each division based on the company-wide performance target, and achieved 0% to 300% (median:100 %) by 20 Executive Officers and 5 group executives (based on the total evaluation including qualitative assessment).

Compensation for Makoto Inoue, Member of the Board of Directors, Representative Executive Officer, President and Chief Executive Officer of ORIX, for fiscal 2022 was ¥126 million in fixed compensation, ¥129 million in performance-linked compensation and ¥116 million in share-based compensation.

Compensation for Satoru Matsuzaki, Member of the Board of Directors, Senior Managing Executive Officer of ORIX, for fiscal 2022 was ¥39 million in fixed compensation, ¥60 million in performance-linked compensation and ¥36 million in share-based compensation.

Compensation for Yoshiteru Suzuki, Member of the Board of Directors, Senior Managing Executive Officer of ORIX, for fiscal 2022 was ¥40 million (¥40 million from ORIX Corporation USA) in fixed compensation and ¥50 million in performance-linked compensation and ¥36 million in share-based compensation.

Compensation for Stan Koyanagi, Member of the Board of Directors, Managing Executive Officer of ORIX, for fiscal 2022 was ¥78 million (¥12 million from the Company and ¥66 million from ORIX Corporation USA) in fixed compensation and ¥106 million (¥106 million from ORIX Corporation USA) in performance-linked compensation.

The actual total amount of the share-based compensation paid in fiscal 2022 was ¥282 million paid to one director and two executive officers (including those serving concurrently as directors and Executive Officers) who retired during fiscal 2022

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 and Executive Officer 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 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 based on a decision of the compensation committee held on June 24, 2022.

Compensation Policy for Directors

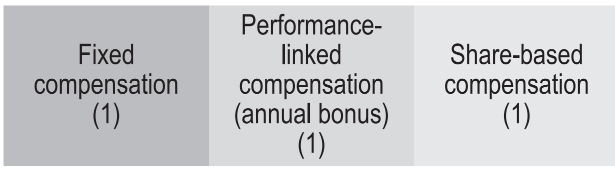
The compensation policy for directors who are not also Executive Officers aims for compensation composed in a way that is effective in maintaining the supervisory and oversight functions of Executive Officers' performance in business operations, which is the main duty of directors. Specifically, ORIX's compensation structure for directors consists of fixed compensation and share-based compensation *. In addition, the Company strives to maintain a competitive level of compensation with director compensation according to the role fulfilled, and receives third-party research reports on director compensation for this purpose.

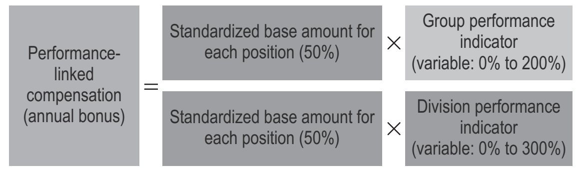
Fixed compensation is, in principal, a certain amount that is added to the compensation of the chairperson and member of each committee. For share-based compensation reflecting medium- to long-term performance, directors are granted a fixed amount of points on an annual basis for their period of service, and they are paid in ORIX shares corresponding to the amount of points they have accumulated at the time of retirement.

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 **. In principle, the compensation mix for executive officers is to set the ratio fixed compensation, performance-linked compensation, and share-based compensation to 1:1:1. In addition, based on the outcome of a third-party compensation research agency investigation, the Company strives to maintain a competitive level of compensation with executive officer compensation functioning as an effective incentive.

Fixed compensation is decided for each individual based on a standard amount for each position. Compensation linked to business performance for the fiscal year ended March 2022 uses the level of achievement of the consolidated net income growth target as a company-wide 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 *** as a division performance indicator, adjusting 50% of the position-based standard amount within the range of 0% to 300%. In the case of the representative executive officers, the consolidated net income growth target is used as a sole performance indicator, adjusting the standard amount within the range of 0% to 200%. These performance indicators are selected based on the Company's mid-term strategic directions. For share-based compensation reflecting medium- to long-term performance, executive officers are granted a fixed amount of points based on their position, and they are paid in ORIX shares corresponding to the amount of points they have accumulated at the time of retirement.





* Share-based compensation is the Board Incentive Plan Trust in which directors and Executive Officers are granted a fixed amount of points on an annual basis for their period of service, and at the time of retirement, ORIX's shares are delivered through a trust to them in accordance with the number of points they have accumulated. The amount of points to be granted is determined in accordance with the guidelines adopted by the compensation committee. The compensation committee does not set a minimum ownership period for the shares delivered under the plan. The compensation committee can forfeit the share-based compensation from a recipient director or executive officer, if it finds he/she engaged in serious misconduct that could cause damage to the Company during his/her period of service.

** Compensation for executive officers based on foreign branches or executive officers with special expertise is determined based on individual deliberation about foreign local compensation practices/levels or their special expertise, as the case may be.

*** The level of achievement of each division performance with regard to the performance-based compensation is measured based on a total evaluation focusing on the annual growth rate of each division and taking into account qualitative factors (such as target levels, details of achievement, future growth potential, effort status to ESG, etc.)

For the authority and discretion of Compensation Committee, refer to "Item 6. Directors, Senior Management and Employees—Structure and Activities of the Three Committees—*Compensation Committee*."

The Compensation Committee during the current consolidated fiscal year were held 4 times in total in May, June, November and December 2021 during fiscal 2022.

All members of the Compensation Committee attended all the meetings, and the attendance rate was 100%.

The main agenda items of the Compensation Committee were as follows:

- Determination of performance evaluation and individual payment amount related to performance-linked compensation (annual bonus) for fiscal 2021
- Examination of the compensation system for Directors and Executive Officers for fiscal 2022
- Determination of the compensation system for Directors and Executive Officers for fiscal 2022
- Examination of the compensation level for Directors and Executive Officers based on the outcome of a third-party compensation research agency investigation

The Compensation Committee conducts a comprehensive review, including confirming whether the specific compensation, etc. for individual Directors and Executive Directors is consistent with the compensation policies based on the resolution at the Compensation Committee meeting held on June 25, 2021, determines the compensation after verifying that the level of compensation is appropriate based on third-party research reports on Director compensation and other information, and judges whether the compensation is in line with the compensation policies.

In, addition, to further strengthen the sharing of profits with our shareholders and stakeholders, we have established shareholding guidelines to the Directors, Executive Officers and Group Executives to hold certain numbers of our shares in June 2005.

In June 2005, we introduced the share-based 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 Board Incentive Plan Trust. 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. The total number of points of the share-based compensation granted to directors, executive officers and group executives for fiscal 2022 is equivalent to 444,374 points. Under this system, ¥282 million, which is equivalent to 190,966 points accumulated up to the end of tenure, was paid to executive officers who left their positions during fiscal 2022. As a result, the balance to directors, executive officers and group executives as of March 31, 2022 was 1,866,248 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.

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.

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 20 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 2022, no stock option plans were adopted for our directors, executive officers, employees, or those of our subsidiaries and affiliates.

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, 2022.

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)	(%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	225,084	18.82
Custody Bank of Japan, Ltd. (Trust Account)	79,085	6.61
SSBTC CLIENT OMNIBUS ACCOUNT	26,401	2.20
CITIBANK, N.A. -N.Y, AS DEPOSITARY BANK FOR DEPOSITARY SHARE HOLDERS	24,203	2.02
STATE STREET BANK WEST CLIENT-TREATY 505234	21,568	1.80
NORTHERN TRUST CO.(AVFC) SUB A/C NON TREATY	18,601	1.55
JP MORGAN CHASE BANK 385781	15,429	1.29
BNYM AS AGT/CLTS NON TREATY JASDEC	15,026	1.25
JPMorgan Securities Japan Co., Ltd.	13,895	1.16
SMBC Nikko Securities Inc.	12,955	1.08

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, 2022, the percentage of issued Shares held by overseas corporations and individuals was 44.35%. As of March 31, 2022, approximately 4,840,669 ADSs were outstanding (equivalent to 24,203,345 or approximately 1.92% of ORIX's issued Shares as of that date). As of March 31, 2022, all our ADSs were held by one record holder in the United States.

On February 2, 2022, BlackRock Group submitted a filing to the Securities and Exchange Commission indicating that BlackRock Inc., primarily through BlackRock Japan Co., Ltd, held 77,515,267 Shares, representing 6.00% of ORIX's outstanding Shares, as part of BlackRock Group's assets under management.

On February 4, 2022, Sumitomo Mitsui Trust Bank, Limited submitted a filing to the Securities and Exchange Commission indicating that Sumitomo Mitsui Trust Holdings, Inc. held 66,031,200 Shares, representing 5.10% of ORIX's outstanding Shares, as part of Sumitomo Mitsui Trust Bank, Limited's assets under management.

RELATED PARTY TRANSACTIONS

To our knowledge, no individual beneficially owns 10% 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.

Since the beginning of our last full fiscal year, no loans to any of the persons listed in clause (iv) above were made other than those that were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features.

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) above 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) above. 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 ¥37,056 million as of March 31, 2022 and did not exceed ¥38,000 million at any time during fiscal 2022.

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 2022 and the aggregate amount outstanding as of March 31, 2022.

Related Party	The largest aggregate amount outstanding during fiscal 2022	Aggregate amount outstanding as of March 31, 2022	Interest rate
	(Millions of yen)		(%)
Kansai Airports	¥12,329	¥12,002	6.5
SORA Airlease Designated Activity Company	10,311	10,311	6.0 – 9.5
IOS II, LLC	3,184	2,796	6.3
Meritix Airlease Limited	3,016	3,016	6.0 – 9.5
Medical Corporation DIC	2,110	2,000	1.2
Shinko Medical Support Corporation	1,760	1,540	5.0
California Proton Therapy Center, LLC	1,586	1,586	7.5 – 10.0
Wizard Acquistion	898	58	12.0
First Resort Co., Ltd	845	845	3.5
Timber Parent, LLC	830	817	14.0
HIDROELECTRICA DE TACOTAN SA DE CV	592	592	8.1
HIDROELECTRICA DE TRIGOMIL SA DE CV	477	477	8.1
Beyçelik Gestamp Yenilenebilir Enerji Uretim, A.S.	441	441	3.0
Junseikai Medical Corporation	230	230	5.0
YM LeaseCo., Ltd.	200	67	0.9
ERGE LEVANTE, S.L.	112	91	3.0
TAURUSKY SHIPPING SS311 LIMITED	85	85	1.2 – 1.8
Beyçelik Elawan Yenileneb	69	69	3.0
Medical Corporation NIDC	30	30	1.2
Kada Greenfarm Co., Ltd.	2	2	3.0
TACOTAN TRIGOMIL SERVICIOS, S.A.	1	1	3.3
ALLIANCE ENVIRONMENTAL GROUP, LLC	534	0	12.0
TAURUSKY SHIPPING SS312 LIMITED	80	0	1.2 – 1.3
Tsubaki Marine S.A.	55	0	1.0
Pacific League Marketing Corporation	14	0	2.9

Item 8. Financial Information

All relevant financial statements are attached hereto. See “Item 18. Financial Statements.”

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.

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 had been traded on the First Section of the Tokyo Stock Exchange since 1973. Since April 2022, we have transitioned from the First Section to the Prime Market under the restructure of the Tokyo Stock Exchange's market segments.

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, 2022, approximately 4,840,669 ADSs were outstanding. This is equivalent to 24,203,345 or approximately 1.92% 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.

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) power generation business; (xv) supply of various energy resources and the products in relation thereto; (xvi) planning, developing, contracting for, lease and sale of, intangible property rights; (xvii) information processing and providing services, telecommunications business; (xviii) business of dispatching workers to enterprise and employment agency business; (xix) purchase and sale of antiques; (xx) transport business; (xxi) mining of various minerals, and the manufacture and sale of the products in relation thereto; (xxii) business support and consulting; (xxiii) brokerage, agency, investigation, manufacturing, processing, research and development for business relating to any of the preceding items, and other business; (xxiv) 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 (xxv) 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 22 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

Not applicable.

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 or other organizations that are established under the laws of foreign countries or whose principal offices are located outside Japan, (iii) corporations of which 50% or more of their voting rights are held, directly or indirectly, by (i) and/or (ii) above, (iv) partnerships or similar organizations of which 50% or more of total capital contributions are attributable to nonresident, or a majority of general partners are exchange nonresidents, and (v) corporations or other organizations of which a majority of the officers (or officers having the power of representation) 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. 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 1% or more of the issued shares or voting rights of the relevant company, holds a certain percentage or more of the shares of such a company and consents to matters that could have a significant effect on the management of the business of the company, or acquires or succeeds to the business of a Japanese corporation by a business transfer, corporate split, or merger, the foreign investor is, in general, required to report such acquisition to the Minister of Finance and any other competent Ministers within 45 days following the date of such acquisition. In the case of certain designated types of business affecting Japan's national security, etc., prior notification is required with respect to such an acquisition or other relevant actions. However, in certain cases it may be possible for a foreign investor to be exempted from the prior notification obligation for 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 exchange of exchangeable securities or exercise of stock acquisition rights are taken into account in determining both the size of such person's 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

The following table shows the amount of dividends applicable to fiscal year per share for each of the fiscal years indicated, which amounts are translated into dollars per ADS at the noon buying rate for Japanese yen in

New York City for cable transfers in foreign currencies on the relevant dividend payment date as published by the Federal Reserve Bank.

Year ended	Dividends applicable to fiscal year per Share	Translated into dollar per ADS
March 31, 2018	66.00	3.01
March 31, 2019	76.00	3.45
March 31, 2020	76.00	3.53
March 31, 2021	78.00	3.65
March 31, 2022	85.60	3.50

ORIX aims to increase shareholder value by utilizing profits earned from business activities 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 a level in line with its business performance. In addition, with regards to the decision of whether to buy back shares, ORIX aims to act with flexibility and swiftness while considering various factors such as the soundness of its financial condition and external factors such as the business environment, share price and its trend and target performance indicators.

Based on this fundamental policy, the annual dividend for the fiscal year ended March 31, 2022 has been decided at 85.60 yen per share (the interim dividend paid was 39.00 yen per share and the year-end dividend has been decided at 46.60 yen per share). The payout ratio for the fiscal year ended March 31, 2022 was 33.0%.

For the next fiscal year ending March 31, 2023, the interim dividend is forecasted at 42.80 yen per share, and the annual dividend is forecasted at the higher of either payout ratio of 33.0% or 85.60 yen per share as well as in the fiscal year ended March 31, 2022.

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 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 done.

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 are 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 stock of the Company, by vote or value;
- 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 eligible for Tax Convention benefits and 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.

Treasury regulations that apply to taxable years beginning on or after December 28, 2021 may in some circumstances prohibit a U.S. person from claiming a foreign tax credit with respect to certain non-U.S. taxes that are not creditable under applicable income tax treaties. Accordingly, U.S. investors that are not eligible for Tax Convention benefits should consult their tax advisers regarding the creditability or deductibility of any Japanese taxes imposed on dividends on, or dispositions of, the Shares or ADSs. This discussion does not apply to investors in this special situation.

We believe we may have been 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.

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, 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 resulting tax liability. 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. U.S. Holders should consult their tax advisers regarding the potential availability of a "deemed sale" election that would allow them to eliminate this continuing PFIC status.

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. U.S. Holders should consult their tax advisers regarding the availability and advisability of making a mark-to-market election in their particular circumstances. In particular, U.S. Holders should consider carefully the impact of a mark-to-market election with respect to their ADSs given that we may have subsidiary PFICs for which a mark-to-market election may not be available.

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 and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election).

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 is 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 net investment in 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. Our floating rate assets and liabilities utilize various rates to determine interest amounts receivable and payable thereunder, including TIBOR, prime rates and U.S. dollar LIBOR, etc. 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.

In order to manage assets and liabilities in an appropriate risk position, we conduct various type of analysis for interest rate sensitivity including gains and losses impact analysis and fair value analysis of assets and liabilities.

The table below of interest rate sensitivity for financial instruments summarizes installment loans, investment in securities (floating and fixed rate) and short-term and long-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 contract period and the weighted average of swap rates are disclosed. The average interest rates of financial instruments as of March 31, 2022 were 3.4% for installment loans, 1.6% for investment in securities (floating and fixed rate), 1.3% for short-term and long-term debt and 0.2% for deposits. As of March 31, 2022, the average payment rate of interest rate swaps was 1.7% and the average receipt rate was 1.0%. The average interest rates of financial instruments as of March 31, 2021 were: 3.4% for installment loans, 1.6% for investment in securities (floating and fixed rate), 1.1% for short-term and long-term debt and 0.2% for deposits. As of March 31, 2021, the average payment rate of interest rate swaps was 1.7% and the average receipt rate was 0.0%. As of March 31, 2022, there was no material change in the balance or in the average interest rate of financial instruments from March 31, 2021. 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							
	Years ending March 31,							March 31, 2022
	2023	2024	2025	2026	2027	Thereafter	Total	Estimated Fair Value
	(Millions of yen)							
Assets:								
Installment loans (fixed rate)	¥ 261,543	¥119,014	¥108,467	¥ 67,794	¥ 52,299	¥ 445,752	¥1,054,869	¥1,041,886
Average interest rate	4.8%	6.6%	7.6%	7.0%	5.9%	3.9%	5.1%	—
Installment loans (floating rate)	¥ 315,793	¥202,118	¥238,456	¥154,497	¥157,408	¥1,725,716	¥2,793,988	¥2,752,494
Average interest rate	3.6%	3.4%	3.6%	3.6%	3.6%	2.3%	2.8%	—
Investment in securities (fixed rate)	¥ 27,070	¥ 40,525	¥ 97,105	¥ 73,739	¥124,117	¥1,889,581	¥2,252,137	¥2,171,055
Average interest rate	3.0%	1.4%	1.3%	2.2%	1.6%	1.4%	1.5%	—
Investment in securities (floating rate)	¥ 13,885	¥ 1,265	¥ 15,920	¥ 2,625	¥ 1,699	¥ 103,206	¥ 138,600	¥ 139,277
Average interest rate	5.7%	1.3%	4.6%	2.5%	3.5%	3.6%	3.9%	—
Liabilities:								
Short-term debt	¥ 439,639	¥ 0	¥ 0	¥ 0	¥ 0	¥ 0	¥ 439,639	¥ 439,639
Average interest rate	1.4%	—	—	—	—	—	1.4%	—
Deposits	¥1,114,219	¥410,484	¥389,792	¥245,264	¥102,373	¥ 14,026	¥2,276,158	¥2,277,427
Average interest rate	0.2%	0.2%	0.3%	0.3%	0.2%	0.3%	0.2%	—
Long-term debt (fixed rate)	¥ 346,813	¥360,885	¥356,693	¥149,760	¥140,330	¥ 593,919	¥1,948,400	¥1,951,470
Average interest rate	1.7%	1.6%	1.6%	0.7%	1.3%	1.3%	1.4%	—
Long-term debt (floating rate)	¥ 406,015	¥403,880	¥253,342	¥289,920	¥329,510	¥ 795,979	¥2,478,646	¥2,475,159
Average interest rate	1.3%	1.0%	1.1%	1.0%	0.9%	1.4%	1.2%	—

NONTRADING DERIVATIVE FINANCIAL INSTRUMENTS

	Expected Maturity Date							
	Years ending March 31,							March 31, 2022 Estimated Fair Value
	2023	2024	2025	2026	2027	Thereafter	Total	
	(Millions of yen)							
Interest rate swaps:								
Notional amount (floating to fixed)	¥65,302	¥71,055	¥49,680	¥59,715	¥55,897	¥210,007	¥511,656	¥1,388
Average pay rate	2.1%	1.1%	1.7%	0.9%	3.0%	1.6%	1.7%	—
Average receive rate	0.9%	1.1%	1.3%	1.0%	1.9%	0.6%	1.0%	—

The above table excludes purchased loans, which are exposed to interest rate risk, 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. The total book value of our purchased loans as of March 31, 2022 was ¥13,747 million.

Long-term debt (fixed rate) in the table above includes the amount of ¥10,000 million of subordinated syndicated loan (hybrid loan) that was executed in fiscal 2022, will mature in fiscal 2082 and may be redeemed after 5 years from the execution.

In addition, long-term debt (fixed rate) in the table above includes the amount of ¥150,000 million of unsecured subordinated bonds with interest payment deferrable clauses and optional early redemption conditions (hybrid bonds). Out of this amount, ¥100,000 million was executed in fiscal 2020, and will mature in fiscal 2080, of which ¥60,000 million and ¥40,000 million may be redeemed after 5 years, and 10 years from the execution, respectively. ¥50,000 million was executed in fiscal 2021, and will mature in fiscal 2081, of which ¥29,000 million and ¥21,000 million may be redeemed after 5 years, and 10 years from the execution, respectively.

Long-term debt (floating rate) in the table above includes the amount of ¥34,000 million of subordinated syndicated loan (hybrid loan) that was executed in fiscal 2017, will mature in fiscal 2077 and may be redeemed after 7 years from the execution.

We are also exposed to interest rate risks in our life insurance businesses because revenues from life insurance related investment income fluctuate 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 that are subject to exchange rate risk, including retained earnings accumulated in foreign currencies in our overseas subsidiaries, which is translated to Japanese yen upon consolidation. ORIX shareholders' equity is subject to exchange rate risk arising from such translations. Other positions, such as potential losses in future earnings, are calculated using several hypothetical scenarios based on 10% changes in the relevant currencies. Based on these scenarios, exchange losses in future earnings were estimated to be ¥54 million and ¥17 million as of March 31, 2021 and 2022, respectively. The largest of such losses were estimated in scenarios where the U.S. dollar appreciated 10% against the Japanese yen from the rate in effect on March 31, 2021 and 2022.

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 risk 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, 2021 and 2022, respectively, and under such circumstances estimate ¥265 million and ¥250 million decrease in the fair value of our equity securities as of March 31, 2021 and 2022.

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 2022, this amount was $80,000.

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, 2022, the ORIX Group, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the principal 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 principal 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 principal 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 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, 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, 2022 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, 2022.

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, 2022, as stated in their attestation report which is included in Item 18.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Aiko Sekine is an "audit committee financial expert," within the meaning of the current rules of the U.S. Securities and Exchange Commission. Aiko Sekine is "independent" as required by Section 303A.06 of the New York Stock Exchange Listed Company Manual.

Name on the family register of Aiko Sekine is Aiko Sano.

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 2021 and 2022, KPMG (including Japanese and overseas affiliates of KPMG AZSA LLC) billed us ¥3,008 million and ¥3,221 million, respectively, for direct audit fees.

AUDIT-RELATED FEES

In fiscal 2021 and 2022, KPMG billed us ¥176 million and ¥144 million, respectively, for audit-related services, including attestation, assurance and related services that are not reported under audit fees.

TAX FEES

In fiscal 2021 and 2022, KPMG billed us ¥142 million and ¥111 million, respectively, for tax-related services.

ALL OTHER FEES

In fiscal 2021 and 2022, KPMG billed us ¥19 million and ¥1 million, respectively, for other products and 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, 2022	(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 2021	0	¥ 0	0	¥ 0
May 2021	1,744,420	1,887	1,744,400	46,709,029,700
June 2021	3,552,221	1,950	3,552,200	39,782,596,050
July 2021	3,537,000	1,892	3,537,000	33,090,998,500
August 2021	3,829,840	2,007	3,829,800	25,405,687,600
September 2021	2,796,860	2,128	2,796,700	19,453,181,700
October 2021	3,285,960	2,152	3,285,900	12,382,445,550
November 2021	3,160,030	2,317	3,160,000	5,060,127,550
December 2021	2,223,090	2,276	2,223,000	103,650
January 2022	0	0	0	0
February 2022	0	0	0	0
March 2022	83	2,281	0	0
Total	24,129,504	¥2,072	24,129,000	¥ 0

*1 The Company resolved the share repurchase as follows at a meeting of the Board of Directors held on May 13, 2021.

- Class of shares to be repurchased — Common shares
- Total number of shares to be repurchased — Up to 50,000,000 shares (approx.4.1% of the total outstanding shares (excluding treasury shares))
- Total purchase price of shares to be repurchased — Up to 50 billion yen
- Repurchase period — May 17, 2021 to March 31, 2022
- Method of share repurchase — Market purchases based on the discretionary dealing contract regarding repurchase of own shares

*2 The share repurchase based on the above resolution at the Board of Directors meeting was completed. The details of share repurchase are as follows.

• Class of shares repurchased	Common shares
• Total number of shares repurchased	24,129,000 shares
• Total purchase price of shares repurchased	49,999,896,350 yen
• Repurchase period	From May 17, 2021 to December 16, 2021
• Method of share repurchase	Market purchases based on the discretionary dealing contract regarding repurchase of own shares

*3 The Company resolved the share repurchase as follows at a meeting of the Board of Directors held on May 11, 2022.

• Class of shares to be repurchased	Common shares
• Total number of shares to be repurchased	Up to 40,000,000 shares
(approx.3.3% of the total	outstanding shares (excluding treasury shares))
• Total purchase price of shares to be repurchased	Up to 50 billion yen
• Repurchase period	May 18, 2022 to March 31, 2023
• Method of share repurchase	Market purchases based on the discretionary dealing contract regarding repurchase of own shares

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 the committees must be "outside directors"—a Japanese law concept that shares similarities with the U.S. concept of "independent director" where the company is a ""Company with Nominating Committee, etc." 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 out of our 11 directors are outside directors. Under the Companies Act, the directors who compose the Audit Committee are not permitted to be executive officers or executive directors of the Company or its subsidiaries, or managers, employees or accounting advisors of the Company's subsidiaries. Our Audit Committee members meet this requirement. 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 advisor.

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 (an "Executive Director, etc.") of the Company or its subsidiaries and who has not been an Executive Director, etc. of the Company or its subsidiaries in the past 10 years; (ii) who has not been an Executive Director, etc. 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 more than 50 percent of the Company's shares, etc., or has not been an Executive Director, etc. of the parent company of the Company; (iv) who has not been an Executive Director, etc. 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 more than 50 percent 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 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 advisor only after taking into consideration all factors relevant to determining the advisor's independence from management.

Item 16H. Mine Safety Disclosure

Not applicable

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

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-150.

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, 2021 and 2022 (page F-7 to F-8);

(b) Consolidated Statements of Income for the years ended March 31, 2020, 2021 and 2022 (page F-9 to F-10);

(c) Consolidated Statements of Comprehensive Income for the years ended March 31, 2020, 2021 and 2022 (page F-11);

(d) Consolidated Statements of Changes in Equity for the years ended March 31, 2020, 2021 and 2022 (page F-12 to F-13);

(e) Consolidated Statements of Cash Flows for the years ended March 31, 2020, 2021 and 2022 (page F-14);

(f) Notes to Consolidated Financial Statements (page F-15 to F-149);

(g) Schedule II.—Valuation and Qualifying Accounts and Reserves (page F-150).

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 24, 2022, and effective on September 1, 2022.
Exhibit 1.2	Regulations of the Board of Directors of ORIX Corporation, as amended on July 21, 2017 (Incorporated by reference from the annual report on Form 20-F filed on June 28, 2018, commission file number 001-14856).
Exhibit 1.3	Share Handling Regulations of ORIX Corporation, as amended on March 1, 2021. (Incorporated by reference from the annual report on Form 20-F filed on June 29, 2021, commission file number 001-14856)
Exhibit 2.1	Description of American Depositary Shares of ORIX Corporation, (Incorporated by reference from the registration statement on Form F-3 ASR filed on July 2, 2009, commission file number 333-160410).
Exhibit 2.2	Deposit Agreement, dated September 14, 1998, by and among ORIX Corporation, Citibank, N.A., as Depositary, and the Holders and Beneficial Owners of American Depositary Shares Evidenced by American Depositary Receipts (Incorporated by reference from the registration statement on Form F-3 ASR filed on July 2, 2009, commission file number 333-160410).
Exhibit 8.1	List of subsidiaries and affiliates.
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 25, 2019, 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	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101	Inline XBRL Schema Document.
Exhibit 101	Inline XBRL Calculation Linkbase Document.
Exhibit 101	Inline XBRL Definition Linkbase Document.
Exhibit 101	Inline XBRL Labels Linkbase Document.
Exhibit 101	Inline XBRL Presentation Linkbase Document.
Exhibit 104	The cover page for the Company's Annual Report on Form 20-F for the year ended March 31, 2022, has been formatted as Inline XBRL and contained in Exhibit 101

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/ HITOMARO YANO

Name: Hitomaro Yano
Title: Executive Officer

Date: June 29, 2022

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors
ORIX Corporation

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of ORIX Corporation (a Japanese corporation) and its subsidiaries (the Group) as of March 31, 2022 and 2021, 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, 2022, and the related notes and financial statement schedule II (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of March 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Group's internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated June 29, 2022 expressed an unqualified opinion on the effectiveness of the Group's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Assessment of the fair value of the intangible assets for asset management contract

As discussed in Notes 1 and 14 to the consolidated financial statements, the Group's intangible assets as of March 31, 2022 was ¥403,621 million, of which ¥98,014 million represented asset management contracts held by an overseas subsidiary in the ORIX Europe segment. The Group recognized impairment losses of ¥21,090 million on the intangible assets included in the ORIX Europe segment during the year ended March 31, 2022. The Group performs an impairment test for indefinite-lived intangible assets at least annually. In addition, the Group performs an impairment test for indefinite-lived intangible assets as well as intangible assets with finite lives whenever events or changes in circumstances indicate that the asset might be impaired. As a result of the impairment test, if the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The fair values of the asset management contracts are determined utilizing a discounted cash flow model and the key inputs and assumptions to the valuation include the forecasted balances of assets under management (AuM) used to estimate the future cash flows and the discount rate.

We identified the assessment of the fair value of the intangible asset for a certain asset management contract in the ORIX Europe segment as a critical audit matter. Changes in the key inputs and assumptions have a significant effect on the fair value of the asset management contract indicating a higher risk related to the impairment assessment and, therefore, required a high degree of auditor judgment. Specifically, the forecasted balances of AuM were challenging to test as there was a high degree of estimation uncertainty in forecasting future cash inflows/outflows into/from the funds managed under the asset management contract. Also, a high degree of auditor judgment, including specialized skills and knowledge, was required to test the discount rate due to the subjectivity in determining its inputs.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Group's process for estimating the fair value of the asset management contract, including controls over the development of the forecasted balances of AuM and the discount rate. We evaluated the development of the forecasted balances of AuM (1) by analyzing the actual AuM balances compared to those forecasted in the prior year, (2) by comparing the forecasted future cash inflows/outflows to the historical trends and (3) by considering consistency between the assumptions used in theforecasted future cash inflows/outflows and the Group's business strategy for the funds managed under the asset management contract. In addition, we involved valuation professionals with specialized skills and knowledge, who assisted in assessing the discount rate used by management, by comparing it against a discount rate range that was developed using publicly available market data and independently developed assumptions.

Assessment of the fair value measurement of the investment funds categorized as Level 3 financial instruments in the fair value hierarchy

As discussed in Notes 1 and 2 to the consolidated financial statements, the Group's financial assets measured at fair value on a recurring basis under Level 3 of the fair value hierarchy as of March 31, 2022 amounted to ¥264,106 million, which included ¥112,972 million of investment funds, and others. Certain overseas subsidiaries are determined as investment companies under ASC 946 ("Financial Services—Investment Companies") and hold investment funds measured at fair value with changes in fair value recognized in earnings on a recurring basis. These investment funds are classified as Level 3 in the fair value hierarchy, because the Group measures their fair value using valuation techniques with key inputs that are unobservable. The fair value of the Level 3 investment funds held by a certain investment company in the ORIX USA segment is estimated based on the valuation methodology of the underlying equity investments by weighting the income approach technique using discounted cash flows and the market approach technique utilizing market multiples. Key inputs and assumptions used for the valuation include earnings before interest, taxes, depreciation and amortization (EBITDA) multiples, cash flow forecasts, weighted average cost of capital (WACC) and weighting of the techniques.

We identified the assessment of the fair value measurement of the Level 3 investment funds held by the certain investment company in the ORIX USA segment as a critical audit matter. Due to the significant measurement uncertainty associated with the fair value of such investment funds, a high degree of subjectivity was used in determining the methodology and the key inputs and assumptions, including EBITDA multiples, cash flow forecasts, WACC and weighting of the techniques. Minor changes in these key inputs and assumptions used for the valuation could have a significant effect on the Group's net income. Therefore, a high degree of auditor judgment was required. Additionally, the audit effort associated with this estimate required specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Group's fair value measurement process for the Level 3 investment funds, including controls over (1) the development of the methodology and (2) the determination of the key inputs and assumptions used for the valuation. We evaluated the development of the cash flow forecasts by analyzing the actual results compared to those forecasted in the prior year as well as trends in year-over-year forecasts. We involved valuation professionals with specialized skills and knowledge, who assisted in:

- evaluating appropriateness of the Group's fair value measurement methodology in accordance with U.S. generally accepted accounting principles,
- evaluating the reasonableness of the selected EBITDA multiples through the comparison to independently developed EBITDA multiples,
- evaluating the reasonableness of the WACC used by management, by comparing it against a WACC range that was developed using publicly available market data and independently developed assumptions, and
- evaluating the reasonableness of the weighting of the techniques applied to arrive at the fair value.

Assessment of the recognition of basis difference adjustments within Equity in Net Income of Affiliates for aircraft for operating leases related to an equity method investment

As discussed in Notes 13 and 32 to the consolidated financial statements, the Group's Investment in Affiliates balance as of March 31, 2022 was ¥978,033 million, of which ¥320,058 million related to the Aircraft and Ships segment including the investment in an equity method affiliate, Avolon Holdings Limited, which holds aircraft for operating leases. Avolon Holdings Limited owns aircraft that were on lease to Russian lessees and ¥7,855 million (reduced to reflect the Group's ownership share) of impairment losses and other factors related to the aircraft placed within the Russian territories were included in Equity in Net Income of Affiliates as of March 31, 2022. The Group recognizes as part of its investment, basis differences related to the differences between the fair values and the carrying amounts of the investee's assets and liabilities on acquisition. Such basis differences are adjusted for any impairment with such changes in the differences included in Equity in Net Income of Affiliates. As part of assessing Equity in Net Income of Affiliates for Avolon Holdings Limited due to any adjustments to the basis differences related to the underlying aircraft, the Group evaluates the investee's impairment analysis of the underlying aircraft for operating leases. The investee analysis of the underlying aircraft contains evaluation of key inputs and assumptions including the forecasted cash flows from operating leases and residual values of the underlying aircraft.

We identified the assessment of the recognition of basis difference adjustments within Equity in Net Income of Affiliates for aircraft for operating leases related to the equity method investment in Avolon Holdings Limited as a critical audit matter. There was a high degree of estimation uncertainty in reviewing the impact to such basis differences including the evaluation of forecasted cash flows from operating leases and residual values of the aircraft held by Avolon Holdings Limited, which was challenging to test. Also, there was a high degree of estimation uncertainty in reviewing fair values of the aircraft placed within the Russian territories as it was unclear whether repossession of the aircraft was possible, which was challenging to test.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Group's review of the recognition of basis difference adjustments within Equity in Net Income of Affiliates, including controls over the evaluation of the investee impairment analysis for aircraft for operating leases. We evaluated the carrying amount of basis differences and the recognition of any adjustments to such basis differences within Equity in Net Income of Affiliates by assessing the performance of the investee's aircraft portfolio, in-force contractual arrangements and externally available market value reports from independent third-party appraisers. We evaluated the fair values of the aircraft placed within the Russian territories by considering the possibility of the repossession of the aircraft through analyzing the current situation of the aircraft and its future outlook. In addition, we involved valuation professionals with specialized skills and knowledge, who assisted in assessing the relevance and reliability of the information from the independent third-party appraisers.

