ORIX CORP
Form 20-F
June 28, 2018

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, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from______to______

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report:

Commission file number: 001-14856

ORIX KABUSHIKI KAISHA

(Exact name of Registrant as specified in its charter)

ORIX CORPORATION

(Translation of Registrant s name into English)

Japan

(Jurisdiction of incorporation or organization)

World Trade Center Building, 2-4-1 Hamamatsu-cho, Minato-ku

Tokyo 105-6135, Japan

(Address of principal executive offices)

Yukio Uchimura

World Trade Center Building, 2-4-1 Hamamatsu-cho, Minato-ku

Tokyo 105-6135, Japan

Telephone: +81-3-3435-1273

Facsimile: +81-3-3435-1276

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

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

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

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

None

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

None

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

As of March 31, 2018, 1,324,495,728 Shares were outstanding, including Shares that were represented by 5,380,864 ADSs.

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

Yes No

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

Yes No

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

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

Yes No

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

Yes No

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

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

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

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

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

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

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

Item 17 Item 18

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

Yes No

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

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

Yes No

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

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CERTAIN DEFINED TERMS, CONVENTIONS AND

PRESENTATION OF FINANCIAL INFORMATION

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

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 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, 2018 is referred to throughout this annual report as fiscal 2018, 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.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

SELECTED FINANCIAL DATA

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

	Year ended March 31,				
	2014	2015	2016	2017	2018
	(Millions of yen)				
Income statement data*1*2:					
Total revenues	¥1,375,292	¥2,174,283	¥2,369,202	¥2,678,659	¥2,862,771
Total expenses	1,172,244	1,917,454	2,081,461	2,349,435	2,526,576
Operating income	203,048	256,829	287,741	329,224	336,195
Equity in net income of affiliates	18,368	30,531	45,694	26,520	50,103
Gains on sales of subsidiaries and affiliates and liquidation losses, net	64,923	20,575	57,867	63,419	49,203
Bargain purchase gain	0	36,082	0	5,802	0
Income before income taxes and discontinued operations	286,339	344,017	391,302	424,965	435,501
Income from continuing operations	187,786	254,960	270,990	280,926	321,589
Net income attributable to the noncontrolling interests	3,815	15,339	10,002	7,255	8,002
Net income attributable to the redeemable noncontrolling interests	4,108	4,970	819	432	452
Net income attributable to ORIX Corporation shareholders	187,364	234,948	260,169	273,239	313,135

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	As of March 31, 2014	2015	2016	2017	2018
	(Millions of yen, except number of shares)				
Balance sheet data*2:					
Investment in Direct Financing Leases*3	¥ 1,094,073	¥ 1,216,454	¥ 1,190,136	¥ 1,204,024	¥ 1,194,888
Installment Loans*3	2,315,555	2,478,054	2,592,233	2,815,706	2,823,769
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses	(84,796)	(72,326)	(60,071)	(59,227)	(54,672)
Investment in Operating Leases	1,379,741	1,296,220	1,349,199	1,313,164	1,344,926
Investment in Securities	1,214,452	2,846,257	2,344,792	2,026,512	1,729,455
Property under Facility Operations	295,863	278,100	327,016	398,936	434,786
Others*4	2,848,629	3,397,115	3,249,613	3,532,780	3,952,830
Total Assets*4	¥ 9,063,517	¥ 11,439,874	¥ 10,992,918	¥ 11,231,895	¥ 11,425,982
Short-term Debt, Long-term Debt and Deposits*4	¥ 5,363,968	¥ 5,701,356	¥ 5,685,014	¥ 5,753,059	¥ 5,890,720
Policy Liabilities and Policy Account Balances	454,436	2,073,650	1,668,636	1,564,758	1,511,246
Common Stock	219,546	220,056	220,469	220,524	220,961
Additional Paid-in Capital	255,449	255,595	257,629	268,138	267,291
ORIX Corporation Shareholders Equity	1,919,346	2,152,198	2,310,431	2,507,698	2,682,424
Number of Issued Shares	1,322,777,628	1,323,644,528	1,324,058,828	1,324,107,328	1,324,495,728
Number of Outstanding Shares*5	1,309,444,294	1,308,642,971	1,309,514,020	1,302,587,061	1,280,000,872

	As of and for the Year Ended March 31, 2014	2015	2016	2017	2018
	(Yen and dollars, except ratios and number of employees)				
Key ratios (%)*6:					
Return on ORIX Corporation shareholders equity (ROE)	10.5	11.5	11.7	11.3	12.1

Return on assets (ROA)	2.14	2.29	2.32	2.46	2.76
ORIX Corporation shareholders equity ratio	21.2	18.8	21.0	22.3	23.5
Allowance/investment in direct financing leases and installment loans	2.5	2.0	1.6	1.5	1.4
Per share data and employees:					
ORIX Corporation shareholders equity per share*7	¥ 1,465.77	¥ 1,644.60	¥ 1,764.34	¥ 1,925.17	¥ 2,095.64
Basic earnings per share for income attributable to ORIX Corporation shareholders from continuing operations*8	142.00	179.24	198.73	208.88	244.40
Basic earnings per share for net income attributable to ORIX Corporation shareholders	147.75	179.47	198.73	208.88	244.40
Diluted earnings per share for net income attributable to ORIX Corporation shareholders	143.20	179.21	198.52	208.68	244.15
Dividends applicable to fiscal year per share	23.00	36.00	45.75	52.25	66.00
Dividends applicable to fiscal year per share*9	$ 0.22	$ 0.29	$ 0.40	$ 0.48	$ 0.60
Number of employees	25,977	31,035	33,333	34,835	31,890

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

*2 Prior-year amounts have been adjusted retrospectively to eliminate a lag period that previously existed between DAIKYO INCORPORATED (DAIKYO) and ORIX in fiscal 2015.

*3 The sum of assets considered 90 days or more past due and loans individually evaluated for impairment amounted to ¥155,860 million, ¥123,042 million, ¥94,327 million, ¥80,347 million and ¥71,974 million as of March 31, 2014, 2015, 2016, 2017 and 2018, respectively. These sums included: (i) investment in direct financing leases considered 90 days or more past due of ¥13,887 million, ¥15,373 million, ¥12,556 million,

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¥11,600 million and ¥12,084 million as of March 31, 2014, 2015, 2016, 2017 and 2018, respectively, (ii) installment loans (excluding loans individually evaluated for impairment) considered 90 days or more past due of ¥6,149 million, ¥6,635 million, ¥8,178 million, ¥9,722 million and ¥12,748 million as of March 31, 2014, 2015, 2016, 2017 and 2018, respectively, and (iii) installment loans individually evaluated for impairment of ¥135,824 million, ¥101,034 million, ¥73,593 million, ¥59,025 million and ¥47,142 million as of March 31, 2014, 2015, 2016, 2017, and 2018, respectively. See Item 5. Operating and Financial Review and Prospects Results of Operations Year Ended March 31, 2018 Compared to Year Ended March 31, 2017 Details of Operating Results Revenues, New Business Volumes and Investments Asset quality.

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

*5 The Company s shares held through the Board Incentive Plan Trust, which was established in July 2014 to provide shares at the time of retirement as compensation, are included in the number of treasury stock shares and excluded from the number of outstanding shares. The trust held 2,153,800 shares, 1,696,217 shares, 2,126,076 shares and 1,651,443 shares as of March 31, 2015, 2016, 2017 and 2018, respectively.

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

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

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

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

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EXCHANGE RATES

The following table provides the noon buying rates for Japanese yen, expressed in Japanese yen per $1.00 in New York City for cable transfers in foreign currencies. As of June 22, 2018, the noon buying rate for Japanese yen was ¥109.98 = $1.00. No representation is made that the yen or dollar amounts referred to herein could have been or could be converted into dollars or yen, as the case may be, at any particular rate or at all.

	Year Ended March 31,				
	2014	2015	2016	2017	2018
	(Yen per dollar)				
Yen per dollar exchange rates:					
High	¥ 105.25	¥ 121.50	¥ 125.58	¥ 118.32	¥ 114.25
Low	92.96	101.26	111.30	100.07	104.83
Average of the last days of the months	100.46	110.78	120.13	108.31	110.70
At period-end	102.98	119.96	112.42	111.41	106.20

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

	High	Low
2017		
December	¥ 113.62	¥ 111.88
2018		
January	¥ 113.18	¥ 108.38
February	110.40	106.10
March	106.91	104.83
April	109.33	105.99
May	111.08	108.62

RISK FACTORS

Investing in our securities involves risks. You should carefully consider the risks described below as well as all the other information in this annual report, including, but not limited to, our consolidated financial statements and related notes and Item 11. Quantitative and Qualitative Disclosures about Market Risk. Our business activities, financial condition and results of operations and the trading prices of our securities could be adversely affected by any of the factors discussed below or other factors. Even if we do not incur direct pecuniary loss 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.

1. Risks Related to our External Environment

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

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

The U.S. economy has remained steady with improvements in employment and income environments over the past eight years. Stable growth has also been observed in other regions. Although interest rates remain low

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worldwide, rate increases in the U.S. and the scaling back of quantitative easing policies in Europe are expected. In addition, there are political and geopolitical tensions in certain regions that need to be monitored carefully.

The Japanese economy, as a whole, is continuing to experience moderate recovery.

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

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

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

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

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

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

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

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

Our business activities, financial condition and results of operations may be adversely affected by unpredictable events or any continuing effects caused by such events. Unpredictable events include man-made events, such as accidents, war, terrorism and insurgency, and natural events, such as earthquakes, storms, tsunamis, fires and outbreaks of infectious diseases. If any such event occurs, it may, among other things, cause unexpectedly large market price movements or 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, which could adversely affect our business activities, financial condition and results of operations.

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

Between June 28, 2017, and June 28, 2018, one of our shareholders filed a large shareholder report pursuant to the Financial Instruments and Exchange Act (FIEA) indicating, at the time of filing, beneficial ownership, as that term is used in the FIEA, of more than five percent of the total number of our outstanding Shares by each relevant reporting shareholder. This or other of our shareholders may, for strategic, investment or other reasons, decide to reduce their shareholdings in ORIX. Dispositions of Shares, particularly dispositions of large numbers of Shares by major shareholders, may adversely affect market prices for our Shares. For information on major shareholders, see Item 7. Major Shareholders and Related Party Transactions.

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

2. Credit Risk

Our credit-related costs might increase

We maintain an allowance for doubtful receivables on direct financing leases and probable loan losses. However, we cannot be sure that the allowance will be adequate to cover future credit losses. This allowance may be inadequate due to unexpected adverse changes in the Japanese and overseas economies in which we operate, or deterioration in the conditions of specific customers, industries or markets. While we constantly strive to improve our portfolio management, we may be required to make additional provisions in the future depending on economic trends and other factors.