Assessment of the fair values of Property under Facility Operations related to the coal-biomass co-fired power plants

As discussed in Notes 1 and 25 to the consolidated financial statements, the Group's Property under Facility Operations balance as of March 31, 2022 was ¥ 561,846 million, of which ¥ 39,520 million represents long-lived assets related to coal-biomass co-fired power plants in the Environment and Energy segment. The Group recognized impairment losses of ¥ 19,564 million on those assets during the year ended March 31, 2022. The Group performs a recoverability test for long-lived assets held and used in operations, including the coal-biomass co-fired power plants, whenever events or changes in circumstances indicate that the assets might be impaired. The assets are considered not recoverable when the undiscounted future cash flows that are expected to be generated by the assets are less than their carrying amount. The carrying amount of assets not recoverable is reduced to the fair value if it is lower than the carrying amount. Considering changes in the environment surrounding the power generation business and the Group's business strategy with respect to the coal-biomass co-fired power plants, the Group identified a change in circumstances during the year ended March 31, 2022 indicating that the assets might be impaired. As a result of the recoverability test, the carrying amount of the assets was considered not recoverable and reduced to their fair values which were estimated using a discounted cash flow model. The key inputs and assumptions used in estimating the fair values included the cash flow forecasts which were estimated based on the operational plans of the coal-biomass co-fired power plants and the discount rate.

We identified the assessment of the fair values of the Property under Facility Operations related to the coal-biomass co-fired power plants as a critical audit matter. The cash flow forecasts from their operations used in estimating the fair values were challenging to test due to a high degree of subjectivity and estimation uncertainty. Also, a high degree of auditor judgment, including specialized skills and knowledge, was required to test the Group's fair value measurement methodology and the discount rate due to the subjectivity in determining the key inputs and assumptions.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Group's process for estimating the fair values of the coal-biomass co-fired power plants, including controls over the development of the cash flow forecasts from their operations and the discount rate. We evaluated the reasonableness of the key inputs and assumptions used in the operational plans of the coal-biomass co-fired power plants by comparing them to the historical performance and the current and future market environment surrounding the power generation business. In addition, we involved valuation professionals with specialized skills and knowledge, who assisted in (1) assessing the appropriateness of the Group's fair value measurement methodology by considering the availability of alternative assumptions based on the current market environment surrounding the power generation business, and (2) assessing the discount rate used by management, by comparing it against a discount rate range developed using publicly available market data and independently developed assumptions.

KPMG AZSA LLC

We have served as the Group's auditor since 1985.

Tokyo, Japan
June 29, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors
ORIX Corporation

Opinion on Internal Control Over Financial Reporting

We have audited ORIX Corporation (a Japanese corporation) and subsidiaries' (the Group) internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Group as of March 31, 2022 and 2021, 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, 2022, and the related notes and financial statement schedule II (collectively, the consolidated financial statements), and our report dated June 29, 2022 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Group'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. Our responsibility is to express an opinion on the Groups internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

KPMG AZSA LLC

Tokyo, Japan
June 29, 2022

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2021 AND 2022

ORIX Corporation and Subsidiaries

	Millions of yen	
	2021	2022
ASSETS		
Cash and Cash Equivalents	¥ 951,242	¥ 954,827
Restricted Cash	128,333	136,985
Net investment in Leases	1,029,518	1,057,973
Installment Loans	3,670,784	3,862,604
The amounts which are measured at fair value by electing the fair value option are as follows:		
March 31, 2021 ¥63,272 million		
March 31, 2022 ¥151,601 million		
Allowance for Credit Losses	(78,945)	(69,459)
Investment in Operating Leases	1,408,189	1,463,202
Investment in Securities	2,660,443	2,852,349
The amounts which are measured at fair value by electing the fair value option are as follows:		
March 31, 2021 ¥9,384 million		
March 31, 2022 ¥19,353 million		
The amounts which are associated to available-for-sale debt securities are as follows:		
As of March 31, 2021		
Amortized Cost ¥2,026,767 million		
Allowance for Credit Losses ¥(120) million		
As of March 31, 2022		
Amortized Cost ¥2,276,425 million		
Allowance for Credit Losses ¥(153) million		
Property under Facility Operations	491,855	561,846
Investment in Affiliates	887,764	978,033
Trade Notes, Accounts and Other Receivable	354,334	359,949
Inventories	142,156	139,563
Office Facilities	246,399	240,421
Other Assets	1,671,010	1,732,379
The amounts which are measured at fair value by electing the fair value option are as follows:		
March 31, 2021 ¥6,297 million		
March 31, 2022 ¥5,214 million		
Total Assets	¥13,563,082	¥14,270,672

Note: The assets of consolidated variable interest entities (VIEs) that can be used only to settle obligations of those VIEs are as follows:

	Millions of yen	
	2021	2022
Cash and Cash Equivalents	¥ 4,305	¥ 3,899
Installment Loans (Net of Allowance for Credit Losses)	238,236	212,371
Investment in Operating Leases	78,633	101,881
Property under Facility Operations	230,216	210,307
Investment in Affiliates	51,226	51,877
Other	111,924	95,613
	¥ 714,540	¥ 675,948

CONSOLIDATED BALANCE SHEETS—(Continued)
AS OF MARCH 31, 2021 AND 2022

ORIX Corporation and Subsidiaries

	Millions of yen	
	2021	2022
LIABILITIES AND EQUITY		
Liabilities:		
Short-term Debt	¥ 307,269	¥ 439,639
Deposits	2,317,785	2,276,158
Trade Notes, Accounts and Other Payable	260,712	291,422
Policy Liabilities and Policy Account Balances	1,822,422	1,963,623
The amounts which are measured at fair value by electing the fair value option are as follows:		
March 31, 2021 ¥266,422 million		
March 31, 2022 ¥198,905 million		
Income Taxes:		
Current	22,170	115,340
Deferred	341,290	345,841
Long-term Debt	4,416,833	4,427,046
Other Liabilities	971,457	1,040,202
Total Liabilities	10,459,938	10,899,271
Commitments and Contingent Liabilities		
Equity:		
Common stock:	221,111	221,111
Authorized: 2,590,000,000 shares		
Issued:		
March 31, 2021 1,285,724,480 shares		
March 31, 2022 1,258,277,087 shares		
Additional Paid-in Capital	259,361	260,479
Retained Earnings	2,744,588	2,909,317
Accumulated Other Comprehensive Income (Loss)	(84,650)	(16,041)
Treasury Stock, at Cost:	(111,954)	(113,447)
March 31, 2021 68,386,164 shares		
March 31, 2022 64,877,309 shares		
ORIX Corporation Shareholders' Equity	3,028,456	3,261,419
Noncontrolling Interests	74,688	109,982
Total Equity	3,103,144	3,371,401
Total Liabilities and Equity	¥13,563,082	¥14,270,672

Notes 1. The Company's shares held through the Board Incentive Plan Trust (2,154,248 shares as of March 31, 2021 and 1,963,282 shares as of March 31, 2022) are included in the number of treasury stock as of March 31, 2021 and 2022.

2. 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 as follows:

	Millions of yen	
	2021	2022
Short-Term Debt	¥ 500	¥ 0
Trade Notes, Accounts and Other Payable	2,390	2,251
Long-Term Debt	413,268	431,312
Other	42,024	38,891
	¥ 458,182	¥ 472,454

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED MARCH 31, 2020, 2021 AND 2022

ORIX Corporation and Subsidiaries

	Millions of yen		
	2020	2021	2022
Revenues:			
Finance revenues	¥ 276,864	¥ 271,194	¥ 279,589
Gains on investment securities and dividends	22,499	46,097	56,510
Operating leases	430,665	397,065	450,454
Life insurance premiums and related investment income	367,778	487,550	481,810
Sales of goods and real estate	406,511	410,953	435,398
Services income	776,012	679,849	816,604
Total revenues	2,280,329	2,292,708	2,520,365
Expenses:			
Interest expense	99,138	78,068	68,232
Costs of operating leases	289,604	295,628	322,070
Life insurance costs	269,425	374,348	368,140
Costs of goods and real estate sold	354,006	347,721	381,119
Services expense	483,914	439,233	495,110
Other (income) and expense	14,925	17,125	20,494
Selling, general and administrative expenses	460,199	456,795	522,782
Provision for doubtful receivables and probable loan losses	24,425	0	0
Provision for Credit Losses	0	16,021	3,939
Write-downs of long-lived assets	3,043	3,020	35,666
Write-downs of securities	11,969	5,935	730
Total expenses	2,010,648	2,033,894	2,218,282
Operating Income	269,681	258,814	302,083
Equity in Net Income (Loss) of Affiliates	67,924	481	15,006
Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, net	74,001	23,300	187,787
Bargain Purchase Gain	955	4,966	0
Income before Income Taxes	412,561	287,561	504,876
Provision for Income Taxes	105,837	90,747	187,264
Net Income	306,724	196,814	317,612
Net Income Attributable to the Noncontrolling Interests	3,640	4,453	5,477
Net Income (Loss) Attributable to the Redeemable Noncontrolling Interests	384	(23)	0
Net Income Attributable to ORIX Corporation Shareholders	¥ 302,700	¥ 192,384	¥ 312,135

Notes: 1. Credit Losses Standard has been adopted since April 1, 2020 and the amounts of provision for doubtful receivables and probable loan losses have been reclassified to provision for credit losses. For further information, see Note 1 "Significant Accounting and Reporting Policies (aa) New accounting pronouncements."

2. Provision for credit losses of loans to affiliates are recorded in equity in net income (loss) of affiliates since the second quarter of fiscal 2021.

CONSOLIDATED STATEMENTS OF INCOME—(Continued)
FOR THE YEARS ENDED MARCH 31, 2020, 2021 AND 2022

ORIX Corporation and Subsidiaries

	Yen		
	2020	2021	2022
Amounts per Share of Common Stock for Income Attributable to ORIX Corporation Shareholders:			
Basic:			
Net Income Attributable to ORIX Corporation Shareholders	¥237.38	¥155.54	¥259.37
Diluted:			
Net Income Attributable to ORIX Corporation Shareholders	¥237.17	¥155.39	¥259.07
Cash Dividends	81.00	76.00	82.00

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, 2020, 2021 AND 2022

ORIX Corporation and Subsidiaries

	Millions of yen		
	2020	2021	2022
Net Income	¥306,724	¥196,814	¥317,612
Other comprehensive income (loss), net of tax:			
Net change of unrealized gains (losses) on investment in securities	(22,456)	(11,182)	(56,684)
Net change of debt valuation adjustments	875	(899)	(337)
Net change of defined benefit pension plans	1,529	5,330	13,002
Net change of foreign currency translation adjustments	(31,664)	36,246	105,693
Net change of unrealized gains (losses) on derivative instruments	(8,556)	4,782	15,070
Total other comprehensive income (loss)	(60,272)	34,277	76,744
Comprehensive Income	246,452	231,091	394,356
Comprehensive Income Attributable to the Noncontrolling Interests	756	5,128	12,137
Comprehensive Income (loss) Attributable to the Redeemable Noncontrolling Interests	187	(303)	0
Comprehensive Income Attributable to ORIX Corporation Shareholders	¥245,509	¥226,266	¥382,219

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, 2020, 2021 AND 2022

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, 2019	¥221,111	¥257,625	¥2,555,585	¥ (61,343)	¥ (75,904)	¥2,897,074	¥ 56,127	¥2,953,201
Contribution to subsidiaries						0	17,047	17,047
Transaction with noncontrolling interests		241		2		243	1,340	1,583
Comprehensive income, net of tax:								
Net income			302,700			302,700	3,640	306,340
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment in securities				(22,390)		(22,390)	(66)	(22,456)
Net change of debt valuation adjustments				875		875	0	875
Net change of defined benefit pension plans				1,527		1,527	2	1,529
Net change of foreign currency translation adjustments				(28,917)		(28,917)	(2,550)	(31,467)
Net change of unrealized gains (losses) on derivative instruments				(8,286)		(8,286)	(270)	(8,556)
Total other comprehensive income (loss)						(57,191)	(2,884)	(60,075)
Total comprehensive income						245,509	756	246,265
Cash dividends			(103,824)			(103,824)	(3,043)	(106,867)
Acquisition of treasury stock					(45,720)	(45,720)	0	(45,720)
Disposal of treasury stock		(334)			554	220	0	220
Other, net		106				106	0	106
Balance at March 31, 2020	¥221,111	¥257,638	¥2,754,461	¥(118,532)	¥(121,070)	¥2,993,608	¥ 72,227	¥3,065,835
Cumulative effect of adopting Accounting Standards Update 2016-13			(42,855)			(42,855)	(71)	(42,926)
Balance at April 1, 2020	¥221,111	¥257,638	¥2,711,606	¥(118,532)	¥(121,070)	¥2,950,753	¥ 72,156	¥3,022,909
Contribution to subsidiaries						0	18,225	18,225
Transaction with noncontrolling interests		1,700				1,700	(8,688)	(6,988)
Comprehensive income, net of tax:								
Net income			192,384			192,384	4,453	196,837
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment in securities				(11,207)		(11,207)	25	(11,182)
Net change of debt valuation adjustments				(899)		(899)	0	(899)
Net change of defined benefit pension plans				5,302		5,302	28	5,330
Net change of foreign currency translation adjustments				36,015		36,015	511	36,526
Net change of unrealized gains on derivative instruments				4,671		4,671	111	4,782
Total other comprehensive income						33,882	675	34,557
Total comprehensive income						226,266	5,128	231,394
Cash dividends			(95,164)			(95,164)	(12,133)	(107,297)
Acquisition of treasury stock					(55,443)	(55,443)	0	(55,443)
Disposal of treasury stock		(227)	(0)		322	95	0	95
Cancellation of treasury stock			(64,237)		64,237	0	0	0
Other, net		250	(1)			249	0	249
Balance at March 31, 2021	¥221,111	¥259,361	¥2,744,588	¥ (84,650)	¥(111,954)	¥3,028,456	¥ 74,688	¥3,103,144

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)
FOR THE YEARS ENDED MARCH 31, 2020, 2021 AND 2022

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, 2021	¥221,111	¥259,361	¥2,744,588	¥(84,650)	¥(111,954)	¥3,028,456	¥ 74,688	¥3,103,144
Cumulative effect of adopting Accounting Standards Update 2019-12			215			215	0	215
Balance at April 1, 2021	¥221,111	¥259,361	¥2,744,803	¥(84,650)	¥(111,954)	¥3,028,671	¥ 74,688	¥3,103,359
Contribution to subsidiaries						0	40,514	40,514
Transaction with noncontrolling interests		1,593		(1,475)		118	(1,127)	(1,009)
Comprehensive income, net of tax:								
Net income			312,135			312,135	5,477	317,612
Other comprehensive income								
Net change of unrealized gains (losses) on investment in securities				(56,684)		(56,684)	0	(56,684)
Net change of debt valuation adjustments				(337)		(337)	0	(337)
Net change of defined benefit pension plans				13,001		13,001	1	13,002
Net change of foreign currency translation adjustments				99,842		99,842	5,851	105,693
Net change of unrealized gains on derivative instruments				14,262		14,262	808	15,070
Total other comprehensive income						70,084	6,660	76,744
Total comprehensive income						382,219	12,137	394,356
Cash dividends			(99,395)			(99,395)	(16,230)	(115,625)
Acquisition of treasury stock					(50,001)	(50,001)	0	(50,001)
Disposal of treasury stock		(168)			283	115	0	115
Cancellation of treasury stock			(48,226)		48,226	0	0	0
Other, net		(307)			(1)	(308)	0	(308)
Balance at March 31, 2022	¥221,111	¥260,479	¥2,909,317	¥(16,041)	¥(113,447)	¥3,261,419	¥109,982	¥3,371,401

Note: Changes in the redeemable noncontrolling interests are not included in this table. For further information, see Note 19 "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, 2020, 2021 AND 2022

ORIX Corporation and Subsidiaries

	Millions of yen		
	2020	2021	2022
Cash Flows from Operating Activities:			
Net income	¥ 306,724	¥ 196,814	¥ 317,612
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	304,204	315,955	330,351
Principal payments received under net investment in leases	474,110	426,645	462,475
Provision for doubtful receivables and probable loan losses	24,425	0	0
Provision for credit losses	0	16,021	3,939
Equity in net (income) loss of affiliates (excluding interest on loans)	(65,764)	837	(13,753)
Gains on sales of subsidiaries and affiliates and liquidation losses, net	(74,001)	(23,300)	(187,787)
Bargain purchase gain	(955)	(4,966)	0
Gains on sales of securities other than trading	(18,886)	(15,228)	(22,322)
Gains on sales of operating lease assets	(51,072)	(26,358)	(40,148)
Write-downs of long-lived assets	3,043	3,020	35,666
Write-downs of securities	11,969	5,935	730
Deferred tax provision	14,890	25,518	12,208
Decrease in trading securities	63,681	12,103	68,422
(Increase) Decrease in inventories	11,938	(12,061)	(7,053)
(Increase) Decrease in trade notes, accounts and other receivable	12,348	(12,657)	3,562
Increase (Decrease) in trade notes, accounts and other payable	(3,853)	(1,947)	14,943
Increase in policy liabilities and policy account balances	70,120	230,947	141,201
Increase (Decrease) in income taxes payable	(33,318)	(11,045)	92,026
Other, net	(7,137)	(23,819)	(108,702)
Net cash provided by operating activities	1,042,466	1,102,414	1,103,370
Cash Flows from Investing Activities:			
Purchases of lease equipment	(948,445)	(716,737)	(872,994)
Installment loans made to customers	(1,527,000)	(1,198,978)	(1,202,198)
Principal collected on installment loans	1,134,142	1,139,608	1,182,261
Proceeds from sales of operating lease assets	339,504	138,912	147,104
Investment in affiliates, net	(44,140)	(112,922)	(34,804)
Proceeds from sales of investment in affiliates	79,950	41,730	47,677
Purchases of available-for-sale debt securities	(711,973)	(709,349)	(526,478)
Proceeds from sales of available-for-sale debt securities	249,427	285,836	239,250
Proceeds from redemption of available-for-sale debt securities	82,754	31,859	90,478
Purchases of equity securities other than trading	(53,616)	(56,314)	(94,182)
Proceeds from sales of equity securities other than trading	34,145	30,532	71,883
Purchases of property under facility operations	(44,466)	(43,954)	(44,302)
Acquisitions of subsidiaries, net of cash acquired	(134,894)	(82,163)	(87,582)
Sales of subsidiaries, net of cash disposed	91,835	57,722	252,921
Other, net	(17,709)	(15,772)	22,120
Net cash used in investing activities	(1,470,486)	(1,209,990)	(808,846)
Cash Flows from Financing Activities:			
Net increase (decrease) in debt with maturities of three months or less	16,182	(42,136)	96,383
Proceeds from debt with maturities longer than three months	924,779	1,171,350	950,244
Repayment of debt with maturities longer than three months	(832,881)	(1,013,937)	(1,160,613)
Net increase (decrease) in deposits due to customers	304,182	85,737	(42,591)
Cash dividends paid to ORIX Corporation shareholders	(103,824)	(95,164)	(99,395)
Acquisition of treasury stock	(45,720)	(55,443)	(50,001)
Contribution from noncontrolling interests	23,994	24,487	25,942
Purchases of shares of subsidiaries from noncontrolling interests	(4,501)	(4,791)	(2,086)
Net increase (decrease) in call money	10,000	(17,500)	(7,500)
Other, net	(3,508)	(12,719)	(17,001)
Net cash provided by (used in) financing activities	288,703	39,884	(306,618)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	(8,979)	11,983	24,331
Net increase (decrease) in Cash, Cash Equivalents and Restricted Cash	(148,296)	(55,709)	12,237
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	1,283,580	1,135,284	1,079,575
Cash, Cash Equivalents and Restricted Cash at End of Year	¥ 1,135,284	¥ 1,079,575	¥ 1,091,812

Note: Credit Losses Standard has been adopted since April 1, 2020, and the amounts of Provision for doubtful receivables and probable loan losses has been reclassified to Provision for credit losses. For further information, see Note 1 "Significant Accounting and Reporting Policies (aa) New accounting pronouncements."

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 generally accepted accounting principles in the United States ("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, accounting for allowance for credit losses, 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 pension plans, accounting for sales of the parent's ownership interest in subsidiaries, classification in the statements of cash flows, accounting for transfer of financial assets, accounting for investment in securities, accounting for fair value option, accounting for lessee's lease and reflection of the income tax effect on such adjustments.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. VIEs, for which the Company and its subsidiaries are the primary beneficiaries, are also included in the consolidated financial statements.

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. On the other hand, 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.

Investments in affiliates, of which the Company has 20% – 50% ownership or has the ability to exercise significant influence, are accounted for by using the equity method. When the Company holds majority voting interests of an entity but noncontrolling shareholders hold substantive participating rights to make decisions on activities that occur over the ordinary course of the business, the equity method is applied. Investments in affiliates are recorded at cost plus/minus the Company and its subsidiaries' portion of equity in undistributed earnings. If the value of an investment has declined and is judged to be other-than-temporary, the investment is written down to its fair value.

And when an affiliate issues stocks, which price per share is more or less than the Company and its subsidiaries' average carrying amount per share, to unrelated third parties, the Company and its subsidiaries adjust the carrying amount of its investment in the affiliate and recognize the gain or loss in the consolidated statements of income in the year in which the change in ownership interest occurs.

A certain overseas subsidiary consolidates subsidiaries determined as investment companies under ASC 946 ("Financial Services—Investment Companies"). Investments held by the investment company subsidiaries are carried at fair value with changes in fair value recognized in earnings.

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 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 finance 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 finance leases and probable loan losses and the allowance for credit losses (including the allowance for off-balance sheet credit exposures), 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 other intangible assets.

In addition, we carefully considered the future outlook regarding the spread of COVID-19 etc. As of March 31, 2022, there was no significant impact on our accounting estimates. However, the outlook for future outbreaks of COVID-19 etc. and the resulting global economic slowdown is uncertain and it may change rapidly. Therefore, the Company and subsidiaries accounting assumptions and estimates may change over time.

(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. Monetary assets and liabilities in foreign currencies are recorded in the entity’s functional currency based on the prevailing exchange rates at the end of each fiscal year.

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 other comprehensive income (loss), net of applicable income taxes, arise from the translation of foreign currency financial statements into Japanese yen.

(e) Revenue recognition

The Company and its subsidiaries recognize revenues from only contracts with customers, such as sales of goods and real estate, and services income, revenues are recognized to depict the transfer of promised goods or services to customers in the amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenues are recognized net of discount, incentives and estimated sales returns. In case that the Company and its subsidiaries receive payment from customers before satisfying performance obligations, the amounts are recognized as contract liabilities. In transactions that involve third parties, if the Company and its subsidiaries control the goods or services before they are transferred to the customers, revenue is recognized on gross amount as the principal.

Excluding the aforementioned policy, the policies as specifically described hereinafter are applied for each of revenue items.

Finance Revenues—Finance revenues mainly include revenues from finance leases, installment loans, and financial guarantees.

(1) Revenues from finance leases

Lessor leases consist of leases for various equipment types, including office equipment, industrial machinery, transportation equipment and real estates. Net investment in leases includes sales-type leases and direct financing leases which are full-payout leases. Leases not qualifying as sales-type leases or direct financing leases are accounted for as operating leases. Interest income on net investment in leases is recognized over the life of each respective lease using the interest method. When lease payment is variable, it is accounted for as income in profit or loss in the period when the changes in facts and circumstances on which the variable payment is based occur. When providing leasing services, the Company and its subsidiaries simultaneously conduct supplementary businesses, such as handling taxes and paying insurance on leased assets on behalf of lessees. The compensations for those lessor costs received from lessees are recognized in revenues from finance leases and those costs are recognized in other (income) and expense. The estimated unguaranteed residual value represents estimated proceeds from the disposition of equipment at the time the lease is terminated. Estimates of residual values are determined 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. Initial direct costs of sales-type leases and direct financing leases 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 of sales-type leases and direct financing leases is reflected as a component of net investment in 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 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.

(3) Revenues from financial guarantees

At the inception of a guarantee, fair value for the guarantee is recognized as a liability in the consolidated balance sheets. The Company and its subsidiaries recognize revenue mainly over the term of guarantee by a systematic and rational amortization method as the Company and the subsidiaries are released from the risk of the obligation.

(4) Non-accrual policy

In common with all classes, for net investment in leases and installment loans, 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 net investment in 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. However, delinquencies during the relevant period of past-due financing receivables are out of the scope of the suspension of revenue recognition unless their collections are doubtful when the government issues a request for grace of repayment within a maximum of 6 months due to reasons that cannot be attributed to the obligor, such as a disaster, or when similar requests are made by public bodies. Accrued but uncollected interest is reclassified to net investment in leases or installment loans in the accompanying consolidated balance sheets and becomes subject to the allowance for credit losses 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 net investment in leases 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 debtors' creditworthiness, such as the debtors' business characteristics and financial conditions as well as relevant economic conditions and trends.

***Operating leases*—**Revenues from operating leases are recognized on a straight-line basis over the contract terms. When lease payment is variable, it is accounted for as income in profit or loss in the period when the changes in facts and circumstances on which the variable payment is based occur. In principle, any conditions changed from original lease agreement should be accounted for as a lease modification. However, if lessees applied for COVID-19 related rent concessions and changes of lease payments do not result in a substantial increase to the rights of the lessor or the obligations of the lessee, the concessions are eligible to be applied for the practical expedient. The Company and its subsidiaries applied the practical expedient when accounting for eligible rent concessions mentioned above. Taking lessees' future business performance into consideration, the Company and its subsidiaries applied the practical expedient by the following 3 approaches: recognize revenue under the original lease contract, recognize revenue under the conditions changed by rent concessions or only recognize revenue when receiving the lease payments.

In providing leasing services, the Company and its subsidiaries simultaneously conduct supplementary businesses, such as handling taxes and paying insurance on leased assets on behalf of lessees. The compensations for those lessor costs received from lessees are recognized in operating lease revenues and those costs are recognized in costs of operating leases. Investment in operating leases is recorded at cost less accumulated depreciation. In addition, operating lease assets are 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 7 years, measuring and information-related equipment is 4 years, real estate (other than land) is 31 years and other is 10 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. Initial direct costs of operating leases are being deferred and amortized as a straight-line basis over the life of the related lease. The unamortized balance of initial direct costs is reflected as investment in operating leases.

(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 include 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 investment 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 are 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 the 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 agent commissions, except for recurring policy maintenance costs and certain variable costs and expenses for underwriting policies.

(g) Allowance for doubtful receivables on net investment in leases and probable loan losses

The allowance for doubtful receivables on net investment in 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 net investment in 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 net investment in 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 net investment in 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 net investment in leases and probable loan losses considering the prior charge-off experience and 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) Allowance for credit losses

Accounting Standards Update 2016-13 ("Measurement of Credit Losses on Financial Instruments"—ASC 326 ("Financial Instruments—Credit Losses")) (hereinafter, "Credit Losses Standard") has been adopted since April 1, 2020.

The allowance for credit losses estimates all credit losses expected to occur in future over the remaining life of net investment in leases, financial assets measured at amortized cost, such as installment loans, held-to-maturity debt securities and other receivables, and is recognized adequately based on the management judgement. Expected prepayments are reflected in the remaining life. The allowance for credit losses is increased by provision charged to income and is decreased by charge-offs, net of recoveries mainly.

Developing the allowance for credit 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, prior charge-off experience, current delinquencies and delinquency trends, value of underlying collateral and guarantees, current economic and business conditions and expected outlook in future.

The Company and its subsidiaries estimate the allowance for credit losses by using various methods according to these estimates and judgments. When certain financial assets have similar risk characteristics to other financial assets, these financial assets are collectively evaluated as a pool. On the contrary, when financial assets do not have similar risk characteristics to other financial assets, the financial assets are evaluated individually. The Company and its subsidiaries select the most appropriate calculation method based on available information, such as the nature and related risk characteristics on financial assets, the prior charge-off experience and future forecast scenario with correlated economic indicators.

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, etc.

In addition, if the entity has a present contractual obligation to extend the credit and the obligation is not unconditionally cancelable by the entity, credit losses related the loan commitments of card loans and installment loans and financial guarantees are in the scope of the allowance for credit losses. For the loan commitments of card loans and installment loans, credit losses are recognized on the loan commitments for the portion expected to be drawn. For financial guarantees, the allowance is recognized for the contingent obligation which generates credit risk exposures. These allowance for off-balance sheet credit exposures is measured using the same measurement objectives as the allowance for loans and net investment leases, considering quantitative and qualitative factors including historical loss experience, current economic and business conditions and reasonable and supportable forecasts. The allowance for off-balance sheet credit exposure is accounted for in other liabilities on the consolidated balance sheets.

(i) 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 depreciated or amortized, consisting primarily of office buildings, condominiums, aircraft, ships, mega solar facilities 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, and others 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.

(j) Investment in securities

Equity securities are generally reported at fair value with unrealized gains and losses included in income. Equity securities without readily determinable fair values are recorded at fair value at its cost minus impairment, if any, plus or minus changes resulting from observable price changes under the election of the measurement alternative, except for investments which are valued at net asset value per share.

Equity securities elected to apply the measurement alternative are written down to its fair value with losses included in income if a qualitative assessment indicates that the investment is impaired and the fair value of the investment is less than its carrying value.

In addition, investments included in equity securities that are accounted for under the equity method are recorded at fair value with unrealized gains and losses included in income if certain subsidiaries elect the fair value option.

Trading debt securities are reported at fair value with unrealized gains and losses included in income.

Available-for-sale debt securities are reported at fair value, and unrealized gains or losses are recorded in other comprehensive income (loss), net of applicable income taxes, except for 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 debt securities, if the fair value is less than the amortized cost, the debt securities are impaired. The Company and its subsidiaries identify per each impaired security whether the decline of fair value is due to credit losses component or non-credit losses component. Impairment related to credit losses is recognized in earnings through an allowance for credit losses. Impairment related to other factors than credit losses is recognized in other comprehensive income (loss), net of applicable income taxes. In estimating an allowance for credit losses, the Company and its subsidiaries consider that credit losses exist when the present value of estimated cash flows is less than the amortized cost basis. When the Company and its subsidiaries intend to sell the debt securities for which an allowance for credit losses is previously established or it is more likely than not that the Company and its subsidiaries will be required to sell the debt securities before recovery of the amortized cost basis, the allowance for credit losses is fully written off and the amortized cost is reduced to the fair value after recognizing additional impairment in earnings. In addition, the Company and its subsidiaries recognize in earnings the full difference between the amortized cost and the fair value of the debt securities by direct write-down, without any allowance for credit losses, if the debt securities are expected to be sold and the fair value is less than the amortized cost.

Held-to-maturity debt securities are recorded at amortized cost. Held-to-maturity debt securities are in the scope of ASC 326 ("Financial Instruments—Credit Losses"), see Note 1 "Significant Accounting and Reporting Policies (h) Allowance for credit losses."

(k) 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 for tax loss 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. The Company and its subsidiaries release to earnings stranded income tax effects in accumulated other comprehensive income (loss) resulting from changes in tax laws or rates or changes in judgment about realization of a valuation allowance on a specific identification basis when the individual items are completely sold or terminated. 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 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 in Japan for National Corporation tax purposes. The consolidated tax return in Japan will shift to the Japanese Group Relief System on April 1, 2022.

(l) 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 special purpose entities (hereinafter, "SPEs"), that issue asset-backed beneficial interests and securities to the investors.

SPEs used in securitization transactions are consolidated if the Company and its subsidiaries are the primary beneficiary of the SPEs, and the transfers of the financial assets to those consolidated SPEs are not accounted for as sales. Assets held by 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.

The Company and certain subsidiaries originate and sell loans into the secondary market, while retaining the obligation to service those loans. In addition, a certain subsidiary 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.

(m) 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 derivatives are qualified for hedge accounting, 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), net of applicable income taxes.

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), net of applicable income taxes, 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 net investment in a foreign operation, changes in the fair value of the derivative are recorded in the foreign currency translation adjustments account within other comprehensive income (loss), net of applicable income taxes.

The Company and its subsidiaries select either the amortization approach or the fair value approach, depending on the type of hedging activity, for the initial value of the component excluded from the assessment of effectiveness, and recognize it through the consolidated statements of income. When the amortization approach is adopted, the change in fair value is recognized in earnings using a systematic and rational method over the life of the hedging instrument and then any difference between the change in fair value and the amount recognized in earnings is recognized in other comprehensive income (loss), net of applicable income taxes. When the fair value approach is adopted, the change in the fair value is immediately recognized through the consolidated statements of income.

For all hedging relationships that are designated and qualified for hedge accounting, at the inception of the hedge, the Company and its subsidiaries formally document the details of the hedging relationship and the hedging activity. The Company and its subsidiaries 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 qualifies for hedge accounting.

(n) Pension plans

The Company and certain subsidiaries have contributory and non-contributory pension plans covering substantially all of their employees. Among the plans, the costs of defined benefit 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.

(o) Stock-based compensation

In principle, the Company and its subsidiaries measure stock-based compensation expense as consideration for services provided by employees based on the fair value on the grant date. The costs are recognized over the requisite service period.

(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) Property under facility operations

Property under facility operations consist primarily of operating facilities (including hotels and training facilities) and environmental assets (including mega solar and coal-biomass co-fired power plants), 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 2020, 2021 and 2022 were ¥27,147 million, ¥30,448 million and ¥29,871 million, respectively. Accumulated depreciation was ¥132,184 million and ¥147,459 million as of March 31, 2021 and 2022, respectively. Estimated useful lives range up to 50 years for buildings, up to 60 years for structures and up to 50 years for others.

(r) 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 merchandise 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 method. As of March 31, 2021 and 2022, residential condominiums under development were ¥57,502 million and ¥62,414 million, respectively, and completed residential condominiums and merchandise for sale were ¥84,654 million and ¥77,149 million, respectively.

The Company and its subsidiaries recorded ¥863 million, ¥2,510 million and ¥ 10,492 million of write-downs principally on completed residential condominiums and merchandise for sale for fiscal 2020, 2021 and 2022, respectively, primarily resulting from a decrease in expected sales price. These write-downs were recorded in costs of goods and real estate sold and included in Real Estate segment, PE Investment and Concession segment, Corporate Financial Services and Maintenance Leasing segment, Environment and Energy segment, and ORIX USA segment.

(s) 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 2020, 2021 and 2022 were ¥7,714 million, ¥8,269 million and ¥9,083 million, respectively. Accumulated depreciation was ¥68,524 million and ¥73,063 million as of March 31, 2021 and 2022, respectively. Estimated useful lives range up to 62 years for buildings and structures and up to 25 years for machinery and equipment.

(t) Right-of-use assets

The Company and its subsidiaries record the Right-of-use assets (hereinafter, “ROU assets”) recognized from the lessee’s lease transaction as investment in operating leases, property under facility operations and office facilities. Lease liabilities are included in other liabilities.

ROU assets are consisted of the amount of the initial measurement of the lease liability and any lease payments made to the lessor at or before the commencement date and stated at cost less accumulated amortization. The initial measurement of the lease liability is at the present value of the lease payments not yet paid, discounted using the lessee’s incremental borrowing rate at lease commencement. ROU assets of finance leases are amortized mainly on a straight-line basis over the lease term. ROU assets of operating leases are amortized over the lease term by the fixed term operating cost minus the interest cost. Amortization of ROU assets of finance leases and operating leases expenses are included in costs of operating leases, services expense and selling, general and administrative expenses.

(u) Other assets

Other assets consist primarily of goodwill and other intangible assets in acquisitions, 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 construction of real estate under operating leases and property under facility operations, prepaid benefit cost, prepaid expenses for property tax, maintenance fees and insurance premiums in relation to lease contracts, servicing assets, derivative assets, contract assets related to real estate contract works and deferred tax assets.

(v) Business combinations

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 separately identifiable 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.

(w) Goodwill and other intangible assets

The Company and its subsidiaries perform an impairment test for goodwill and any indefinite-lived intangible assets 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 whenever 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 quantitative 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 quantitative 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 quantitative goodwill 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 quantitative goodwill impairment test. The quantitative goodwill impairment test 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, an impairment loss is recognized in an amount equal to the difference. 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 impairment test for other indefinite-lived intangible assets. For those indefinite-lived intangible 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 intangible 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) Other Liabilities

Other liabilities include primarily lease liabilities recognized from the lessee's lease transaction, accrued expenses related to interest and bonus, accrued benefit liability, advances received from lessees in relation to lease contracts, deposits received from real estate transaction, contract liabilities mainly related to automobile maintenance services and software services, and derivative liabilities and allowance for credit losses on off-balance sheet credit exposures.

(y) 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. Diluted earnings per share is calculated by reflecting the potential dilution that could occur if securities or other contracts issuing common stock were exercised or converted into common stock.

(z) 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.

(aa) New accounting pronouncements

In August 2018, Accounting Standards Update 2018-12 ("Targeted Improvements to the Accounting for Long-Duration Contracts"—ASC 944 ("Financial Services—Insurance")) was issued, and the original effective date was deferred by two years by related amendments which were issued thereafter. These updates change the recognition, measurement, presentation and disclosure requirements for long-duration contracts issued by an insurance entity. These updates require an insurance entity to review and, if there is a change, update cash flow assumptions at least annually and to update discount rate used for liability for future policy benefits at each reporting date for nonparticipating traditional long-duration and limited-payment contracts. The effect of updating the discount rate is recognized in other comprehensive income (loss). These updates also require market risk benefits to be measured at fair value, and simplify amortization of deferred acquisition costs. Furthermore, these updates require additional disclosures for long-duration contracts. These updates are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted. For the liability for future policy benefits and deferred acquisition costs, these updates are applied to contracts in force as of beginning of the earliest period presented (hereinafter, "the transition date" of these updates) on a modified retrospective basis, and an insurance entity may elect to apply retrospectively. For the market risk benefits, these updates are applied retrospectively at the transition date, and the difference between fair value and carrying value requires an adjustment to retained earnings at the transition date. The cumulative effect of changes in the instrument-specific credit risk between contract inception date and the transition date should be recognized in accumulated other comprehensive income at the transition date. The Company and its subsidiaries will adopt these updates on April 1, 2023. The Company and its subsidiaries are currently evaluating the effect that the adoption of these updates will have on the Company and its subsidiaries' results of operations or financial position, as well as changes in disclosures required by these updates.

In December 2019, Accounting Standards Update 2019-12 ("Simplifying the Accounting for Income Taxes"—ASC 740 ("Income Taxes")) was issued. This update removes the exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment, the exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary, and other exceptions. This update also simplifies certain other elements of the accounting for income taxes. The income tax simplifications related to changes in ownership of foreign equity method investments and foreign subsidiaries shall be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The other amendments in this update shall be applied on a retrospective basis to all periods presented, or on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption, or on a prospective basis. The Company and its subsidiaries adopted this update on April 1, 2021. The effects of adopting this update on the Company and its subsidiaries' financial position at the adoption date were a decrease of ¥215 million in current and deferred income taxes and an increase of ¥215 million in retained earnings in the consolidated balance sheets. There is no material effect on the Company and its subsidiaries' results of operation for fiscal 2022 and financial position as of March 31, 2022 by adopting this update, as compared to the guidance that was in effect before the change.

In January 2020, Accounting Standards Update 2020-01 ("Clarifying the Interactions between Equity Securities, Equity Method and Joint Ventures, and Derivatives and Hedging"—ASC 321 ("Investments—Equity Securities"), ASC 323 ("Investments—Equity Method and Joint Ventures), and ASC 815 ("Derivatives and Hedging)) was issued. This update clarifies that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with ASC 321 ("Investments—Equity Securities") immediately before applying or upon discontinuing the equity method. This update also clarifies the scope of considerations for forward contracts and purchased options on certain securities that do not meet the definition of a derivative. The Company and its subsidiaries adopted this update on April 1, 2021. The adoption of this update had no material effect on the Company and its subsidiaries' results of operations or financial position.

In March 2020, Accounting Standards Update 2020-04 ("Facilitation of the Effects of Reference Rate Reform on Financial Reporting"—ASC 848 ("Reference Rate Reform")) was issued, and related amendments were issued thereafter. These updates provide companies with optional expedients and exceptions to contract, hedging relationships and other transactions that reference London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. These updates are effective as of March 12, 2020 through December 31, 2022. The Company and its subsidiaries adopted certain optional expedients to relevant contract modifications and hedge accounting relationships from the three months ended December 31, 2021, mainly in order to ease the administrative burden of accounting for contract modifications that replace a reference rate impacted by reference rate reform. The adoption of these updates had no material impact on the Company and its subsidiaries' results of operations or financial position. Also, we do not expect a material impact in future reporting periods.

In July 2021, Accounting Standards Update 2021-05 ("Lessors—Certain Leases with Variable Lease Payments"—ASC 842 ("Leases")) was issued as the amendments to ASC 842 ("Leases"). This update requires that lessors classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if classifying the lease as a sales-type lease or a direct financing lease would result in the recognition of a selling loss at lease commencement. This update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021 and early adoption is permitted. Entities that have adopted ASC 842 ("Leases") before the issuance date of this update have the option to apply the amendments either retrospectively to leases that commenced or were modified on or after the adoption of Update 2016-02 (ASC 842 ("Leases")) or prospectively to leases that commence or are modified on or after the date that an entity first applies the amendments. The Company and its subsidiaries will adopt this update on April 1, 2022 using the option to apply the amendments prospectively to leases that commence or are modified on or after the date that an entity first applies the amendments. 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 October 2021, Accounting Standards Update 2021-08 ("Accounting for Contract Assets and Contract Liabilities from Contracts with Customers"—ASC 805 ("Business Combinations")) was issued. This update requires us to apply ASC 606 ("Revenue from Contracts with Customers") to recognize and measure contract assets and contract liabilities acquired in a business combination. This update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022 and early adoption is permitted. This update is applied prospectively to business combinations occurring on or after the date that an entity first applies the amendments. The Company and its subsidiaries will adopt this update on April 1, 2023. 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 November 2021, Accounting Standards Update 2021-10 ("Disclosures by Business Entities about Government Assistance"—ASC 832 ("Government Assistance")) was issued. This update requires annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance. The annual disclosure shall include; (1) information about the nature of the transactions and the related accounting policy used to account for the transactions, (2) the line items on the consolidated balance sheet and consolidated income statement that are affected by the transactions, and the amounts applicable to each financial statement line item, and (3) significant terms and conditions of the transactions, including commitments and contingencies. This update is effective for fiscal years beginning after December 15, 2021, and early adoption is permitted. The Company and its subsidiaries will adopt this update on April 1, 2022. 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 March 2022, Accounting Standards Update 2022-02 ("Troubled Debt Restructurings and Vintage Disclosures"—ASC 326 ("Financial Instruments—Credit Losses")) was issued. This update eliminates the recognition and measurement guidance on troubled debt restructuring (hereinafter, "TDR") and, instead, requires that an entity evaluate whether certain modifications on contractual terms made to borrowers experiencing financial difficulty should be accounted for as a new loan or a continuation of an existing loan. Additionally, enhanced disclosures for certain modifications made to borrowers experiencing financial difficulty are newly required. In addition, this update also requires that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20 ("Financial Instruments—Credit Losses—Measured at Amortized Cost") in the existing vintage disclosure, where an entity discloses the amortized cost basis by credit quality indicator and class of financing receivable by year of origination. This update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022 and early adoption is permitted. This update should be applied prospectively from the beginning of the fiscal year of adoption, including interim periods, except for the optional transition method related to the recognition and measurement of TDRs for which an entity may elect to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The Company and its subsidiaries will adopt this update on April 1, 2023. 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, as well as changes in disclosures required by this update.

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 debt securities, available-for-sale debt securities, certain equity securities, derivatives, certain reinsurance recoverables, 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, 2021 and 2022:

March 31, 2021

	Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Loans held for sale*1	¥ 63,272	¥ 0	¥ 63,272	¥ 0
Trading debt securities	2,654	0	2,654	0
Available-for-sale debt securities:	2,003,917	6,012	1,864,448	133,457
Japanese and foreign government bond securities*2	821,158	3,105	818,053	0
Japanese prefectural and foreign municipal bond securities	276,276	0	273,515	2,761
Corporate debt securities*3	742,251	2,907	738,323	1,021
CMBS and RMBS in the Americas	34,457	0	34,457	0
Other asset-backed securities and debt securities	129,775	0	100	129,675
Equity securities*4*5	396,465	82,039	223,016	91,410
Derivative assets:	22,696	352	8,521	13,823
Interest rate swap agreements	1,867	0	1,867	0
Options held/written and other	19,504	0	5,681	13,823
Futures, foreign exchange contracts	1,179	352	827	0
Foreign currency swap agreements	146	0	146	0
Netting*6	(1,944)	0	0	0
Net derivative assets	20,752	0	0	0
Other assets:	6,297	0	0	6,297
Reinsurance recoverables*7	6,297	0	0	6,297
Total	¥2,495,301	¥ 88,403	¥2,161,911	¥244,987
Liabilities:				
Derivative liabilities:	¥ 71,034	¥ 475	¥ 70,526	¥ 33
Interest rate swap agreements	23,818	0	23,818	0
Options held/written and other	17,009	0	16,976	33
Futures, foreign exchange contracts	25,739	475	25,264	0
Foreign currency swap agreements	4,459	0	4,459	0
Credit derivatives held	9	0	9	0
Netting*6	(1,944)	0	0	0
Net derivative Liabilities	69,090	0	0	0
Policy Liabilities and Policy Account Balances:	266,422	0	0	266,422
Variable annuity and variable life insurance contracts*8	266,422	0	0	266,422
Total	¥ 337,456	¥ 475	¥ 70,526	¥266,455

March 31, 2022

	Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Loans held for sale*1	¥ 151,601	¥ 0	¥ 151,601	¥ 0
Trading debt securities	2,503	0	2,503	0
Available-for-sale debt securities:	2,174,891	1,095	2,032,736	141,060
Japanese and foreign government bond securities*2	832,613	1,095	831,518	0
Japanese prefectural and foreign municipal bond securities	325,604	0	322,551	3,053
Corporate debt securities*3	849,560	0	848,863	697
CMBS and RMBS in the Americas	28,732	0	28,732	0
Other asset-backed securities and debt securities	138,382	0	1,072	137,310
Equity securities*4*5	385,271	112,200	160,099	112,972
Derivative assets:	51,366	292	46,214	4,860
Interest rate swap agreements	9,570	0	9,570	0
Options held/written and other	25,664	0	20,804	4,860
Futures, foreign exchange contracts	16,006	292	15,714	0
Foreign currency swap agreements	126	0	126	0
Netting*6	(20,333)	0	0	0
Net derivative assets	31,033	0	0	0
Other assets:	5,214	0	0	5,214
Reinsurance recoverables*7	5,214	0	0	5,214
Total	¥2,770,846	¥113,587	¥2,393,153	¥264,106
Liabilities:				
Derivative liabilities:	¥ 105,705	¥ 2,026	¥ 95,047	¥ 8,632
Interest rate swap agreements	8,182	0	8,182	0
Options held/written and other	21,562	0	12,930	8,632
Futures, foreign exchange contracts	71,443	2,026	69,417	0
Foreign currency swap agreements	4,518	0	4,518	0
Netting*6	(20,333)	0	0	0
Net derivative Liabilities	85,372	0	0	0
Policy Liabilities and Policy Account Balances:	198,905	0	0	198,905
Variable annuity and variable life insurance contracts*8	198,905	0	0	198,905
Total	¥ 304,610	¥ 2,026	¥ 95,047	¥207,537

*1 A certain subsidiary elected the fair value option on certain loans held for sale. These loans are multi-family and seniors housing loans and are sold to Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") and institutional investors. Included in "Other (income) and expense" in the consolidated statements of income were a gain of ¥5,220 million, losses of ¥3,260 million and ¥2,982 million from the change in the fair value of the loans for fiscal 2020, 2021 and

2022, respectively. No gains or losses were recognized in earnings during fiscal 2020, 2021 and 2022 attributable to changes in instrument-specific credit risk. The amounts of aggregate unpaid principal balance and aggregate fair value of the loans held for sale as of March 31, 2021, were ¥60,556 million and ¥63,272 million, respectively, and the amount of the aggregate fair value exceeded the amount of aggregate unpaid principal balance by ¥2,716 million. The amounts of aggregate unpaid principal balance and aggregate fair value of the loans held for sale as of March 31, 2022, were ¥151,672 million and ¥151,601 million, respectively, and the amount of the aggregate fair value was less than the amount of aggregate unpaid principal balance by ¥71 million. As of March 31, 2021 and 2022, there were no loans that are 90 days or more past due or, in non-accrual status.

*2 A certain subsidiary elected the fair value option for investments in foreign government bond securities included in available-for-sale debt securities. Included in "Gains on investment securities and dividends" in the consolidated statements of income were losses of ¥8 million, ¥28 million and a gain of ¥51 million from the change in the fair value of those investments for fiscal 2020, 2021 and 2022, respectively. The amount of aggregate fair value elected the fair value option was ¥1,537 million as of March 31, 2021. There were no such investments elected the fair value option as of March 31, 2022.

*3 A certain subsidiary elected the fair value option for investments in foreign corporate debt securities included in available-for-sale debt securities. Included in "Gains on investment securities and dividends" in the consolidated statements of income were gains of ¥210 million, ¥1,080 million and a loss of ¥365 million from the change in the fair value of those investments for fiscal 2020, 2021 and 2022, respectively. The amounts of aggregate fair value elected the fair value option were ¥2,907 million and ¥7,644 million as of March 31, 2021 and 2022, respectively.

*4 Certain subsidiaries elected the fair value option for certain investments in investment funds, and others included in equity securities. Included in "Gains on investment securities and dividends" and "Life insurance premiums and related investment income" in the consolidated statements of income were gains of ¥1,225 million, ¥3,187 million and ¥1,199 million from the change in the fair value of those investments for fiscal 2020, 2021 and 2022, respectively. The amounts of aggregate fair value elected the fair value option were ¥4,940 million and ¥11,709 million as of March 31, 2021 and 2022, respectively.

*5 The amounts of investment funds measured at net asset value per share which are not included in the above tables were ¥13,737 million and ¥25,999 million as of March 31, 2021 and 2022, 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 ¥6,297 million and ¥5,214 million as of March 31, 2021 and 2022, respectively. For the effect of changes in the fair value of those reinsurance contracts on earnings for fiscal 2020, 2021 and 2022, see Note 24 "Life Insurance Operations."

*8 Certain subsidiaries elected the fair value option for the entire variable annuity and variable life insurance contracts held. 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 ¥266,422 million and ¥198,905 million as of March 31, 2021 and 2022, respectively. For the effect of changes in the fair value of the variable annuity and variable life insurance contracts on earnings for fiscal 2020, 2021 and 2022, see Note 24 "Life Insurance Operations."

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 2020, 2021 and 2022:

2020

	Millions of yen									
		Gains or losses (realized/unrealized)								
	Balance at April 1, 2019	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)	Balance at March 31, 2020	Change in unrealized gains or losses included in earnings for assets and liabilities still held at March 31, 2020*1
Available-for-sale debt securities	¥100,447	¥ 1,291	¥(13,721)	¥(12,430)	¥41,270	¥ (3,925)	¥(34,018)	¥(2,991)	¥ 88,353	¥ 131
Japanese prefectural and foreign municipal bond securities	2,888	0	(56)	(56)	0	0	0	0	2,832	0
Corporate debt securities	7,158	0	(8)	(8)	900	0	(1,065)	(2,991)	3,994	0
Other asset-backed securities and debt securities	90,401	1,291	(13,657)	(12,366)	40,370	(3,925)	(32,953)	0	81,527	131
Equity securities	61,193	8,197	(1,641)	6,556	31,725	(10,108)	(5,465)	0	83,901	8,033
Investment funds	61,193	8,197	(1,641)	6,556	31,725	(10,108)	(5,465)	0	83,901	8,033
Derivative assets and liabilities (net)	5,272	10,402	(192)	10,210	3,748	0	0	0	19,230	10,402
Options held/written and other	5,272	10,402	(192)	10,210	3,748	0	0	0	19,230	10,402
Other asset	12,449	2,937	0	2,937	3,053	0	(233)	0	18,206	2,937
Reinsurance recoverables*5	12,449	2,937	0	2,937	3,053	0	(233)	0	18,206	2,937
Policy Liabilities and Policy Account Balances	360,198	4,802	1,215	6,017	0	0	(53,442)	0	300,739	4,802
Variable annuity and variable life insurance contracts*6	360,198	4,802	1,215	6,017	0	0	(53,442)	0	300,739	4,802

2021

	Millions of yen										
		Gains or losses (realized/unrealized)									
	Balance at April 1, 2020	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)	Balance at March 31, 2021	Change in unrealized gains or losses included in earnings for assets and liabilities still held at March 31, 2021*1	Change in unrealized gains or losses included in other comprehensive income for assets and liabilities still held at March 31, 2021*2
Available-for-sale debt securities	¥ 88,353	¥ (1,065)	¥14,870	¥ 13,805	¥51,270	¥(12,890)	¥ (5,187)	¥(1,894)	¥133,457	¥ (1,228)	¥14,729
Japanese prefectural and foreign municipal bond securities	2,832	(115)	44	(71)	0	0	0	0	2,761	(115)	44
Corporate debt securities	3,994	0	1	1	0	0	(974)	(2,000)	1,021	0	1
Other asset-backed securities and debt securities	81,527	(950)	14,825	13,875	51,270	(12,890)	(4,213)	106	129,675	(1,113)	14,684
Equity securities	83,901	14,304	1,765	16,069	2,001	(4,718)	(5,518)	(325)	91,410	14,042	1,769
Investment funds	83,901	14,304	1,765	16,069	2,001	(4,718)	(5,518)	(325)	91,410	14,042	1,769
Derivative assets and liabilities (net)	19,230	(5,474)	34	(5,440)	0	0	0	0	13,790	(5,474)	34
Options held/written and other	19,230	(5,474)	34	(5,440)	0	0	0	0	13,790	(5,474)	34
Other asset	18,206	(14,201)	0	(14,201)	2,713	0	(421)	0	6,297	(14,201)	0
Reinsurance recoverables*5	18,206	(14,201)	0	(14,201)	2,713	0	(421)	0	6,297	(14,201)	0
Policy Liabilities and Policy Account Balances	300,739	(42,066)	(1,248)	(43,314)	0	0	(77,631)	0	266,422	(42,066)	(1,248)
Variable annuity and variable life insurance contracts*6	300,739	(42,066)	(1,248)	(43,314)	0	0	(77,631)	0	266,422	(42,066)	(1,248)

2022

	Millions of yen										
		Gains or losses (realized/unrealized)									
	Balance at April 1, 2021	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)	Balance at March 31, 2022	Change in unrealized gains or losses included in earnings for assets and liabilities still held at March 31, 2022*1	Change in unrealized gains or losses included in other comprehensive income for assets and liabilities still held at March 31, 2022*2
Available-for-sale debt securities	¥133,457	¥ 7,041	¥6,941	¥ 13,982	¥51,644	¥ (9,465)	¥(48,558)	¥ 0	¥141,060	¥ 2,445	¥7,116
Japanese prefectural and foreign municipal bond securities	2,761	0	292	292	0	0	0	0	3,053	0	291
Corporate debt securities	1,021	0	(1)	(1)	0	0	(323)	0	697	0	(1)
Other asset-backed securities and debt securities	129,675	7,041	6,650	13,691	51,644	(9,465)	(48,235)	0	137,310	2,445	6,826
Equity securities	91,410	16,350	8,779	25,129	24,606	(26,795)	(768)	(610)	112,972	4,555	8,743
Investment funds, and others	91,410	16,350	8,779	25,129	24,606	(26,795)	(768)	(610)	112,972	4,555	8,743
Derivative assets and liabilities (net)	13,790	(18,340)	778	(17,562)	0	0	0	0	(3,772)	(18,340)	778
Options held/written and other	13,790	(18,340)	778	(17,562)	0	0	0	0	(3,772)	(18,340)	778
Other asset	6,297	(2,146)	0	(2,146)	1,835	0	(772)	0	5,214	(2,146)	0
Reinsurance recoverables*5	6,297	(2,146)	0	(2,146)	1,835	0	(772)	0	5,214	(2,146)	0
Policy Liabilities and Policy Account Balances	266,422	(1,743)	(467)	(2,210)	0	0	(69,727)	0	198,905	(1,743)	(467)
Variable annuity and variable life insurance contracts*6	266,422	(1,743)	(467)	(2,210)	0	0	(69,727)	0	198,905	(1,743)	(467)

*1 Principally, gains and losses from available-for-sale debt securities are included in "Gains on investment securities and dividends", "Write-downs of securities" or "Life insurance premiums and related investment income"; equity securities are included in "Gains on investment securities and dividends" and "Life insurance premiums and related investment income" and derivative assets and liabilities (net) are included in "Other (income) and expense" respectively. Additionally, for available-for-sale debt securities, amortization of interest recognized in finance revenues is included in these columns.

*2 Unrealized gains and losses from available-for-sale debt securities are included in "Net change of unrealized gains (losses) on investment in securities" and "Net change of foreign currency translation adjustments", unrealized gains and losses from equity securities and derivative assets and liabilities (net) are included mainly in "Net change of foreign currency translation adjustments", unrealized gains and losses from policy liabilities and policy account balances are included in "Net change of debt valuation 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.

*5 "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."

*6 "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 2020, corporate debt securities totaling ¥2,991 million were transferred from Level 3 to Level 2, since the inputs became observable.

In fiscal 2021, corporate debt securities totaling ¥2,000 million and investment funds totaling ¥325 million were transferred from Level 3 to Level 2, since the inputs became observable. In addition, other asset-backed securities and debt securities totaling ¥106 million were transferred from Level 2 to Level 3, since the inputs became unobservable.

In fiscal 2022, investment funds, and others totaling ¥610 million were transferred from Level 3 to Level 1, since the inputs became observable.

The following tables present recorded amounts of assets measured at fair value on a nonrecurring basis during fiscal 2021 and 2022. These assets are measured at fair value on a nonrecurring basis mainly to recognize impairment:

2021

	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	¥ 238	¥ 0	¥ 238	¥ 0
Real estate collateral-dependent loans (net of allowance for credit losses)	10,679	0	0	10,679
Investment in operating leases and property under facility operations	6,740	0	1,806	4,934
Certain equity securities	10,486	0	6,909	3,577
Certain investments in affiliates	11,413	8,799	0	2,614
Certain reporting units including goodwill	775	0	0	775
	¥40,331	¥8,799	¥8,953	¥22,579

2022

	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	¥ 235	¥ 0	¥ 235	¥ 0
Real estate collateral-dependent loans (net of allowance for credit losses)	6,972	0	0	6,972
Investment in operating leases, property under facility operations, office facilities and other assets	59,847	0	262	59,585
Certain equity securities	9,451	0	9,451	0
Certain investments in affiliates	2,846	0	0	2,846
Certain reporting units including goodwill	192	0	0	192
Certain intangible assets acquired in business combinations	98,014	0	0	98,014
	¥177,557	¥ 0	¥9,948	¥167,609

The following is a description of the main valuation methodologies used for assets and liabilities measured at fair value.

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, if 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. The loans held for sale in the Americas are classified as Level 3, if the Company and its subsidiaries measure their fair value based on discounted cash flow methodologies using inputs that are unobservable in the market.

Real estate collateral-dependent loans

The allowance for credit losses 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 loans with deterioration in credit quality determined using a present value technique is not considered a fair value measurement. However, measurement for loans with deterioration in credit quality 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, property under facility operations, office facilities and other assets, 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, property under facility operations, office facilities and other assets, 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, and others 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 these 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.

Movable properties owned by a certain subsidiary are classified as Level 2, because fair value measurement is based on observable inputs other than quoted prices included within Level 1, such as prices for similar assets.

Trading debt securities and available-for-sale debt securities

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 such as 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 benchmark 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 classified these securities that were measured at fair value based on the observable inputs such as trading price and/or bit price as Level 2. 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 debt 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.

Equity 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. In addition, a certain Americas subsidiary measures its investments held by the investment companies which are owned by the subsidiary at fair value. These investment funds, certain equity securities and certain investments in affiliates are classified as Level 3, because fair value measurement is based on the combination of discounted cash flow methodologies and market multiple valuation methods, or broker quotes. Discounted cash flow methodologies use future cash flows to be generated from investees, weighted average cost of capital (WACC) and others. Market multiple valuation methods use earnings before interest, taxes, depreciation and amortization (EBITDA) multiples based on actual and projected cash flows, comparable peer companies, and comparable precedent transactions and others. Furthermore, 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, or broker quotes.

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.

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. 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.

Reporting units including goodwill

Certain reporting units including goodwill are classified as level 3, because fair value measurement is based on discounted cash flow methodologies and business enterprise value multiples methodologies using inputs that are unobservable in the market. Discounted cash flow methodologies use future cash flows to be generated, weighted average cost of capital (WACC) and others. Business enterprise value multiples methodologies use earnings before interest, taxes, depreciation and amortization (EBITDA) multiples based on comparable peer companies, comparable precedent transactions and others.

Intangible assets acquired in business combinations

Certain intangible assets acquired in business combinations are classified as level 3, because fair value measurement is based on discounted cash flow methodologies using inputs that are unobservable in the market. Discounted cash flow methodologies use future cash flows, weighted average cost of capital (WACC) and others.

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, 2021 and 2022.

	March 31, 2021			
	Millions of yen			
	Fair value	Valuation technique(s)	Significant unobservable inputs	Range (Weighted average)
Assets:				
Available-for-sale debt securities:				
Japanese prefectural and foreign municipal bond securities	¥ 2,761	Appraisals/Broker quotes	—	—
Corporate debt securities	1,021	Discounted cash flows	Discount rate	0.3% – 1.8% (0.7%)
Other asset-backed securities and debt securities	25,891	Discounted cash flows	Discount rate	1.0% – 51.2% (11.1%)
			Probability of default	1.9% (1.9%)
	103,784	Appraisals/Broker quotes	—	—
Equity securities:				
Investment funds	78,134	Discounted cash flows	WACC	13.1% – 18.7% (16.8%)
			EV/Terminal EBITDA multiple	7.3x – 10.5x (8.6x)
		Market multiples	EV/Last twelve months EBITDA multiple	6.8x – 9.5x (7.8x)
			EV/Forward EBITDA multiple	7.6x – 11.6x (9.0x)
			EV/Precedent transaction last twelve months EBITDA multiple	7.7x – 10.9x (9.1x)
	13,276	Appraisals/Broker quotes	—	—
Derivative assets:				
Options held/written and other	13,762	Discounted cash flows	Discount rate	12.0% – 33.0% (14.3%)
	61	Appraisals/Broker quotes	—	—
Other assets:				
Reinsurance recoverables	6,297	Discounted cash flows	Discount rate	0.0% – 0.4% (0.1%)
			Mortality rate	0.0% – 100.0% (1.6%)
			Lapse rate	1.5% – 14.0% (6.7%)
			Annuitization rate (guaranteed minimum annuity benefit)	0.0% – 100.0% (100.0%)
Total	¥244,987			

	March 31, 2021			
	Millions of yen			
	Fair value	Valuation technique(s)	Significant unobservable inputs	Range (Weighted average)
Liabilities:				
Derivative liabilities:				
Options held/written and other	¥ 33	Appraisals/Broker quotes	—	—
Policy liabilities and Policy Account Balances:				
Variable annuity and variable life insurance contracts	266,422	Discounted cash flows	Discount rate	0.0% – 0.4% (0.1%)
			Mortality rate	0.0% – 100.0% (1.6%)
			Lapse rate	1.5% – 30.0% (6.9%)
			Annuitization rate (guaranteed minimum annuity benefit)	0.0% – 100.0% (76.7%)
Total	¥266,455			

	March 31, 2022			
	Millions of yen			
	Fair value	Valuation technique(s)	Significant unobservable inputs	Range (Weighted average)
Assets:				
Available-for-sale debt securities:				
Japanese prefectural and foreign municipal bond securities	¥ 3,053	Appraisals/Broker quotes	—	—
Corporate debt securities	697	Discounted cash flows	Discount rate	0.4% – 0.7% (0.5%)
Other asset-backed securities and debt securities	25,666	Discounted cash flows	Discount rate	0.1% – 51.2% (10.6%)
			Probability of default	1.9% (1.9%)
	111,644	Appraisals/Broker quotes	—	—
Equity securities:				
Investment funds, and others	86,903	Discounted cash flows	WACC	11.9% – 18.6% (16.3%)
			EV/Terminal EBITDA multiple	8.3x – 12.0x (9.9x)
		Market multiples	EV/Last twelve months EBITDA multiple	6.4x – 12.6x (9.5x)
			EV/Forward EBITDA multiple	5.7x – 12.5x (9.4x)
			EV/Precedent transaction last twelve months EBITDA multiple	7.6x – 14.5x (10.3x)
	26,069	Appraisals/Broker quotes	—	—
Derivative assets:				
Options held/written and other	4,792	Discounted cash flows	Discount rate	12.0% – 34.0% (14.9%)
	68	Appraisals/Broker quotes	—	—
Other assets:				
Reinsurance recoverables	5,214	Discounted cash flows	Discount rate	(0.2)% – 0.7% (0.2%)
			Mortality rate	0.0% – 100.0% (2.1%)
			Lapse rate	1.5% – 14.0% (5.5%)
			Annuitization rate (guaranteed minimum annuity benefit)	0.0% – 100.0% (100.0%)
Total	¥264,106			
Liabilities:				
Derivative liabilities:				
Options held/written and other	8,600	Discounted cash flows	Discount rate	12.0% – 34.0% (14.9%)
	32	Appraisals/Broker quotes	—	—
Policy liabilities and Policy Account Balances:				
Variable annuity and variable life insurance contracts	198,905	Discounted cash flows	Discount rate	(0.2)% – 0.7% (0.2%)
			Mortality rate	0.0% – 100.0% (1.9%)
			Lapse rate	1.5% – 30.0% (6.2%)
			Annuitization rate (guaranteed minimum annuity benefit)	0.0% – 100.0% (71.8%)
Total	¥207,537			

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 during fiscal 2021 and 2022.

	2021			
	Millions of yen Fair value	Valuation technique(s)	Significant unobservable inputs	Range (Weighted average)
Assets:				
Real estate collateral-dependent loans (net of allowance for credit losses)	¥ 1,953	Direct capitalization	Capitalization rate	5.1% – 7.0% (5.9%)
	8,726	Appraisals	—	—
Investment in operating leases and property under facility operations	4,934	Appraisals	—	—
Certain equity securities	3,577	Appraisals	—	—
Certain investments in affiliates	2,614	Appraisals	—	—
Certain reporting units including goodwill	775	Market multiples	EV/Precedent transaction last twelve months EBITDA multiple	5.5x (5.5x)
	¥ 22,579			

	2022			
	Millions of yen Fair value	Valuation technique(s)	Significant unobservable inputs	Range (Weighted average)
Assets:				
Real estate collateral-dependent loans (net of allowance for credit losses)	¥ 1,511	Direct capitalization	Capitalization rate	5.0% – 8.5% (6.1%)
	5,461	Appraisals	—	—
Investment in operating leases, property under facility operations, office facilities and other assets	32,328	Discounted cash flows	Discount rate	5.2% (5.2%)
	27,257	Appraisals	—	—
Certain investments in affiliates	2,846	Appraisals	—	—
Certain reporting units including goodwill	192	Discounted cash flows	Discount rate	10.7% (10.7%)
Certain intangible assets acquired in business combinations	98,014	Discounted cash flows	Discount rate	10.9% (10.9%)
	¥167,609			

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.

Unobservable inputs are weighted by the relative fair value of the asset or liability.

For more analysis of the uncertainty of each input, see the description of the main valuation methodologies used for assets and liabilities measured at fair value.

3. Acquisitions and Divestitures

(1) Acquisitions

During fiscal 2020, the Company and its subsidiaries acquired entities for a total cost of the acquisition consideration of ¥190,119 million, which was paid mainly in cash. Goodwill initially recognized in these transactions amounted to ¥46,522 million and the goodwill is not deductible for income tax purposes. The amount of acquired intangible assets other than goodwill recognized in these transactions was ¥20,437 million.

During fiscal 2021, the Company and its subsidiaries acquired entities for a total cost of the acquisition consideration of ¥104,197 million, which was paid mainly in cash. Goodwill initially recognized in these transactions amounted to ¥59,186 million and the goodwill is not deductible for income tax purposes. The amount of acquired intangible assets other than goodwill recognized in these transactions was ¥30,595 million.

During fiscal 2022, the Company and its subsidiaries acquired entities for a total cost of the acquisition consideration of ¥99,239 million, which was paid mainly in cash. Goodwill initially recognized in these transactions amounted to ¥49,393 million and the goodwill is not deductible for income tax purposes. The amount of acquired intangible assets other than goodwill recognized in these transactions was ¥39,977 million. The Company reflected certain preliminary estimates with respect to the fair value of certain components of the underlying net assets of these entities in determining amounts of the goodwill. The amount of the goodwill and intangible assets could possibly be adjusted because for certain of these acquisitions, the purchase price allocations have not been completed yet with respect to the final valuation of acquired intangible assets among others. The acquisitions were mainly included in Environment and Energy segment.

As a result of the reassessment of the provisional purchase price allocation during fiscal 2020, the Company recognized bargain purchase gains of ¥955 million associated with two of its acquisitions executed during fiscal 2019. The bargain purchase gains were included in Corporate Financial Services and Maintenance Leasing segment. As a result of the reassessment of the provisional purchase price allocation of wind power generation subsidiaries in India and another acquisition executed during fiscal 2020, the Company recognized bargain purchase gains of ¥4,966 million during fiscal 2021. The bargain purchase gains consisted of ¥601 million in PE Investment and Concession segment and ¥4,365 million in Environment and Energy segment. The Company did not recognize any bargain purchase gain during fiscal 2022.

The segment in which goodwill is allocated is disclosed in Note 14 "Goodwill and Other Intangible Assets."

(2) Divestitures

Gains on sales of subsidiaries and affiliates and liquidation losses, net for fiscal 2020, 2021 and 2022 amounted to ¥74,001 million, ¥23,300 million and ¥187,787 million, respectively. Gains on sales of subsidiaries and affiliates and liquidation losses, net for fiscal 2020 mainly consisted of ¥16,223 million in Real Estate segment, ¥18,127 million in PE Investment and Concession segment, ¥26,424 million in ORIX USA segment and ¥13,085 million in ORIX Europe segment. Gains on sales of subsidiaries and affiliates and liquidation losses, net for fiscal 2021 mainly consisted of ¥11,516 million in Environment and Energy segment, ¥4,261 million in ORIX USA segment and ¥6,604 million in Asia and Australia segment. Gains on sales of subsidiaries and affiliates and liquidation losses, net for fiscal 2022 mainly consisted of ¥163,775 million in Corporate Financial Services and Maintenance Leasing segment, ¥1,447 million in Environment and Energy segment, ¥15,815 million in ORIX USA segment and ¥6,715 million in Asia and Australia segment.

During fiscal 2022, the Company sold the business of Yayoi, which was a consolidated subsidiary of the Company. The sale resulted in a gain of ¥163,016 million which was included in gains on sales of subsidiaries and affiliates and liquidation losses, net. A gain on the sale was included in Corporate Financial Services and Maintenance Leasing segment.

Since April 1, 2020, the reportable segments have been reorganized. As a result of this change, the segment data of the previous fiscal year has been retrospectively restated.

4. Revenues from Contracts with Customers

The following table provides information about revenues from contracts with customers, and other sources of revenue in fiscal 2020, 2021 and 2022.

	Millions of yen		
	2020	2021	2022
Goods or services category			
Sales of goods	¥ 287,558	¥ 321,883	¥ 340,697
Real estate sales	118,953	89,070	94,700
Asset management and servicing	181,851	173,191	244,887
Automobile related services	77,987	72,000	76,772
Facilities operation	69,297	23,811	32,163
Environment and energy services	141,532	137,011	156,327
Real estate management and brokerage	104,110	101,942	100,304
Real estate contract work	88,966	80,179	92,999
Other	104,059	88,468	107,249
Total revenues from contracts with customers	1,174,313	1,087,555	1,246,098
Other revenues*	8,210	3,247	5,904
Total sales of goods and real estate and services income	¥1,182,523	¥1,090,802	¥1,252,002

* Other revenues are not in the scope of revenue from contracts with customers.