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

3. Business Risk

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

We are engaged in a broad range of businesses in Japan and overseas and continue to expand such range, including through acquisitions of companies and businesses. 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. 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, as part of our business expansion, we may acquire companies or businesses. If the results of operations of an acquired company or business are lower than what we expected at the time we made such acquisition, we could be required to make large write-downs of goodwill or other assets.

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

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

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

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

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

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

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

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

(3) Risks related to our other businesses

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

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

4. Market Risk

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

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

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

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

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

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

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

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

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

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

5. Liquidity Risk (Risk Relating to Fund Procurement)

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

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

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

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

6. Compliance Risk

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

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

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7. Legal Risk

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

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

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

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

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

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

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

8. Information Asset Risk

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

We maintain various information assets such as customer information including information on individuals, accounting information and personnel information. We have implemented internal rules and training programs to properly manage such information assets. We also implement technical measures such as maintaining various network security 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 assets may be lost, damaged or leaked.

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

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

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

System shutdowns, malfunctions or failures, the mishandling of data or fraudulent acts by employees, vendors or other third parties, 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, the leakage, loss or destruction of confidential or personal information of our customers or employees, the generation of errors in information used by our management for business decision-making and risk management evaluation and planning, the suspension of certain products or services we provide to our customers or other interruptions of our business activities. In such event, our liquidity or the liquidity of customers who rely on us for financing or payment could be adversely affected. We may also incur substantial costs to recover our business functionality or be penalized for violating applicable laws and regulations and may be sued for damages.

As a result of the above, our operations, financial standing and performance may be adversely affected.

9. Operational Risk

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

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

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

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

(3) Our risk management may not be effective

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

(4) Other operational risks

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

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

Our management attempts to 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 and results of operations may be adversely affected at any time due to this risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 4. Information on the Company

GENERAL

ORIX is a joint stock corporation *(kabushiki kaisha)* formed under Japanese law. Our principal place of business is at World Trade Center Building, 2-4-1 Hamamatsu-cho, Minato-ku, Tokyo 105-6135, Japan, and our phone number is: +81 3 3435 3000. Our general contact URL is https://ssl.orix-form.jp/ir/inquiry_e/ and our corporate website URL is: https://www.orix.co.jp/grp/en. The information on our website is not incorporated by reference into this annual report. ORIX USA Corporation (hereinafter, ORIX USA, one of the Company s subsidiaries, has changed its name to ORIX

Corporation USA on June 1, 2018) is ORIX s agent in the United States, and its principal place of business is at 1717 Main Street, Suite 1100, Dallas, Texas 75201, USA.

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CORPORATE HISTORY

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

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

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

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

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

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

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

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

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

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

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

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

In July 2013, ORIX acquired Robeco Groep N.V. (presently ORIX Corporation Europe N.V.), 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.

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

STRATEGY

Operating Environment

The U.S. economy has remained steady with improvements in employment and income environments. Stable growth has also been observed in other regions. Although interest rates remain low worldwide, rate increases in the U.S. and the scaling back of quantitative easing policies in Europe are expected. The market has become more conscious about increasing market volatility. In addition, there are political and geopolitical tensions in certain regions that need to be monitored carefully.

The Japanese economy, as a whole, is continuing to experience moderate recovery.

Target Performance Indicators FY2019-2021

In its pursuit of sustainable growth, ORIX Group uses the following performance indicators: Net income attributable to ORIX Corporation shareholders to indicate profitability, ROE to indicate capital efficiency and ROA to indicate asset efficiency. In line with the mid-term strategic directions announced in May 2015, ORIX Group aimed to achieve a net income attributable to ORIX Corporation shareholders target of ¥300 billion for the fiscal year ended March 31, 2018, and to maintain ROE around 11% to 12% with a focus on the growth of existing businesses and the expansion of non-finance businesses through new investment in key areas.

In the last three fiscal years ended March 31, 2018, in the domestic market, ORIX Group steadily developed its auto related business through its solid customer base, increased the number of life insurance policies through products that meet customer needs as well as enhanced sales channels and expanded the renewable energy business and electric power retailing business in the environment and energy business. In the overseas business, ORIX Group developed its fee businesses in the Americas, increased profit and assets under management in ORIX Corporation Europe N.V. and increased assets in the aircraft related business.

Regarding new investment in key areas, ORIX Group set a precedent for its overseas development through its investments in the environment and energy business in the Americas and Asia, and expanded its fee businesses through several M&A transactions mainly in the Americas. Regarding the private equity businesses, ORIX Group built up a track record of investment and sales in Japan and also made several new investments in the Americas and Asia.

Furthermore, ORIX Group launched its concession business and joint airport operation business which is a first for a private operator.

As a result of above-mentioned measures, as of March 31, 2018, ORIX Group achieved a net income attributable to ORIX Corporation shareholders of ¥313.1 billion and ROE of 12.1% meeting its targets of net income attributable to ORIX Corporation shareholders of ¥300 billion and ROE around 11% to 12%.

From the fiscal year ending March 31, 2019, ORIX Group aims to achieve annual net income attributable to ORIX Corporation shareholders growth of between 4% to 8%, and to maintain ROE above 11% by increasing asset efficiency through quality asset expansion in order to capture business opportunities and increasing capital efficiency by strengthening profit-earning opportunities such as fee-based businesses.

Although forward-looking statements in this document are attributable to current information available to ORIX Corporation and are based on assumptions deemed reasonable by ORIX Corporation, actual financial results may differ materially due to various factors. Readers are urged not to place undue reliance on such forward-looking statements.

Three-year trends in performance indicators are as follows.

		As of March 31,		
		2016	**2017**	**2018**
Net income attributable to ORIX Corporation shareholders	(Millions of yen)	¥ 260,169	¥ 273,239	¥ 313,135
ROE(1)	(%)	11.7	11.3	12.1
ROA(2)(3)	(%)	2.32	2.46	2.76

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

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

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

Medium- Term Strategic Directions FY2019-2021

ORIX Group manages its business portfolio by dividing it into six segments: Corporate Financial Services, Maintenance Leasing, Real Estate, Investment and Operation, Retail, and Overseas Business.

Furthermore, taking risk and capital requirements into account, ORIX Group categorizes these six segments into three categories: Finance, Operation and Investment to describe its mid-term strategic directions. The Finance business is ORIX Group s customer base and source of information. However, given that the low interest rate environment makes growth difficult in financial businesses, ORIX Group will continue to focus on Operation and Investment to grow stable earnings and will proactively enter new markets to nurture its next core businesses.

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The Operation business for which operational risk is taken by ORIX Group is positioned as ORIX Group s growth driver and source for new and stable earnings. ORIX Group will engage in M&A and expand new investment with a focus on the environment and energy business, asset management business, concession business and life insurance business as well as other new business areas coming from the change in society and the market.

The Investment business provides ORIX Group with opportunities to develop new businesses. ORIX Group focuses mainly on private equity businesses in Japan and overseas, aircraft and ship-related operations and will expand the scale of those businesses.

Development of business structure toward the realization of management strategies

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

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

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

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

PROFILE OF BUSINESS BY SEGMENT

For a discussion of the basis for the breakdown of segments, see Note 33 of Item 18. Financial Statements. The following table shows a breakdown of profits by segment for fiscal 2016, 2017 and 2018.

	Years ended March 31,		
	2016	2017	2018
	(Millions of yen)		
Corporate Financial Services	¥ 42,418	¥ 38,032	¥ 49,275
Maintenance Leasing	42,935	39,787	40,162
Real Estate	42,902	72,841	62,372
Investment and Operation	57,220	85,000	96,120
Retail	51,756	72,865	74,527
Overseas Business	142,879	112,312	106,602
Total segment profits	380,110	420,837	429,058
Difference between segment total and consolidated amounts	11,192	4,128	6,443
Total Consolidated Amounts	¥391,302	¥424,965	¥435,501

Each of our segments is briefly described below.

BUSINESS SEGMENTS

ORIX organizes its businesses into six segments to facilitate strategy formulation, resource allocation and portfolio balancing at the segment level. These six business segments are: Corporate Financial Services,

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Maintenance Leasing, Real Estate, Investment and Operation, Retail and Overseas Business. Management believes that organizing our business into large, strategic units allows us to maximize our corporate value by identifying and cultivating strategic advantages vis-à-vis anticipated competitors in each area and by helping ORIX Group achieve competitive advantage overall.

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

Corporate Financial Services Segment

Overview of Operation

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

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

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

Operating Environment

See Segment Information of Item 5. Operating and Financial Review and Prospects Results of operations.

Mid-term Strategic Directions

- Diversify the source of services income
- Maximize synergy potential with Yayoi
- Utilize domestic network to develop new businesses

Operating Strategy

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

Specifically, we provide a wide range of product and services such as life insurance, environment and energy service, auto lease related services and also strengthen our business to provide solutions against diversified business challenges which customers face such as business succession. Moreover, the segment will also focus on new areas such as IT, healthcare and agriculture to develop new business opportunities.

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

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Maintenance Leasing Segment

Overview of Operation

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

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

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

Operating Environment

See Segment Information of Item 5. Operating and Financial Review and Prospects Results of operations.

Mid-term Strategic Directions

- Capitalize on competitive advantage to increase market shares
- Make the change of industrial structure into new business opportunities
- Strengthen engineering solution business

Operating Strategy

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

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

In the equipment rental business, while working to maintain our high market share, we intend to expand and strengthen our revenue base by increasing the number of new customers by focusing on growth areas, increasing

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rental of high margin products and introducing new rental items. We will also expand our customer base and range of products in the fields of environment and energy, environmental analysis, electronic components and next-generation automobile development and promote medical equipment rentals that require a high level of expertise and other high value-added rentals by providing applications and cloud services designed to meet the needs of customers renting tablet computers. We will seek tie-ups with manufacturers and system companies in order to expand our products and services.

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

Real Estate Segment

Overview of Operation

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

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

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

Operating Environment

See Segment Information of Item 5. Operating and Financial Review and Prospects Results of operations.

Mid-term Strategic Directions

- Expand asset management business
- Accumulate expertise by operating various facilities
- Develop new businesses by taking advantage of the value chain

Operating Strategy

In the real estate development business, we will promote the development of complex facilities not only in major urban areas but also in areas abundant in tourism resources with the knowledge and experience acquired through the various real estate development and rental businesses and facility operation businesses. And we also develop the most advanced logistic facilities which is adopted to online shopping market by utilizing the land information acquired through the sales network and grasping customers needs. In the real estate rental business, we will enhance our portfolio by selling properties at appropriate times and by promoting new investments in properties continuously.

In the asset management business, we will increase the assets under management in ORIX Asset Management Corporation and ORIX Real Estate Investment Advisors Corporation to expand our fee business. In the facilities operation business, we will continue to invest in hotels and inns by selecting those locations carefully. In operating our existing facilities, we believe ORIX can add value through providing attractive accommodations that our customers are satisfied with and want to revisit.

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As mentioned above, we will make stable profit through the asset management business and facility operating business while developing new businesses by making best use of our broad expertise in real estate business and group network.

Investment and Operation Segment

Overview of Operation

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

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

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

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

Operating Environment

See Segment Information of Item 5. Operating and Financial Review and Prospects Results of operations.

Mid-term Strategic Directions

- Accelerate renewable energy business in overseas

- Diversify the methods and expand the target zone in the business investment area

- Expand the scope in concession business

Operating Strategy

In our environment and energy business, we will increase investment in renewable energy. In Japan, we will focus on the development of energy sources other than solar power, such as wind power, geothermal power and biomass, and will work together with our domestic sales and marketing divisions to become one of Japan s leading renewable energy power companies. We also seek to expand the business of the deregulation of the electricity retail market. As for overseas, we will also use the experience and expertise cultivated in Japan to strengthen its electric power generation and renewable energy business in emerging countries, in which energy demand is expected to expand. As part of this strategy, we invested in Ormat Technologies, Inc., (Ormat) the U.S. listed geothermal energy company in July 2017.

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

As for concession business, we commenced to operate Kobe Airport with VINCI Airports and Kansai Airports in April 2018 and will integrate the operation of Kansai International Airport, Osaka International Airport, and Kobe Airport. We also took part in the operation of wastewater treatment plant in Hamamatsu City and will continue to expand our operation to various public infrastructure.

Retail Segment

Overview of Operation

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

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

Operating Environment

See Segment Information of Item 5. Operating and Financial Review and Prospects Results of operations.

Mid-term Strategic Directions

- Grow from mid-size insurer to a major insurer

- Develop new business fields of ORIX Bank

Operating Strategy

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

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

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

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

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Overseas Business Segment

Overview of Operation

Since first expanding into Hong Kong in 1971, ORIX Group has established an overseas network spanning 716 bases in 38 countries and regions.

In the Overseas Business segment, in the United States, asset management is at the heart of efforts to expand non-finance business and boasts a high level of expertise in the fields of corporate finance, securities investment, principal investment, loan origination and servicing and also fund management. Underpinned by a leasing, automobile leasing and corporate finance operating base that is aligned with the conditions of each country in Asia, the Overseas Business segment engages in principal investment activities, real estate-related businesses, as well as aircraft and ship-related operations that include leasing, financing, management, investment, intermediary and sales activities in the field of aircraft and ship.

Furthermore, in Europe, the Overseas Business segment conducts asset management operations for individual and corporate clients through ORIX Corporation Europe N.V., a Dutch holding company of global asset management companies that became a consolidated subsidiary of ORIX Group in July 2013 (hereinafter, ORIX Europe, one of the Company s subsidiaries, has changed its name from Robeco Groep N.V. on January 1, 2018).

Operating Environment

See Segment Information of Item 5. Operating and Financial Review and Prospects Results of operations.

Mid-term Strategic Directions

- Proactively develop aircraft and ship-related operations
- Expand asset management and PE investment business
- Diversify overseas business with strengthened functions

Operating Strategy

In the United States, we maintain a stable presence in our traditional business of investing in municipal bonds, CMBS and other fixed-income securities and providing corporate finance services. We also enhance the fee business through Red Capital Group s loan structuring and servicing services and Mariner Investment Group s fund management services. Since the acquisition of Boston Financial Investment Management LP, a syndicator in the Low Income Housing Tax Credit industry in July 2016 and Lancaster Pollard Holdings, LLC, which provides integrated investment banking, mortgage banking, balance sheet lending and private equity services focused on the full continuum of senior living in September 2017, we continue to expand fee businesses.

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

In the aircraft-related operations, we will make new investments by carefully selecting aircraft types, age and other important factors for our portfolio. In addition to pursuing opportunities to profit from Company-owned assets, we will seek to generate fees from our services relating to the management of the aircraft to investors and financial institutions. In the ship-related operations, we will accelerate investment in shipping loans particularly in Europe with the cultivated expertise ranging from ship finance, ownership, management and operations to ship purchases, sales and brokerage.

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

DIVISIONS, MAJOR SUBSIDIARIES AND AFFILIATES

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

CAPITAL PRINCIPAL EXPENDITURES AND DIVESTITURES

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

	As of March 31, 2018	
	Book Value (Millions of yen)	**Land Space[1] (Thousands of m^2)**
Office building (Tachikawa, Tokyo)	¥13,572	3
Office building (Shiba, Minato-ku, Tokyo)	30,803	2
Office building (Osaka, Osaka)	10,270	2
Thermal power station (Soma, Fukushima)	30,573	63
Solar power station (Tsu, Mie)	15,479	1,193
Solar power station (Tomakomai, Hokkaido)	12,030	
Hotel (Beppu, Oita)	10,803	159

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

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We plan to make capital expenditures totaling approximately ¥563,000 million to support the growth and development of our operating lease business and power generation business during fiscal 2019. The following table shows a breakdown of planned capital expenditures and includes the estimated investment amounts and expected methods of financing the expenditures.

	Fiscal 2019	
	Estimated investment amounts	**Expected methods of financing**
	(Millions of yen)	
Operating lease equipment and property	¥ 480,000	Funds on hand, bank borrowings, etc.
Power generation equipment	83,000	Funds on hand, bank borrowings, etc.
Total	¥ 563,000	

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

We own office buildings, apartment buildings and recreational facilities for our employees and others with an aggregate book value of ¥112,962 million as of March 31, 2018.

As of March 31, 2018, the acquisition cost of equipment we held for operating leases amounted to ¥1,919,826 million, consisting of ¥1,249,683 million of transportation equipment, ¥245,492 million of measuring and information-related equipment, ¥395,533 million of real estate and ¥29,118 million of others, before accumulated depreciation. Accumulated depreciation on equipment held for operating leases was ¥605,415 million as of the same date.

SEASONALITY

Our business is not materially affected by seasonality.

RAW MATERIALS

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

PATENTS, LICENSES AND CONTRACTS

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

BUSINESS REGULATION

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

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

JAPAN

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

The major regulations that govern our businesses are as follows:

Moneylending Business

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

Real Estate Business

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

Car Rental Business

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

Insurance Business

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

Financial Instruments Exchange Business

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

Second Class Financial Instruments Exchange Business

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

Investment Management Business

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

Investment Advisory and Agency Business

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

Banking and Trust Business

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

Debt Management and Collection Business

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

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Waste Management

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

Regulation on Share Acquisitions

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

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

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

OUTSIDE JAPAN

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

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

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

In May 2010, ORIX USA acquired RED Capital Group LLC (RED), and in September 2017, ORIX USA acquired Lancaster Pollard Holdings, LLC (LPH). Each of RED and LPH is based in Columbus, Ohio and provides debt and equity capital, as well as advisory services, to the housing, health care, and real estate industries. RED and LPH and their respective subsidiaries must comply with rules and regulations administered by the Government National Mortgage Association, the Federal National Mortgage Association, the Department of Housing and Urban

Development and the Federal Housing Administration. RED must also comply with the rules and regulations of The Federal Home Loan Mortgage Corporation. RED Mortgage Capital, LLC and RED Capital Partners, LLC are licensed California Finance Lenders.

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

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

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

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

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

Robeco Institutional Asset Management B.V. (RIAM), a subsidiary of ORIX Europe, is authorized and regulated by *The Netherlands Authority for the Financial Markets* (*Autoriteit Financiële Markten* (AFM)) and *The Dutch Central Bank* (*De Nederlandsche Bank* (DNB)) in the Netherlands, *inter alia*, to offer certain investment services. RIAM has branches and representative offices worldwide, including in 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.

Transtrend B.V., a subsidiary of ORIX Europe that offers asset management and commodity trading advisory services, is also authorized and regulated by AFM and DNB, and is registered with the National Futures

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Association in the United States (NFA) and regulated by the NFA and the Commodity Futures Trading Commission in the United States (CFTC).

Harbor Capital Advisors, Inc., Boston Partners Global Investors, Inc., and Robeco Institutional Asset Management US, Inc. are registered with and regulated by the SEC to provide investment advisory services in the United States. Harbor Capital Advisors, Inc. is also registered with and regulated by the NFA and the CFTC.

Harbor Services Group, Inc. acts as transfer agent and is registered with the SEC.

Boston Partners Global Investors, Inc. is also registered with the *Financial Services Commission* (FSC) in Korea. Furthermore, Boston Partners Global Investors, Inc. is registered as a commodity trading adviser and a commodity pool operator with the CFTC and is a member of the NFA.

Boston Partners Securities L.L.C. and Harbor Funds Distributors Inc. are investment advisors (broker-dealers) registered with the SEC and members of the FINRA.

Boston Partners UK Ltd is a wholly owned subsidiary of Boston Partners Global Investors, Inc and is registered as an investment adviser with the FCA.

Boston Partners Trust Company is a wholly owned subsidiary of Boston Partners Global Investors, Inc. and is registered with the *New Hampshire Banking Commission* (NHBC).

RobecoSAM AG, a subsidiary of ORIX Europe, is authorized and regulated by the *Swiss Financial Market Supervisory Authority* (FINMA).

Robeco Luxembourg S.A., a subsidiary of ORIX Europe, is authorized and regulated by the *Commission de Surveillance du Secteur Financier* in Luxembourg (CSSF).

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

Robeco France S.A.S., a subsidiary of ORIX Europe, is authorized and regulated by the *Authorité de controle prudential et de resolution* (ACPR) in France and the *Autorité des Marchés Financiers* (AMF) in France.

Robeco Singapore Private Limited, a subsidiary of ORIX Europe, is licensed by the *Monetary Authority of Singapore* (MAS).

Robeco Switzerland A.G., a subsidiary of ORIX Europe, is licensed by the *Swiss Financial Market Supervisory Authority* (FINMA).

Corestone Investment Managers AG, a subsidiary of ORIX Europe, is admitted to the *Financial Services Standards Association* (VQF).

Robeco Miami B.V. a subsidiary of ORIX Europe, is registered with and regulated by the SEC and member of the FINRA.