The following table provides information about costs of goods sold and real estate sold and services expense in fiscal 2020, 2021 and 2022.

	Millions of yen		
	2020	2021	2022
Goods or services category			
Costs of goods sold	¥ 247,036	¥ 272,657	¥ 302,948
Costs of real estate sold	106,970	75,064	78,171
Asset management and servicing	37,808	42,145	56,810
Automobile related services	48,579	45,734	47,952
Facilities operation	66,163	41,461	46,515
Environment and energy services	110,899	105,246	122,426
Real estate management and brokerage	94,119	89,685	89,457
Real estate contract work	76,983	69,815	81,704
Other	49,363	45,147	50,246
Total expenses of costs of goods and real estate sold and services expenses	¥ 837,920	¥ 786,954	¥ 876,229

The Company and its subsidiaries recognize revenues when control of the promised goods or services is transferred to our customers, in the amounts that reflect the consideration we expect to receive in exchange for those goods or services. Revenues are recognized net of discounts, incentives and estimated sales returns. Amount to be collected for third party is deducted from revenues. The Company and its subsidiaries evaluate whether we are principal or agent on distinctive goods or services. When a revenue transaction involves a third party, if the Company and its subsidiaries control the goods or services before they are transferred to customers, revenue is recognized on gross amount as the principal. There is no significant variability in considerations included in revenues, except for the performance fees regarding asset management business hereinafter, and there is no significant financing component in considerations on transactions.

For further information about breakdowns of revenues disaggregated by goods or services category and geographical location by segment, see Note 32 "Segment Information."

Revenue recognition criteria on each goods or services category are mainly as follows:

Sales of goods

The Company and its subsidiaries sell various goods such as precious metals, medical equipment, information system hardware and software and other to customers. Revenues from sales of goods are recognized when there is a transfer of control of the product to customers. The Company and its subsidiaries determine transfer of control based on when the products are shipped or delivered to customers, or inspected by customers.

Real estate sales

Certain subsidiaries are involved in condominium business. Revenues from sales of detached houses and residential condominiums are recognized when the real estate is delivered to customers.

Asset management and servicing

Certain subsidiaries offer customers investment management services for their financial assets, asset management as well as maintenance and administrative services for their real estate properties. Furthermore, the Company and its subsidiaries perform servicing on behalf of customers. Revenues from asset management and servicing primarily include management fees, servicing fees, and performance fees. Management and servicing fees are recognized over the contract period with customers, since the customers simultaneously receive and consume all of the benefits provided by the subsidiaries as the subsidiaries perform. 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 contract terms. Servicing fees are calculated based on the predetermined percentages of the amount in assets under management in accordance with contract terms. Fees based on the performance of the assets under management are recognized when the performance obligations are satisfied, 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. The performance fee is estimated by using the most likely amount method, in accordance with contract terms. Servicing fees related to financial assets that the Company and its subsidiaries had originated and transferred to investors, are not in the scope of revenue from contracts with customers. These fees are accounted for servicing assets under which the benefits of servicing are expected to more than adequately compensate for performing the servicing, or servicing liabilities under which the benefits of servicing are not expected to adequately compensate for performing the servicing.

Automobile related services

Certain subsidiaries mainly provide automobile maintenance services to customers, as automobile related services. In the service, since customers simultaneously receive and consume all of the benefits provided by the subsidiaries as the subsidiaries perform, revenues are recognized over the contract period with customers. For measurement of progress, the cost incurred is used, because that reasonably describes transfer of control of services to customers. The subsidiaries receive payments from customers before satisfying performance obligations, and the amounts are reported in other liabilities on the consolidated balance sheets as contract liabilities.

Facilities operation

The Company and its subsidiaries are running hotels, Japanese inns, training facilities, a multipurpose dome and other facilities. Revenues from these operations are recognized over the customers' usage period of the facilities, since customers simultaneously receive and consume all of the benefits provided by the Company and its subsidiaries as the Company and its subsidiaries perform. The value transferred to customers is directly measured based on the usage period. With respect to operation of a multipurpose dome, a certain subsidiary receives payments from customers before satisfying performance obligations, and the amounts are reported in other liabilities on the consolidated balance sheets as contract liabilities. Gains on sale of property under facility operations included in services income are not within the scope of revenue from contracts with customers because these gains refer to transfers of non-financial assets to counterparties that are not considered to be our customers.

Environment and energy services

The Company and its subsidiaries offer services that provide electric power to business operators' factories, office buildings and other facilities. Revenues from electric power supply by purchasing electricity or running power plants are recognized over the contracted distribution period with customers, since customers simultaneously receive and consume all of the benefits provided by the Company and its subsidiaries as the Company and its subsidiaries perform. The value transferred to customers is directly measured based on electricity usage by customers. Furthermore, certain subsidiaries are running waste processing facilities. Revenues from resources and waste processing business are primarily recognized over the service contract period with customers, since customers simultaneously receive and consume all of the benefits provided by the subsidiaries as the subsidiaries perform. The value transferred to customers is directly measured based on the amount of resources and waste to be processed.

Real estate management and brokerage

The Company and its subsidiaries mainly offer management of condominiums, office buildings, and facilities and others, to customers, as real estate management and brokerage business. Since customers simultaneously receive and consume all of the benefits provided by the Company and its subsidiaries as the Company and its subsidiaries perform, revenues from these services are recognized over the contract period with customers. Direct measurement of the value transferred to customers based on time elapsed, is used as method of measuring progress. The Company and its subsidiaries receive payments from customers before satisfying performance obligations, and the amounts are reported in other liabilities on the consolidated balance sheets as contract liabilities.

Real estate contract work

Certain subsidiaries offer repair and contract work for condominiums, office buildings, and facilities, and others, to customers. The work is held on the real estate where customers own or rent, and the subsidiaries' performance creates the asset that the customers' control as the asset is created or enhanced. Additionally, the performance does not create an asset with an alternative use to the subsidiaries, and the subsidiaries have a substantial enforceable right to payment for performance completed to date so that revenues are recognized over the contract work period. For measurement of progress, the cost incurred is used, because that reasonably describes transfer of control of services to customers. The subsidiaries recognize a part of its performance obligations that it performs as contract assets, and the amounts are reported under other assets on the consolidated balance sheet. Furthermore, the subsidiaries receive payments from customers before satisfying performance obligations, and the amounts are reported in other liabilities on the consolidated balance sheets as contract liabilities.

Other

The Company and its subsidiaries have been developing a variety of businesses. Main revenue streams are as follows:

Maintenance services of software, measurement equipment and other:

Certain subsidiaries offer information system hardware and software maintenance services and support, and maintenance of measurement equipment to customers. Revenues from these services are recognized over the contract period with customers, since customers simultaneously receive and consume all of the benefits provided by the subsidiaries as the subsidiaries perform. For measurement of progress, the cost incurred is used, because that reasonably describes transfer of control of services to customers. The subsidiaries receive payments from customers before satisfying performance obligations, and the amounts are reported in other liabilities on the consolidated balance sheets as contract liabilities.

Fee business:

The Company and its subsidiaries are involved in insurance policy referrals and other agency business. Commission revenues from these businesses are primarily recognized when the contract between our customers and their client is signed.

The following table provides information about balances from contracts with customers as of March 31, 2021 and 2022.

	Millions of yen	
	March 31, 2021	**March 31, 2022**
Trade Notes, Accounts and Other Receivable	¥180,828	¥174,667
Contract assets (Included in Other Assets)	6,558	13,802
Contract liabilities (Included in Other Liabilities)	40,436	32,978

For fiscal 2021 and 2022, there were no significant changes in contract assets. For fiscal 2021, there were no significant changes in contract liabilities. For fiscal 2022, contract liabilities decreased due to deconsolidation of contract liabilities of ¥12,536 million related to maintenance service caused by the sale of the business of Yayoi.

For fiscal 2021, revenue amounted to ¥30,367 million was included in contract liabilities as of March 31, 2020. For fiscal 2022, revenue amounted to ¥35,258 million was included in contract liabilities as of March 31, 2021.

As of March 31, 2022, transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is mainly related to automobile related services, real estate sales and amounted to

¥147,017 million. Remaining term for the obligations ranges up to 13 years. Furthermore, automobile related services primarily constitute the performance obligations that are unsatisfied (or partially unsatisfied) will be recognized as revenue over the next 10 years. The Company and its subsidiaries applied practical expedients in the disclosure, and performance obligations for contracts that have an original expected duration of one year or less and contracts under which the value transferred to a customer is directly measured and recognized as revenue by the amount it has a right to invoice to the customer are not included. The transaction price allocated to unsatisfied performance obligations does not include the estimate of material variable consideration.

As of March 31, 2021 and 2022, assets recognized from the costs to obtain or fulfill contracts with customers were not material.

5. Cash Flow Information

The following table provides information about Cash, Cash Equivalents and Restricted Cash which are included in the Company's consolidated balance sheets as of March 31, 2021 and 2022, respectively.

	Millions of yen	
	2021	2022
Cash and Cash Equivalents	¥ 951,242	¥ 954,827
Restricted Cash	128,333	136,985
Cash, Cash Equivalents and Restricted Cash	¥1,079,575	¥1,091,812

Cash payments during fiscal 2020, 2021 and 2022 are as follows:

	Millions of yen		
	2020	2021	2022
Cash payments:			
Interest	¥ 99,788	¥ 80,313	¥ 65,965
Income taxes, net	124,236	76,292	83,030

The main non-cash activities in fiscal 2020, 2021 and 2022 are as follows.

In fiscal 2021 and 2022, real estate under operating leases of ¥75 million and ¥464 million, respectively, were recognized with the corresponding amounts of installment loans being derecognized as a result of acquiring real estate collateral. In fiscal 2020, 2021 and 2022, other assets of ¥29 million, ¥1 million and ¥6 million, respectively, were recognized with the corresponding amounts of installment loans being derecognized as a result of acquiring real estate collateral.

In fiscal 2020, assets and liabilities decreased by ¥1,281 million and ¥33 million in the Company's consolidated balance sheet due to deconsolidation of a subsidiary and certain VIEs which had been consolidated by certain subsidiaries. The derecognized assets mainly consist of investment in securities, and the derecognized liabilities mainly consist of other liabilities. In fiscal 2021, assets and liabilities decreased by ¥5,218 million and ¥18 million, in the Company's consolidated balance sheet due to deconsolidation of a subsidiary and certain VIEs which had been consolidated by certain subsidiaries. The derecognized assets mainly consist of investment in securities, and the derecognized liabilities mainly consist of other liabilities. In fiscal 2022, assets and liabilities decreased by ¥13,378 million and ¥943 million in the Company's consolidated balance sheet due to deconsolidation of a subsidiary and certain VIEs which had been consolidated by certain subsidiaries. The derecognized assets mainly consist of investment in securities, and the derecognized liabilities mainly consist of other liabilities. 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.

ROU assets obtained in exchange for lease liabilities were not included in cash flows from investing activities or financing activities because they did not involve cash transactions. For further information, see Note 6 "Leases."

6. Leases

(1) Lessor

Some of the contracts include options to extend or to terminate the lease. The Company and its subsidiaries determine the lease term while taking such periods covered by options into account when determined the lease term when it is reasonably certain that it will exercise these options. The majority of the lease contracts do not contain bargain purchase options for customers.

The estimated unguaranteed residual value represents estimated proceeds from the disposition of equipment at the time the lease is terminated. The estimated unguaranteed residual value is determined based on market value of used equipment, estimates of when and how much equipment will become obsolete, and actual recovery being experienced for similar used equipment. The Company and its subsidiaries may incur losses if the estimated residual amounts are unable to collect or need to recognize valuation losses when the estimates differ from actual trends in equipment valuation and the secondhand market. The risk of loss on leased assets relating to the estimated unguaranteed residual value of the leased assets is monitored through projections of the estimated unguaranteed residual value at lease origination and periodic review of estimated unguaranteed residual value.

When auto leases are bundled with maintenance contracts, considerations on contracts are allocated based upon the estimated standalone selling prices of the lease and non-lease components. Lease components generally include product and financing cost, and non-lease components generally consist of maintenance contracts.

A certain subsidiary is providing automobile related services, and applying practical expedients, to not separate non-lease components from the associated lease components. In this service, ASC 606 is applied to the entire contract because the consideration related to non-lease components accounts for the majority of contract consideration. Revenues from these operations are recognized over the customers' usage period of the services, since customers simultaneously receive and consume the benefits when the performance obligations are satisfied. The value transferred to customers is directly measured based on the usage period.

Lease income for fiscal 2020, 2021 and 2022 are as follows:

	Millions of yen		
	Fiscal Year ended March 31, 2020	Fiscal Year ended March 31, 2021	Fiscal Year ended March 31, 2022
Lease income – net investment in leases			
Interest income	¥ 72,663	¥ 69,718	¥ 73,379
Other	2,412	2,113	2,598
Lease income – operating leases*	430,665	397,065	450,454
Total lease income	¥505,740	¥468,896	¥526,431

* Gains from the disposition of real estate under operating leases included in operating lease revenues were ¥30,154 million, ¥15,459 million and ¥17,912 million, and gains from the disposition of operating lease assets other than real estate included in operating lease revenues were ¥20,918 million, ¥10,899 million and ¥22,236 million for fiscal 2020, 2021 and 2022, respectively.

Lease income from net investment in leases is included in finance revenues in the consolidated statements of income. Gains and losses from the disposition of net investment in leases were not material for fiscal 2020, 2021 and 2022.

Net investment in leases at March 31, 2021 and 2022 consists of the following:

	Millions of yen March 31, 2021	Millions of yen March 31, 2022
Lease receivables	¥ 998,050	¥1,029,157
Unguaranteed residual value	29,245	27,361
Initial direct costs	2,223	1,455
Total	¥1,029,518	¥1,057,973

Investment in operating leases at March 31, 2021 and 2022 consists of the following:

	Millions of yen	
	2021	2022
Transportation equipment	¥1,364,559	¥1,438,621
Measuring and information-related equipment	307,010	326,680
Real estate	291,917	307,338
Other	43,507	71,935
	2,006,993	2,144,574
Accumulated depreciation	(741,022)	(819,839)
Net	1,265,971	1,324,735
Right-of-use assets	114,268	107,742
Accrued rental receivables	28,259	31,639
Allowance for doubtful receivables on operating leases	(309)	(914)
Total	¥1,408,189	¥1,463,202

Costs of operating leases include depreciation and various expenses (insurance, property tax and other). Depreciation and various expenses for fiscal 2020, 2021 and 2022 are as follows:

	Millions of yen		
	2020	2021	2022
Depreciation expenses	¥ 209,586	¥ 217,212	¥ 231,643
Various expenses	80,018	78,416	90,427
Total	¥ 289,604	¥ 295,628	¥ 322,070

Remaining lease receivables of net investment in leases (including residual value guarantees) range up to 27 years at March 31, 2022. Remaining lease receivables of the operating lease contracts range up to 59 years at March 31, 2022. At March 31, 2022, the amounts due in each of the next five years and thereafter are as follows:

	Millions of yen	
Years ending March 31,	**Net investment in leases**	**Operating leases**
2023	¥ 442,235	¥317,352
2024	287,329	197,240
2025	185,993	127,457
2026	107,983	74,731
2027	63,018	40,814
Thereafter	64,976	106,272
Total lease payments	1,151,534	¥863,866
Less imputed interest	(122,377)	
Total lease receivables	¥1,029,157	

(2) Lessee

The Company and its subsidiaries determine if an arrangement is a lease at inception of each contract. The Company and its subsidiaries have operating and finance leases for various assets including lands, office buildings, employees' accommodations, and vehicles.

Some of the lease arrangements include options to extend or terminate lease term. The Company and its subsidiaries determine the lease term while taking such options into account when determining the lease term when it is reasonably certain that it will exercise these options. The Company and its subsidiaries' lease arrangements do not contain material residual value guarantees or material restrictive covenants. As a rate implicit in most of the leases cannot be readily determinable, the Company and its subsidiaries use incremental borrowing rate based on the information available at commencement to determine the present values of lease payments.

The component of lease expense for fiscal 2020, 2021 and 2022 are as follows:

	Millions of yen	Millions of yen	Millions of yen
	Year ended March 31, 2020	**Year ended March 31, 2021**	**Year ended March 31, 2022**
Finance lease cost			
Depreciation expenses of right-of-use assets	¥ 743	¥ 359	¥ 534
Interest expenses of lease liabilities	302	131	106
	1,045	490	640
Operating lease cost	42,427	42,964	49,725
Short-term lease cost	2,633	3,347	3,034
Variable lease cost	948	230	65
Sublease income	(3,688)	(4,142)	(3,192)
Total	¥ 43,365	¥ 42,889	¥ 50,272

Supplemental cash flow information related to leases for fiscal 2020, 2021 and 2022 are as follows:

	Millions of yen	
	Year Ended March 31, 2020	
	Finance leases	Operating leases
Cash paid for amounts included in the measurements of lease liabilities:		
Cash flows from operating activities	¥ 302	¥ 44,610
Cash flows from financing activities	494	0
Right-of-use assets obtained in exchange for lease liabilities:	¥ 531	¥ 39,775

	Millions of yen	
	Year Ended March 31, 2021	
	Finance leases	Operating leases
Cash paid for amounts included in the measurements of lease liabilities:		
Cash flows from operating activities	¥ 131	¥ 41,680
Cash flows from financing activities	674	0
Right-of-use assets obtained in exchange for lease liabilities:	¥ 228	¥ 55,344

	Millions of yen	
	Year Ended March 31, 2022	
	Finance leases	Operating leases
Cash paid for amounts included in the measurements of lease liabilities:		
Cash flows from operating activities	¥ 106	¥ 47,321
Cash flows from financing activities	878	0
Right-of-use assets obtained in exchange for lease liabilities:	¥ 278	¥ 37,816

Supplemental balance sheet information related to lessee leases at March 31, 2021 and 2022 are as follows:

	Millions of yen, except lease term and discount rate	
	March 31, 2021	
	Finance leases	Operating leases
Investment in Operating Leases	¥ 257	¥ 114,011
Property under Facility Operations	1,990	69,291
Office Facilities	487	108,717
Total right-of-use assets	2,734	292,019
Other Liabilities	3,417	289,890
Total lease liabilities	¥ 3,417	¥ 289,890
Weighted average remaining lease term	7years	12years
Weighted average discount rate	4.4%	1.1%

	Millions of yen, except lease term and discount rate	
	March 31, 2022	
	Finance leases	Operating leases
Investment in Operating Leases	¥ 4,955	¥ 102,787
Property under Facility Operations	1,763	68,149
Office Facilities	375	104,157
Total right-of-use assets	7,093	275,093
Other Liabilities	7,698	275,199
Total lease liabilities	¥ 7,698	¥ 275,199
Weighted average remaining lease term	25years	11years
Weighted average discount rate	2.5%	1.1%

At March 31, 2022, the amounts of lease liabilities related to lessee leases due in each of the next five years and thereafter are as follows:

	Millions of yen	
Years ending March 31,	Finance leases	Operating leases
2023	¥ 827	¥ 47,743
2024	783	38,185
2025	696	32,436
2026	383	29,374
2027	272	23,544
Thereafter	7,405	119,722
Total lease payments	10,366	291,004
Less imputed interest	(2,668)	(15,805)
Total lease liabilities	¥ 7,698	¥ 275,199

7. Installment Loans

The composition of installment loans by domicile and type of borrower at March 31, 2021 and 2022 is as follows:

	Millions of yen	
	2021	2022
Borrowers in Japan:		
Consumer—		
Real estate loans	¥1,995,031	¥2,007,570
Card loans	188,547	173,687
Other	27,698	27,770
	2,211,276	2,209,027
Corporate—		
Real estate companies	279,046	278,607
Non-recourse loans	47,956	74,085
Commercial, industrial and other companies	203,890	168,607
	530,892	521,299

	Millions of yen	
	2021	2022
Borrowers in overseas:		
Consumer—		
Real estate loans	75,890	105,860
Other	26,192	30,136
	102,082	135,996
Corporate—		
Real estate companies	197,074	273,789
Non-recourse loans	113,129	80,918
Commercial, industrial companies and other	503,980	627,828
	814,183	982,535
Purchased loans*	12,351	13,747
	¥3,670,784	¥3,862,604

* 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, 2022, 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
2023	¥ 577,336
2024	321,132
2025	346,923
2026	222,291
2027	209,707
Thereafter	2,171,468
Total	¥3,848,857

Revenues from installment loans which are included in finance revenues in the consolidated statements of income are ¥166,966 million, ¥169,401 million and ¥174,485 million for fiscal 2020, 2021 and 2022, 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. 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, 2021 and 2022 were ¥72,658 million and ¥155,680 million, respectively. There were ¥63,272 million and ¥151,601 million of loans held for sale as of March 31, 2021 and 2022, 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 ¥12,351 million and ¥13,747 million as of March 31, 2021 and 2022, respectively, and the fair value at the acquisition date of purchased loans acquired during fiscal 2021 and 2022 were ¥2,704 million and ¥4,926 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.

Changes in the allowance for uncollectible accounts relating to the purchased loans for fiscal 2020 are as follows:

	Millions of yen
	2020
Beginning balance	¥ 3,186
Provision (Reversal)	(24)
Charge-offs	(1,789)
Recoveries	77
Other*	8
Ending balance	¥ 1,458

* Other includes foreign currency translation adjustments.

For further information about allowance for credit losses for fiscal 2021 and 2022, see Note 9 of "Credit Quality of Financial Assets and the Allowance for Credit Losses".

8. Credit Quality of Financing Receivables and the Allowance for Credit Losses

The Company and its subsidiaries 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 net investment in 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 2020:

	March 31, 2020					
	Millions of yen					
	Loans					
		Corporate				
	Consumer	Non-recourse loans	Other	Purchased loans*1	Direct financing leases	Total
Allowance for credit losses:						
Beginning balance	¥ 21,195	¥ 919	¥ 20,662	¥ 3,186	¥ 12,049	¥ 58,011
Provision (Reversal)	12,254	903	7,988	(24)	3,304	24,425
Charge-offs	(13,723)	(1)	(6,548)	(1,789)	(2,859)	(24,920)
Recoveries	554	0	133	77	24	788
Other*2	262	(35)	(877)	8	(826)	(1,468)
Ending balance	¥ 20,542	¥ 1,786	¥ 21,358	¥ 1,458	¥ 11,692	¥ 56,836
Individually evaluated for impairment	3,602	228	8,950	667	0	13,447
Not individually evaluated for impairment	16,940	1,558	12,408	791	11,692	43,389
Financing receivables:						
Ending balance	¥2,171,139	¥132,081	¥1,296,854	¥13,218	¥1,080,964	¥4,694,256
Individually evaluated for impairment	26,533	2,466	55,216	1,605	0	85,820
Not individually evaluated for impairment	2,144,606	129,615	1,241,638	11,613	1,080,964	4,608,436

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.

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 net investment in 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 net investment in 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 net investment in 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 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 real estate 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 2020:

	March 31, 2020			
		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		¥24,721	¥ 446	¥ 403
	Real estate loans	5,077	141	137
	Card loans	3,926	57	50
	Other	15,718	248	216
Corporate borrowers		37,103	121	119
Non-recourse loans	Japan	137	2	2
	The Americas	2,954	0	0
Other than Non-recourse loans	Real estate companies in Japan	1,621	30	30
	Real estate companies in overseas	5,785	0	0
	Commercial, industrial and other companies in Japan	6,754	76	75
	Commercial, industrial and other companies in overseas	19,852	13	12
Purchased loans		3,108	139	139
Total		¥64,932	¥ 706	¥ 661

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 troubled debt restructurings of financing receivables that occurred during fiscal 2020:

		March 31, 2020	
		Millions of yen	
Portfolio segment	Class	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment
Consumer borrowers		¥12,041	¥ 9,025
	Real estate loans	19	17
	Card loans	1,899	1,396
	Other	10,123	7,612
Corporate borrowers		4,785	4,779
Non-recourse loans	The Americas	751	751
Other than Non-recourse loans	Commercial, industrial and other companies in overseas	4,034	4,028
Total		¥16,826	¥13,804

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.

As of March 31, 2020, due to the spread of the COVID-19, although the Company and its subsidiaries accepted payment deferral requests other than the above mentioned troubled debt restructuring, those financing receivables are not included in the above mentioned troubled debt restructuring as the Company and its subsidiaries determined those receivables based on the definition of troubled debt restructuring.

The following table provides information about financing receivables modified as troubled debt restructurings within the previous 12 months from March 31, 2020 and for which there was a payment default during fiscal 2020:

	March 31, 2020	
		Millions of yen
Portfolio segment	Class	Recorded investment
Consumer borrowers		¥1,687
	Card loans	22
	Other	1,665
Corporate borrowers		25
Other than Non-recourse loans	Commercial, industrial other companies in overseas	25
Total		¥1,712

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.

9. Credit Quality of Financial Assets and the Allowance for Credit Losses

The Company and its subsidiaries provide the following information disaggregated by portfolio segment and class of financial assets.

Allowance for credit losses

Credit quality of financial assets

- Credit quality indicators
- Past-due financing receivables
- Non-accrual

Information about troubled debt restructurings

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, net investment in leases and other financial assets measured at amortized cost. Classes of financial assets 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 financial assets. Classes of financial assets 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 installment loans, net investment in leases and other financial assets measured at amortized cost for fiscal 2021 and 2022:

	Fiscal Year ended March 31, 2021											
	Millions of yen											
	Beginning balance	Cumulative effect of adopting According Standards Update 2016-13	Reclassification to allowance for investment in operating leases *4	Balance at April 1, 2020	Provision (Reversal)*3	Allowance of purchased loans during the reporting period	Charge-offs*5	Recoveries	Other*6	Ending balance*3	Collective (pool) assessment	Individual assessment
Allowance for credit losses :												
Installment loans to consumer borrowers:												
Real estate loans												
Japan	¥ 3,112	¥ 2,856	¥ 0	¥ 5,968	¥ 390	¥ 0	¥ (495)	¥ 59	¥ 0	¥ 5,922	¥ 5,354	¥ 568
Overseas	128	(102)	0	26	412	0	0	1	31	470	470	0
Card loans												
Japan	3,785	12,146	0	15,931	(802)	0	(2,150)	6	(1)	12,984	12,283	701
Other												
Japan	12,735	(963)	0	11,772	5,875	0	(9,296)	8	0	8,359	5,616	2,743
Overseas	782	563	0	1,345	739	0	(1,754)	577	368	1,275	1,038	237
Installment loans to corporate borrowers:												
Non-recourse loans												
Japan	13	24	0	37	(5)	0	0	0	0	32	32	0
The Americas	1,773	1,577	0	3,350	43	0	0	0	57	3,450	3,218	232
Real estate companies												
Japan	983	46	0	1,029	(58)	0	(96)	25	1	901	621	280
Overseas	2,010	1,579	0	3,589	(1,502)	0	(570)	33	(11)	1,539	1,539	0
Commercial, industrial companies												
Japan	2,447	98	0	2,545	(27)	0	(592)	11	1	1,938	199	1,739
Overseas	14,769	9,002	0	23,771	10,410	0	(15,427)	18	(9)	18,763	13,013	5,750
Purchased loans*1	1,458	0	0	1,458	353	3,899	(4,040)	46	119	1,835	681	1,154
Net investment in leases:	11,692	3,550	0	15,242	3,285	0	(2,668)	10	653	16,522	13,267	3,255
Subtotal	55,687	30,376	0	86,063	19,113	3,899	(37,088)	794	1,209	73,990	57,331	16,659
Other financial assets measured at amortized cost*2	1,149	1,369	(312)	2,206	4,483	0	(344)	11	(351)	6,005	810	5,195
Total	¥56,836	¥31,745	¥(312)	¥88,269	¥23,596	¥3,899	¥(37,432)	¥805	¥ 858	¥79,995	¥58,141	¥21,854

	Fiscal Year ended March 31, 2022								
	Millions of yen								
	Beginning balance	Provision (Reversal)*3	Allowance of purchased loans during the reporting period	Charge-offs*5	Recoveries	Other*6	Ending balance*3	Collective (pool) assessment	Individual assessment
Allowance for credit losses :									
Installment loans to consumer borrowers:									
Real estate loans									
Japan	¥ 5,922	¥ 340	¥ 0	¥ (570)	¥ 24	¥ 0	¥ 5,716	¥ 5,211	¥ 505
Overseas	470	(34)	0	0	4	15	455	455	0
Card loans									
Japan	12,984	(1,301)	0	(1,669)	4	1	10,019	9,423	596
Other									
Japan	8,359	4,948	0	(8,114)	11	0	5,204	2,946	2,258
Overseas	1,275	300	0	(644)	0	174	1,105	961	144
Installment loans to corporate borrowers:									
Non-recourse loans									
Japan	32	49	0	0	0	0	81	81	0
The Americas	3,450	(1,035)	0	0	0	276	2,691	1,836	855
Real estate companies									
Japan	901	(204)	0	(109)	29	0	617	490	127
Overseas	1,539	(855)	0	(10)	0	61	735	735	0
Commercial, industrial companies									
Japan	1,938	93	0	(761)	67	0	1,337	505	832
Overseas	18,763	3,503	0	(6,185)	155	2,060	18,296	13,367	4,929
Purchased loans*1	1,835	(227)	2,210	(2,372)	114	15	1,575	608	967
Net investment in leases:	16,522	1,577	0	(2,802)	21	985	16,303	12,480	3,823
Subtotal	73,990	7,154	2,210	(23,236)	429	3,587	64,134	49,098	15,036
Other financial assets measured at amortized cost*2	6,005	2,662	0	(1,661)	45	231	7,282	562	6,720
Total	¥79,995	¥ 9,816	¥2,210	¥(24,897)	¥474	¥3,818	¥71,416	¥49,660	¥21,756

Notes: 1. Loans held for sale and policy loan receivables of an insurance entity are not scope to allowance for credit losses.

2. Held-to-maturity debt securities held by the Company and subsidiaries consist of Japanese government bonds (JGBs) and other securities secured by JGBs. There was no allowance for credit losses on these held-to-maturity debt securities. And there is no delinquency or on non-accrual status on held-to-maturity debt securities.

*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. Due to the adoption of Credit Losses Standard, allowance of ¥176,714 million was recorded as credit loss gross-up treatment for purchased loans on April 1, 2020, and the same amount has been charged-off.

*2 The allowance for other financial assets measured at amortized cost includes the allowance for credit losses on financial receivables, such as loans to affiliates and accounts receivable. Other financial assets measured at amortized cost are mainly "Trade notes, accounts and other receivables", and loans to affiliates included in "Investment in affiliates" on the consolidated balance sheets.

*3 "Provision for credit losses" in the consolidated statements of income amounted to ¥16,021 million and ¥3,939 million for fiscal 2021 and 2022, respectively. "Allowance for credit losses" on the consolidated balance sheets amounted to ¥78,945 million and ¥69,459 million as of March 31, 2021 and 2022, respectively. The reconciliation between the above table and the amounts reported on the consolidated financial statements in fiscal 2021 and 2022 are as follows:

	Millions of yen			
	2021		2022	
	Provision for credit losses	Allowance for credit losses	Provision for credit losses	Allowance for credit losses
Net investment in leases	¥ 3,285	¥16,522	¥ 1,577	¥16,303
Installment loans	15,828	57,468	5,577	47,831
Subtotal in the above table	19,113	73,990	7,154	64,134
Other financial assets measured at amortized cost	4,483	6,005	2,662	7,282
Total in the above table	23,596	79,995	9,816	71,416
Off-balance sheet credit exposures*3(a)	(7,437)	—	(4,449)	—
Available-for-sale debt securities*3(b)	117	—	21	—
Less: Loans to affiliates*3(c)	(255)	(1,050)	(1,449)	(1,957)
Amount reported on the consolidated financial statements	¥16,021	¥78,945	¥ 3,939	¥69,459

*3(a) The allowance for off-balance sheet credit exposure were ¥26,094 million and ¥22,120 million as of March 31, 2021 and 2022, respectively, and the amounts are recorded in "Other liabilities" on the consolidated balance sheets. For further information, see Note 31 "Commitments, Guarantees and Contingent Liabilities."

*3(b) The allowance for available-for-sale debt securities were ¥120 million and ¥153 million as of March 31, 2021 and 2022, respectively, and the amounts are recorded as a reduction in "Investments in securities" on the consolidated balance sheets. For further information, see Note 10 "Investment in Securities."

*3(c) The provision for credit losses on loans to affiliates were ¥255 million and ¥1,449 million during fiscal 2021 and 2022, respectively, and the amounts are recorded in "Equity in net income (loss) of affiliates" in the consolidated statements of income. The allowance for credit losses on loans to affiliates were ¥1,050 million and ¥1,957 million as of March 31, 2021 and 2022, respectively, and the amounts are recorded as a reduction in "Investments in affiliates" on the consolidated balance sheets.

*4 The allowance for accrued lease payments for receivable from operating leases was reclassified to the investment in operating leases balance on April 1, 2020, due to the application of the Credit Losses Standard.

*5 Included in Charge-off in write-offs of purchased loans were ¥3,899 million and ¥2,210 million during fiscal 2021 and 2022, respectively.

*6 Other mainly includes foreign currency translation adjustments and increases or decreases in allowance due to consolidation or deconsolidation of subsidiaries.

The following table provides information about purchased loans which were acquired for fiscal 2021 and 2022:

	Millions of yen	
	Fiscal Year ended March 31, 2021	Fiscal Year ended March 31, 2022
Purchase price	¥2,705	¥4,926
Allowance for credit losses at acquisition date	3,899	2,210
Discount or premium attributable to other factors	254	220
Par value	¥6,858	¥7,356

The Company and its subsidiaries estimate an allowance for credit losses for all credit losses expected to occur in future over the remaining life of financial assets, and recognize the allowance adequately based on management judgement. In developing the allowance for credit losses, the Company and its subsidiaries consider, among other things, the following factors in collective assessment and individual assessment by each portfolio:

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

The Company and its subsidiaries manage credit risk using various indicators specific to the region, industry, and types of assets, in accordance with the group risk management policy. For credit transactions, the basic group policy is to obtain sufficient collateral and guarantees, and to diversify industries and borrowers, and the Company and its subsidiaries comprehensively evaluate and monitor the financial condition and cash flows of borrowers, underlying collateral and guarantees, and profitability. The Company and its subsidiaries also manage exposure to potentially high-risk markets by establishing appropriate credit limits through portfolio analysis.

Due to the diversity of assets and risk indicators held by the Company and its subsidiaries, the Company and its subsidiaries monitor the credit quality indicators as performing and non-performing assets as indicators that are common across all classes. 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 it is probable that the acquisition cost of purchased loans cannot be collected, while all the other purchased loans are included in the category of performing assets.

When certain performing financial assets mainly have similar risk characteristics to other financial assets, the performing financial assets are collectively evaluated as a pool. On the contrary, when financial assets do not have similar risk characteristics to other financial assets, the financial assets are evaluated individually.

Loans to consumer borrowers

Loans to consumer borrowers mainly consist of real estate loans and card loans.

The credit quality of real estate loans is affected by the cash flows derived from the property and its collateral value.

The credit quality of card loans is affected by the repayment ability of customers such as customer credit standing or payment history.

The Company and its subsidiaries use these factors to estimate the allowance for credit losses because they are reflected in the probability of default and loss given default in each portfolio.

Loans to corporate borrowers

Loans to corporate borrowers are classified into non-recourse loans and loans other than non-recourse loans.

The credit quality of non-recourse loans for which cash flows from real estate are the source of repayment depends mainly on the real estate collateral value.

Loans other than non-recourse loans are classified into either real estate companies or commercial, industrial and other companies, each of which are further divided into Japan and overseas.

The credit quality of real estate companies is affected by mainly Japanese and Americas real estate markets and trends.

The credit quality of commercial, industrial and other companies, which consist of various industries, is affected mainly by broader financial and economic conditions and trends in Japan, the Americas and Asian countries.

The allowance for credit losses for loans to corporate borrowers is estimated by considering, among others, debtors' situation, as well as economic conditions and trends in its industries, the value of underlying collateral and guarantees, and probability of default and loss given default.