LEGAL PROCEEDINGS

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

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

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OVERVIEW

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

Results Overview

Fiscal 2018 was the last fiscal year of our medium-term strategy announced in May 2015. Despite increasing market volatility, stable growth has been observed in many regions worldwide particularly in the United States. Our group company in the United States recorded a decrease in deferred tax liabilities due to the U.S. tax reform measured enacted in December 2017. Under the aforementioned circumstances, ORIX strived to manage its businesses based on the performance indicators of profitability, capital efficiency and asset efficiency. Due to the impact of U.S. tax reform measures on ORIX Group companies, as well as growth of the existing businesses, and profit contribution from new businesses, for fiscal 2018 ORIX recorded tall-time high net income for the fourth consecutive years and net income growth for the ninth consecutive years achieved net income attributable to ORIX Corporation shareholders of ¥313.1 billion and ROE of 12.1%, exceeding its target net income attributable to ORIX Corporation shareholders of ¥300 billion and target ROE around 11% to 12%.

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Net Income Attributable to ORIX Corporation Shareholders for fiscal 2018 increased 15 % to ¥313,135 million compared to fiscal 2017, primarily due to increases in profits from the Corporate Financial Services segment, the Maintenance Leasing segment, the Investment and Operation segment and Retail segment, although profits from the Real Estate segment and the Overseas Business segment decreased.

The main factors underlying our performance in fiscal 2018 are outlined below

The Corporate Financial Services segment s profits increased due to increases in gains on sales of securities and services income despite a decrease in finance revenues from a decrease in average investment balance.

The Maintenance Leasing segment s profits increased due to increases in finance revenues and operating leases revenues in line with an increased average segment asset balance and an increase in services income.

The Real Estate segment s profits decreased due to a decrease in gains on sales of rental property, despite an increase in services income from facilities operations.

The Investment and Operation segment s profits increased due to increases in sales of goods from subsidiaries in the principal investment business, services income from the environment and energy business and equity in net income of affiliates.

The Retail segment s profits increased due to an increase in life insurance premiums and related investment income.

The Overseas Business segment s profits decreased due to decreases in equity in net income of affiliates and gains on sales of subsidiaries and affiliates and liquidation losses, net, despite increases in services income in the asset management business and operating leases revenues from our aircraft-related operations including gains on sales of aircraft.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, a number of significant judgments, assumptions and estimates may be required. If observable market prices are not available, we use internally-developed valuation techniques, such as discounted cash flow methodologies, to measure fair value. These valuation techniques involve determination of assumptions that market participants would use in pricing the asset or liability. This determination involves significant judgment, and the use of different assumptions and/or valuation techniques could have a material impact on our financial condition or results of

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operations. Significant assumptions used in measuring fair values have a pervasive effect on various estimates, such as estimates of the allowance for real estate collateral-dependent loans, measurement of impairment of investments in securities, measurement of impairment of goodwill and intangible assets that have indefinite useful lives, measurement of impairment of long-lived assets and recurring measurements of loans held for sale, investments in securities and derivative instruments.

The Company and its subsidiaries classify and prioritize inputs used in valuation techniques to measure fair value into the following three levels:

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

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

Level 3 Unobservable inputs for the assets or liabilities.

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

The following table presents recorded amounts of major financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2018:

	March 31, 2018			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Millions of yen)			
Financial Assets:				
Loans held for sale	¥ 17,260	¥ 0	¥ 17,260	¥ 0
Trading securities	422,053	35,766	386,287	0
Available-for-sale securities	1,015,477	65,716	828,844	120,917

Other securities	37,879	0	0	37,879
Derivative assets	21,831	507	19,033	2,291
Other assets	15,008	0	0	15,008
Total	¥ 1,529,508	¥ 101,989	¥ 1,251,424	¥ 176,095
Financial Liabilities:				
Derivative liabilities	¥ 12,400	¥ 318	¥ 12,082	¥ 0
Policy Liabilities and Policy Account Balances	444,010	0	0	444,010
Total	¥ 456,410	¥ 318	¥ 12,082	¥ 444,010

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

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As of March 31, 2018, financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) and the percentages of total assets were as follows:

	March 31, 2018	
	Significant Unobservable Inputs (Level 3)	Percentage of Total Assets (%)
	(Millions of yen, except percentage data)	
Level 3 Assets:		
Available-for-sale securities	¥ 120,917	1
Corporate debt securities	3,037	0
Specified bonds issued by SPEs in Japan	861	0
CMBS and RMBS in the Americas	36,010	0
Other asset-backed securities and debt securities	81,009	1
Other securities	37,879	0
Investment funds	37,879	0
Derivative assets	2,291	0
Options held/written and other	2,291	0
Other assets	15,008	0
Reinsurance recoverables	15,008	0
Total Level 3 financial assets	¥ 176,095	2
Total assets	¥ 11,425,982	100

As of March 31, 2018, the amount of financial assets classified as Level 3 was ¥176,095 million, financial assets that we measured at fair value on a recurring basis. Level 3 assets represent 2% of our total assets.

Available-for-sale securities classified as Level 3 are mainly CMBS and RMBS in the Americas and other asset-backed securities and debt securities. CMBS and RMBS in the Americas and other asset-backed securities and debt securities classified as Level 3 available-for-sale securities were ¥36,010 million and ¥81,009 million as of March 31, 2018, which are 30% and 67% of total Level 3 available-for-sale securities, respectively.

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

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

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

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

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

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

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

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

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

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

IMPAIRMENT OF INVESTMENT IN SECURITIES

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

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

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

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

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

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

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

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

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

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS THAT HAVE INDEFINITE USEFUL LIVES

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

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

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

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

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

IMPAIRMENT OF LONG-LIVED ASSETS

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

- significant decline in the market value of an asset;

significant deterioration in the usage range and method, or physical condition, of an asset;

significant deterioration of legal regulatory or business environments, including an adverse action or assessment by a relevant regulator;

acquisition and construction costs substantially exceeding estimates;

continued operating loss or actual or potential loss of cash flows; or

potential loss on a planned sale.

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

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

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

UNGUARANTEED RESIDUAL VALUE FOR DIRECT FINANCING LEASES AND OPERATING LEASES

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

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

INSURANCE POLICY LIABILITIES AND DEFERRED POLICY ACQUISITION COSTS

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

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

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

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

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

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

ASSESSING HEDGE EFFECTIVENESS AND MEASURING INEFFECTIVENESS

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

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

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

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

PENSION PLANS

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

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

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

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

We use March 31 as a measurement date for our pension assets and projected benefit obligation balances under all of our material plans. If we were to assume a 1% increase or decrease in the expected long-term rate of return, holding the discount rate and other actuarial assumptions constant, pension expense for fiscal 2018 would decrease or increase, respectively, by approximately ¥2,146 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 2018 would decrease by approximately ¥2,232 million. If we were to assume a 1% decrease in the discount rate, and keep other assumptions constant, pension expense for fiscal 2018 would increase by approximately ¥2,243 million.

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

INCOME TAXES

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

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

DISCUSSION WITH AND REVIEW BY THE AUDIT COMMITTEE

Our management discussed the development and selection of each critical accounting estimate with our Audit Committee in June 2018.

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 2018, as well as the fair value as of the end of fiscal 2018.

Year ended March 31, 2018			
Carrying amount*1			
Balance at April 1, 2017	Change amount	Balance at March 31, 2018	Fair value at March 31, 2018*2
(Millions of yen)			
¥425,328	¥(53,245)	¥372,083	¥442,205

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

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

Investment and rental property revenue and expense for fiscal 2018 were as follows:

Year Ended March 31, 2018		
Revenue*[1]	Expense*[2]	Net
	(Millions of yen)	
¥70,442	¥42,535	¥27,907

*[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.

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

RESULTS OF OPERATIONS

GUIDE TO OUR CONSOLIDATED STATEMENT OF INCOME

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

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

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

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

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

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

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

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

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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, real estate management and contract work, facilities management related business, commissions for advisory services, automobile related business, and environment and energy related business.

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

Services expense is directly associated with the sales and revenues separately reported within services income. Interest expense is based on monies borrowed mainly to fund revenue-generating assets, including to purchase equipment for leases, extend loans and invest in securities and real estate operations. We also consider the principal part of selling, general and administrative expenses to be directly related to the generation of revenues. Therefore, they have been included within Total expenses deducted to derive Operating Income. We similarly view the provision for doubtful receivables and probable loan losses to be directly related to our finance activities and accordingly have included it within Total expenses. As our principal operations consist of providing financial products and/or finance-related services to our customers, these expenses are directly related to the potential risks and changes in these products and services. See Year Ended March 31, 2018 Compared to Year Ended March 31, 2017 and Year Ended March 31, 2017 Compared to Year Ended March 31, 2016.

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, 2018 COMPARED TO YEAR ENDED MARCH 31, 2017

Performance Summary

Financial Results

	Year ended March 31, 2017	Year ended March 31, 2018	Change Amount	Change Percent (%)
	(Millions of yen, except ratios, per Share data and percentages)			
Total revenues	¥ 2,678,659	¥ 2,862,771	¥ 184,112	7
Total expenses	2,349,435	2,526,576	177,141	8
Income before Income Taxes	424,965	435,501	10,536	2
Net Income Attributable to ORIX Corporation Shareholders	273,239	313,135	39,896	15

Earnings per Share	(Basic)	208.88	244.40	35.52	17
	(Diluted)	208.68	244.15	35.47	17
ROE*1		11.3	12.1	0.8	
ROA*2		2.46	2.76	0.30	

*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 2018 increased 7% to ¥2,862,771 million compared to ¥2,678,659 million during fiscal 2017. Life insurance premiums and related investment income in the life insurance business increased due to an increase in life insurance premiums from an increase in in-force policies, and an increase in investment income from assets under variable annuity and variable life insurance contracts following the market s recovery. In addition, sales of goods and real estate increased due primarily to revenues generated by subsidiaries in the principal investment business, and services income increased due primarily to service expansion in the asset management business and the environment and energy business.

Total expenses for fiscal 2018 increased 8% to ¥2,526,576 million compared to ¥2,349,435 million during fiscal 2017. Life insurance costs increased due to an increase in a provision of liability reserve in line with the aforementioned increase in in-force policies and an increase in investment income. In addition, costs of goods and real estate sold and services expense increased in line with the aforementioned increased revenues.

Equity in net income of affiliates for fiscal 2018 increased due mainly to the recognition of significant gains on sales of investments in real estate joint ventures compared to fiscal 2017.

As a result of the foregoing, income before income taxes for fiscal 2018 increased 2% to ¥435,501 million compared to ¥424,965 million during fiscal 2017. In addition, due to the impact from tax reform in the United States, net income attributable to ORIX Corporation shareholders increased 15% to ¥313,135 million compared to ¥273,239 million during fiscal 2017.

Balance Sheet data

	As of March 31,		Change	
	2017	2018	Amount	Percent (%)
	(Millions of yen except ratios, per share and percentages)			
Total Assets	¥ 11,231,895	¥ 11,425,982	¥ 194,087	2
(Segment assets)	8,956,872	9,017,250	60,378	1
Total Liabilities	8,577,722	8,619,688	41,966	0
(Long- and Short-term debt)	4,138,451	4,133,258	(5,193)	(0)
(Deposits)	1,614,608	1,757,462	142,854	9
ORIX Corporation Shareholders Equity	2,507,698	2,682,424	174,726	7
ORIX Corporation Shareholders Equity per share	1,925.17	2,095.64	170.47	9
ORIX Corporation Shareholders Equity ratio*	22.3%	23.5%	1.2%	
D/E ratio (Debt-to-equity ratio) (Long- and Short-term debt	1.7x	1.5x	(0.2)x	

(excluding deposits) / ORIX
Corporation Shareholders Equity)

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

Total assets increased 2% to ¥11,425,982 million compared to ¥11,231,895 million as of March 31, 2017. Investment in securities decreased due primarily to sales of investment in securities as well as the surrender of variable annuity and variable life insurance contracts in the life insurance business. On the other hand, property under facility operations and investment in affiliates increased due primarily to the new large-scale investments in the environment and energy business. In addition, segment assets increased 1% to ¥9,017,250 million compared to the balance as of March 31, 2017.

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We manage the balance of our interest-bearing liabilities at an appropriate level taking into account the condition of our assets and liquidity on-hand as well as the domestic and overseas financial environments. As a result, long-term debt decreased, and short-term debt and deposits increased compared to the balance as of March 31, 2017. In addition, policy liabilities and policy account balances decreased due primarily to the aforementioned surrender of contracts.

Shareholders equity increased 7% to ¥2,682,424 million compared to the balance as of March 31, 2017 due primarily to an increase in retained earnings, despite a decrease due to share repurchases.

Details of Operating Results

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

Segment Information

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

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

For a description of the business activities of our segments, see Item 4. Information on the Company Business Segments. See Note 33 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	
	2017	2018	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Corporate Financial Services	¥ 102,979	¥ 115,712	¥ 12,733	12
Maintenance Leasing	270,615	275,740	5,125	2
Real Estate	212,050	172,948	(39,102)	(18)
Investment and Operation	1,271,973	1,402,313	130,340	10
Retail	368,665	428,697	60,032	16
Overseas Business	458,912	477,420	18,508	4
Segment Total	2,685,194	2,872,830	187,636	7
Difference between Segment Total and Consolidated Amounts	(6,535)	(10,059)	(3,524)	

Consolidated Amounts	¥	2,678,659	¥	2,862,771	¥	184,112	7

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	Year ended March 31, 2017	Year ended March 31, 2018	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Profits:				
Corporate Financial Services	¥ 38,032	¥ 49,275	¥ 11,243	30
Maintenance Leasing	39,787	40,162	375	1
Real Estate	72,841	62,372	(10,469)	(14)
Investment and Operation	85,000	96,120	11,120	13
Retail	72,865	74,527	1,662	2
Overseas Business	112,312	106,602	(5,710)	(5)
Segment Total	420,837	429,058	8,221	2
Difference between Segment Total and Consolidated Amounts	4,128	6,443	2,315	56
Consolidated Amounts	¥ 424,965	¥ 435,501	¥ 10,536	2

	As of March 31, 2017	As of March 31, 2018	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Assets:				
Corporate Financial Services	¥ 1,032,152	¥ 961,901	¥ (70,251)	(7)
Maintenance Leasing	752,513	818,201	65,688	9
Real Estate	657,701	620,238	(37,463)	(6)
Investment and Operation	768,675	847,677	79,002	10
Retail	3,291,631	3,174,505	(117,126)	(4)
Overseas Business	2,454,200	2,594,728	140,528	6
Segment Total	8,956,872	9,017,250	60,378	1
Difference between Segment Total and Consolidated Amounts	2,275,023	2,408,732	133,709	6
Consolidated Amounts	¥ 11,231,895	¥ 11,425,982	¥ 194,087	2

Corporate Financial Services Segment

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

In this segment, we are focusing on fee businesses related to life insurance, environment and energy, auto leasing related products and services provided to domestic small- and medium-sized enterprise customers while engaging in highly competitive businesses such as leasing and lending with a focus on profitability. We also aim to grow our profit by maximizing synergy potential with Yayoi, the software service provider in the group, and by utilizing domestic network to create new businesses.

Based on the aforementioned strategy, segment revenues increased 12% to ¥115,712 million compared to ¥102,979 million during the previous fiscal year due to an increase in gains on sales of securities, an increase in services income resulting from our stable fee businesses provided to domestic small- and medium-sized enterprise customers and from revenue in line with an increase in contracts of Yayoi, despite a decrease in finance revenues from decreases in average investment balance in direct financing leases and installment loans.

Segment expenses remained at the same level as the previous fiscal year.

As a result of the foregoing, segment profits increased 30% to ¥49,275 million compared to ¥38,032 million during the previous fiscal year.

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Segment assets decreased 7% to ¥961,901 million compared to the end of the previous fiscal year due to decreases in investment in direct financing leases, installment loans and investment in securities.

Asset efficiency improved compared to the previous fiscal year due to an increase of stable profit from fee businesses with more variety of services and an increase in gains on sales of securities. Furthermore, we started to build a new domestic distribution network of fruits and vegetables and commenced an online lending service for small businesses to explore new business areas.

	Year ended March 31,		Change	
	2017	2018	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 30,153	¥ 28,390	¥ (1,763)	(6)
Operating leases	25,626	23,355	(2,271)	(9)
Services income	40,595	42,503	1,908	5
Gains on investment securities and dividends, and other	6,605	21,464	14,859	225
Total Segment Revenues	102,979	115,712	12,733	12
Interest expense	6,032	4,893	(1,139)	(19)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	(76)	1,218	1,294	
Other	62,057	62,612	555	1
Total Segment Expenses	68,013	68,723	710	1
Segment Operating Income	34,966	46,989	12,023	34
Equity in Net income (Loss) of Affiliates, and others	3,066	2,286	(780)	(25)
Segment Profits	¥ 38,032	¥ 49,275	¥ 11,243	30

	As of March 31,		Change	
	2017	2018	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 433,929	¥ 415,301	¥ (18,628)	(4)
Installment loans	398,558	363,993	(34,565)	(9)
Investment in operating leases	30,114	26,350	(3,764)	(12)
Investment in securities	34,773	19,208	(15,565)	(45)
Property under facility operations	13,034	15,075	2,041	16

Inventories	51	49	(2)	(4)
Advances for investment in operating leases	80	203	123	154
Investment in affiliates	18,392	16,845	(1,547)	(8)
Advances for property under facility operations	139	720	581	418
Goodwill and other intangible assets acquired in business combinations	103,082	104,157	1,075	1
Total Segment Assets	¥ 1,032,152	¥ 961,901	¥ (70,251)	(7)

Maintenance Leasing Segment

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

In the automobile related businesses which cover a large part of this segment, we aim to increase market share by targeting small- and medium-sized enterprises and individuals as well as large corporate customers by leveraging our industry-leading number of fleets under management and our competitive advantages to provide one-stop automobile-related services. Furthermore, we will also develop new products and services to make the change of industrial structure into new business opportunities. In the rental business, we strengthened our engineering solution businesses by developing new services for robots and three-dimensional (3D) printing.

Based on the aforementioned strategy, segment revenues increased 2% to ¥275,740 million compared to ¥270,615 million during the previous fiscal year due to increases in finance revenues and operating leases revenues in line with an increased average segment asset balance in the automobile leasing business and an increase in services income.

Segment expenses increased in line with the aforementioned revenue increases.

As a result of the foregoing, segment profits increased 1% to ¥40,162 million compared to ¥39,787 million during the previous fiscal year.

Segment assets increased 9% to ¥818,201 million compared to the end of the previous fiscal year due to an acquisition of Yodogawa Transformer Co. Ltd., the largest renter of power receiving and transforming facilities and equipment, and an increase in new auto-leases in the automobile leasing business.

In auto-related business, the gain on sales of used cars decreased while assets of new auto-leases increased. Although asset efficiency decreased compared to the previous fiscal year due to the aforementioned reason, we have continuously maintained stable profitability. In rental business, we plan to continue to expand our product lineups through the aforementioned acquisition and pursue business synergies.

	Year ended March 31,		Change	
	2017	2018	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 13,029	¥ 14,059	¥ 1,030	8
Operating leases	187,219	189,592	2,373	1
Services income	66,314	67,810	1,496	2
Sales of goods and real estate, and other	4,053	4,279	226	6
Total Segment Revenues	270,615	275,740	5,125	2
Interest expense	3,360	3,049	(311)	(9)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	258	222	(36)	(14)
Other	227,178	232,104	4,926	2
Total Segment Expenses	230,796	235,375	4,579	2
Segment Operating Income	39,819	40,365	546	1

Equity in Net income (Loss) of Affiliates, and others		(32)		(203)		(171)	
Segment Profits	¥	39,787	¥	40,162	¥	375	1

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	As of March 31,		Change	
	2017	2018	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 277,480	¥ 305,041	¥ 27,561	10
Investment in operating leases	469,824	491,369	21,545	5
Investment in securities	1,322	560	(762)	(58)
Property under facility operations	803	904	101	13
Inventories	445	461	16	4
Advances for investment in operating leases	335	197	(138)	(41)
Investment in affiliates	1,880	1,996	116	6
Goodwill and other intangible assets acquired in business combinations	424	17,673	17,249	
Total Segment Assets	¥ 752,513	¥ 818,201	¥ 65,688	9

Real Estate Segment

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

In this segment, we aim to promote portfolio rebalancing by selling rental properties into favorable markets and also to expand the scale of our asset management business such as REIT and real estate investment advisory services to construct a portfolio that is less affected by changes in the real estate market. We also aim to gain stable profits by accumulating expertise through the operation of various facilities such as hotels and Japanese inns and to develop new businesses by taking advantage of the value chain to the extent of real estate development and rental, asset management and facility operations.

Based on the aforementioned strategy, segment revenues decreased 18% to ¥172,948 million compared to ¥212,050 million during the previous fiscal year due primarily to a decrease in operating leases revenues in line with a decrease in gains on sales of rental property and a decrease in average asset balance in operating leases, despite an increase in services income from facilities operations.