Net investment in leases

Net investment in leases consists of leases of various equipment types, including office equipment, industrial machinery, transportation equipment and real estate properties. The allowance for credit losses for net investment in leases is estimated based on the value of the underlying leased assets, debtors' situation, economic conditions and trends in its industries, and probability of default and loss given default.

In common with portfolio segments, the forecasted future economic indicators correlated with the prior charge-off experience are reflected to the estimate of the allowance for credit losses. Economic indicators correlated with prior charge-off experience are determined over the reasonable and supportable forecasted period. Economic indicators include GDP growth rates, consumer price indices, unemployment rates, and government bond interest rates. It also considers forward-looking scenarios of how the selected economic indicators will change in the future. The Company and its subsidiaries use the latest economic forecasts available from the economic reports published by the government and the Financial Services Agency, the Bank of Japan and third-party information providers as economic indicators. For the impact of the spread of COVID-19, the Company and its subsidiaries revise forward-looking scenarios, as necessary, with a quantitative adjustment based on the analysis of impact to the portfolios and the referenced economic indicators.

On the other hand, for periods beyond which the Company and its subsidiaries are able to make or obtain reasonable and supportable forecasts of future economic indicators of the entire life of the financial asset, expected credit losses are estimated for the remaining life mainly using an appropriate reversion approach, mainly immediate reversion to historical credit loss information.

There have been no significant changes during fiscal 2022 to methodologies and economic indicators used to estimate the allowance for Credit Losses.

When non-performing financial assets with deteriorated credit quality have similar risk characteristics to other financial assets, the allowance for credit losses is collectively evaluated based on mainly loss given default. On the other hand, if the non-performing financial assets do not have similar risk characteristics to other financial assets, the allowance for credit losses is individually evaluated.

In the individual assessment the allowance for credit losses is estimated individually based on the present value of expected future cash flows, the observable market price or the fair value of the collateral securing the financial receivables if the financial receivables are collateral-dependent.

The collateral-dependent financial receivables are defined as the finance receivables, which a debtor would be in financial difficulty and the collection significantly depend on the collateral. These financial receivables are mainly non-recourse loans and purchased loans for which cash flows from underlying real estate is the source of repayment.

For non-recourse loans, their collection depends on the real estate collateral value, which may decline as a result of a decrease in liquidity of the real estate market, a rise in vacancy rate of rental properties, a fall in rents and other factors.

For purchased loans, their collection may decrease due to a decline in the real estate collateral value and debtors' creditworthiness. Thus, the changes in these risks affect 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 origination years of financial assets as of March 31, 2021 and 2022. Card loans to consumer borrowers with a revolving repayment feature that cannot be classified into the origination year are excluded from the table.

Portfolio segment / Class	Credit Quality	March 31, 2021 — Millions of yen — Origination year (years ended March 31) 2021	2020	2019	2018	2017	Prior	Total
Consumer borrowers:								
	Performing	¥ 371,914	¥ 443,079	¥332,461	¥220,035	¥223,814	¥498,350	¥2,089,653
	Non-Performing	11,041	7,854	5,132	3,176	2,612	3,609	¥ 33,424
Real estate loans								
	Performing	362,832	431,483	327,967	217,380	223,540	498,080	¥2,061,282
	Non-Performing	96	735	1,598	1,683	2,068	3,459	¥ 9,639
Other*								
	Performing	9,082	11,596	4,494	2,655	274	270	¥ 28,371
	Non-Performing	10,945	7,119	3,534	1,493	544	150	¥ 23,785
Corporate borrowers:								
	Performing	341,346	378,732	207,214	124,889	71,400	97,113	¥1,220,694
	Non-Performing	6,972	12,215	6,594	7,266	4,110	10,709	¥ 47,866
Non-recourse loans								
Japan								
	Performing	6,637	24,428	5,283	2,802	0	8,806	¥ 47,956
The Americas								
	Performing	1,349	52,413	28,291	15,817	5,178	8,764	¥ 111,812
	Non-Performing	58	0	0	0	0	1,259	¥ 1,317
Other than non-recourse loans								
Real estate companies in Japan								
	Performing	103,982	62,274	35,065	28,743	25,487	21,753	¥ 277,304
	Non-Performing	70	252	192	0	690	538	¥ 1,742
Real estate companies in overseas								
	Performing	42,980	55,678	10,695	4,992	1,976	2,976	¥ 119,297
	Non-Performing	0	3,049	2,057	4,946	1,056	3,397	¥ 14,505
Commercial, industrial and other companies in Japan								
	Performing	78,281	41,166	30,116	12,746	11,798	18,664	¥ 192,771
	Non-Performing	1,210	3,865	205	878	82	1,022	¥ 7,262
Commercial, industrial and other companies in overseas								
	Performing	108,117	142,773	97,764	59,789	26,961	36,150	¥ 471,554
	Non-Performing	5,634	5,049	4,140	1,442	2,282	4,493	¥ 23,040
Purchased loans:								
	Performing	527	0	0	168	119	9,714	¥ 10,528
	Non-Performing	0	0	0	15	0	1,808	¥ 1,823

Portfolio segment / Class	Credit Quality	March 31, 2021 Millions of yen Origination year (years ended March 31) 2021	2020	2019	2018	2017	Prior	Total
Net investment in leases:								
	Performing	¥ 333,190	¥ 268,966	¥171,040	¥105,708	¥ 62,977	¥ 68,712	¥1,010,593
	Non-Performing	1,366	3,057	3,441	3,151	2,980	4,930	¥ 18,925
Japan								
	Performing	184,342	165,580	121,072	84,928	57,393	67,040	¥ 680,355
	Non-Performing	151	776	1,194	1,512	1,261	2,213	¥ 7,107
Overseas								
	Performing	148,848	103,386	49,968	20,780	5,584	1,672	¥ 330,238
	Non-Performing	1,215	2,281	2,247	1,639	1,719	2,717	¥ 11,818
Other financial assets measured at amortized cost								
	Performing	14,882	1,045	67	938	2,502	13,762	¥ 33,196
	Non-Performing	0	0	0	908	0	0	¥ 908
Total (excluding revolving repayment card loans)								
	Performing	¥1,061,859	¥1,091,822	¥710,782	¥451,738	¥360,812	¥687,651	¥4,364,664
	Non-Performing	¥ 19,379	¥ 23,126	¥ 15,167	¥ 14,516	¥ 9,702	¥ 21,056	¥ 102,946

Portfolio segment / Class / Credit Quality	2022	2021	2020	2019	2018	Prior	Total
	March 31, 2022						
	Millions of yen						
	Origination year (years ended March 31)						
Consumer borrowers:							
Performing	¥ 322,924	¥314,935	¥387,988	¥314,163	¥202,309	¥595,321	¥2,137,640
Non-Performing	8,282	4,595	3,852	2,098	961	11,915	¥ 31,703
Real estate loans							
Performing	302,695	309,893	382,612	311,959	198,974	594,612	¥2,100,745
Non-Performing	26	94	489	380	222	11,474	¥ 12,685
Other*							
Performing	20,229	5,042	5,376	2,204	3,335	709	¥ 36,895
Non-Performing	8,256	4,501	3,363	1,718	739	441	¥ 19,018
Corporate borrowers:							
Performing	487,433	188,634	283,950	127,128	96,851	111,640	¥1,295,636
Non-Performing	412	3,184	4,138	4,747	14,562	21,000	¥ 48,043
Non-recourse loans Japan							
Performing	26,991	6,686	24,244	5,256	2,750	8,158	¥ 74,085
The Americas							
Performing	0	5,547	51,467	11,744	7,721	1,397	¥ 77,876
Non-Performing	0	64	0	1,587	0	1,391	¥ 3,042
Other than non-recourse loans							
Real estate companies in Japan							
Performing	102,719	48,420	37,845	28,727	24,481	34,111	¥ 276,303
Non-Performing	0	245	938	71	0	1,050	¥ 2,304
Real estate companies in overseas							
Performing	24,104	26,751	41,644	2,256	5,478	740	¥ 100,973
Non-Performing	0	0	0	371	12,790	7,717	¥ 20,878
Commercial, industrial and other companies in Japan							
Performing	75,273	24,808	26,748	13,746	6,457	13,806	¥ 160,838
Non-Performing	156	457	1,392	124	392	773	¥ 3,294
Commercial, industrial and other companies in overseas							
Performing	258,346	76,422	102,002	65,399	49,964	53,428	¥ 605,561
Non-Performing	256	2,418	1,808	2,594	1,380	10,069	¥ 18,525
Purchased loans:							
Performing	0	0	24	281	1,072	10,885	¥ 12,262
Non-Performing	0	0	0	0	0	1,485	¥ 1,485
Net investment in leases:							
Performing	328,428	249,106	190,125	113,190	77,683	80,217	¥1,038,749
Non-Performing	2,608	2,899	3,474	2,787	2,178	5,278	¥ 19,224

Portfolio segment / Class / Credit Quality	March 31, 2022 Millions of yen Origination year (years ended March 31) 2022	2021	2020	2019	2018	Prior	Total
Japan							
Performing	¥ 119,538	¥154,757	¥133,589	¥ 91,691	¥ 68,087	¥ 78,283	¥ 645,945
Non-Performing	402	605	1,044	1,103	1,247	2,109	¥ 6,510
Overseas							
Performing	208,890	94,349	56,536	21,499	9,596	1,934	¥ 392,804
Non-Performing	2,206	2,294	2,430	1,684	931	3,169	¥ 12,714
Other financial assets measured at amortized cost							
Performing	14,287	2,220	345	0	817	17,743	¥ 35,412
Non-Performing	0	0	58	0	1,586	0	¥ 1,644
Total (excluding revolving repayment card loans)							
Performing	¥1,153,072	¥754,895	¥862,432	¥554,762	¥378,732	¥815,806	¥4,519,699
Non-Performing	¥ 11,302	¥ 10,678	¥ 11,522	¥ 9,632	¥ 19,287	¥ 39,678	¥ 102,099

Note: Loans held for sale and policy loan receivables of an insurance entity are not included in the table above.

* Other in loans to consumer borrowers includes claims receivable arising from payments on guarantee of consumer loans. For further information, see Note 31 "Commitments, Guarantees and Contingent Liabilities."

The information about card loans to consumer borrowers with a revolving repayment feature that cannot be classified into the origination year as of March 31, 2021 and 2022 are as follows:

Portfolio segment / Credit quality	March 31, 2021 Millions of yen Revolving repayment card loans	Modification of collection condition by relief of contract condition	Total—revolving repayment card loans	Total—origination year (excluding revolving repayment card loans)	Total—financial assets measured at amortized cost
Consumer borrowers:					
Performing	¥183,722	¥ 0	¥183,722	¥4,364,664	¥4,548,386
Non-Performing	1,132	3,693	4,825	102,946	¥ 107,771

Portfolio segment / Credit quality	March 31, 2022 Millions of yen Revolving repayment card loans	Modification of collection condition by relief of contract condition	Total—revolving repayment card loans	Total—origination year (excluding revolving repayment card loans)	Total—financial assets measured at amortized cost
Consumer borrowers:					
Performing	¥169,601	¥ 0	¥169,601	¥4,519,699	¥4,689,300
Non-Performing	671	3,415	4,086	102,099	¥ 106,185

Of non-performing assets, the Company and its subsidiaries consider smaller balance homogeneous loans (including real estate loans and card loans, among others, which are not restructured) and net investment in leases as the 90 days or more past-due financing receivables not individually evaluated, and consider all others as the loans individually evaluated. After the Company and its subsidiaries have set aside a 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 business conditions of the debtors and other important factors in order to report to management and develop additional provision for credit losses as necessary.

The following table provides information about the past-due financial assets as of March 31, 2021 and 2022:

	March 31, 2021				
		Millions of yen			
		Past-due financing assets			
Portfolio segment	Class	30-89 days past-due	90 days or more past-due	Total past-due	Total financing receivables
Consumer borrowers		¥ 4,553	¥10,257	¥14,810	¥2,311,624
	Real estate loans	1,375	2,515	3,890	2,070,921
	Card loans	371	1,105	1,476	188,547
	Other	2,807	6,637	9,444	52,156
Corporate borrowers		8,296	24,443	32,739	1,268,560
Non-recourse loans	Japan	0	0	0	47,956
	The Americas	5,193	1,316	6,509	113,129
Other than Non-recourse loans	Real estate companies in Japan	144	778	922	279,046
	Real estate companies in overseas	0	14,505	14,505	133,802
	Commercial, industrial and other companies in Japan	592	1,993	2,585	200,033
	Commercial, industrial and other companies in overseas	2,367	5,851	8,218	494,594
Net investment in leases		9,332	17,128	26,460	1,029,518
	Japan	2,257	6,347	8,604	687,462
	Overseas	7,075	10,781	17,856	342,056
Total		¥22,181	¥51,828	¥74,009	¥4,609,702

		March 31, 2022			
		Millions of yen			
		Past-due financing assets			
Portfolio segment	Class	30-89 days past-due	90 days or more past-due	Total past-due	Total financing receivables
Consumer borrowers		¥ 4,183	¥ 5,637	¥ 9,820	¥2,343,030
	Real estate loans	1,473	2,262	3,735	2,113,430
	Card loans	371	503	874	173,687
	Other	2,339	2,872	5,211	55,913
Corporate borrowers		20,840	31,935	52,775	1,343,679
Non-recourse loans	Japan	0	0	0	74,085
	The Americas	514	3,042	3,556	80,918
Other than Non-recourse loans	Real estate companies in Japan	578	350	928	278,607
	Real estate companies in overseas	16,113	20,879	36,992	121,851
	Commercial, industrial and other companies in Japan	1,243	1,268	2,511	164,132
	Commercial, industrial and other companies in overseas	2,392	6,396	8,788	624,086
Net investment in leases		9,322	17,746	27,068	1,057,973
	Japan	2,252	5,782	8,034	652,455
	Overseas	7,070	11,964	19,034	405,518
Total		¥34,345	¥55,318	¥89,663	¥4,744,682

Note: Loans held for sale, policy loans receivable of an insurance entity and purchased loans are not included in the table above.

In common with all classes, the Company and its subsidiaries consider financial assets as past-due financial assets when principal or interest is past-due 30 days or more. Loans whose terms have been modified are not classified as past-due financial assets if the principals and interests are not past-due 30 days or more in accordance with the modified terms.

The following table provides information about non-accrual of financial assets as of March 31, 2021 and 2022:

	March 31, 2021			
	Millions of yen			
	Beginning balance	Ending balance	Interest income recognized during the reporting period	Balance not associated allowance for credit losses among financial assets measured at amortized cost, which is suspending recognition of income
Non-accrual of financial assets:				
Installment loans to consumer borrowers:				
Real estate loans				
Japan	¥ 2,469	¥ 1,976	¥194	¥ 424
Overseas	0	570	0	268
Card loans				
Japan	2,114	1,115	50	0
Other				
Japan	8,611	5,970	275	44
Overseas	413	691	0	0
Installment loans to corporate borrowers:				
Non-recourse loans				
The Americas	2,466	10,148	0	0
Real estate companies				
Japan	586	778	30	509
Overseas	12,491	14,505	0	0
Commercial, industrial companies and other				
Japan	2,409	1,993	196	127
Overseas	26,670	26,396	3	9,936
Net investment in leases	15,346	17,166	0	0
Total	¥73,575	¥81,308	¥748	¥11,308

	March 31, 2022			
	Millions of yen			
	Beginning balance	Ending balance	Interest income recognized during the reporting period	Balance not associated allowance for credit losses among financial assets measured at amortized cost, which is suspending recognition of income
Non-accrual of financial assets:				
Installment loans to consumer borrowers:				
Real estate loans				
Japan	¥ 1,976	¥ 1,824	¥193	¥ 21
Overseas	570	475	0	129
Card loans				
Japan	1,115	503	35	0
Other				
Japan	5,970	2,391	208	0
Overseas	691	519	0	39
Installment loans to corporate borrowers:				
Non-recourse loans				
The Americas	10,148	8,787	0	0
Real estate companies				
Japan	778	351	51	61
Overseas	14,505	20,879	0	0
Commercial, industrial companies and other				
Japan	1,993	1,267	91	28
Overseas	26,396	18,634	112	4,018
Net investment in leases	17,166	17,771	0	0
Total	¥81,308	¥73,401	¥690	¥4,296

The Company and its subsidiaries suspend accruing interest on past-due installment loans and net investment in 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. 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 net investment in leases 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 are considered 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 the fiscal year ended March 31, 2021 and 2022:

		Fiscal Year ended March 31, 2021	
		Millions of yen	
Portfolio segment	Class	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment
Consumer borrowers		¥ 9,279	¥ 6,727
	Real estate loans	34	23
	Card loans	1,677	1,261
	Other	7,568	5,443
Corporate borrowers		14,723	13,049
Other than Non-recourse loans	Real estate companies in overseas	111	111
	Commercial, industrial and other companies in Japan	38	38
	Commercial, industrial and other companies in overseas	14,574	12,900
Total		¥24,002	¥19,776

		Fiscal Year ended March 31, 2022	
		Millions of yen	
Portfolio segment	Class	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment
Consumer borrowers		¥ 8,761	¥ 6,152
	Real estate loans	15	6
	Card loans	1,385	1,072
	Other	7,361	5,074
Corporate borrowers		5,481	5,319
Other than Non-recourse loans	Commercial, industrial and other companies in overseas	5,481	5,319
Total		¥14,242	¥11,471

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 the investment as possible in troubled debt restructurings. For the debtors of all financing receivables, 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. In addition, for the debtors of all financing receivables other than non-recourse loans, the Company and its subsidiaries also offer concessions such as a reduction of the loan principal or a temporary reduction in the interest payments. Furthermore, 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 allowance for credit losses. 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 allowance for credit losses for the restructured receivables.

For fiscal 2021 and 2022, while there are financial assets for which the payments were deferred other than those in the troubled debt restructuring stated above due to the spread of COVID-19, the payment deferrals, which are determined not to meet the definition of a troubled debt restructuring are not included in the troubled debt restructuring stated the above.

The following table provides information about financing receivables modified as troubled debt restructurings within the previous 12 months from March 31, 2021 and for which there was a payment default during the fiscal year ended March 31, 2021:

	Fiscal Year ended March 31, 2021	
		Millions of yen
Portfolio segment	Class	Recorded investment
Consumer borrowers		¥ 387
	Card loans	36
	Other	351
Corporate borrowers		752
Other than Non-recourse loans	Commercial, industrial and other companies in overseas	752
Total		¥1,139

The following table provides information about financing receivables modified as troubled debt restructurings within the previous 12 months from March 31, 2022 and for which there was a payment default during the fiscal year ended March 31, 2022:

	Fiscal Year ended March 31, 2022	
		Millions of yen
Portfolio segment	Class	Recorded investment
Consumer borrowers		¥900
	Real estate loans	4
	Card loans	6
	Other	890
Total		¥900

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 interest and may recognize additional allowance for credit losses as necessary for the defaulted financing receivables.

As of March 31, 2021 and 2022, 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 ¥70 million and ¥162 million as of March 31, 2021 and 2022, respectively.

10. Investment in Securities

Investment in securities as of March 31, 2021 and 2022 consists of the following:

	Millions of yen	
	2021	2022
Equity securities*	¥ 540,082	¥ 560,643
Trading debt securities	2,654	2,503
Available-for-sale debt securities	2,003,917	2,174,891
Held-to-maturity debt securities	113,790	114,312
Total	¥2,660,443	¥2,852,349

* The amount of assets under management of variable annuity and variable life insurance contracts included in equity securities were ¥249,830 million and ¥185,115 million as of March 31, 2021 and 2022, respectively. The amount of investment funds that are accounted for under the equity method included in equity securities were ¥82,420 million and ¥ 90,650 million as of March 31, 2021 and 2022, respectively. The amount of investment funds and others elected the fair value option included in equity securities were ¥4,940 million and ¥11,709 million as of March 31, 2021 and 2022, respectively.

Gains and losses realized from the sale of equity securities and net unrealized holding gains (losses) on equity securities are included in gains on investment securities and dividends, life insurance premiums and related investment income, and write-downs of securities. For further information, see Note 23 "Gains on Investment Securities and Dividends" and Note 24 "Life Insurance Operations." Net unrealized holding gains (losses) on equity securities held as of March 31, 2020, 2021 and 2022 were a loss of ¥19,910 million, gains of ¥83,643 million and ¥26,075 million for fiscal 2020, 2021 and 2022, respectively, which did not include net unrealized holding gains (losses) on both investment funds above mentioned.

Equity securities include non-marketable equity securities and preferred equity securities, etc. elected for the measurement alternative. Upward or downward adjustments resulting from observable price changes are included in gains on investment securities and dividends and life insurance premiums and related investment income. Impairments are included in write-downs of securities. The following tables provide information about impairment and upward or downward adjustments resulting from observable price changes as of March 31, 2021 and 2022, and for fiscal 2021 and 2022.

	Millions of yen				
	March 31, 2021			Fiscal Year ended March 31, 2021	
	Carrying value	Accumulated impairments and downward adjustments	Accumulated upward adjustments	Impairments and downward adjustments	Upward adjustments
Equity securities measured using the measurement alternative	¥47,460	¥(13,474)	¥350	¥(1,479)	¥232

	Millions of yen				
	March 31, 2022			Fiscal Year ended March 31, 2022	
	Carrying value	Accumulated impairments and downward adjustments	Accumulated upward adjustments	Impairments and downward adjustments	Upward adjustments
Equity securities measured using the measurement alternative	¥58,723	¥(13,880)	¥401	¥(208)	¥163

Gains and losses realized from the sale of trading debt securities and net unrealized holding gains (losses) on trading debt securities are included in gains on investment securities and dividends. Net unrealized holding gains (losses) on trading debt securities held as of March 31, 2020, 2021 and 2022 were gains of ¥491 million, ¥120 million and ¥213 million for fiscal 2020, 2021 and 2022, respectively.

During fiscal 2020, 2021 and 2022, the Company and its subsidiaries sold available-for-sale debt securities for aggregate proceeds of ¥249,427 million, ¥285,836 million and ¥239,250 million, respectively, resulting in gross realized gains of ¥9,274 million, ¥8,854 million and ¥6,493 million, respectively, and gross realized losses of ¥264 million, ¥1,918 million and ¥1,236 million, respectively. The cost of the available-for-sale securities or the debt securities sold was based on the average cost of each issue of securities held at the time of the sale.

Certain subsidiaries elected the fair value option for certain investments in investment funds, and others included in equity 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, 2021 and 2022, these investments were fair valued at ¥4,940 million and ¥11,709 million, respectively.

A certain subsidiary elected the fair value option for investments in foreign government bond securities included in available-for-sale debt securities to mitigate volatility in the consolidated statements of income caused by the difference in recognition of gain or loss that would otherwise exist between the foreign government bond securities and the derivatives used to reduce the risks of fluctuations in market interest rates and exchange rates on these foreign government bond securities. As of March 31, 2021, these investments were fair valued at ¥1,537 million. There were no such investments as of March 31, 2022.

A certain subsidiary elected the fair value option for investments in foreign corporate debt securities included in available-for-sale debt securities to mitigate volatility in the consolidated statements of income caused by the difference in recognition of gain or loss that would otherwise exist between the foreign corporate debt securities and the derivatives used to reduce the risks of fluctuations in market interest rates and exchange rates on these foreign corporate debt securities. As of March 31, 2021 and 2022, these investments were fair valued at ¥2,907 million and ¥7,644 million, respectively.

The amortized cost basis amounts, gross unrealized holding gains, gross unrealized holding losses and fair values of available-for-sale debt securities and held-to-maturity debt securities in each major security type as of March 31, 2021 and 2022 are as follows:

March 31, 2021

	Millions of yen				
	Amortized cost	Allowance for credit losses	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale debt securities:					
Japanese and foreign government bond securities	¥ 846,736	¥ 0	¥ 6,071	¥(31,649)	¥ 821,158
Japanese prefectural and foreign municipal bond securities	274,770	(120)	4,238	(2,612)	276,276
Corporate debt securities	742,862	0	10,125	(10,736)	742,251
CMBS and RMBS in the Americas	35,668	0	549	(1,760)	34,457
Other asset-backed securities and debt securities	126,731	0	4,308	(1,264)	129,775
	2,026,767	(120)	25,291	(48,021)	2,003,917
Held-to-maturity debt securities:					
Japanese government bond securities and other	113,790	0	25,342	0	139,132
	¥2,140,557	¥(120)	¥50,633	¥(48,021)	¥2,143,049

March 31, 2022

	Millions of yen				
	Amortized cost	Allowance for credit losses	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale debt securities:					
Japanese and foreign government bond securities	¥ 905,004	¥ 0	¥ 5,178	¥ (77,569)	¥ 832,613
Japanese prefectural and foreign municipal bond securities	333,449	(132)	2,482	(10,195)	325,604
Corporate debt securities	873,178	0	10,014	(33,632)	849,560
CMBS and RMBS in the Americas	29,349	0	112	(729)	28,732
Other asset-backed securities and debt securities	135,445	(21)	5,456	(2,498)	138,382
	2,276,425	(153)	23,242	(124,623)	2,174,891
Held-to-maturity debt securities:					
Japanese government bond securities and other	114,312	0	21,129	0	135,441
	¥2,390,737	¥(153)	¥44,371	¥(124,623)	¥2,310,332

The following table presents rollforwards of the allowance for credit losses for fiscal 2021 and 2022, respectively.

	Millions of yen	
	Fiscal Year ended March 31, 2021	
	Foreign municipal bond securities	Total
Beginning	¥ 0	¥ 0
Additions to the allowance for credit losses on available-for-sale debt securities for which credit losses were not previously recorded*	120	120
Ending	¥120	¥120

* An increase from the effects of changes in foreign exchange rates of ¥3 million was included in additions to the allowance for credit losses on available-for-sale debt securities for fiscal 2021.

	Millions of yen		
	Fiscal Year ended March 31, 2022		
	Foreign municipal bond securities	Japanese other asset-backed securities and debt securities	Total
Beginning	¥120	¥ 0	¥120
Additions to the allowance for credit losses on available-for-sale debt securities for which credit losses were not previously recorded	0	21	21
Increase (Decrease) from the effects of changes in foreign exchange rates	12	0	12
Ending	¥132	¥21	¥153

The following tables provide information about available-for-sale debt securities with gross unrealized losses (including allowance for credit losses) and the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2021 and 2022, respectively:

March 31, 2021

	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 debt securities:						
Japanese and foreign government bond securities	¥475,023	¥(21,472)	¥264,105	¥(10,177)	¥ 739,128	¥ (31,649)
Japanese prefectural and foreign municipal bond securities	48,367	(519)	63,316	(2,213)	111,683	(2,732)
Corporate debt securities	231,552	(5,798)	141,559	(4,938)	373,111	(10,736)
CMBS and RMBS in the Americas	345	(6)	24,782	(1,754)	25,127	(1,760)
Other asset-backed securities and debt securities	4,296	(112)	29,750	(1,152)	34,046	(1,264)
	¥759,583	¥(27,907)	¥523,512	¥(20,234)	¥1,283,095	¥ (48,141)

March 31, 2022

	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 debt securities:						
Japanese and foreign government bond securities	¥217,457	¥(16,117)	¥521,633	¥(61,452)	¥ 739,090	¥ (77,569)
Japanese prefectural and foreign municipal bond securities	190,081	(6,509)	46,391	(3,818)	236,472	(10,327)
Corporate debt securities	373,506	(19,340)	156,687	(14,292)	530,193	(33,632)
CMBS and RMBS in the Americas	6,458	(98)	17,542	(631)	24,000	(729)
Other asset-backed securities and debt securities	66,543	(995)	37,432	(1,524)	103,975	(2,519)
	¥854,045	¥(43,059)	¥779,685	¥(81,717)	¥1,633,730	¥(124,776)

The following table provides information about available-for-sale debt securities with gross unrealized losses for which allowance for credit losses were not recorded and the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2021 and 2022, respectively:

March 31, 2021

	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 debt securities:						
Japanese and foreign government bond securities	¥475,023	¥(21,472)	¥264,105	¥(10,177)	¥ 739,128	¥ (31,649)
Japanese prefectural and foreign municipal bond securities	45,486	(399)	63,316	(2,213)	108,802	(2,612)
Corporate debt securities	231,552	(5,798)	141,559	(4,938)	373,111	(10,736)
CMBS and RMBS in the Americas	345	(6)	24,782	(1,754)	25,127	(1,760)
Other asset-backed securities and debt securities	4,296	(112)	29,750	(1,152)	34,046	(1,264)
	¥756,702	¥(27,787)	¥523,512	¥(20,234)	¥1,280,214	¥ (48,021)

March 31, 2022

	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 debt securities:						
Japanese and foreign government bond securities	¥217,457	¥(16,117)	¥521,633	¥(61,452)	¥ 739,090	¥ (77,569)
Japanese prefectural and foreign municipal bond securities	190,081	(6,509)	43,338	(3,686)	233,419	(10,195)
Corporate debt securities	373,506	(19,340)	156,687	(14,292)	530,193	(33,632)
CMBS and RMBS in the Americas	6,458	(98)	17,542	(631)	24,000	(729)
Other asset-backed securities and debt securities	66,489	(974)	37,432	(1,524)	103,921	(2,498)
	¥853,991	¥(43,038)	¥776,632	¥(81,585)	¥1,630,623	¥(124,623)

The number of investment securities that were in an unrealized loss position as of March 31, 2021 and 2022 were 638 and 963, respectively. The gross unrealized losses on these debt securities are attributable to a number of factors including changes in interest rates, credit spreads and market trends.

As of March 31, 2021 and 2022, the amount of accrued revenues on available-for-sale debt securities were ¥7,374 million and ¥8,798 million, respectively, which was included in other assets. The Company and its subsidiaries estimate credit losses and develop an allowance for credit losses for accrued interest receivables. There was no allowance for credit losses for accrued interest receivables as of March 31, 2022.

For available-for-sale debt securities, if the fair value is less than the amortized cost, the debt securities are impaired. The Company and its subsidiaries identify per each impaired security whether the decline of fair value is due to credit losses component or non-credit losses component. Impairment related to credit losses is recognized in earning through an allowance for credit losses. Impairment related to other factors than credit losses is recognized in other comprehensive income (loss), net of applicable income taxes. In estimating an allowance of credit losses, the Company and its subsidiaries consider the existence of credit losses if the present value of estimated cash flows is less than the amortized cost basis. When the Company and its subsidiaries intend to sell the debt securities for which an allowance for credit losses is previously established or it is more likely than not that the Company and its subsidiaries will be required to sell the debt securities before recovery of the amortized cost basis, the allowance for credit losses is fully written-off and the amortized cost is reduced to the fair value after recognizing additional impairment in earnings. In addition, the Company and its subsidiaries recognize in earnings the full difference between the amortized cost and the fair value of the debt securities by direct write-down, without any allowance for credit losses, if the debt securities are expected to be sold and the fair value is less than the amortized cost.

Credit losses related to available-for-sale debt securities recognized for fiscal 2021 were resulting from foreign municipal bond securities due to a decrease in the occupancy rate of the underlying assets. Credit losses related to available-for-sale debt securities recognized for fiscal 2022 were resulting from Japanese other asset-backed securities and debt securities due to deterioration in the financial condition of the credit guarantor of the underlying receivables. The evaluation of credit losses with available-for-sale debt securities is compared to the amortized cost of debt securities with the present value of cash flows estimated based on a number of overall conditions, including estimated fair value of the underlying receivables and the repayment priority of the securities. Because the Company and its subsidiaries do not intend to sell the debt security or it is more likely than not that the Company and its subsidiaries will be required to sell the debt security before recovery of its amortized cost basis, the Company and its subsidiaries recognized the allowance for credit losses.

Unrealized losses on available-for-sale debt securities mainly result from changes in market interest rates and foreign exchange rates, and changes in risk premiums. In order to evaluate the recoverability of the available-for-sale debt securities, the Company and its subsidiaries utilize all available information such as issuer's financial condition and business outlook. The fair value of Japanese and foreign government bond securities, Japanese prefectural and foreign municipal bond, and corporate debt securities is mainly estimated based on prices for similar assets. If there are no prices for similar assets available, the fair value of these securities is estimated by using discounted cash flow methodologies and broker quotes. The fair value of CMBS and RMBS in the Americas and other asset-backed securities and debt securities refers to prices from independent pricing service vendors and brokers, such as trading prices and bit prices. If the Company and its subsidiaries cannot rely on such prices, the fair value is calculated by using discounted cash flow methodologies and broker quotes. In discounted cash flow methodologies, future cash flows estimated based on a number of assumptions such as default rate, prepayment rate, and seniority are discounted by discount rate adjusted for credit risk and liquidity risk.

There were no other-than-temporary impairment losses recognized in other comprehensive income (loss) and earnings for fiscal 2020.

For available-for-sale debt securities held as of March 31, 2020, roll-forwards of the amount of accumulated other-than-temporary impairments related to credit losses for fiscal 2020 are as follows:

	Millions of yen
	2020
Beginning	¥2,102
Addition (Reduction) during the period	0
Ending	¥2,102

In addition, the non-credit loss component on the other-than-temporary impaired available-for-sale debt securities mentioned above is recognized in other comprehensive income (loss), net of applicable income taxes. These impairments included the amount of unrealized gains or losses for the changes in fair value of the available-for-sale debt securities after recognition of other-than-temporary impairments in earnings. Unrealized gains and unrealized losses recorded in accumulated other comprehensive income (loss) on these available-for-sale debt securities as of March 31, 2020 were not material.

The following is a summary of the contractual maturities of available-for-sale debt securities and held-to-maturity debt securities held as of March 31, 2022:

Available-for-sale debt securities held as of March 31, 2022

	Millions of yen	
	Amortized cost	Fair value
Due within one year	¥ 40,955	¥ 41,178
Due after one to five years	356,995	361,532
Due after five to ten years	477,735	472,733
Due after ten years	1,400,740	1,299,448
	¥2,276,425	¥2,174,891

Held-to-maturity debt securities held as of March 31, 2022

	Millions of yen	
	Amortized cost	Fair value
Due after five to ten years	¥ 17,281	¥ 19,775
Due after ten years	97,031	115,666
	¥ 114,312	¥ 135,441

Debt 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 ¥13,657 million, ¥11,870 million and ¥12,737 million for fiscal 2020, 2021 and 2022, respectively.

There were no available-for-sale debt securities accounted for as purchased credit deterioration financial assets acquired during fiscal 2021 and 2022.

11. Transfer of Financial Assets

The Company and its subsidiaries have securitized and transferred financial assets such as installment loans (commercial mortgage loans, housing loans and other).

In the securitization process, these financial assets are transferred to SPEs 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 have continuing involvement with transferred financial assets by retaining the servicing arrangements and the 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. SPEs used in securitization transactions have been consolidated if the Company and its subsidiaries are the primary beneficiary of the SPEs.

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.

During fiscal 2020, 2021 and 2022, the amount of installment loans that has been derecognized due to new securitization and transfer of loans were ¥643,422 million, ¥1,306,495 million and ¥1,317,496 million, respectively. For fiscal 2020, 2021 and 2022, gains (losses) from the securitization and transfer of loans were ¥20,635 million, ¥36,624 million and ¥34,301 million, respectively, which is included in finance revenues in the consolidated statements of income.

A certain subsidiary originates and sells loans into the secondary market while retaining the obligation to service those loans. In addition, the subsidiary undertakes obligations to service loans originated by others. The servicing assets related to those servicing activities are included in other assets in the consolidated balance sheets and roll-forwards of the amount of the servicing assets during fiscal 2021 and 2022 are as follows:

	Millions of yen	
	2021	2022
Beginning balance	¥ 57,705	¥ 63,754
Increase mainly from loans sold with servicing retained	17,434	13,285
Decrease mainly from amortization	(12,597)	(13,518)
Increase from the effects of changes in foreign exchange rates	1,212	6,733
Ending balance	¥ 63,754	¥ 70,254

The fair value of the servicing assets as of March 31, 2021 and 2022 are as follows:

	Millions of yen	
	March 31, 2021	March 31, 2022
Beginning balance	¥60,419	¥74,135
Ending balance	¥74,135	¥83,732

12. Variable Interest Entities

The Company and its subsidiaries use 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, "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; and
- 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 factors 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; and
- 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; and
- providing liquidity and other financial support.