Segment expenses remained at the same level as the previous fiscal year due to a decrease in costs of operating leases despite an increase in services expense from facilities operations.

As a result of the foregoing, segment profits decreased 14% to ¥62,372 million compared to ¥72,841 million during the previous fiscal year, despite an increase in equity in net income of affiliates in line with the recognition of significant gains on sales of investments in real estate joint ventures.

Segment assets decreased 6% to ¥620,238 million compared to the end of the previous fiscal year due primarily to a decrease in investment in operating leases, which resulted from sales of rental properties.

Asset efficiency decreased compared to the previous fiscal year due to the absence of large capital gain as recorded in the previous fiscal year, despite the increased profit in asset management business and the gain on sales as a result of portfolio rebalance as a market remained favorable.

	Year ended March 31,		Change	
	2017	2018	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 2,319	¥ 2,055	¥ (264)	(11)
Operating leases	88,153	46,938	(41,215)	(47)
Services income	112,624	116,064	3,440	3
Sales of goods and real estate, and other	8,954	7,891	(1,063)	(12)
Total Segment Revenues	212,050	172,948	(39,102)	(18)
Interest expense	3,085	2,224	(861)	(28)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	3,386	4,180	794	23
Other	136,629	136,775	146	0
Total Segment Expenses	143,100	143,179	79	0
Segment Operating Income	68,950	29,769	(39,181)	(57)
Equity in Net income (Loss) of Affiliates, and others	3,891	32,603	28,712	738
Segment Profits	¥ 72,841	¥ 62,372	¥ (10,469)	(14)

	As of March 31,		Change	
	2017	2018	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 27,523	¥ 33,589	¥ 6,066	22
Installment loans	0	312	312	
Investment in operating leases	298,184	247,001	(51,183)	(17)
Investment in securities	3,552	2,988	(564)	(16)
Property under facility operations	185,023	195,463	10,440	6
Inventories	2,567	2,850	283	11
Advances for investment in operating leases	18,634	20,524	1,890	10
Investment in affiliates	99,347	86,666	(12,681)	(13)
Advances for property under facility operations	11,196	19,351	8,155	73
Goodwill and other intangible assets acquired in business combinations	11,675	11,494	(181)	(2)
Total Segment Assets	¥ 657,701	¥ 620,238	¥ (37,463)	(6)

Investment and Operation Segment

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

In environment and energy-related business, we aim to increase services revenue by promoting renewable energy business and electric power retailing business as a comprehensive energy service provider. In our solar power business, we have a secured one gigawatt of solar power capacity and are operating projects that generate approximately 670 megawatts of electricity as of March 31, 2018, making us one of the largest solar power producers in Japan. We will accelerate renewable energy business overseas by utilizing the expertise gained in the domestic market. In the principal investment business, we aim to earn stable profits from investees and sustainable gains on sales through rebalancing our portfolio. We will diversify our investment methods and

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expand our target zone. Regarding concession business, we will strengthen the operations of three airports, Kansai International Airport, Osaka International Airport and Kobe Airport, and will also proactively engage in the operation of public infrastructures other than airports.

Based on the aforementioned strategy, segment revenues increased 10% to ¥1,402,313 million compared to ¥1,271,973 million during the previous fiscal year due to increases in sales of goods from subsidiaries in the principal investment business and services income from the environment and energy business.

Segment expenses increased compared to the previous fiscal year in line with the aforementioned revenues expansion.

As a result of the foregoing and due to an increase in equity in net income of affiliates, segment profits increased 13% to ¥96,120 million compared to ¥85,000 million during the previous fiscal year.

Segment assets increased 10% to ¥847,677 million compared to the end of the previous fiscal year due primarily to an investment to Ormat, the U.S. geothermal energy company in the environment and energy business.

Although the gain on sales in private equity investment decreased because of the absence of large gain on sales as recorded in the previous fiscal year, the operation rate of solar power generation projects has improved and profit from concession business has steadily increased. As a result, asset efficiency improved compared to the previous fiscal year. Furthermore, we will engage in geothermal energy projects in Japan and other countries in Asia with Ormat in which we have newly invested.

	Year ended March 31,		Change	
	2017	2018	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 10,680	¥ 8,982	¥ (1,698)	(16)
Gains on investment securities and dividends	12,961	7,630	(5,331)	(41)
Sales of goods and real estate	938,438	1,048,684	110,246	12
Services income	299,709	326,526	26,817	9
Operating leases, and other	10,185	10,491	306	3
Total Segment Revenues	1,271,973	1,402,313	130,340	10
Interest expense	4,870	5,632	762	16
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	6,760	(836)	(7,596)	
Other	1,212,681	1,345,318	132,637	11
Total Segment Expenses	1,224,311	1,350,114	125,803	10
Segment Operating Income	47,662	52,199	4,537	10
Equity in Net income (Loss) of Affiliates, and others	37,338	43,921	6,583	18
Segment Profits	¥ 85,000	¥ 96,120	¥ 11,120	13

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	As of March 31, 2017	As of March 31, 2018	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 26,016	¥ 25,497	¥ (519)	(2)
Installment loans	56,435	48,131	(8,304)	(15)
Investment in operating leases	25,434	30,158	4,724	19
Investment in securities	51,474	32,563	(18,911)	(37)
Property under facility operations	187,674	208,106	20,432	11
Inventories	112,798	101,518	(11,280)	(10)
Advances for investment in operating leases	1,237	1,261	24	2
Investment in affiliates	71,481	170,449	98,968	138
Advances for property under facility operations	55,180	44,901	(10,279)	(19)
Goodwill and other intangible assets acquired in business combinations	180,946	185,093	4,147	2
Total Segment Assets	¥ 768,675	¥ 847,677	¥ 79,002	10

Retail Segment

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

In life insurance business, we aim to increase the number of policies in-force and revenues from insurance premiums by offering simple-to-understand products through sales agencies and online. In the banking business, we aim to increase finance revenues by increasing balance of outstanding housing loans which is a core of our banking business. In card loan business, we aim to increase revenues from guarantee fees by expanding guarantees against loans disbursed by other financial institutions in addition to increase finance revenues by making loans directly by utilizing our experience and expertise in credit screening while taking into account the amendments to the Money Lending Business Act for the purpose of reducing over-indebtedness.

Based on the aforementioned strategy, segment revenues increased 16% to ¥428,697 million compared to ¥368,665 million during the previous fiscal year due mainly to an increase in life insurance premiums in line with an increase in in-force policies, and an increase in investment income from assets under variable annuity and variable life insurance contracts in the life insurance business due to the market s recovery.

Segment expenses increased compared to the previous fiscal year due to an increase in a provision of liability reserve in line with the aforementioned increase in in-force policies and an increase in investment income.

As a result of the foregoing, segment profits increased 2% to ¥74,527 million compared to ¥72,865 million during the previous fiscal year.

Segment assets decreased 4% to ¥3,174,505 million compared to the end of the previous fiscal year due primarily to sales of investment in securities as well as the surrender of variable annuity and variable life insurance contracts in the life insurance business, despite an increase in installment loans in the banking business.

Asset efficiency improved compared to the previous fiscal year due to the increase in life insurance premiums and financial revenues in addition to the decrease in assets by cancellation of variable annuity and variable life insurance contracts.

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	Year ended March 31, 2017	Year ended March 31, 2018	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 59,177	¥ 61,222	¥ 2,045	3
Life insurance premiums and related investment income	297,886	352,974	55,088	18
Services income, and other	11,602	14,501	2,899	25
Total Segment Revenues	368,665	428,697	60,032	16
Interest expense	4,041	4,026	(15)	(0)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	10,109	11,245	1,136	11
Other	281,663	338,906	57,243	20
Total Segment Expenses	295,813	354,177	58,364	20
Segment Operating Income	72,852	74,520	1,668	2
Equity in Net income (Loss) of Affiliates, and others	13	7	(6)	(46)
Segment Profits	¥ 72,865	¥ 74,527	¥ 1,662	2

	As of March 31, 2017	As of March 31, 2018	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 518	¥ 208	¥ (310)	(60)
Installment loans	1,718,655	1,852,761	134,106	8
Investment in operating leases	46,243	44,319	(1,924)	(4)
Investment in securities	1,509,180	1,260,291	(248,889)	(16)
Investment in affiliates	810	702	(108)	(13)
Goodwill and other intangible assets acquired in business combinations	16,225	16,224	(1)	(0)
Total Segment Assets	¥ 3,291,631	¥ 3,174,505	¥ (117,126)	(4)

Overseas Business Segment

This segment consists of leasing, loan, bond investment, asset management and aircraft- and ship-related operations.

In the Americas, we aim to expand our business areas by engaging in fee business such as equity investment, fund management in addition to corporate finance and investment in bonds. In our aircraft-related operations, we are focusing on the profit opportunities within operating lease, sales of used aircraft to domestic and overseas investors, asset management services for the aircrafts owned by others, backed by the growing demand of passengers and aircrafts. We will also aim to promote the expansion of functionality and diversification in our overseas group companies.

Based on the aforementioned strategy, segment revenues increased 4% to ¥477,420 million compared to ¥458,912 million during the previous fiscal year due to increases in services income in the asset management business, operating leases revenues in our aircraft-related operations including gains on sales of aircraft and finance revenues in the Americas, despite a decrease in sales of goods resulting from the sale of a subsidiary during the previous fiscal year.

Segment expenses decreased compared to the previous fiscal year due primarily to a decrease in costs of goods sold resulting from the aforementioned sale of a subsidiary.

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As a result of the foregoing and due to decreases in equity in net income of affiliates and gains on sales of subsidiaries and affiliates and liquidation losses, net, segment profits decreased 5% to ¥106,602 million compared to ¥112,312 million in the previous fiscal year.

Segment assets increased 6% to ¥2,594,728 million compared to the end of the previous fiscal year due to increases in investment in operating leases in our aircraft-related operations, installment loans in the Americas and Asia, and the recognition of goodwill and other intangible assets in line with the acquisition of a new subsidiary, despite a decrease in investment in securities.

Asset efficiency decreased compared to the previous fiscal year due to the loss on sales of affiliates and impairment loss in investee. Furthermore, we have expanded our fee businesses through the acquisition of mortgage servicing company in the Americas. We have also made several investments in infrastructure related businesses in Americas as well as fintech companies in China.

	Year ended March 31,		Change	
	2017	2018	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues	¥ 81,251	¥ 96,368	¥ 15,117	19
Gains on investment securities and dividends	13,334	17,513	4,179	31
Operating leases	88,474	111,367	22,893	26
Services income	216,720	238,615	21,895	10
Sales of goods and real estate, and other	59,133	13,557	(45,576)	(77)
Total Segment Revenues	458,912	477,420	18,508	4
Interest expense	36,535	49,477	12,942	35
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	18,215	8,149	(10,066)	(55)
Other	332,024	323,141	(8,883)	(3)
Total Segment Expenses	386,774	380,767	(6,007)	(2)
Segment Operating Income	72,138	96,653	24,515	34
Equity in Net income (Loss) of Affiliates, and others	40,174	9,949	(30,225)	(75)
Segment Profits	¥ 112,312	¥ 106,602	¥ (5,710)	(5)

	As of March 31,		Change	
	2017	2018	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 357,732	¥ 368,721	¥ 10,989	3
Installment loans	457,393	520,137	62,744	14
Investment in operating leases	420,207	490,953	70,746	17

Investment in securities	465,899	413,977	(51,922)	(11)
Property under facility operations and servicing assets	29,705	43,995	14,290	48
Inventories	1,811	5,923	4,112	227
Advances for investment in operating leases	9,024	9,487	463	5
Investment in affiliates	332,154	314,569	(17,585)	(5)
Advances for property under facility operations	39	0	(39)	0
Goodwill and other intangible assets acquired in business combinations	380,236	426,966	46,730	12
Total Segment Assets	¥2,454,200	¥2,594,728	¥ 140,528	6

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Revenues, New Business Volumes and Investments

Finance revenues

	Year ended March 31,		Change	
	2017	2018	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Finance revenues:				
Finance revenues	¥ 200,584	¥ 214,104	¥ 13,520	7

Finance revenues increased 7% to ¥214,104 million for fiscal 2018 compared to fiscal 2017 primarily due to an increase in average balance of installment loans.

Direct financing leases

	As of and for the year ended March 31,		Change	
	2017	2018	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Direct financing leases:				
New equipment acquisitions	¥ 512,740	¥ 472,070	¥ (40,670)	(8)
Japan	312,788	264,953	(47,835)	(15)
Overseas	199,952	207,117	7,165	4
Investment in direct financing leases	1,204,024	1,194,888	(9,136)	(1)

New equipment acquisitions related to direct financing leases decreased 8% to ¥472,070 million compared to fiscal 2017. In Japan, new equipment acquisitions decreased 15% in fiscal 2018 compared to fiscal 2017 due to a decreasing trend. In overseas, new equipment acquisitions increased 4% in fiscal 2018 compared to fiscal 2017.

Investment in direct financing leases as of March 31, 2018 decreased 1% to ¥1,194,888 million compared to March 31, 2017 due to decreases in new equipment acquisitions described above.

As of March 31, 2018, no single lessee represented more than 1% of the balance of direct financing leases. As of March 31, 2018, 69% of our direct financing leases were to lessees in Japan, while 31% were to overseas lessees. Approximately 6% of our direct financing leases were to lessees in Hong Kong and Malaysia. No other overseas country represented more than 5% of our total portfolio of direct financing leases.

	As of March 31,		Change	
	2017	2018	Amount	Percent (%)
	(Millions of yen, except percentage data)			

Investment in direct financing leases by category:							
Transportation equipment	¥	496,335	¥	489,687	¥	(6,648)	(1)
Industrial equipment		244,606		240,646		(3,960)	(2)
Electronics		158,726		154,522		(4,204)	(3)
Information-related and office equipment		102,078		105,040		2,962	3
Commercial services equipment		54,389		53,065		(1,324)	(2)
Other		147,890		151,928		4,038	3
Total	¥	1,204,024	¥	1,194,888	¥	(9,136)	(1)

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

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Installment loans

	As of and for the year ended March 31, 2017	As of and for the year ended March 31, 2018	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
New loans added	¥ 1,309,488	¥ 1,397,467	¥ 87,979	7
Japan	972,361	945,436	(26,925)	(3)
Overseas	337,127	452,031	114,904	34
Installment loans	2,815,706	2,823,769	8,063	0

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

New loans added increased 7% to ¥1,397,467 million compared to fiscal 2017. In Japan, new loans added have shown a downward trend, and decreased 3% to ¥945,436 million in fiscal 2018 compared to fiscal 2017. In overseas, new loans added increased 34% to ¥452,031 million compared to fiscal 2017 due to increased lending activity in the Americas and Asia.

The balance of installment loans as of March 31, 2018 remained flat at ¥2,823,769 million compared to March 31, 2017, primarily due to a decrease in loans for entertainment companies which are included in commercial, industrial and other companies, offsetting an increase of housing loans.

	As of March 31, 2017	As of March 31, 2018	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Installment loans:				
Consumer borrowers in Japan				
Housing loans	¥ 1,261,571	¥ 1,375,380	¥ 113,809	9
Card loans	270,007	264,323	(5,684)	(2)
Other	28,668	34,333	5,665	20
Subtotal	1,560,246	1,674,036	113,790	7
Corporate borrowers in Japan				
Real estate companies	270,965	278,076	7,111	3
Non-recourse loans	12,758	18,318	5,560	44
Commercial, industrial and other companies	340,050	301,083	(38,967)	(11)
Subtotal	623,773	597,477	(26,296)	(4)

Overseas				
Non-recourse loans	75,968	54,987	(20,981)	(28)
Commercial, industrial companies and other	530,924	478,336	(52,588)	(10)
Subtotal	606,892	533,323	(73,569)	(12)
Purchased loans*	24,795	18,933	(5,862)	(24)
Total	¥ 2,815,706	¥ 2,823,769	¥ 8,063	0

* 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, 2018, ¥7,554 million, or 0.3%, of our portfolio of installment loans to consumer and corporate borrowers in Japan related to our life insurance operations. We reflect income from these loans as life insurance premiums and related investment income in our consolidated statements of income.

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As of March 31, 2018, ¥345,977 million, or 12%, of the balance of installment loans were to real estate companies in Japan and overseas. Among these amounts, ¥2,547 million, or 0.1% were loans individually evaluated for impairment. We recognized an allowance of ¥543 million on these impaired loans. As of March 31, 2018, we had installment loans outstanding in the amount of ¥83,314 million, or 3% of the balance of installment loans, to companies in the entertainment industry. Among these amounts, ¥1,588 million, or 0.1% were loans individually evaluated for impairment. We recognized an allowance of ¥576 million on these impaired loans.

The balance of installment loans to consumer borrowers in Japan as of March 31, 2018 increased 7% to ¥1,674,036 million compared to the balance as of March 31, 2017, primarily due to an increase in the balance of housing loans. The balance of installment loans to corporate borrowers in Japan as of March 31, 2018 decreased 4%, to ¥597,477 million, compared to the balance as of March 31, 2017, primarily due to a decrease in loans for entertainment companies which are included in commercial, industrial and other companies. The balance of installment loans overseas, as of March 31, 2018 decreased 12%, to ¥533,323 million, compared to the balance as of March 31, 2017, primarily due to sales of loans in the Americas.

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

Asset quality

Direct financing leases

	As of March 31, 2017	As of March 31, 2018
	(Millions of yen, except percentage data)	
90+ days past-due direct financing leases and allowances for direct financing leases:		
90+ days past-due direct financing leases	¥ 11,600	¥ 12,084
90+ days past-due direct financing leases as a percentage of the balance of investment in direct financing leases	0.96%	1.01%
Provision as a percentage of average balance of investment in direct financing leases*	0.12%	0.19%
Allowance for direct financing leases	¥ 10,537	¥ 10,089
Allowance for direct financing leases as a percentage of the balance of investment in direct financing leases	0.88%	0.84%
The ratio of charge-offs as a percentage of the average balance of investment in direct financing leases	0.34%	0.22%

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

The balance of 90+ days past-due direct financing leases increased ¥484 million to ¥12,084 million as of March 31, 2018 compared to March 31, 2017. As a result, the ratio of 90+ days past-due direct financing leases increased 0.05% from March 31, 2017 to 1.01%.

We believe that the ratio of allowance for doubtful receivables to the balance of investment in direct financing leases provides a reasonable indication that our allowance for doubtful receivables was appropriate as of March 31, 2018 for the following reasons:

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

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

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Loans not individually evaluated for impairment

	As of March 31, 2017	As of March 31, 2018
	(Millions of yen, except percentage data)	
90+ days past-due loans and allowance for installment loans:		
90+ days past-due loans not individually evaluated for impairment	¥ 9,722	¥ 12,748
90+ days past-due loans not individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	0.35%	0.46%
Provision as a percentage of average balance of installment loans not individually evaluated for impairment*	0.78%	0.48%
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment	¥ 28,622	¥ 30,239
Allowance for probable loan losses on installment loans exclusive of those loans individually evaluated for impairment as a percentage of the balance of installment loans not individually evaluated for impairment	1.04%	1.09%
The ratio of charge-offs as a percentage of the average balance of loans not individually evaluated for impairment	0.54%	0.36%

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

The balance of 90+ days past-due loans not individually evaluated and evaluated as a homogeneous group for impairment due to their individual significancy increased ¥3,026 million to ¥12,748 million as of March 31, 2018 compared to March 31, 2017.

	As of March 31, 2017	As of March 31, 2018
	(Millions of yen)	
90+ days past-due loans not individually evaluated for impairment:		
Consumer borrowers in Japan		
Housing loans	¥ 1,685	¥ 2,077
Card loans	1,346	1,785
Other	6,160	8,464
Subtotal	9,191	12,326
Overseas		
Housing loans	531	422
Total	¥ 9,722	¥ 12,748

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

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Loans individually evaluated for impairment

	As of March 31,	
	2017	2018
	(Millions of yen)	
Loans individually evaluated for impairment:		
Impaired loans	¥ 59,025	¥ 47,142
Impaired loans requiring an allowance	52,501	39,329
Allowance for loans individually evaluated for impairment*	20,068	14,344

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

New provision for probable loan losses was ¥879 million in fiscal 2017 and ¥1,498 million in fiscal 2018, and charge-off of impaired loans was ¥3,508 million in fiscal 2017 and ¥6,785 million in fiscal 2018. New provision for probable loan losses increased ¥619 million compared to fiscal 2017. Charge-off of impaired loans increased ¥3,277 million compared to fiscal 2017.