The Company and its subsidiaries do not have the power to direct activities of a VIE that most significantly impact the VIE's economic performance if that power is shared among multiple unrelated parties, and accordingly do not consolidate such VIE.

Information about VIEs (consolidated and non-consolidated) for the Company and its subsidiaries are as follows:

1. Consolidated VIEs

March 31, 2021

	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	1,996	0	0	0
(c) VIEs for acquisition of real estate for the Company and its subsidiaries' real estate-related business	63,935	12,977	17,923	3,720
(d) VIEs for corporate rehabilitation support business	431	158	0	0
(e) VIEs for investment in securities	104,364	316	35	25,299
(f) VIEs for securitizing financial assets such as finance lease receivable and loan receivable	266,662	158,620	266,662	828
(g) VIEs for securitization of loan receivable originated by third parties	511	992	511	0
(h) VIEs for power generation projects	304,064	226,224	285,149	35,194
(i) Other VIEs	171,344	67,346	144,260	0
Total	¥913,307	¥466,633	¥714,540	¥65,041

March 31, 2022

Types of VIEs	Total assets*1 (Millions of yen)	Total liabilities*1 (Millions of yen)	Assets which are pledged as collateral*2 (Millions of yen)	Commitments*3 (Millions of yen)
(a) VIEs for liquidating customer assets	¥ 0	¥ 0	¥ 0	¥ 0
(b) VIEs for acquisition of real estate and real estate development projects for customers	1,988	0	0	0
(c) VIEs for acquisition of real estate for the Company and its subsidiaries' real estate-related business	60,762	12,576	16,241	0
(d) VIEs for corporate rehabilitation support business	214	5	0	0
(e) VIEs for investment in securities	132,805	302	0	45,241
(f) VIEs for securitizing financial assets such as finance lease receivable and loan receivable	223,807	160,434	223,807	0
(g) VIEs for securitization of loan receivable originated by third parties	542	1,093	542	0
(h) VIEs for power generation projects	278,660	219,476	260,551	42,742
(i) Other VIEs	199,186	89,672	174,807	0
Total	¥897,964	¥483,558	¥675,948	¥87,983

*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.

2. Non-consolidated VIEs

March 31, 2021

Types of VIEs	Total assets (Millions of yen)	Carrying amount of the variable interests in the VIEs held by the Company and its subsidiaries: Non-recourse loans	Carrying amount of the variable interests in the VIEs held by the Company and its subsidiaries: Investments	Maximum exposure to loss *
(a) VIEs for liquidating customer assets	¥ 27,273	¥ 1,255	¥ 991	¥ 2,246
(b) VIEs for acquisition of real estate and real estate development projects for customers	317,027	6,905	4,884	11,789
(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	4,108,847	0	56,818	75,607
(f) VIEs for securitizing financial assets such as finance lease receivable and loan receivable	709	0	2	2
(g) VIEs for securitization of loan receivable originated by third parties	1,485,653	0	18,268	18,271
(h) VIEs for power generation projects	10,103	0	442	442
(i) Other VIEs	370,516	2,845	10,101	12,946
Total	¥6,320,128	¥11,005	¥91,506	¥121,303

March 31, 2022

	Millions of yen			
		Carrying amount of the variable interests in the VIEs held by the Company and its subsidiaries		
Types of VIEs	**Total assets**	**Non-recourse loans**	**Investments**	**Maximum exposure to loss ***
(a) VIEs for liquidating customer assets	¥ 13,391	¥ 405	¥ 991	¥ 1,396
(b) VIEs for acquisition of real estate and real estate development projects for customers	546,953	8,134	9,119	18,735
(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	6,901,686	0	79,050	123,674
(f) VIEs for securitizing financial assets such as finance lease receivable and loan receivable	154	0	2	2
(g) VIEs for securitization of loan receivable originated by third parties	1,231,246	0	15,254	15,254
(h) VIEs for power generation projects	9,103	0	402	402
(i) Other VIEs	914,801	3,140	15,098	32,123
Total	¥9,617,334	¥11,679	¥119,916	¥191,586

* 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.

(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. The Company and its subsidiaries provide non-recourse loans to such VIEs and make investments in them. By using cash flows from the liquidated assets, these VIEs repay the loan and pay dividends to equity investors if sufficient funds exist.

With respect to variable interests of non-consolidated VIEs held by the Company and its subsidiaries, non-recourse loans are included in installment loans, and investments are mainly included in other assets in the Company's consolidated balance sheets.

(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 investment in affiliates.

With respect to variable interests of non-consolidated VIEs held by the Company and its subsidiaries, 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 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. Certain subsidiaries have commitment agreements by which the Company and its subsidiaries may be required to make additional investment in certain such non-consolidated VIEs.

(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, investment in securities, property under facility operations and other assets, and liabilities of those consolidated VIEs are mainly included in short-term debt, long-term debt and other liabilities.

(d) VIEs for corporate rehabilitation support business

Financial institutions, the Company and its subsidiaries 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 subsidiaries consolidated such VIEs since the Company and its subsidiaries 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 have the majority of the investment share of them, and have 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 other liabilities. The Company and certain subsidiaries have commitment agreements by which the Company and the subsidiaries may be required to make additional investment or execute loans 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 commitment agreements 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 finance lease receivable and loan receivable

The Company and its subsidiaries use VIEs to securitize financial assets such as loan 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 and 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 other assets in the Company's consolidated balance sheets.

(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.

(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, construct solar power stations and coal-biomass co-fired power plants 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 cash and cash equivalents, 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 and certain subsidiaries have commitment agreements by which the Company and the subsidiaries 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, are included in investment in affiliates 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 have 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 way 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 for financing. 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 performs 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, office facilities and other assets, and liabilities of those consolidated VIEs are mainly included in long-term debt and other liabilities.

With respect to variable interests of non-consolidated VIEs held by the Company and its subsidiaries, non-recourse loans are included in installment loans, and investments are mainly included in investment in securities and investment in affiliates in the Company's consolidated balance sheets. Certain subsidiaries have commitment agreements by which the Company and its subsidiaries may be required to make additional investment in certain such non-consolidated VIEs.

13. Investment in Affiliates

Investment in affiliates at March 31, 2021 and 2022 consists of the following:

	Millions of yen	
	2021	2022
Shares	¥853,937	¥943,090
Loans and others	33,827	34,943
	¥887,764	¥978,033

Certain affiliates are listed on stock exchanges. The aggregate investment in and quoted market value of those affiliates amounted to ¥136,755 million and ¥169,928 million, respectively, as of March 31, 2021 and ¥166,492 million and ¥223,834 million, respectively, as of March 31, 2022.

In fiscal 2020, 2021 and 2022, the Company and its subsidiaries received dividends from affiliates of ¥38,372 million, ¥15,416 million and ¥17,759 million, respectively.

In the Company's consolidated balance sheets, the book value of investment in affiliates over the underlying equity in the net assets of such affiliates as of date of the most recent available financial statements of the investees were ¥131,600 million and ¥135,897 million as of March 31, 2021 and 2022, respectively. The basis differences mainly consist of goodwill and fair value adjustments for fixed assets. The basis differences would be amortized and adjusted for impairment, if any, and the changes in the differences are included in equity in net income (loss) of affiliates.

Companies comprising a significant portion of investment in affiliates were Avolon Holdings Limited (30% of equity share) and Kansai Airports (40% of equity share) as of March 31, 2021 and 2022.

Combined and condensed information relating to the affiliates for fiscal 2020, 2021 and 2022 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		
	2020	2021	2022
Operations:			
Total revenues	¥ 1,674,184	¥ 1,155,974	¥ 1,194,172
Income before income taxes	206,637	85,667	108,065
Net income	140,540	74,008	88,572
Financial position:			
Total assets	¥12,499,794	¥12,858,129	¥14,974,191
Total liabilities	8,428,007	9,203,980	10,729,973
Total equity	4,071,787	3,654,149	4,244,218

The Company and its subsidiaries had no significant transactions with these companies except as described above.

14. Goodwill and Other Intangible Assets

Changes in goodwill by reportable segment for fiscal 2020, 2021 and 2022 are as follows:

	Millions of yen					
	Corporate Financial Services and Maintenance Leasing	Real Estate	PE Investment and Concession	Environment and Energy	Insurance	Banking and Credit
Balance at March 31, 2019						
Goodwill	¥ 65,566	¥16,470	¥ 88,855	¥ 183	¥4,452	¥10,971
Accumulated impairment losses	(837)	0	0	(39)	0	0
	64,729	16,470	88,855	144	4,452	10,971
Acquired	1,299	0	22,772	3,933	672	0
Impairment	0	0	0	0	0	0
Other (net)*	0	(111)	(22,172)	0	0	0
Balance at March 31, 2020						
Goodwill	66,865	16,359	89,455	4,116	5,124	10,971
Accumulated impairment losses	(837)	0	0	(39)	0	0
	66,028	16,359	89,455	4,077	5,124	10,971
Acquired	478	0	47,011	0	0	0
Impairment	(12)	0	0	0	0	0
Other (net)*	7	0	(14,002)	(3,933)	(109)	0
Balance at March 31, 2021						
Goodwill	67,350	16,359	122,464	183	5,015	10,971
Accumulated impairment losses	(849)	0	0	(39)	0	0
	66,501	16,359	122,464	144	5,015	10,971
Acquired	0	0	0	49,115	0	0
Impairment	0	(191)	0	0	(371)	0
Other (net)*	(54,925)	0	(22,526)	357	0	0
Balance at March 31, 2022						
Goodwill	12,425	16,359	99,938	49,655	5,015	10,971
Accumulated impairment losses	(849)	(191)	0	(39)	(371)	0
	¥ 11,576	¥16,168	¥ 99,938	¥49,616	¥4,644	¥10,971

	Millions of yen					
	Aircraft and Ships	ORIX USA	ORIX Europe	Asia and Australia	Corporate	Total
Balance at March 31, 2019						
Goodwill	¥ 587	¥113,801	¥126,131	¥ 7,911	¥ 0	¥434,927
Accumulated impairment losses	(587)	0	0	(2,785)	0	(4,248)
	0	113,801	126,131	5,126	0	430,679
Acquired	0	17,846	0	0	0	46,522
Impairment	0	0	0	0	0	0
Other (net)*	0	(2,401)	(8,178)	(521)	0	(33,383)
Balance at March 31, 2020						
Goodwill	587	129,246	117,953	7,390	0	448,066
Accumulated impairment losses	(587)	0	0	(2,785)	0	(4,248)
	0	129,246	117,953	4,605	0	443,818
Acquired	0	0	11,697	0	0	59,186
Impairment	0	(1,494)	0	0	0	(1,506)
Other (net)*	0	566	10,847	402	0	(6,222)
Balance at March 31, 2021						
Goodwill	587	129,812	140,497	7,792	0	501,030
Accumulated impairment losses	(587)	(1,494)	0	(2,785)	0	(5,754)
	0	128,318	140,497	5,007	0	495,276
Acquired	0	0	0	0	278	49,393
Impairment	0	0	0	0	0	(562)
Other (net)*	0	12,682	8,773	388	0	(55,251)
Balance at March 31, 2022						
Goodwill	587	142,494	149,270	8,180	278	495,172
Accumulated impairment losses	(587)	(1,494)	0	(2,785)	0	(6,316)
	¥ 0	¥141,000	¥149,270	¥ 5,395	¥278	¥488,856

* Other includes foreign currency translation adjustments, decreases due to sale of ownership interest in subsidiaries and certain other reclassifications.

As a result of the impairment test, the Company and its subsidiaries recognized no impairment losses on goodwill during fiscal 2020. The Company and its subsidiaries recognized impairment losses on goodwill of ¥12 million in Corporate Financial Services and Maintenance Leasing segment, and ¥1,494 million in ORIX USA segment during fiscal 2021. The Company and its subsidiaries recognized impairment losses on goodwill of ¥191 million in Real Estate segment, and ¥371 million in Insurance segment during fiscal 2022. These impairment losses are accounted in other (income) and expense. The fair values of these reporting units were measured using mainly discounted cash flow methodologies and business enterprise value multiples methodologies.

Other intangible assets at March 31, 2021 and 2022 consist of the following:

	Millions of yen	
	2021	2022
Indefinite-lived intangible assets:		
Trade names	¥ 67,888	¥ 44,975
Asset management contracts	161,081	48,533
Others	5,312	12,126
	234,281	105,634
Intangible assets subject to amortization:		
Software	129,695	130,118
Customer relationships	155,807	143,963
Asset management contracts	0	98,014
Others	90,354	123,397
	375,856	495,492
Accumulated amortization	(184,589)	(197,505)
Net	191,267	297,987
	¥ 425,548	¥ 403,621

The aggregate amortization expenses for intangible assets are ¥32,189 million, ¥28,748 million and ¥32,235 million in fiscal 2020, 2021 and 2022, respectively.

The estimated amortization expenses for each of five succeeding fiscal years are ¥33,959 million in fiscal 2023, ¥30,205 million in fiscal 2024, ¥27,181 million in fiscal 2025, ¥23,182 million in fiscal 2026 and ¥19,565 million in fiscal 2027, respectively.

Intangible assets subject to amortization increased during fiscal 2022 are ¥154,949 million. They mainly consist of ¥13,345 million of software, ¥40,583 million of customer relationships and others recognized in acquisitions, and ¥98,014 million for asset management contracts that were transferred due to their useful lives being defined. The weighted average amortization periods for the software, customer relationships and others recognized in acquisitions and asset management contracts are 8 years, 24 years and 20 years, respectively.

As a result of the impairment test, the Company and its subsidiaries recognized impairment losses of ¥329 million on intangible assets included in Corporate Financial Services and Maintenance Leasing segment during fiscal 2020. The Company and its subsidiaries recognized impairment losses of ¥2 million on intangible assets included in Corporate Financial Services and Maintenance Leasing segment, ¥217 million on intangible assets included in Real Estate segment, ¥4 million on intangible assets included in PE Investment and Concession segment, ¥2 million on intangible assets included in Environment and Energy segment, ¥2 million on intangible assets included in Insurance segment, ¥505 million on intangible assets included in Aircraft and Ships segment, and ¥414 million on intangible assets included in ORIX USA segment during fiscal 2021. The Company and its subsidiaries recognized impairment losses of ¥650 million on intangible assets included in Corporate Financial Services and Maintenance Leasing segment, ¥259 million on intangible assets included in Aircraft and Ships segment, and ¥21,090 million on intangible assets included in ORIX Europe segment during fiscal 2022. The impairment losses for fiscal 2020 are included in selling, general and administrative expenses in the consolidated statements of income, and the impairment losses for fiscal 2021 and 2022 are included in other (income) and expense 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 these intangible assets were measured using mainly discounted cash flow methodologies.

15. 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, 2021 and 2022 are as follows:

March 31, 2021

	Millions of yen	Weighted average rate
Short-term debt in Japan, mainly from banks	¥ 81,726	0.3%
Short-term debt outside Japan, mainly from banks	209,852	1.9
Medium-term note outside Japan	1,336	3.0
Commercial paper in Japan	12,999	0.0
Commercial paper outside Japan	1,356	1.0
	¥307,269	1.4

March 31, 2022

	Millions of yen	Weighted average rate
Short-term debt in Japan, mainly from banks	¥161,799	0.7%
Short-term debt outside Japan, mainly from banks	237,790	2.1
Commercial paper in Japan	37,999	0.0
Commercial paper outside Japan	2,051	1.0
	¥439,639	1.4

The composition of long-term debt, the weighted average contract interest rate on long-term debt and the repayment due dates at March 31, 2021 and 2022 are as follows:

March 31, 2021

	Due (Fiscal Year)	Millions of yen	Weighted average rate
Banks:			
Fixed rate	2022~2037	¥ 519,858	1.2%
Floating rate	2022~2077	2,038,098	0.8
Insurance companies and others:			
Fixed rate	2023~2039	328,790	0.8
Floating rate	2023~2077	302,337	0.6
Unsecured bonds	2023~2081	927,088	1.5
Unsecured notes under medium-term note program	2023~2027	141,296	3.1
Payables under securitized loan receivables and investment in securities	2022~2043	159,366	3.2
		¥4,416,833	1.1

March 31, 2022

	Due (Fiscal Year)	Millions of yen	Weighted average rate
Banks:			
Fixed rate	2023~2082	¥ 545,320	1.3%
Floating rate	2023~2077	2,076,802	1.1
Insurance companies and others:			
Fixed rate	2023~2082	322,411	0.8
Floating rate	2023~2077	296,230	0.8
Unsecured bonds	2024~2081	997,654	1.6
Unsecured notes under medium-term note program	2023~2027	32,279	4.1
Payables under securitized loan receivables and investment in securities	2033~2043	156,350	3.1
		¥4,427,046	1.3

The repayment schedule for the next five years and thereafter for long-term debt at March 31, 2022 is as follows:

Years ending March 31,	Millions of yen
2023	¥ 752,828
2024	764,765
2025	610,035
2026	439,680
2027	469,840
Thereafter	1,389,898
Total	¥4,427,046

Borrowings with fixed rate from banks, insurance companies and others as of March 31, 2022 include the amount of ¥10,000 million of subordinated syndicated loan (hybrid loan) that was executed in fiscal 2022, will mature in fiscal 2082 and may be redeemed after 5 years from the execution.

Borrowings with floating rate from banks, insurance companies and others as of March 31, 2022 include the amount of ¥34,000 million of subordinated syndicated loan (hybrid loan) that was executed in fiscal 2017, will mature in fiscal 2077 and may be redeemed after 7 years from the execution.

Unsecured bonds include the amount of ¥150,000 million of unsecured subordinated bonds with interest payment deferrable clauses and optional early redemption conditions (hybrid bonds). Out of this amount, ¥100,000 million was executed in fiscal 2020, and will mature in fiscal 2080, of which ¥60,000 million and ¥40,000 million may be redeemed after 5 years, and 10 years from the execution, respectively. ¥50,000 million was executed in fiscal 2021, and will mature in fiscal 2081, of which ¥29,000 million and ¥21,000 million may be redeemed after 5 years, and 10 years from the execution, 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 2020, 2021 and 2022, 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 ¥989 million, ¥1,010 million and ¥1,013 million, respectively.

Total committed credit lines for the Company and its subsidiaries were ¥612,737 million and ¥651,379 million at March 31, 2021 and 2022, respectively, and, of these lines, ¥524,451 million and ¥507,181 million were available at March 31, 2021 and 2022, respectively. Of the available committed credit lines, ¥465,104 million and ¥442,547 million were long-term committed credit lines at March 31, 2021 and 2022, 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 12 "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, 2022:

	Millions of yen
Lease payments, loans and investment in operating leases	¥106,699
Investment in securities	175,912
Property under facility operations	112,730
Other assets and other	27,784
	¥423,125

As of March 31, 2022, debt liabilities were secured by shares of subsidiaries of ¥147,428 million, which were eliminated through consolidation adjustment, and debt liabilities of affiliates were secured by investment in affiliates of ¥38,399 million. As of March 31, 2022, debt liabilities were secured by loans to subsidiaries, which were eliminated through consolidation adjustment, of ¥10,531 million. In addition, ¥74,334 million was pledged primarily by investment in securities for collateral deposits and deposits for real estate transaction as of March 31, 2022.

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, 2022.

16. Deposits

Deposits at March 31, 2021 and 2022 consist of the following:

	Millions of yen	
	2021	2022
Time deposits	¥1,860,253	¥1,876,129
Other deposits	457,532	400,029
Total	¥2,317,785	¥2,276,158

The balances of time deposits and certificates of deposit issued in amounts of ¥10 million or more were ¥1,012,834 million and ¥920,545 million at March 31, 2021 and 2022, respectively.

The maturity schedule of time deposits at March 31, 2022 is as follows:

Years ending March 31,	Millions of yen
2023	¥ 739,960
2024	392,234
2025	382,672
2026	245,264
2027	101,973
Thereafter	14,026
Total	¥1,876,129

17. Income Taxes

Income before income taxes and the provision for income taxes in fiscal 2020, 2021 and 2022 are as follows:

	Millions of yen		
	2020	2021	2022
Income before income taxes:			
Japan	¥223,327	¥171,569	¥311,351
Overseas	189,234	115,992	193,525
	¥412,561	¥287,561	¥504,876
Provision for income taxes:			
Current—			
Japan	¥ 55,577	¥ 45,262	¥136,623
Overseas	35,370	19,967	38,433
	90,947	65,229	175,056
Deferred—			
Japan	9,643	10,642	(631)
Overseas	5,247	14,876	12,839
	14,890	25,518	12,208
Provision for income taxes	¥105,837	¥ 90,747	¥187,264

In fiscal 2020, 2021 and 2022, the Company and its subsidiaries in Japan were 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 31.5%.

Reconciliations of the differences between the tax provision computed at the statutory rate and the consolidated provision for income taxes in fiscal 2020, 2021 and 2022 are as follows:

	Millions of yen		
	2020	2021	2022
Income before income taxes	¥412,561	¥287,561	¥504,876
Tax provision computed at the statutory rate	¥129,957	¥ 90,582	¥159,036
Increases (reductions) in taxes due to:			
Change in valuation allowance	2,505	6,808	11,464
Nondeductible expenses	4,319	2,751	4,066
Nontaxable income	(3,612)	(1,629)	(2,611)
Effect of lower tax rates on certain subsidiaries	(24,862)	(12,895)	(16,584)
Effect of investor taxes on earnings of subsidiaries	3,039	4,590	8,155
Effect of the tax law and rate changes	(6,642)	1,158	(142)
Effect of sale or liquidation of subsidiaries	307	878	25,642
Other, net	826	(1,496)	(1,762)
Provision for income taxes	¥105,837	¥ 90,747	¥187,264

The effective income tax rate is different from the statutory income tax rate primarily because of certain nondeductible expenses, nontaxable income, changes in valuation allowance, the effect of lower tax rates on certain subsidiaries, effect of investor taxes on earnings of subsidiaries, the effect of tax law changes and effect of sale or liquidation of subsidiaries.

Total income tax expense recognized in fiscal 2020, 2021 and 2022 was allocated as follows:

	Millions of yen		
	2020	2021	2022
Provision for income taxes	¥105,837	¥ 90,747	¥187,264
Income tax expense (benefit) allocated to other comprehensive income (loss):			
Net change of unrealized gains (losses) on investment in securities	(7,016)	(6,212)	(21,897)
Net change of debt valuation adjustments	340	(349)	(131)
Net change of defined benefit pension plans	448	2,615	4,889
Net change of foreign currency translation adjustments	10,276	(13,958)	(17,347)
Net change of unrealized gains (losses) on derivative instruments	(2,163)	1,883	4,734
Adjustments to retained earnings for changes in accounting principles*	0	(17,113)	(215)
Other direct adjustments to shareholders' equity	0	1,521	214
Total income tax expense	¥107,722	¥ 59,134	¥157,511

* The amount for fiscal 2021 reflects the tax effect of the adoption of Accounting Standards Update 2016-13 ("Measurement of Credit Losses on Financial Instruments"—ASC 326 ("Financial Instruments—Credit Losses")). The amount for fiscal 2022 reflects the tax effect of the adoption of Accounting Standards Update 2019-12 ("Simplifying the Accounting for Income Taxes"—ASC 740 ("Income Taxes")). For further information about Income Taxes, see Note 1 "Significant Accounting and Reporting Policies (aa) New accounting pronouncements."

The tax effects of temporary differences and carryforwards giving rise to the deferred tax assets and liabilities as of March 31, 2021 and 2022 are as follows:

	Millions of yen	
	2021	2022
Assets:		
Net operating loss carryforwards	¥ 25,083	¥ 32,914
Allowance for credit losses	25,322	23,381
Investment in securities	9,983	6,685
Accrued expenses	24,393	23,900
Investment in operating leases	12,911	15,099
Property under facility operations	8,480	27,358
Installment loans	4,392	4,361
Unrealized losses on investment in securities	7,859	29,372
Lease liabilities	85,422	77,367
Other	61,002	91,837
	264,847	332,274
Less: valuation allowance	(21,560)	(35,155)
	243,287	297,119
Liabilities:		
Net investment in Leases	9,705	13,501
Investment in operating leases	111,102	121,337
Unrealized gains on investment in securities	2,502	2,505
Deferred insurance policy acquisition costs	69,249	73,077
Policy liabilities and policy account balances	62,274	74,939
Property under facility operations	10,183	21,931
Other intangible assets	112,234	108,257
Undistributed earnings	38,408	59,134
Prepaid benefit cost	12,187	14,483
Advances paid	11,742	8,647
Right-of-use assets	86,064	77,003
Other	19,973	22,081
	545,623	596,895
Net deferred tax liability	¥302,336	¥299,776

Net deferred tax assets and liabilities at March 31, 2021 and 2022 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen	
	2021	2022
Other assets	¥ 38,954	¥ 46,065
Income taxes: Deferred	341,290	345,841
Net deferred tax liability	¥302,336	¥299,776

The valuation allowance is primarily recognized for deferred tax assets of consolidated subsidiaries with operating loss carryforwards. 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 operating 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 operating loss carryforwards, net of the existing valuation allowances at March 31, 2022. 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 ¥2,213 million in fiscal 2020, increases of ¥6,191 million in fiscal 2021, and increases of ¥13,595 million in fiscal 2022. The decrease in the total valuation allowance recognized in earnings due to the utilization of net operating loss carryforwards were ¥890 million in fiscal 2020, ¥553 million in fiscal 2021 and ¥1,742 million in fiscal 2022. 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 ¥576 million in fiscal 2020 (increases of ¥942 million and decreases of ¥1,518 million on a gross basis), net decreases of ¥743 million in fiscal 2021 (increases of ¥1,032 million and decreases of ¥1,775 million on a gross basis), and net increases of ¥436 million in fiscal 2022 (increases of ¥1,947 million and decreases of ¥1,511 million on a gross basis), respectively.

The Company and certain subsidiaries have net operating loss carryforwards of ¥278,571 million at March 31, 2022, which expire as follows:

Years ending March 31,	Millions of yen
2023	¥ 8,346
2024	17,768
2025	20,038
2026	24,902
2027	12,168
Thereafter	145,823
Indefinite period	49,526
Total	¥278,571

The unrecognized tax benefits as of March 31, 2021 and 2022 were not material. The Company and its subsidiaries do not believe that it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of March 31, 2022.

The total amounts of penalties and interest expense related to income taxes recognized in the consolidated balance sheets as of March 31, 2021 and 2022, and in the consolidated statements of income for the fiscal 2020, 2021 and 2022 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 in Japan for the tax years prior to fiscal 2021, and its major domestic subsidiaries are no longer subject to ordinary tax examination for the tax years prior to fiscal 2018, respectively.

Subsidiaries in the United States remain subject to a tax examination for the tax years after fiscal 2019. Subsidiaries in the Netherlands remain subject to a tax examination for the tax years after fiscal 2016.

18. 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 certain subsidiaries' funding policy is to contribute annually the amounts actuarially determined. Assets of the plans are invested primarily in debt 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, 2021 and 2022 are as follows:

	Millions of yen			
	Japanese plans		Overseas plans	
	2021	2022	2021	2022
Change in benefit obligation:				
Benefit obligation at beginning of year	¥110,467	¥114,556	¥103,616	¥128,573
Service cost	5,831	6,058	3,288	3,947
Interest cost	698	791	1,711	1,329
Actuarial loss (income)	(1,550)	(3,977)	12,550	(18,503)
Plan participant's contributions	0	0	0	295
Benefits paid	(4,379)	(4,776)	(2,013)	(1,552)
Business combinations	3,087	0	0	0
Plan amendments	402	(1,642)	121	254
Foreign currency exchange rate change	0	0	9,300	6,805
Benefit obligation at end of year	114,556	111,010	128,573	121,148
Change in plan assets:				
Fair value of plan assets at beginning of year	122,780	134,392	96,994	119,858
Actual return on plan assets	11,301	2,819	13,913	(836)
Employer contribution	3,876	3,909	2,027	2,530
Plan participant's contributions	0	0	0	295
Benefits paid	(3,565)	(3,803)	(1,835)	(1,439)
Foreign currency exchange rate change	0	0	8,759	6,843
Fair value of plan assets at end of year	134,392	137,317	119,858	127,251
The funded status of the plans	¥ 19,836	¥ 26,307	¥ (8,715)	¥ 6,103
Amount recognized in the consolidated balance sheets consists of:				
Prepaid benefit cost included in other assets	¥ 34,940	¥ 40,118	¥ 28	¥ 7,753
Accrued benefit liability included in other liabilities	(15,104)	(13,811)	(8,743)	(1,650)
Net amount recognized	¥ 19,836	¥ 26,307	¥ (8,715)	¥ 6,103

Amount recognized in accumulated other comprehensive income (loss), pre-tax, at March 31, 2021 and 2022 consisted of:

	Millions of yen			
	Japanese plans		Overseas plans	
	2021	2022	2021	2022
Net prior service credit	¥ (35)	¥ 266	¥ 1,277	¥ 746
Net actuarial loss	(17,119)	(12,912)	(15,344)	(1,432)
Net transition obligation	0	0	1	3
Total recognized in accumulated other comprehensive loss, pre-tax	¥(17,154)	¥(12,646)	¥ (14,066)	¥ (683)

The accumulated benefit obligations for all Japanese defined benefit pension plans were ¥102,148 million and ¥99,161 million, respectively, at March 31, 2021 and 2022. The accumulated benefit obligations for all overseas defined benefit pension plans were ¥121,459 million and ¥114,930 million, respectively, at March 31, 2021 and 2022.

The accumulated benefit obligations and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets at March 31, 2021 and 2022 are as follows:

	Millions of yen			
	Japanese plans		Overseas plans	
	2021	2022	2021	2022
Accumulated benefit obligations	¥ 14,396	¥ 13,386	¥ 115,518	¥ 7,407
Fair value of plan assets	0	0	113,748	5,842

The projected benefit obligations and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets at March 31, 2021 and 2022 are as follows:

	Millions of yen			
	Japanese plans		Overseas plans	
	2021	2022	2021	2022
Projected benefit obligations	¥ 15,104	¥ 13,811	¥ 123,155	¥ 8,484
Fair value of plan assets	0	0	114,412	6,834

Net pension cost of the plans for fiscal 2020, 2021 and 2022 consists of the following:

	Millions of yen		
	2020	2021	2022
Japanese plans:			
Service cost	¥ 5,879	¥ 5,831	¥ 6,058
Interest cost	585	698	791
Expected return on plan assets	(2,806)	(2,427)	(2,663)
Amortization of prior service credit	(820)	(178)	(66)
Amortization of net actuarial loss	1,156	1,320	412
Net periodic pension cost	¥ 3,994	¥ 5,244	¥ 4,532
Overseas plans:			
Service cost	¥ 3,566	¥ 3,288	¥ 3,947
Interest cost	1,634	1,711	1,329
Expected return on plan assets	(4,262)	(3,618)	(4,192)
Amortization of prior service credit	(208)	(269)	(320)
Amortization of net actuarial loss	739	313	500
Amortization of transition obligation	1	1	1
Net periodic pension cost	¥ 1,470	¥ 1,426	¥ 1,265

Note: Net periodic pension cost is charged in personnel expenses, which is included in selling, general and administrative expenses in the consolidated statements of income.

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for fiscal 2020, 2021 and 2022 are summarized as follows:

	Millions of yen		
	2020	2021	2022
Japanese plans:			
Current year actuarial gain (loss)	¥(1,629)	¥10,424	¥ 3,795
Amortization of net actuarial loss	1,156	1,320	412
Prior service credit due to amendments	0	(402)	367
Amortization of prior service credit	(820)	(178)	(66)
Total recognized in other comprehensive income (loss), pre-tax	¥(1,293)	¥11,164	¥ 4,508
Overseas plans:			
Current year actuarial gain (loss)	¥ 1,117	¥ (2,308)	¥13,672
Amortization of net actuarial loss	739	313	500
Prior service credit due to amendments	1,097	(10)	(255)
Amortization of prior service credit	(208)	(269)	(320)
Amortization of transition obligation	1	1	1
Foreign currency exchange rate change	524	(946)	(215)
Total recognized in other comprehensive income (loss), pre-tax	¥ 3,270	¥ (3,219)	¥13,383

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	2020	2021	2022
Weighted-average assumptions used to determine benefit obligations at March 31:			
Discount rate	0.6%	0.7%	0.6%
Rate of increase in compensation levels	4.0%	4.0%	4.0%
Interest crediting rate for cash balance plans	1.5%	1.5%	1.5%
Weighted-average assumptions used to determine net periodic pension cost for years ended March 31:			
Discount rate	0.5%	0.6%	0.7%
Rate of increase in compensation levels	4.4%	4.0%	4.0%
Expected long-term rate of return on plan assets	2.2%	2.0%	2.0%
Interest crediting rate for cash balance plans	1.5%	1.5%	1.5%

Overseas plans	2020	2021	2022
Weighted-average assumptions used to determine benefit obligations at March 31:			
Discount rate	1.7%	1.0%	1.7%
Rate of increase in compensation levels	2.2%	2.2%	2.2%
Interest crediting rate for cash balance plans	—	—	—
Weighted-average assumptions used to determine net periodic pension cost for years ended March 31:			
Discount rate	1.7%	1.7%	1.0%
Rate of increase in compensation levels	2.4%	2.2%	2.2%
Expected long-term rate of return on plan assets	3.7%	3.3%	3.5%
Interest crediting rate for cash balance plans	—	—	—

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, 2021 and 2022, by asset category, are as follows. The three levels of input used to measure fair value are described in Note 2 “Fair Value Measurements.”

	Millions of yen			
	March 31, 2021			
	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	¥ 17,823	¥0	¥ 0	¥0
Other than Japan				
Pooled funds*2	22,231	0	0	0
Debt securities:				
Japan				
Pooled funds*3	24,127	0	0	0
Other than Japan				
Pooled funds*4	36,386	0	0	0
Other assets:				
Life insurance company general accounts*5	28,977	0	28,977	0
Others*6	4,848	0	4,848	0
	¥134,392	¥0	¥33,825	¥0

*1 These funds invest in listed shares including shares of ORIX Corporation in the amounts of ¥22 million at March 31, 2021.

*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 ¥51 million at March 31, 2021.

*4 These funds invest approximately 90% in foreign government bonds and approximately 10% in foreign corporate 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, 2021, our policy for the portfolio of plans consists of three major components: approximately 30% is invested in equity securities, approximately 50% is invested in debt securities and approximately 20% 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.

	Millions of yen			
	March 31, 2022			
	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	¥ 16,002	¥0	¥ 0	¥0
Other than Japan				
Pooled funds*2	21,366	0	0	0
Debt securities:				
Japan				
Pooled funds*3	27,845	0	0	0
Other than Japan				
Pooled funds*4	38,070	0	0	0
Other assets:				
Life insurance company general accounts*5	29,462	0	29,462	0
Others*6	4,572	0	4,572	0
	¥137,317	¥0	¥34,034	¥0

*1 These funds invest in listed shares including shares of ORIX Corporation in the amounts of ¥22 million at March 31, 2022.

*2 These funds invest in listed shares.

*3 These funds invest approximately 70% in Japanese government bonds, and approximately 30% in Japanese corporate bonds. These funds include corporate bonds of ORIX Corporation in the amounts of ¥37 million at March 31, 2022.

*4 These funds invest approximately 90% in foreign government bonds and approximately 10% in foreign corporate 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, 2022, our policy for the portfolio of plans consists of three major components: approximately 30% is invested in equity securities, approximately 50% is invested in debt securities and approximately 20% 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, 2021 and 2022, by asset category, are as follows. The three levels of input used to measure fair value are described in Note 2 "Fair Value Measurements."

	Millions of yen			
	March 31, 2021			
	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	¥ 58,483	¥ 58,483	¥ 0	¥0
Pooled funds*1	617	0	0	0
Debt securities:				
Other than Japan				
Government bonds	52,245	52,245	0	0
Municipal bonds	4,589	0	4,589	0
Other assets:				
Life insurance company general accounts*2	325	0	325	0
Others*3	3,599	0	3,599	0
	¥119,858	¥110,728	¥8,513	¥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, 2021, our policy for the portfolio of plans consists of two major components: approximately 50% is invested in equity securities and approximately 50% is invested in debt securities.

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.

	Millions of yen			
	March 31, 2022			
	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	¥ 59,932	¥ 59,932	¥ 0	¥0
Pooled funds*1	1,031	0	0	0
Debt securities:				
Other than Japan				
Government bonds	55,999	55,999	0	0
Municipal bonds	4,411	0	4,411	0
Other assets:				
Life insurance company general accounts*2	351	0	351	0
Others*3	5,527	0	5,527	0
	¥127,251	¥115,931	¥10,289	¥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, 2022, our policy for the portfolio of plans consists of two major components: approximately 50% is invested in equity securities and approximately 50% is invested in debt securities.

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 ¥3,897 million to its Japanese pension plans and ¥2,663 million to its overseas pension plans during the year ending March 31, 2023.

At March 31, 2022, 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
2023	¥ 5,468	¥ 1,989
2024	5,375	2,104
2025	5,853	2,051
2026	6,048	2,137
2027	5,738	2,268
2028-2032	30,942	13,326
Total	¥59,424	¥23,875

The cost recognized for Japanese defined contribution pension plans of the Company and certain of its subsidiaries for fiscal 2020, 2021 and 2022 were ¥1,779 million, ¥1,873 million and ¥1,997 million, respectively. The cost recognized for overseas defined contribution pension plans of the Company and certain of its subsidiaries for fiscal 2020, 2021 and 2022 were ¥2,320 million, ¥2,446 million and ¥2,892 million, respectively.

19. Redeemable Noncontrolling Interests

Changes in redeemable noncontrolling interests in fiscal 2020, 2021 and 2022 are as follows:

	Millions of yen		
	2020	2021	2022
Beginning Balance	¥9,780	¥10,331	¥0
Transaction with noncontrolling interests	653	(10,028)	0
Comprehensive income (loss)			
Net Income (loss)	384	(23)	0
Other comprehensive income (loss)			
Net change of foreign currency translation adjustments	(197)	(280)	0
Total other comprehensive income (loss)	(197)	(280)	0
Comprehensive income (loss)	187	(303)	0
Dividends	(289)	0	0
Ending Balance	¥10,331	¥ 0	¥ 0

20. Stock-Based Compensation

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 by a resolution of the Compensation Committee. The Board Incentive Plan 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 2022, the Company granted 444,374 points, and 190,966 points were settled for individuals who retired during fiscal 2022. Total points outstanding under the stock compensation program as of March 31, 2022 were 1,866,248 points. The points were adjusted for the 10-for-1 stock split implemented on April 1, 2013.

During fiscal 2020, 2021 and 2022, the Company recognized stock-based compensation costs of its stock compensation program in the amount of ¥417 million, ¥885 million and ¥1,191 million, respectively.

21. Accumulated Other Comprehensive Income (Loss)

Changes in each component of accumulated other comprehensive income (loss) attributable to ORIX Corporation Shareholders in fiscal 2020, 2021 and 2022 are as follows:

	Millions of yen					
	Net unrealized gains (losses) on investment in securities	Debt valuation adjustments	Defined benefit pension plans	Foreign currency translation adjustments	Net unrealized gains (losses) on derivative instruments	Accumulated other comprehensive income (loss)
Balance at March 31, 2019	¥ 17,389	¥ 582	¥(27,902)	¥(43,558)	¥ (7,854)	¥ (61,343)
Net unrealized gains (losses) on investment in securities, net of tax of ¥5,078 million	(17,637)					(17,637)
Reclassification adjustment included in net income, net of tax of ¥1,938 million	(4,819)					(4,819)
Debt valuation adjustments, net of tax of ¥(357) million		920				920
Reclassification adjustment included in net income, net of tax of ¥17 million		(45)				(45)
Defined benefit pension plans, net of tax of ¥(223) million			886			886
Reclassification adjustment included in net income, net of tax of ¥(225) million			643			643
Foreign currency translation adjustments, net of tax of ¥(6,212) million				(40,605)		(40,605)
Reclassification adjustment included in net income, net of tax of ¥(4,064) million				8,941		8,941
Net unrealized gains (losses) on derivative instruments, net of tax of ¥1,511 million					(6,385)	(6,385)
Reclassification adjustment included in net income, net of tax of ¥652 million					(2,171)	(2,171)
Total other comprehensive income (loss)	(22,456)	875	1,529	(31,664)	(8,556)	(60,272)
Transaction with noncontrolling interests	0	0	0	4	(2)	2
Less: Other Comprehensive Income (Loss) Attributable to the Noncontrolling Interests	(66)	0	2	(2,550)	(270)	(2,884)
Less: Other Comprehensive Income (Loss) Attributable to the Redeemable Noncontrolling Interests	0	0	0	(197)	0	(197)
Balance at March 31, 2020	¥ (5,001)	¥1,457	¥(26,375)	¥(72,471)	¥(16,142)	¥(118,532)
Net unrealized gains (losses) on investment in securities, net of tax of ¥5,702 million	(11,188)					(11,188)
Reclassification adjustment included in net income, net of tax of ¥510 million	6					6
Debt valuation adjustments, net of tax of ¥321 million		(826)				(826)
Reclassification adjustment included in net income, net of tax of ¥28 million		(73)				(73)
Defined benefit pension plans, net of tax of ¥(2,247) million			4,511			4,511
Reclassification adjustment included in net income, net of tax of ¥(368) million			819			819
Foreign currency translation adjustments, net of tax of ¥14,709 million				32,180		32,180
Reclassification adjustment included in net income, net of tax of ¥(751) million				4,066		4,066
Net unrealized gains (losses) on derivative instruments, net of tax of ¥40 million					(997)	(997)
Reclassification adjustment included in net income, net of tax of ¥(1,923) million					5,779	5,779
Total other comprehensive income (loss)	(11,182)	(899)	5,330	36,246	4,782	34,277
Less: Other Comprehensive Income Attributable to the Noncontrolling Interests	25	0	28	511	111	675
Less: Other Comprehensive Income (Loss) Attributable to the Redeemable Noncontrolling Interests	0	0	0	(280)	0	(280)
Balance at March 31, 2021*	¥(16,208)	¥ 558	¥(21,073)	¥(36,456)	¥(11,471)	¥ (84,650)

* As of March 31, 2021, there were no net unrealized gains (losses) on investment in securities related to available-for-sale debt securities with allowance for credit losses.

	Millions of yen					
	Net unrealized gains (losses) on investment in securities	Debt valuation adjustments	Defined benefit pension plans	Foreign currency translation adjustments	Net unrealized gains (losses) on derivative instruments	Accumulated other comprehensive income (loss)
Balance at March 31, 2021	¥(16,208)	¥ 558	¥(21,073)	¥ (36,456)	¥(11,471)	¥ (84,650)
Net unrealized gains (losses) on investment in securities, net of tax of ¥21,836 million	(52,477)					(52,477)
Reclassification adjustment included in net income, net of tax of ¥61 million	(4,207)					(4,207)
Debt valuation adjustments, net of tax of ¥121 million		(311)				(311)
Reclassification adjustment included in net income, net of tax of ¥10 million		(26)				(26)
Defined benefit pension plans, net of tax of ¥(4,738) million			12,626			12,626
Reclassification adjustment included in net income, net of tax of ¥(151) million			376			376
Foreign currency translation adjustments, net of tax of ¥17,642 million				105,079		105,079
Reclassification adjustment included in net income, net of tax of ¥(295) million				614		614
Net unrealized gains (losses) on derivative instruments, net of tax of ¥(3,256) million					10,634	10,634
Reclassification adjustment included in net income, net of tax of ¥(1,478) million					4,436	4,436
Total other comprehensive income (loss)	(56,684)	(337)	13,002	105,693	15,070	76,744
Transaction with noncontrolling interests	0	0	0	(1,472)	(3)	(1,475)
Less: Other Comprehensive Income Attributable to the Noncontrolling Interests	0	0	1	5,851	808	6,660
Balance at March 31, 2022*	¥(72,892)	¥ 221	¥ (8,072)	¥ 61,914	¥ 2,788	¥ (16,041)

* As of March 31, 2022, there were no net unrealized gains (losses) on investment in securities related to available-for-sale debt securities with allowance for credit losses.

Amounts reclassified to net income from accumulated other comprehensive income (loss) for fiscal 2020, 2021 and 2022 are as follows:

	March 31, 2020	
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 debt securities	¥ 2,366	Gains on investment securities and dividends
Sales of debt securities	6,710	Life insurance premiums and related investment income
Amortization of debt securities	(1,425)	Finance revenues
Amortization of debt securities	(894)	Life insurance premiums and related investment income
	6,757	Total before income tax
	(1,938)	Income tax (expense) or benefit
	¥ 4,819	Net of tax
Debt valuation adjustments		
Fulfillment of policy liabilities and amortization of policy account balances	¥ 62	Life insurance costs
	62	Total before income tax
	(17)	Income tax (expense) or benefit
	¥ 45	Net of tax
Defined benefit pension plans		
Amortization of prior service credit	¥ 1,028	See Note 18 “Pension Plans”
Amortization of net actuarial loss	(1,895)	See Note 18 “Pension Plans”
Amortization of transition obligation	(1)	See Note 18 “Pension Plans”
	(868)	Total before income tax
	225	Income tax (expense) or benefit
	¥ (643)	Net of tax
Foreign currency translation adjustments		
Foreign exchange contracts	¥ (5,760)	Gains on sales of subsidiaries and affiliates and liquidation losses, net/Interest expense/ Write-downs of securities
Sales or liquidation, other	(7,245)	Gains on sales of subsidiaries and affiliates and liquidation losses, net/Write-downs of securities
	(13,005)	Total before income tax
	4,064	Income tax (expense) or benefit
	¥ (8,941)	Net of tax
Net unrealized gains (losses) on derivative instruments		
Interest rate swap agreements	¥ (775)	Interest expense
Foreign exchange contracts	(338)	Interest expense/Other (income) and expense
Foreign currency swap agreements	3,936	Interest expense/Other (income) and expense
	2,823	Total before income tax
	(652)	Income tax (expense) or benefit
	¥ 2,171	Net of tax

Details about accumulated other comprehensive income components	March 31, 2021	
	Reclassification adjustment included in net income	Consolidated statements of income caption
	Millions of yen	
Net unrealized gains (losses) on investment in securities		
Sales of debt securities	¥ 2,473	Gains on investment securities and dividends
Sales of debt securities	5,433	Life insurance premiums and related investment income
Amortization of debt securities	(1,468)	Finance revenues
Amortization of debt securities	(1,340)	Life insurance premiums and related investment income
Others	(4,594)	Write-downs of securities
	504	Total before income tax
	(510)	Income tax (expense) or benefit
	¥ (6)	Net of tax
Debt valuation adjustments		
Fulfillment of policy liabilities and amortization of policy account balances	¥ 101	Life insurance costs
	101	Total before income tax
	(28)	Income tax (expense) or benefit
	¥ 73	Net of tax
Defined benefit pension plans		
Amortization of prior service credit	¥ 447	See Note 18 “Pension Plans”
Amortization of net actuarial loss	(1,633)	See Note 18 “Pension Plans”
Amortization of transition obligation	(1)	See Note 18 “Pension Plans”
	(1,187)	Total before income tax
	368	Income tax (expense) or benefit
	¥ (819)	Net of tax
Foreign currency translation adjustments		
Foreign exchange contracts	¥(2,057)	Gains on sales of subsidiaries and affiliates and liquidation losses, net/Interest expense/Other (income) and expense
Sales or liquidation	(2,760)	Gains on sales of subsidiaries and affiliates and liquidation losses, net
	(4,817)	Total before income tax
	751	Income tax (expense) or benefit
	¥(4,066)	Net of tax
Net unrealized gains (losses) on derivative instruments		
Interest rate swap agreements	¥(1,522)	Interest expense
Foreign exchange contracts	(242)	Interest expense/Other (income) and expense
Foreign currency swap agreements	(5,938)	Interest expense/Other (income) and expense
	(7,702)	Total before income tax
	1,923	Income tax (expense) or benefit
	¥(5,779)	Net of tax

Details about accumulated other comprehensive income components	March 31, 2022 Reclassification adjustment included in net income (Millions of yen)	Consolidated statements of income caption
Net unrealized gains (losses) on investment in securities		
Sales of debt securities	¥ 4,619	Gains on investment securities and dividends
Sales of debt securities	737	Life insurance premiums and related investment income
Amortization of debt securities	92	Finance revenues
Amortization of debt securities	(658)	Life insurance premiums and related investment income
Others	(522)	Write-downs of securities
	4,268	Total before income tax
	(61)	Income tax (expense) or benefit
	¥ 4,207	Net of tax
Debt valuation adjustments		
Fulfillment of policy liabilities and amortization of policy account balances	¥ 36	Life insurance costs
	36	Total before income tax
	(10)	Income tax (expense) or benefit
	¥ 26	Net of tax
Defined benefit pension plans		
Amortization of prior service credit	¥ 386	See Note 18 “Pension Plans”
Amortization of net actuarial loss	(912)	See Note 18 “Pension Plans”
Amortization of transition obligation	(1)	See Note 18 “Pension Plans”
	(527)	Total before income tax
	151	Income tax (expense) or benefit
	¥ (376)	Net of tax
Foreign currency translation adjustments		
Foreign exchange contracts	¥(1,782)	Gains on sales of subsidiaries and affiliates and liquidation losses, net/Interest expense/ Other (income) and expense
Sales or liquidation	873	Gains on sales of subsidiaries and affiliates and liquidation losses, net
	(909)	Total before income tax
	295	Income tax (expense) or benefit
	¥ (614)	Net of tax
Net unrealized gains (losses) on derivative instruments		
Interest rate swap agreements	¥(1,615)	Interest expense
Foreign exchange contracts	(710)	Interest expense/Other (income) and expense
Foreign currency swap agreements	(3,589)	Interest expense/Other (income) and expense
	(5,914)	Total before income tax
	1,478	Income tax (expense) or benefit
	¥(4,436)	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 19 "Redeemable Noncontrolling Interests." Total comprehensive income (loss) and its components have been reported, net of tax, in the consolidated statements of comprehensive income.

22. ORIX Corporation Shareholders' Equity

Changes in the number of shares issued in fiscal 2020, 2021 and 2022 are as follows:

	Number of shares		
	2020	2021	2022
Beginning balance	1,324,629,128	1,324,629,128	1,285,724,480
Cancellation of treasury stock	0	(38,904,648)	(27,447,393)
Ending balance	1,324,629,128	1,285,724,480	1,258,277,087

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 2022 that a total of ¥55,704 million dividends shall be distributed to the shareholders of record as of March 31, 2022. 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 ¥782,017 million as of March 31, 2022.

Retained earnings at March 31, 2022 include ¥104,868 million relating to equity in undistributed earnings of the companies accounted or by the equity method.

As of March 31, 2022, the restricted net assets of certain subsidiaries include regulatory capital requirements mainly for banking and life insurance operations of ¥12,976 million.

23. Gains on Investment Securities and Dividends

Gains on investment securities and dividends in fiscal 2020, 2021 and 2022 consist of the following:

	Millions of yen		
	2020	2021	2022
Net gains on investment securities	¥ 20,204	¥ 44,622	¥ 54,585
Dividends income	2,295	1,475	1,925
	¥ 22,499	¥ 46,097	¥ 56,510

* Unrealized changes in fair value of investments in equity securities have been included in "Net gains on investment securities."

24. Life Insurance Operations

Life insurance premiums and related investment income in fiscal 2020, 2021 and 2022 consist of the following:

	Millions of yen		
	2020	2021	2022
Life insurance premiums	¥ 360,583	¥ 403,799	¥ 431,289
Life insurance related investment income*	7,195	83,751	50,521
	¥ 367,778	¥ 487,550	¥ 481,810

* Life insurance related investment income in fiscal 2020, 2021 and 2022 include net unrealized holding losses of ¥13,122 million and gains of ¥61,351 million and ¥8,004 million on equity securities held as of March 31, 2020, 2021 and 2022, respectively.

Life insurance premiums include reinsurance benefits, net of reinsurance premiums. For fiscal 2020, 2021 and 2022, reinsurance benefits and reinsurance premiums included in life insurance premiums are as follows:

	Millions of yen		
	2020	2021	2022
Reinsurance benefits	¥ 3,268	¥ 2,333	¥ 2,744
Reinsurance premiums	(5,395)	(5,196)	(4,498)

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 2020, 2021 and 2022 amounted to ¥20,611 million, ¥21,928 million and ¥21,213 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 and foreign exchange contracts, entered to economically hedge a portion of the minimum guarantee risk relating to variable annuity and variable life insurance contracts. In addition, the fair value option was elected for the entire variable annuity and variable life insurance contracts to offset 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. Life insurance costs include the net amount of the changes in fair value of the variable annuity and variable life insurance contracts for which the fair value option was elected 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 portion of the total change in the fair value of variable annuity and variable life insurance contracts that results from a change in the instrument-specific credit risk is recognized in other comprehensive income (loss), net of applicable income taxes.

The above mentioned gains or losses relating to variable annuity and variable life insurance contracts for fiscal 2020, 2021 and 2022 are mainly as follows:

	Millions of yen		
	2020	2021	2022
Life insurance premiums and related investment income :			
Net realized and unrealized gains or losses from investment assets	¥(10,798)	¥ 76,470	¥ 8,501
Net gains or losses from derivative contracts :	1,667	(10,271)	(1,520)
Futures	1,257	(9,412)	(1,075)
Foreign exchange contracts	8	(261)	(445)
Options held	402	(598)	0
Life insurance costs :			
Changes in the fair value of the policy liabilities and policy account balances	¥(58,244)	¥(35,565)	¥(67,984)
Insurance costs recognized for insurance and annuity payouts as a result of insured events	53,442	77,631	69,727
Changes in the fair value of the reinsurance contracts	(5,757)	11,909	1,083

25. 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, 2021 and 2022, the long-lived assets and liabilities associated with those assets classified as held for sale in the accompanying consolidated balance sheets are as follows.

	Millions of yen	
	2021	2022
Investment in operating leases	¥8,055	¥35,061
Property under facility operations	0	8,376
Office facilities	0	1,375
Other assets	0	1,556
Other liabilities	0	1,761

The long-lived assets classified as held for sale as of March 31, 2021 are included in Real Estate segment and ORIX USA segment. The long-lived assets classified as held for sale as of March 31, 2022 are included in Corporate Financial Services and Maintenance Leasing segment, Real Estate segment, PE Investment and Concession segment, Aircraft and Ships segment and ORIX USA 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 2020, 2021 and 2022, the Company and its subsidiaries recognized impairment losses for the difference between carrying amounts and fair values in the amount of ¥3,043 million, ¥3,020 million and ¥35,666 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, 2020	Amount (Millions of yen)	The number of properties	Amount (Millions of yen)	The number of properties
Commercial facilities other than office buildings	¥ 0	—	¥ 529	2
Condominiums	159	1	77	3
Land undeveloped or under construction	0	—	2,083	2
Others*	0	—	195	—
Total	¥ 159	—	¥2,884	—

	Write-downs of the assets held for sale		Write-downs due to decline in estimated future cash flows	
Fiscal Year ended March 31, 2021	Amount (Millions of yen)	The number of properties	Amount (Millions of yen)	The number of properties
Office buildings	¥ 0	—	¥ 331	1
Commercial facilities other than office buildings	1,067	5	189	1
Condominiums	0	—	64	2
Land undeveloped or under construction	0	—	98	2
Others*	0	—	1,271	—
Total	¥1,067	—	¥1,953	—

Fiscal Year ended March 31, 2022	Write-downs of the assets held for sale		Write-downs due to decline in estimated future cash flows	
	Amount (Millions of yen)	The number of properties	Amount (Millions of yen)	The number of properties
Commercial facilities other than office buildings	¥ 858	3	¥ 11	1
Condominiums	13	2	83	49
Others*	11,878	—	22,823	—
Total	¥12,749	—	¥22,917	—

* For the "Others", the numbers of properties are omitted. Write-downs of long-lived assets for fiscal 2020, 2021 include write-downs of ¥109 million and ¥1,099 million of hotels, respectively. Write-downs of long-lived assets for fiscal 2022 include write-downs of ¥31,205 million of property under facility operations and others held by subsidiaries, of which ¥19,564 million related to write-downs of two coal-biomass co-fired power plants, and ¥2,331 million of two aircraft.

Breakdowns of these amounts by segment are provided in Note 32 "Segment Information."

26. Per Share Data

Reconciliation of the differences between basic and diluted earnings per share (EPS) in fiscal 2020, 2021 and 2022 is as follows:

In fiscal 2020, 2021 and 2022, there was no stock compensation which was antidilutive.

	Millions of yen		
	2020	2021	2022
Net Income attributable to ORIX Corporation shareholders	¥ 302,700	¥ 192,384	¥ 312,135

	Thousands of shares		
	2020	2021	2022
Weighted-average shares	1,275,166	1,236,897	1,203,452
Effect of dilutive securities			
Stock compensation	1,153	1,197	1,400
Weighted-average shares for diluted EPS computation	1,276,319	1,238,094	1,204,852

	Yen		
	2020	2021	2022
Earnings per share for net income attributable to ORIX Corporation shareholders:			
Basic	¥ 237.38	¥ 155.54	¥ 259.37
Diluted	237.17	155.39	259.07

Note: The Company's shares held through the Board Incentive Plan Trust are included in the number of treasury stock to be deducted in calculation of the weighted-average shares for EPS computation (1,735,570 shares, 1,897,979 shares and 2,104,640 shares in fiscal 2020, 2021 and 2022).

27. Derivative Financial Instruments and Hedging

Risk management policy

The Company and its subsidiaries manage interest rate risk through asset-liability management ("ALM"). 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 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.

The Company and its subsidiaries have no derivative instruments with credit-risk-related contingent features as of March 31, 2021 and 2022.

(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 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 gains of ¥2,171 million, losses of ¥5,779 million and losses of ¥4,436 million during fiscal 2020, 2021 and 2022, respectively. The amount of net derivative losses, ¥137 million, included in other comprehensive income (loss), net of applicable income taxes at March 31, 2022 will be reclassified into earnings within fiscal 2023.

(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. A certain subsidiary designates foreign exchange contracts to minimize foreign currency exposures on bonds in foreign currencies in the insurance business. The subsidiary also uses interest rate swap agreements to hedge interest rate exposure of the fair values of bonds in foreign currencies in the insurance business.

(c) Hedges of net investment in foreign operations

The Company and its subsidiaries use foreign exchange contracts and borrowings and bonds denominated in foreign currencies to hedge the foreign currency exposure of the net investment in overseas subsidiaries and affiliates.

(d) Derivatives not designated as hedging instruments

The Company and its 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 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 2020 is as follows.

(1) Cash flow hedges

	Millions of yen		
	Gains (losses) recognized in other comprehensive income on derivative	Gains (losses) reclassified from other comprehensive income (loss) into income	
		Interest expense	Other (income) and expense
Interest rate swap agreements	¥(11,506)	¥ 775	¥ 0
Foreign exchange contracts	(241)	(119)	457
Foreign currency swap agreements	3,851	413	(4,349)

(2) Fair value hedges

	Gains (losses) recognized in income on derivative and other		Gains (losses) recognized in income on hedged item	
	Life insurance premiums and related investment income	Other (income) and expense	Life insurance premiums and related investment income	Other (income) and expense
Interest rate swap agreements	¥(19,805)	¥ 0	¥18,955	¥ 0
Foreign exchange contracts	3,656	(187)	(3,294)	244

(3) Hedges of net investment in foreign operations

	Millions of yen			
	Gains (losses) recognized in other comprehensive income on derivative and others	Gains (losses) reclassified from other comprehensive income (loss) into income		
		Gains on sales of subsidiaries and affiliates and liquidation losses, net	Interest expense	Write-downs of securities
Foreign exchange contracts	¥15,273	¥1,594	¥4,595	¥2,759
Borrowings and bonds in foreign currencies	13,489	0	0	0

(4) Derivatives not designated as hedging instruments

	Millions of yen		
	Gains (losses) recognized in income on derivative		
	Life insurance premiums and related investment income*	Interest expense	Other (income) and expense
Interest rate swap agreements	¥ 0	¥ 7	¥ 159
Futures	1,257	0	(1,843)
Foreign exchange contracts	204	4,803	(1,840)
Credit derivatives held	0	0	(6)
Options held/written and other	402	0	4,481

* Futures, foreign exchange contracts and options held/written and other in the above table include gains (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 2020 (see Note 24 “Life Insurance Operations”).

The effect of derivative instruments on the consolidated statements of income, pre-tax, for fiscal 2021 is as follows.

(1) Cash flow hedges

	Millions of yen		
		Gains (losses) reclassified from other comprehensive income (loss) into income	
	Gains (losses) recognized in other comprehensive income on derivative	Interest expense	Other (income) and expense
Interest rate swap agreements	¥ 5,051	¥1,522	¥ 0
Foreign exchange contracts	(45)	827	(585)
Foreign currency swap agreements	(6,043)	553	5,385

(2) Fair value hedges

	Millions of yen			
	Gains (losses) recognized in income on derivative and other		Gains (losses) recognized in income on hedged item	
	Life insurance premiums and related investment income	Other (income) and expense	Life insurance premiums and related investment income	Other (income) and expense
Interest rate swap agreements	¥ 9,533	¥ 0	¥(8,990)	¥ 0
Foreign exchange contracts	(5,032)	438	3,591	(356)

(3) Hedges of net investment in foreign operations

	Millions of yen			
		Gains (losses) reclassified from other comprehensive income (loss) into income		
	Gains (losses) recognized in other comprehensive income on derivative and others	Gains on sales of subsidiaries and affiliates and liquidation losses, net	Interest expense	Other (income) and expense
Foreign exchange contracts	¥(27,128)	¥1,145	¥3,181	¥21
Borrowings and bonds in foreign currencies	(15,840)	0	0	0

(4) Derivatives not designated as hedging instruments

	Millions of yen		
	Gains (losses) recognized in income on derivative		
	Life insurance premiums and related investment income*	Interest expense	Other (income) and expense
Interest rate swap agreements	¥ 0	¥ 7	¥ (13)
Futures	(9,412)	0	6,980
Foreign exchange contracts	(215)	2,085	12,814
Credit derivatives held	0	0	1
Options held/written and other	(598)	0	(2,419)

* Futures, foreign exchange contracts and options held/written and other in the above table include gains (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 2021 (see Note 24 “Life Insurance Operations”).

The effect of derivative instruments on the consolidated statements of income, pre-tax, for fiscal 2022 is as follows.

(1) Cash flow hedges

	Millions of yen		
	Gains (losses) recognized in other comprehensive income on derivative	Gains (losses) reclassified from other comprehensive income (loss) into income	
		Interest expense	Other (income) and expense
Interest rate swap agreements	¥16,507	¥1,615	¥ 0
Foreign exchange contracts	(542)	223	487
Foreign currency swap agreements	(2,075)	559	3,030

(2) Fair value hedges

	Millions of yen			
	Gains (losses) recognized in income on derivative and other		Gains (losses) recognized in income on hedged item	
	Life insurance premiums and related investment income	Other (income) and expense	Life insurance premiums and related investment income	Other (income) and expense
Interest rate swap agreements	¥ 4,142	¥0	¥ (4,068)	¥ 0
Foreign exchange contracts	(37,997)	5	37,659	89

(3) Hedges of net investment in foreign operations

	Millions of yen			
	Gains (losses) recognized in other comprehensive income on derivative and others	Gains (losses) reclassified from other comprehensive income (loss) into income		
		Gains on sales of subsidiaries and affiliates and liquidation losses, net	Interest expense	Other (income) and expense
Foreign exchange contracts	¥(28,498)	¥(104)	¥1,673	¥5
Borrowings and bonds in foreign currencies	(63,922)	0	0	0

(4) Derivatives not designated as hedging instruments

	Millions of yen		
	Gains (losses) recognized in income on derivative		
	Life insurance premiums and related investment income*	Interest expense	Other (income) and expense
Interest rate swap agreements	¥ 0	¥ 6	¥ (22)
Futures	(1,075)	0	186
Foreign exchange contracts	20,254	1,308	38,330
Credit derivatives held	0	0	(1)
Options held/written and other	0	0	(749)

* Futures and foreign exchange contracts in the above table include gains (losses) arising from futures and foreign exchange contracts held to economically hedge the minimum guarantee risk of variable annuity and variable life insurance contracts for fiscal 2022 (see Note 24 "Life Insurance Operations").

The effect of the components excluded from the assessment of hedge effectiveness on the consolidated statements of income, pre-tax, for fiscal 2020 is as follows.

Fair value hedges

	Millions of yen		
	Gains (losses) recognized in income		
	Life insurance premiums and related investment income	Interest expense	Other (income) andexpense
Foreign exchange contracts	¥(3,020)	¥3	¥ 0
Options held/written and other	0	0	29

The effect of the components excluded from the assessment of hedge effectiveness on the consolidated statements of income, pre-tax, for fiscal 2021 is as follows.

Fair value hedges

	Millions of yen		
	Gains (losses) recognized in income		
	Life insurance premiums and related investment income	Interest expense	Other (income) and expense
Foreign exchange contracts	¥(1,249)	¥6	¥ 0
Options held/written and other	0	0	32

The carrying amount of hedged assets and liabilities recognized in balance sheets in fair value hedges and the cumulative amount of fair value hedging adjustments included in the carrying amount at March 31, 2021 is as follows.

Assets as hedged items in fair value hedges			Liabilities as hedged items in fair value hedges		
	Millions of yen			Millions of yen	
Consolidated balance sheets location	Carrying amount	The cumulative amount of fair value hedging adjustments included in the carrying amount	Consolidated balance sheets location	Carrying amount	The cumulative amount of fair value hedging adjustments included in the carrying amount
Investment in Securities	¥314,248	¥12,764	—	¥0	¥0
Installment Loans	17,942	43	—	0	0

The effect of the components excluded from the assessment of hedge effectiveness on the consolidated statements of income, pre-tax, for fiscal 2022 is as follows.

Fair value hedges

	Millions of yen		
	Gains (losses) recognized in income		
	Life insurance premiums and related investment income	Interest expense	Other (income) and expense
Foreign exchange contracts	¥(1,233)	¥9	¥ 0
Options held/written and other	0	0	31

The carrying amount of hedged assets and liabilities recognized in balance sheets in fair value hedges and the cumulative amount of fair value hedging adjustments included in the carrying amount at March 31, 2022 is as follows.

Assets as hedged items in fair value hedges			Liabilities as hedged items in fair value hedges		
	Millions of yen			Millions of yen	
Consolidated balance sheets location	Carrying amount	The cumulative amount of fair value hedging adjustments included in the carrying amount	Consolidated balance sheets location	Carrying amount	The cumulative amount of fair value hedging adjustments included in the carrying amount
Investment in Securities	¥422,938	¥1,147	—	¥0	¥0
Installment Loans	28,836	55	—	0	0

Notional amounts of derivative instruments and other, fair values of derivative instruments and other before offsetting at March 31, 2021 and 2022 are as follows.

March 31, 2021

	Notional amount	Derivative assets		Derivative liabilities	
		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	¥531,971	¥ 1,867	Other Assets	¥23,751	Other Liabilities
Options held/written and other	840	26	Other Assets	0	—
Futures, foreign exchange contracts	657,411	437	Other Assets	18,941	Other Liabilities
Foreign currency swap agreements	76,023	146	Other Assets	4,459	Other Liabilities
Foreign currency long-term debt	582,174	0	—	0	—
Derivatives not designated as hedging instruments:					
Interest rate swap agreements	¥ 6,409	¥ 0	—	¥ 67	Other Liabilities
Options held/written and other	746,058	19,478	Other Assets	17,009	Other Liabilities
Futures, foreign exchange contracts*	320,908	742	Other Assets	6,798	Other Liabilities
Credit derivatives held	171	0	—	9	Other Liabilities

* The notional amounts of futures and foreign exchange contracts in the above table include futures contracts of ¥19,127 million and foreign exchange contracts of ¥7,245 million to economically hedge the minimum guarantee risk of variable annuity and variable life insurance contracts at March 31, 2021, respectively. Derivative assets in the above table include fair value of the futures and foreign exchange contracts before offsetting of ¥41 million and ¥24 million and derivative liabilities include fair value of the futures and foreign exchange contracts before offsetting of ¥438 million and ¥302 million at March 31, 2021, respectively.

March 31, 2022

	Notional amount	Derivative assets		Derivative liabilities	
		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	¥511,224	¥ 9,570	Other Assets	¥ 8,170	Other Liabilities
Options held/written and other	847	11	Other Assets	0	—
Futures, foreign exchange contracts	944,282	445	Other Assets	51,953	Other Liabilities
Foreign currency swap agreements	78,445	126	Other Assets	4,518	Other Liabilities
Foreign currency long-term debt	690,381	0	—	0	—
Derivatives not designated as hedging instruments:					
Interest rate swap agreements	¥ 432	¥ 0	—	¥ 12	Other Liabilities
Options held/written and other	794,774	25,653	Other Assets	21,562	Other Liabilities
Futures, foreign exchange contracts*	725,685	15,561	Other Assets	19,490	Other Liabilities

* The notional amounts of futures and foreign exchange contracts in the above table include futures contracts of ¥15,088 million and foreign exchange contracts of ¥7,415 million to economically hedge the minimum guarantee risk of variable annuity and variable life insurance contracts at March 31, 2022, respectively. Derivative assets in the above table include fair value of the futures and foreign exchange contracts before offsetting of ¥79 million and ¥57 million and derivative liabilities include fair value of the futures and foreign exchange contracts before offsetting of ¥1,325 million and ¥378 million at March 31, 2022, respectively.

28. Offsetting Assets and Liabilities

The gross amounts recognized, gross amounts offset, and net amounts presented in the consolidated balance sheets regarding derivative assets and liabilities as of March 31, 2021 and 2022 are as follows.

March 31, 2021

	Millions of yen					
				Gross amounts not offset in the consolidated balance sheets*		
	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	¥22,696	¥(1,944)	¥20,752	¥ 0	¥ 0	¥20,752
Total assets	¥22,696	¥(1,944)	¥20,752	¥ 0	¥ 0	¥20,752
Derivative liabilities	¥71,034	¥(1,944)	¥69,090	¥(18,913)	¥(147)	¥50,030
Total liabilities	¥71,034	¥(1,944)	¥69,090	¥(18,913)	¥(147)	¥50,030

March 31, 2022

	Millions of yen					
				Gross amounts not offset in the consolidated balance sheets*		
	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	¥ 51,366	¥(20,333)	¥31,033	¥ 0	¥(1,060)	¥29,973
Total assets	¥ 51,366	¥(20,333)	¥31,033	¥ 0	¥(1,060)	¥29,973
Derivative liabilities	¥105,705	¥(20,333)	¥85,372	¥(15,409)	¥ 0	¥69,963
Total liabilities	¥105,705	¥(20,333)	¥85,372	¥(15,409)	¥ 0	¥69,963

* The balances related to enforceable master netting agreements or similar agreements which were not offset in the consolidated balance sheets.

29. 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 net investment in 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, 2021 and 2022, 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, ¥7,112 billion, or 73%, at March 31, 2021 and ¥7,138 billion, or 70%, at March 31, 2022 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 the Americas. The gross amount of such exposure is ¥1,180 billion and ¥1,355 billion as of March 31, 2021 and 2022, respectively.

The Company and its subsidiaries have transportation equipment such as automobile operations and aircraft. Transportation equipment is mainly recorded in investment in net investment in leases and operating leases. In connection with investment in net investment in leases and operating leases, the percentage of investment in transportation equipment to consolidated total assets is 9.7% and 9.3% as of March 31, 2021 and 2022, respectively.

The Company and its subsidiaries provide consumers with real estate loans. In connection with installment loans, the percentage of real estate loans for consumers to consolidated total assets is 15.3% and 14.8% as of March 31, 2021 and 2022, respectively.

30. Estimated Fair Value of Financial Instruments

The following information is provided to help readers gain an understanding of the relationship between carrying amounts of financial instruments reported in the Company's consolidated balance sheets and the related market or fair value. The disclosures do not include net investment in leases, investment in affiliates, pension obligations and insurance contracts and reinsurance contracts except for those classified as investment contracts.

March 31, 2021

	Millions of yen				
	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	¥ 951,242	¥ 951,242	¥951,242	¥ 0	¥ 0
Restricted cash	128,333	128,333	128,333	0	0
Installment loans (net of allowance for credit losses)	3,613,316	3,631,561	0	166,410	3,465,151
Equity securities*1	396,465	396,465	82,039	223,016	91,410
Trading debt securities	2,654	2,654	0	2,654	0
Available-for-sale debt securities	2,003,917	2,003,917	6,012	1,864,448	133,457
Held-to-maturity debt securities	113,790	139,132	0	115,893	23,239
Other Assets:					
Time deposits	4,146	4,146	0	4,146	0
Derivative assets*2	20,752	20,752	0	0	0
Reinsurance recoverables (Investment contracts)	7,299	7,507	0	0	7,507
Liabilities:					
Short-term debt	¥ 307,269	¥ 307,269	¥ 0	¥ 307,269	¥ 0
Deposits	2,165,293	2,167,449	0	2,167,449	0
Policy liabilities and Policy account balances (Investment contracts)	196,549	196,624	0	0	196,624
Long-term debt	4,416,833	4,442,351	0	1,286,463	3,155,888
Other Liabilities:					
Derivative liabilities*2	69,090	69,090	0	0	0

*1 The amount of ¥13,737 million of investment funds measured at net asset value per share is not included.

*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."

March 31, 2022

	Millions of yen				
	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	¥ 954,827	¥ 954,827	¥954,827	¥ 0	¥ 0
Restricted cash	136,985	136,985	136,985	0	0
Installment loans (net of allowance for credit losses)	3,814,773	3,806,552	0	261,031	3,545,521
Equity securities*1	385,271	385,271	112,200	160,099	112,972
Trading debt securities	2,503	2,503	0	2,503	0
Available-for-sale debt securities	2,174,891	2,174,891	1,095	2,032,736	141,060
Held-to-maturity debt securities	114,312	135,441	0	112,678	22,763
Other Assets:					
Time deposits	4,197	4,197	0	4,197	0
Derivative assets*2	31,033	31,033	0	0	0
Reinsurance recoverables (Investment contracts)	6,216	6,049	0	0	6,049
Liabilities:					
Short-term debt	¥ 439,639	¥ 439,639	¥ 0	¥ 439,639	¥ 0
Deposits	2,106,900	2,108,169	0	2,108,169	0
Policy liabilities and Policy account balances (Investment contracts)	178,170	178,159	0	0	178,159
Long-term debt	4,427,046	4,426,629	0	1,456,822	2,969,807
Other Liabilities:					
Derivative liabilities*2	85,372	85,372	0	0	0

*1 The amount of ¥25,999 million of investment funds measured at net asset value per share is not included.

*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.

31. Commitments, Guarantees and Contingent Liabilities

Commitments—As of March 31, 2022, the Company and certain subsidiaries have commitments for the purchase of equipment to be leased, having a cost of ¥3,475 million.

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 ¥7,139 million, ¥6,486 million and ¥8,036 million in fiscal 2020, 2021 and 2022, respectively. The longest contract of them will mature in fiscal 2028. As of March 31, 2022, the amounts due are as follows:

Years ending March 31,	Millions of yen
2023	¥ 5,205
2024	3,237
2025	2,112
2026	139
2027	70
Thereafter	11
Total	¥10,774

The Company and certain subsidiaries have commitments to fund estimated construction costs and so forth to complete ongoing real estate development projects and other commitments, totaling ¥128,449 million as of March 31, 2022.

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, 2022, the total unused credit and capital amount available is ¥436,784 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 that is within the scope of ASC 460 ("Guarantees"). Some of these guarantees, whose contractual obligations cannot be unconditionally cancelled, are in the scope of the Credit Loss Standard and are recognized as other liabilities in the consolidated balance sheets. 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, 2021 and 2022:

	2021			2022		
	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	¥ 469,377	¥ 4,768	2028	¥ 436,414	¥ 4,895	2027
Transferred loans	365,546	5,827	2061	417,587	4,103	2062
Consumer loans	294,250	49,025	2032	284,891	47,461	2033
Real estate loans	17,621	4,119	2048	12,087	3,953	2048
Other	598	104	2035	2,294	46	2035
Total	¥1,147,392	¥63,843	—	¥1,153,273	¥60,458	—

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, 2021 and 2022, total notional amount of the loans subject to such guarantees are ¥690,000 million and ¥563,000 million, respectively, and book value of guarantee liabilities are ¥1,998 million and ¥2,317 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 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 2022.

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 mainly from Fannie Mae under the Delegated Underwriting and Servicing program and Freddie Mac under the Delegated Underwriting Initiative program. As part of these programs, Fannie Mae and Freddie Mac provide a commitment to purchase the loans.

Under these programs, the subsidiary guarantees the performance of the loans transferred to Fannie Mae and Freddie Mac 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 2022.

As of March 31, 2021 and 2022, the total outstanding principal amount of loans transferred under the Delegated Underwriting and Servicing program, for which the subsidiary guarantees to absorb some of the losses, were ¥1,857,499 million and ¥2,121,074 million, respectively.

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 three months 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 2022.

Guarantee of real estate loans: The Company and certain subsidiaries guarantee real estate loans for consumer 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 real estate 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 2022.

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.

Allowance for off-balance sheet credit exposures—If the entity has a present contractual obligation to extend the credit and the obligation is not unconditionally cancelable by the entity, credit losses related the loan commitments of card loans and installment loans and financial guarantees are in the scope of the allowance for credit losses. For the loan commitments of card loans and installment loans, credit losses are recognized on the loan commitments for the portion expected to be drawn. For financial guarantees, the allowance is recognized for the contingent obligation which generates credit risk exposures. These allowance for off-balance sheet credit exposures is measured using the same measurement objectives as the allowance for loans and net investment leases, considering quantitative and qualitative factors including historical loss experience, current economic and business conditions and reasonable and supportable forecasts. The allowance for off-balance sheet credit exposure is recorded as other liabilities in the consolidated balance sheets and the allowance were ¥26,094 million and ¥22,120 million as of March 31, 2021 and 2022, respectively. Additionally, provision for credit losses in the consolidated statements of income in fiscal 2021 included reversals of ¥7,437 million, which was mainly caused by a decrease in outstanding financial guarantees of card loans and other credit facilities extended by Japanese financial institutions as a result of restrained customer demand for funds and an increase in repayments reflecting changes in consumer behavior due to COVID-19. Provision for credit losses in the consolidated statements of income in fiscal 2022 included reversals of ¥4,449 million, which was mainly caused by improved macroeconomic forecast in the Americas.

Contingencies—Among some of our private equity investees, which are consolidated subsidiaries, manufacturing defects have been found in certain parts of their products. The Company recognizes the allowances for losses, when the losses are highly probable that an outflow of resources embodying economic benefits will occur in relation to this matter and the amount of such losses can be reasonably estimated. It is possible that additional write-downs or allowances for losses may be recorded due to the occurrence of new events, however at this time, the amount and timing of the potential losses cannot be reasonably estimated.

In addition, 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.

32. Segment Information

Based on our business management organization which is classified by the nature of major products and services, customer base, regulations, and business areas, our business is organized into ten operating segments: Corporate Financial Services and Maintenance Leasing, Real Estate, PE Investment and Concession, Environment and Energy, Insurance, Banking and Credit, Aircraft and Ships, ORIX USA, ORIX Europe, and Asia and Australia.

Financial information about the operating segments reported below is that which is available by segment and evaluated regularly by the chief operating decision maker to make decision about resource allocations and assess performance.

An overview of operations for each of the ten segments follows below.

Corporate Financial Services and Maintenance Leasing	:	Finance and fee business; leasing and rental of automobiles, electronic measuring instruments and ICT-related equipment; Yayoi
Real Estate	:	Real estate development, rental and management; facility operations; real estate asset management
PE Investment and Concession	:	Private equity investment and concession
Environment and Energy	:	Domestic and overseas renewable energy; electric power retailing; ESCO services; sales of solar panels and battery energy storage system; recycling and waste management
Insurance	:	Life insurance
Banking and Credit	:	Banking and consumer finance
Aircraft and Ships	:	Aircraft leasing and management; ship-related finance and investment
ORIX USA	:	Finance, investment and asset management in the Americas
ORIX Europe	:	Asset management of global equity and fixed income
Asia and Australia	:	Finance and investment businesses in Asia and Australia

Since April 1, 2020, the operating segments regularly reviewed by the chief operating decision maker to make decisions about resource allocations and assess performance have been changed, resulting in a reorganization of our reportable segments. As a result of this change, segment data for fiscal 2020 has been retrospectively restated.

Financial information of the segments for fiscal 2020, 2021 and 2022 is as follows:

	Millions of yen						
	Fiscal Year ended March 31, 2020						
	Corporate Financial Services and Maintenance Leasing	Real Estate	PE Investment and Concession	Environment and Energy	Insurance	Banking and Credit	Aircraft and Ships
Revenues	¥ 428,961	¥468,086	¥296,365	¥147,498	¥ 371,387	¥ 84,355	¥ 64,650
Finance revenues	62,327	6,723	124	1,034	220	80,868	2,478
Interest expense	6,148	1,790	911	8,403	1	4,488	18,866
Depreciation and amortization	155,704	14,881	8,015	17,188	26,560	1,288	15,705
Other significant non-cash items:							
Provision for doubtful receivables and probable loan losses	1,171	242	40	(2)	(0)	11,971	(0)
Write-downs of long-lived assets	11	303	23	2,083	0	0	0
Increase in policy liabilities and policy account balances	0	0	0	0	70,120	0	0
Equity in net income (loss) of affiliates and gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	645	28,743	35,286	176	0	3	28,244
Bargain Purchase Gain	955	0	0	0	0	0	0
Segment profits	74,712	81,513	44,508	11,147	45,954	40,816	44,885
Segment assets	1,804,216	821,194	322,522	464,273	1,580,158	2,603,736	585,304
Long-lived assets	570,014	504,544	53,347	354,510	28,911	0	258,691
Expenditures for long-lived assets	192,614	71,034	1,793	29,036	0	0	166,510
Investment in affiliates	18,347	91,835	68,603	82,253	0	400	284,453

	Millions of yen			
	Fiscal Year ended March 31, 2020			
	ORIX USA	ORIX Europe	Asia and Australia	Total
Revenues	¥ 135,709	¥148,524	¥ 137,797	¥ 2,283,332
Finance revenues	79,973	559	43,694	278,000
Interest expense	30,878	(170)	26,316	97,631
Depreciation and amortization	2,518	4,721	48,463	295,043
Other significant non-cash items:				
Provision for doubtful receivables and probable loan losses	7,508	(17)	3,512	24,425
Write-downs of long-lived assets	510	(0)	113	3,043
Increase in policy liabilities and policy account balances	0	0	0	70,120
Equity in net income (loss) of affiliates and gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	28,380	13,157	7,246	141,880
Bargain Purchase Gain	0	0	0	955
Segment profits	50,955	45,084	11,787	451,361
Segment assets	1,374,027	317,847	1,010,268	10,883,545
Long-lived assets	17,859	0	192,910	1,980,786
Expenditures for long-lived assets	172	0	85,621	546,780
Investment in affiliates	52,361	1,495	221,853	821,600

	Millions of yen						
	Fiscal Year ended March 31, 2021						
	Corporate Financial Services and Maintenance Leasing	Real Estate	PE Investment and Concession	Environment and Energy	Insurance	Banking and Credit	Aircraft and Ships
Revenues	¥ 431,015	¥359,798	¥331,222	¥141,971	¥ 491,894	¥ 83,724	¥ 31,617
Finance revenues	58,996	6,206	152	1,315	242	78,071	1,172
Interest expense	5,613	2,282	1,455	11,469	6	4,931	12,760
Depreciation and amortization	162,620	15,249	9,406	20,221	28,366	1,279	13,566
Other significant non-cash items:							
Provision for credit losses	1,074	818	3,621	469	7	508	(159)
Write-downs of long-lived assets	207	1,167	0	98	0	0	0
Increase in policy liabilities and policy account balances	0	0	0	0	230,947	0	0
Equity in net income (loss) of affiliates and gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	1,485	6,132	(8,449)	12,423	0	3	8,718
Bargain Purchase Gain	0	0	601	4,365	0	0	0
Segment profits	70,727	25,886	3,842	27,543	56,152	49,913	5,357
Segment assets	1,676,063	872,095	378,698	489,174	1,959,521	2,690,627	601,762
Long-lived assets	542,284	544,232	74,130	285,155	28,538	0	262,019
Expenditures for long-lived assets	155,713	100,494	12,123	17,681	3	0	32,920
Investment in affiliates	18,049	99,105	55,421	180,492	0	200	293,469

	Millions of yen			
	Fiscal Year ended March 31, 2021			
	ORIX USA	ORIX Europe	Asia and Australia	Total
Revenues	¥ 138,017	¥160,798	¥ 128,309	¥ 2,298,365
Finance revenues	87,172	171	39,931	273,428
Interest expense	19,598	(435)	19,678	77,357
Depreciation and amortization	2,474	962	50,837	304,980
Other significant non-cash items:				
Provision for credit losses	6,221	34	3,424	16,017
Write-downs of long-lived assets	1,458	0	90	3,020
Increase in policy liabilities and policy account balances	0	0	0	230,947
Equity in net income (loss) of affiliates and gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	8,423	245	(5,200)	23,780
Bargain Purchase Gain	0	0	0	4,966
Segment profits	40,296	39,446	13,124	332,286
Segment assets	1,220,081	369,546	1,084,222	11,341,789
Long-lived assets	13,656	0	231,307	1,981,321
Expenditures for long-lived assets	592	0	87,327	406,853
Investment in affiliates	43,816	1,770	195,413	887,735

	Millions of yen						
	Fiscal Year ended March 31, 2022						
	Corporate Financial Services and Maintenance Leasing	Real Estate	PE Investment and Concession	Environment and Energy	Insurance	Banking and Credit	Aircraft and Ships
Revenues	¥ 445,338	¥390,688	¥385,739	¥160,232	¥ 486,704	¥ 84,821	¥ 38,639
Finance revenues	57,580	5,602	237	1,001	265	76,190	2,580
Interest expense	5,109	2,584	2,268	6,651	9	4,946	11,003
Depreciation and amortization	156,116	16,164	22,325	18,140	27,884	1,335	15,669
Other significant non-cash items:							
Provision for credit losses	1,296	173	924	0	(0)	2,395	(0)
Write-downs of long-lived assets	1,092	88	11,657	19,564	0	0	2,331
Increase in policy liabilities and policy account balances	0	0	0	0	141,201	0	0
Equity in net income (loss) of affiliates and gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	164,020	1,575	(11,040)	7,295	0	1	(5,472)
Segment profits	251,384	33,558	(11,261)	2,948	54,560	43,779	(1,838)
Segment assets	1,516,795	910,101	353,581	703,608	2,072,145	2,687,156	684,098
Long-lived assets	508,035	574,661	85,698	388,399	27,962	0	271,592
Expenditures for long-lived assets	146,851	78,601	11,884	30,200	0	0	70,370
Investment in affiliates	16,929	113,178	43,498	204,260	0	67	320,058

	Millions of yen			
	Fiscal Year ended March 31, 2022			
	ORIX USA	ORIX Europe	Asia and Australia	Total
Revenues	¥ 161,344	¥221,112	¥ 148,055	¥ 2,522,672
Finance revenues	90,708	56	47,166	281,385
Interest expense	16,117	(840)	19,659	67,506
Depreciation and amortization	2,678	1,225	59,768	321,304
Other significant non-cash items:				
Provision for credit losses	(1,726)	0	885	3,947
Write-downs of long-lived assets	928	0	6	35,666
Increase in policy liabilities and policy account balances	0	0	0	141,201
Equity in net income (loss) of affiliates and gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	20,593	449	25,370	202,791
Segment profits	76,263	49,559	52,255	551,207
Segment assets	1,364,142	401,869	1,306,089	11,999,584
Long-lived assets	13,399	0	280,684	2,150,430
Expenditures for long-lived assets	717	0	113,594	452,217
Investment in affiliates	45,337	2,221	232,471	978,019

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. 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. Income taxes are not included in segment profits or losses because the management evaluates segments' performance on a pre-tax basis. Most of selling, general and administrative expenses, including compensation costs that are directly related to the revenue generating activities of each segment and excluding the expenses that should be borne by ORIX Group as a whole, 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 long-lived assets and certain foreign exchange gains or losses (included in other (income) and expense) are excluded from the segment profits or losses, and are regarded as corporate items.

Assets attributed to each segment are net investment in leases, installment loans, investment in operating leases, investment in securities, property under facility operations, investment in affiliates, inventories, advances for finance lease and operating lease (included in other assets), advances for property under facility operations (included in other assets), goodwill, intangible assets acquired in business combinations (included in other assets) and servicing assets (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.

Since April 1, 2020, the selling, general and administrative expenses that should be borne by ORIX Group as a whole, which were initially charged directly to its respective segments, have been included in the difference between segment total profits and consolidated amounts. As a result of this change, segment data for fiscal 2020 has been retrospectively restated.

Since April 1, 2020, Credit Losses Standard has been adopted, and the amounts of allowance for doubtful receivables on finance leases and probable loan losses have been reclassified to allowance for credit losses. For further information, see Note 1 "Significant Accounting and Reporting Policies (ai) New accounting pronouncements."

Since April 1, 2021, a portion of interest expenses, which were initially included in the difference between segment total profits and consolidated amounts, have been charged directly to its respective segments. In addition, a portion of selling, general and administrative expenses, which were initially recorded in each respective segment, have been included in the difference between segment total profits and consolidated amounts. Furthermore, a portion of the leasing business in the Environment and Energy segment was transferred to the Corporate Financial Services and Maintenance Leasing segment. As a result of these changes, segment data for fiscal 2020 and 2021 have been retrospectively restated.

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.

	Millions of yen		
	2020	2021	2022
Segment revenues:			
Total revenues for segments	¥ 2,283,332	¥ 2,298,365	¥ 2,522,672
Revenues related to corporate assets	16,273	12,010	16,696
Revenues from inter-segment transactions	(19,276)	(17,667)	(19,003)
Total consolidated revenues	¥ 2,280,329	¥ 2,292,708	¥ 2,520,365
Segment profits:			
Total segment profits	¥ 451,361	¥ 332,286	¥ 551,207
Corporate losses	(43,842)	(49,334)	(52,329)
Net income attributable to the noncontrolling interests and net income attributable to the redeemable noncontrolling interests	5,042	4,609	5,998
Total consolidated income before income taxes	¥ 412,561	¥ 287,561	¥ 504,876
Segment assets:			
Total segment assets	¥10,883,545	¥11,341,789	¥11,999,584
Cash and cash equivalents, restricted cash	1,135,284	1,079,575	1,091,812
Allowance for doubtful receivables on finance leases and probable loan losses	(56,836)	0	0
Allowance for credit losses	0	(78,945)	(69,459)
Trade notes, accounts and other receivable	312,744	354,334	359,949
Other corporate assets	792,791	866,329	888,786
Total consolidated assets	¥13,067,528	¥13,563,082	¥14,270,672

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			
	Fiscal Year ended March 31, 2020			
	Japan	The Americas*1	Other*2	Total
Total Revenues	¥1,792,790	¥201,578	¥285,961	¥2,280,329
Income before Income Taxes	266,838	68,886	76,837	412,561

	Millions of yen			
	Fiscal Year ended March 31, 2021			
	Japan	The Americas*1	Other*2	Total
Total Revenues	¥1,817,124	¥208,072	¥267,512	¥2,292,708
Income before Income Taxes	176,256	57,709	53,596	287,561

	Millions of yen			
	Fiscal Year ended March 31, 2022			
	Japan	The Americas*1	Other*2	Total
Total Revenues	¥1,946,153	¥240,234	¥333,978	¥2,520,365
Income before Income Taxes	322,805	95,284	86,787	504,876

*1 Mainly the United States

*2 Mainly Asia, Europe, Australasia and Middle East

No single customer accounted for 10% or more of the Company's total revenues for fiscal 2020, 2021 and 2022.

The following information represents disaggregation of revenues for revenues from contracts with customers, by goods or services category and geographical location.

	Millions of yen						
	Fiscal Year ended March 31, 2020						
	Reportable segments						
	Corporate Financial Services and Maintenance Leasing	Real Estate	PE Investment and Concession	Environment and Energy	Insurance	Banking and Credit	Aircraft and Ships
Goods or services category							
Sales of goods	¥ 11,536	¥ 4,261	¥261,475	¥ 4,796	¥ 0	¥ 0	¥ 2,680
Real estate sales	0	117,969	0	0	0	0	0
Asset management and servicing	347	7,453	36	0	0	167	21
Automobile related services	60,782	0	0	232	0	0	0
Facilities operation	0	67,396	0	0	0	0	0
Environment and energy services	2,911	0	0	138,380	0	0	0
Real estate management and brokerage	0	106,375	0	0	0	0	0
Real estate contract work	0	89,522	0	0	0	0	0
Other	46,970	3,940	32,429	2,489	1,023	3,124	10,195
Total revenues from contracts with customers	122,546	396,916	293,940	145,897	1,023	3,291	12,896
Geographical location							
Japan	121,845	396,916	293,940	143,623	1,023	3,291	5,678
The Americas	0	0	0	0	0	0	0
Other	701	0	0	2,274	0	0	7,218
Total revenues from contracts with customers	122,546	396,916	293,940	145,897	1,023	3,291	12,896
Other revenues *	306,415	71,170	2,425	1,601	370,364	81,064	51,754
Segment revenues/Total revenues	¥428,961	¥468,086	¥296,365	¥147,498	¥371,387	¥84,355	¥64,650

	Millions of yen					
	Fiscal Year ended March 31, 2020					
	Reportable segments				Corporate revenue and intersegment transactions	Total revenues
	ORIX USA	ORIX Europe	Asia and Australia	Total		
Goods or services category						
Sales of goods	¥ 965	¥ 0	¥ 487	¥ 286,200	¥ 1,358	¥ 287,558
Real estate sales	984	0	0	118,953	0	118,953
Asset management and servicing	24,248	149,675	4	181,951	(100)	181,851
Automobile related services	0	0	16,950	77,964	23	77,987
Facilities operation	0	0	363	67,759	1,538	69,297
Environment and energy services	963	0	0	142,254	(722)	141,532
Real estate management and brokerage	0	0	0	106,375	(2,265)	104,110
Real estate contract work	0	0	0	89,522	(556)	88,966
Other	5,769	369	981	107,289	(3,230)	104,059
Total revenues from contracts with customers	32,929	150,044	18,785	1,178,267	(3,954)	1,174,313
Geographical location						
Japan	0	0	28	966,344	(1,703)	964,641
The Americas	32,929	67,050	0	99,979	0	99,979
Other	0	82,994	18,757	111,944	(2,251)	109,693
Total revenues from contracts with customers	32,929	150,044	18,785	1,178,267	(3,954)	1,174,313
Other revenues *	102,780	(1,520)	119,012	1,105,065	951	1,106,016
Segment revenues/Total revenues	¥135,709	¥148,524	¥137,797	¥2,283,332	¥(3,003)	¥2,280,329

	Millions of yen						
	Fiscal Year ended March 31, 2021						
	Reportable segments						
	Corporate Financial Services and Maintenance Leasing	Real Estate	PE Investment and Concession	Environment and Energy	Insurance	Banking and Credit	Aircraft and Ships
Goods or services category							
Sales of goods	¥ 10,348	¥ 2,836	¥301,732	¥ 3,816	¥ 0	¥ 0	¥ 0
Real estate sales	0	88,512	0	0	0	0	0
Asset management and servicing	354	6,216	33	45	0	207	23
Automobile related services	59,903	0	0	225	0	0	0
Facilities operation	0	23,301	0	0	0	0	0
Environment and energy services	3,060	0	0	134,424	0	0	0
Real estate management and brokerage	0	103,457	0	0	0	0	0
Real estate contract work	0	80,455	0	0	0	0	0
Other	49,548	1,505	21,997	1,667	1,667	4,771	3,317
Total revenues from contracts with customers	123,213	306,282	323,762	140,177	1,667	4,978	3,340
Geographical location							
Japan	122,232	306,282	323,762	130,077	1,667	4,978	1,194
The Americas	0	0	0	0	0	0	0
Other	981	0	0	10,100	0	0	2,146
Total revenues from contracts with customers	123,213	306,282	323,762	140,177	1,667	4,978	3,340
Other revenues *	307,802	53,516	7,460	1,794	490,227	78,746	28,277
Segment revenues/Total revenues	¥431,015	¥359,798	¥331,222	¥141,971	¥491,894	¥83,724	¥31,617

	Millions of yen					
	Fiscal Year ended March 31, 2021					
	Reportable segments				Corporate revenue and intersegment transactions	Total revenues
	ORIX USA	ORIX Europe	Asia and Australia	Total		
Goods or services category						
Sales of goods	¥ 2,407	¥ 0	¥ 65	¥ 321,204	¥ 679	¥ 321,883
Real estate sales	558	0	0	89,070	0	89,070
Asset management and servicing	16,099	150,302	0	173,279	(88)	173,191
Automobile related services	0	0	11,874	72,002	(2)	72,000
Facilities operation	0	0	0	23,301	510	23,811
Environment and energy services	960	0	0	138,444	(1,433)	137,011
Real estate management and brokerage	0	0	0	103,457	(1,515)	101,942
Real estate contract work	0	0	0	80,455	(276)	80,179
Other	3,254	86	613	88,425	43	88,468
Total revenues from contracts with customers	23,278	150,388	12,552	1,089,637	(2,082)	1,087,555
Geographical location						
Japan	0	0	1	890,193	(1,956)	888,237
The Americas	23,278	62,249	0	85,527	0	85,527
Other	0	88,139	12,551	113,917	(126)	113,791
Total revenues from contracts with customers	23,278	150,388	12,552	1,089,637	(2,082)	1,087,555
Other revenues *	114,739	10,410	115,757	1,208,728	(3,575)	1,205,153
Segment revenues/Total revenues	¥138,017	¥160,798	¥128,309	¥2,298,365	¥(5,657)	¥2,292,708

	Millions of yen						
	Fiscal Year ended March 31, 2022						
	Reportable segments						
	Corporate Financial Services and Maintenance Leasing	Real Estate	PE Investment and Concession	Environment and Energy	Insurance	Banking and Credit	Aircraft and Ships
Goods or services category							
Sales of goods	¥ 9,741	¥ 2,521	¥320,104	¥ 3,861	¥ 0	¥ 0	¥ 0
Real estate sales	0	94,617	0	0	0	0	0
Asset management and servicing	347	6,107	20	93	0	326	38
Automobile related services	62,897	0	0	228	0	0	0
Facilities operation	0	31,421	0	0	0	0	0
Environment and energy services	2,911	0	76	154,081	0	0	0
Real estate management and brokerage	0	102,689	0	0	0	0	0
Real estate contract work	0	93,265	0	0	0	0	0
Other	52,489	1,393	28,877	903	2,062	6,101	7,401
Total revenues from contracts with customers	128,385	332,013	349,077	159,166	2,062	6,427	7,439
Geographical location							
Japan	127,918	332,013	349,077	154,311	2,062	6,427	3,642
The Americas	0	0	0	0	0	0	0
Other	467	0	0	4,855	0	0	3,797
Total revenues from contracts with customers	128,385	332,013	349,077	159,166	2,062	6,427	7,439
Other revenues *	316,953	58,675	36,662	1,066	484,642	78,394	31,200
Segment revenues/Total revenues	¥445,338	¥390,688	¥385,739	¥160,232	¥486,704	¥84,821	¥38,639

	Millions of yen					
	Fiscal Year ended March 31, 2022					
	Reportable segments				Corporate revenue and intersegment transactions	Total revenues
	ORIX USA	ORIX Europe	Asia and Australia	Total		
Goods or services category						
Sales of goods	¥ 2,251	¥ 0	¥ 577	¥ 339,055	¥ 1,642	¥ 340,697
Real estate sales	84	0	0	94,701	(1)	94,700
Asset management and servicing	18,880	219,132	0	244,943	(56)	244,887
Automobile related services	0	0	13,630	76,755	17	76,772
Facilities operation	0	0	0	31,421	742	32,163
Environment and energy services	1,187	0	0	158,255	(1,928)	156,327
Real estate management and brokerage	0	0	0	102,689	(2,385)	100,304
Real estate contract work	0	0	0	93,265	(266)	92,999
Other	4,698	75	905	104,904	2,345	107,249
Total revenues from contracts with customers	27,100	219,207	15,112	1,245,988	110	1,246,098
Geographical location						
Japan	0	0	0	975,450	219	975,669
The Americas	27,100	77,647	0	104,747	0	104,747
Other	0	141,560	15,112	165,791	(109)	165,682
Total revenues from contracts with customers	27,100	219,207	15,112	1,245,988	110	1,246,098
Other revenues *	134,244	1,905	132,943	1,276,684	(2,417)	1,274,267
Segment revenues/Total revenues	¥161,344	¥221,112	¥148,055	¥2,522,672	¥(2,307)	¥2,520,365

* Other revenues include revenues that are not in the scope of revenue from contracts with customers, such as life insurance premiums and related investment income, operating leases, finance revenues that include interest income, and others.

33. Subsequent Events

On May 11, 2022, the Company's Board of Directors has passed a resolution approving the matters required under Article 156, Paragraph 1 of the Companies Act for the repurchase of its own shares for capital efficiency and shareholder returns, pursuant to Articles 34 of the Articles of Incorporation, which is in accordance with Article 459, Paragraph 1 Companies Act.

Details of Share Repurchase

- Class of shares to be repurchased: Common shares
- Total number of shares: Up to 40,000,000 shares

  (approximately 3.3% of the total outstanding shares (excluding treasury shares))
- Total purchase price of shares to be repurchased: Up to 50 billion yen
- Repurchase period: From May 18, 2022 to March 31, 2023
- Method of share repurchase: Market purchases based on the discretionary dealing contract regarding repurchase of own shares

Schedule II.—Valuation and Qualifying Accounts and Reserves

ORIX Corporation and Subsidiaries

	Millions of yen					
	Year Ended March 31, 2020					
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	¥ 2,049	¥ 0	¥ 73	¥(1,365)	¥ (67)	¥ 690
Total	¥ 2,049	¥ 0	¥ 73	¥(1,365)	¥ (67)	¥ 690

	Millions of yen					
	Year Ended March 31, 2021					
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	¥ 690	¥ 0	¥ 0	¥ (474)	¥ 36	¥ 252
Total	¥ 690	¥ 0	¥ 0	¥ (474)	¥ 36	¥ 252

	Millions of yen					
	Year Ended March 31, 2022					
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	¥ 252	¥ 0	¥ 2,781	¥ (187)	¥ 4	¥ 2,850
Total	¥ 252	¥ 0	¥ 2,781	¥ (187)	¥ 4	¥ 2,850

	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, 2020	¥13,156	¥ 522	¥ 3,401	¥(1,677)	¥ (33)	¥15,369
Year ended March 31, 2021	¥15,369	¥ 805	¥ 7,458	¥(2,487)	¥ 415	¥21,560
Year ended March 31, 2022	¥21,560	¥1,403	¥13,414	¥(2,445)	¥1,223	¥35,155

*1 The amount of deduction includes benefits recognized in earnings, expiration of loss carryforwards and sales of subsidiaries. The amounts of benefits recognized in earnings were ¥890 million in fiscal 2020, ¥553 million in fiscal 2021 and ¥1,742 million in fiscal 2022.

*2 The amount of other includes translation adjustment and the effect of changes in statutory tax rate.

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, 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;

(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) power generation business;

(15) supply of various energy resources and the products in relation thereto;

(16) planning, developing and contracting for lease and sale of intangible property rights;

(17) information processing and providing services, telecommunications business;

(18) business of dispatching workers to enterprise and employment agency business;

(19) purchase and sale of antiques;

(20) transport business;

(21) mining of various minerals, and the manufacture and sale of the products in relation thereto;

(22) business support and consulting;

(23) brokerage, agency, investigation, manufacturing, processing, research and development for business relating to any of the preceding items, and other business;

(24) 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;

(25) 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. When the company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.

4. Among items for which the measures for providing information in electronic format will be taken, the company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.

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 auditor 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 Distribution 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".

Supplementary Provisions

1. The deletion of Article 13 Paragraph 3 of the current Articles of Incorporation and the new establishment of proposed revision of Article 13 Paragraph 3 and 4 shall be effective on September 1, 2022, being the date of

enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the "Date of Enforcement").

2. Notwithstanding the provision of the preceding paragraph, Article 13 Paragraph 3 of the current Articles of Incorporation shall remain effective regarding any general meeting of shareholders held on a date within six (6) months from the Date of Enforcement.

3. This article shall be deleted on the date when six (6) months have elapsed from the Date of Enforcement or three (3) months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.

Exhibit 8.1

LIST OF SUBSIDIARIES

Name	Country of Incorporation	Principal Business	ORIX Voting Power[1]
ORIX Auto Corporation	Japan	Automobile Leasing, Rental, Car Sharing and Sales of Used Automobiles	100%
ORIX Rentec Corporation	Japan	Rental and Leasing of Test and Measurement Instruments and IT-Related Equipment	100%
Yodogawa Transformer Co., Ltd.	Japan	Manufacturing, Rental, and Sales of Power Receiving, Transforming, and Generating Facilities and Equipment, Various Types of Transformers, Cubicles, etc.	100%
ORIX Asset Management & Loan Services Corporation	Japan	Loan Servicing	100%
ORIX Real Estate Corporation	Japan	Real Estate Investment, Development, Rental, Facility Operation and Management	100%
ORIX Real Estate Investment Advisors Corporation	Japan	Real Estate Investment and Advisory Services	100%
ORIX Asset Management Corporation	Japan	Asset Management of J-REIT	100%
DAIKYO INCORPORATED	Japan	Housing Development and Sales, Redevelopment	100%
ORIX Eco Services Corporation	Japan	Trading of Recycled Metals and other Resources, Collection and Transportation of Industrial Waste, and Intermediate Waste Processing	100%
Elawan Energy S.L.	Spain	Development and Operation of Wind and Solar Power Generation	80%
ORIX Life Insurance Corporation	Japan	Life Insurance	100%
ORIX Bank Corporation	Japan	Banking	100%
ORIX Credit Corporation	Japan	Consumer Finance Services	100%
ORIX Aviation Systems Limited	Ireland	Aircraft Leasing, Aircraft Asset Management	100%
ORIX Corporation USA	U.S.A.	Financial Services	100%
ORIX Corporation Europe N.V.	Netherlands	Asset Management	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 (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, Rentals, Leasing, Commercial Vehicle Loans, Commercial Mortgage Loans	99%
Osaka City Dome Co., Ltd.	Japan	Multipurpose Hall Management	90%
Another 981 Subsidiaries			

LIST OF AFFILIATES

Avolon Holdings Limited	Ireland	Aircraft Leasing	30%
Kansai Airports	Japan	Airport Operation	40%
Another 150 Affiliates			

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, 2022

By:	/s/ MAKOTO INOUE
Name:	Makoto Inoue
Title:	Chief Executive Officer

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Hitomaro Yano, 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, 2022

By:	/s/ HITOMARO YANO
Name:	Hitomaro Yano
Title:	Executive Officer (principal 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, 2022 (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 Hitomaro Yano, the Executive 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, 2022

By:	/s/ MAKOTO INOUE
Name:	Makoto Inoue
Title:	Chief Executive Officer
By:	/s/ HITOMARO YANO
Name:	Hitomaro Yano
Title:	Executive Officer (principal 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 statement (No. 333-239720) on Form F-3 of our reports dated June 29, 2022, with respect to the consolidated financial statements and financial statement schedule II of ORIX Corporation and its subsidiaries, and the effectiveness of internal control over financial reporting.

KPMG AZSA LLC
Tokyo, Japan
June 29, 2022