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

	As of March 31,	
	2017	2018
	(Millions of yen)	
Impaired loans:		
Consumer borrowers in Japan		
Housing loans	¥ 4,243	¥ 3,544
Card loans	4,102	4,060
Other	7,903	11,082
Subtotal	16,248	18,686
Corporate borrowers in Japan		
Real estate companies	7,212	1,598
Non-recourse loans	203	254
Commercial, industrial and other companies	11,467	9,174
Subtotal	18,882	11,026
Overseas		
Non-recourse loans	5,829	3,491
Commercial, industrial companies and other	10,623	8,838

Subtotal	16,452	12,329
Purchased loans	7,443	5,101
Total	¥ 59,025	¥ 47,142

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

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Provision for doubtful receivables and probable loan losses

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

	As of March 31,		Change	
	2017	2018	Amount	Percent (
	(Millions of yen, except percentage data)			
Provision for doubtful receivables on direct financing leases and probable loan losses:				
Beginning balance	¥ 60,071	¥ 59,227	¥ (844)	(1)
Direct financing leases	13,380	10,537	(2,843)	(21)
Loans not individually evaluated for impairment	24,158	28,622	4,464	18
Loans individually evaluated for impairment	22,533	20,068	(2,465)	(11)
Provision (Reversal)	22,667	17,265	(5,402)	(24)
Direct financing leases	1,372	2,241	869	63
Loans not individually evaluated for impairment	20,416	13,526	(6,890)	(34)
Loans individually evaluated for impairment	879	1,498	619	70
Charge-offs (net)	(21,822)	(19,465)	2,357	(11)
Direct financing leases	(4,056)	(2,701)	1,355	(33)
Loans not individually evaluated for impairment	(14,258)	(9,979)	4,279	(30)
Loans individually evaluated for impairment	(3,508)	(6,785)	(3,277)	93
Other *	(1,689)	(2,355)	(666)	39
Direct financing leases	(159)	12	171	
Loans not individually evaluated for impairment	(1,694)	(1,930)	(236)	14
Loans individually evaluated for impairment	164	(437)	(601)	
Ending balance	59,227	54,672	(4,555)	(8)
Direct financing leases	10,537	10,089	(448)	(4)
Loans not individually evaluated for impairment	28,622	30,239	1,617	6
Loans individually evaluated for impairment	20,068	14,344	(5,724)	(29)

* Other mainly includes foreign currency translation adjustments and others.

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

Investment in Securities

	As of and for the year ended March 31,		Change	
	2017	2018	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in securities:				
New securities added	¥ 489,357	¥ 439,383	¥ (49,974)	(10)

Japan	354,120	300,406	(53,714)	(15)
Overseas	135,237	138,977	3,740	3
Investment in securities	2,026,512	1,729,455	(297,057)	(15)

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

New securities added decreased 10% to ¥439,383 million in fiscal 2018 compared to fiscal 2017. New securities added in Japan decreased 15% in fiscal 2018 compared to fiscal 2017 primarily due to a decrease in

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investments in corporate debt securities. New securities added overseas increased 3% in fiscal 2018 compared to fiscal 2017.

The balance of our investment in securities as of March 31, 2018 decreased 15% to ¥1,729,455 million compared to March 31, 2017.

	As of March 31, 2017	As of March 31, 2018	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment in securities by security type:				
Trading securities	¥ 569,074	¥ 422,053	¥ (147,021)	(26)
Available-for-sale securities	1,165,417	1,015,477	(149,940)	(13)
Held-to-maturity securities	114,400	113,891	(509)	(0)
Other securities	177,621	178,034	413	0
Total	¥ 2,026,512	¥ 1,729,455	¥ (297,057)	(15)

Investments in trading securities as of March 31, 2018 decreased 26% compared to March 31, 2017 primarily due to a decrease in the assets under management of variable annuity and variable life insurance contracts. Investments in available-for-sale securities as of March 31, 2018 decreased 13% compared to March 31, 2017 primarily due to sale of government bond securities and marketable equity securities. Held-to-maturity securities mainly consist of our life insurance business s investment in Japanese government bonds. Other securities consist mainly of non-marketable equity securities and preferred equity securities carried at cost, and investment funds carried at an amount that reflects equity income and loss based on the investor s share.

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

Gains on investment securities and dividends

	Year ended March 31, 2017	Year ended March 31, 2018	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Gains on investment securities and dividends:				
Net gains on investment securities	¥ 27,233	¥ 39,139	¥ 11,906	44
Dividends income, other	3,095	4,163	1,068	35
Total	¥ 30,328	¥ 43,302	¥ 12,974	43

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

Gains on investment securities and dividends increased 43% to ¥43,302 million in fiscal 2018 compared to fiscal 2017 due to increases in net gains on investment securities and dividends income. Net gains on investment securities increased 44% to ¥39,139 million in fiscal 2018 compared to fiscal 2017 mainly due to an increase in gains on sales of securities. Dividends income, other increased 35% to ¥4,163 million in fiscal 2018 compared to fiscal 2017.

As of March 31, 2018, gross unrealized gains on available-for-sale securities, including those held in connection with our life insurance operations, were ¥29,220 million, compared to ¥51,905 million as of March 31, 2017. As of March 31, 2018, gross unrealized losses on available-for-sale securities, including those held in connection with our life insurance operations, were ¥15,856 million, compared to ¥6,244 million as of March 31, 2017.

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

Operating leases

	As of and for the year ended March 31, 2017	2018	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Operating leases:				
Operating lease revenues	¥ 398,655	¥ 379,665	¥ (18,990)	(5)
Costs of operating leases	243,537	252,327	8,790	4
New equipment acquisitions	401,913	495,609	93,696	23
Japan	207,759	215,832	8,073	4
Overseas	194,154	279,777	85,623	44
Investment in operating leases	1,313,164	1,344,926	31,762	2

Revenues from operating leases in fiscal 2018 decreased 5% to ¥379,665 million compared to fiscal 2017 primarily due to decreases in gains on sales of automobiles in the automobile leasing business and sales of rental property, partially offset by an increase in gains on sales of aircraft in aircraft-related operations. In fiscal 2017 and 2018, gains from the disposition of operating lease assets were ¥69,265 million and ¥35,291 million, respectively.

Costs of operating leases increased 4% to ¥252,327 million in fiscal 2018 compared to fiscal 2017 primarily due to an increase in depreciation expenses resulting from a year on year increase in the average balance of investment in the automobile leasing business, despite a decrease in costs from rental property.

New equipment acquisitions related to operating leases increased 23% to ¥495,609 million in fiscal 2018 compared to fiscal 2017 primarily due to an increase in purchases of aircraft overseas.

Investment in operating leases as of March 31, 2018 increased 2% to ¥1,344,926 million compared to March 31, 2017.

	As of March 31, 2017	2018	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in operating leases by category:				
Transportation equipment	¥ 788,676	¥ 864,008	¥ 75,332	10
Measuring and information-related equipment	86,682	89,326	2,644	3
Real estate	404,427	348,867	(55,560)	(14)
Other	10,158	12,210	2,052	20
Accrued rental receivables	23,221	30,515	7,294	31
Total	¥ 1,313,164	¥ 1,344,926	¥ 31,762	2

Investment in transportation equipment operating leases as of March 31, 2018 increased 10% to ¥864,008 million compared to March 31, 2017 primarily due to an increase in new equipment acquisitions in the automobile leasing business. Investment in real estate operating leases as of March 31, 2018 decreased 14% to ¥348,867 million compared to March 31, 2017, primarily due to sales of real estate in Japan.

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

Life insurance

We reflect all income and losses (other than provision for doubtful receivables and probable loan losses) that we recognize on securities, installment loans, real estate under operating leases and other investments held in

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connection with our life insurance operations as life insurance premiums and related investment income in our consolidated statements of income.

	Year ended March 31, 2017	2018	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Life insurance premiums and related investment income and life insurance costs:				
Life insurance premiums	¥ 247,427	¥ 299,320	¥ 51,893	21
Life insurance-related investment income	48,513	52,270	3,757	8
Total	¥ 295,940	¥ 351,590	¥ 55,650	19
Life insurance costs	¥ 200,158	¥ 255,070	¥ 54,912	27

	Year ended March 31, 2017	2018	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Breakdown of life insurance-related investment income (loss):				
Net income on investment securities	¥ 57,715	¥ 58,921	¥ 1,206	2
Losses recognized in income on derivative	(10,568)	(7,332)	3,236	(31)
Interest on loans, income on real estate under operating leases, and others	1,366	681	(685)	(50)
Total	¥ 48,513	¥ 52,270	¥ 3,757	8

Life insurance premiums and related investment income increased 19% to ¥351,590 million in fiscal 2018 compared to fiscal 2017.

Life insurance premiums increased 21% to ¥299,320 million in fiscal 2018 compared to fiscal 2017 due to an increase in the number of policies in force.

Life insurance-related investment income increased 8% to ¥52,270 million in fiscal 2018 compared to fiscal 2017. Net income on investment securities increased due primarily to gains on sales of government bonds and a significant increase in investment income from variable annuity and variable life insurance contracts, caused by the significant market improvement in fiscal 2018. Losses from derivative contracts held to economically hedge the minimum guarantee risk relating to these variable annuity and variable life insurance contracts decreased. On the other hand, interest on loans, income on real estate under operating leases, and others decreased.

Life insurance costs increased 27% to ¥255,070 million in fiscal 2018 compared to fiscal 2017 due to an increase in the number of policies in force and a provision of liability reserve in line with the aforementioned increase in investment income from variable annuity and variable life insurance contracts.

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	As of March 31, 2017	As of March 31, 2018	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investments by life insurance operations:				
Trading securities	¥ 547,850	¥ 403,797	¥ (144,053)	(26)
Available-for-sale debt securities	567,741	470,634	(97,107)	(17)
Available-for-sale equity securities	13,341	8,916	(4,425)	(33)
Held-to-maturity securities	114,400	113,891	(509)	(0)
Other securities	438	1,617	1,179	269
Total investment in securities	1,243,770	998,855	(244,915)	(20)
Installment loans, real estate under operating leases and other investments	58,215	52,080	(6,135)	(11)
Total	¥ 1,301,985	¥ 1,050,935	¥ (251,050)	(19)

Investment in securities as of March 31, 2018 decreased 20% to ¥998,855 million compared to March 31, 2017 due to a decrease in trading securities as a result of surrender of variable annuity and variable life insurance contracts, and available-for-sale debt securities decreased due to sales of national government bonds.

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

Sales of goods and real estate, Inventories

	Year ended March 31, 2017	Year ended March 31, 2018	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Sales of goods and real estate, Inventories:				
Sales of goods and real estate	¥ 1,015,249	¥ 1,079,052	¥ 63,803	6
Costs of goods and real estate sold	928,794	1,003,509	74,715	8
New real estate added	93,905	83,120	(10,785)	(11)
Inventories	117,863	111,001	(6,862)	(6)

Sales of goods and real estate increased 6% to ¥1,079,052 million compared to fiscal 2017 mainly due to an increase in gains on sales of goods.

Costs of goods and real estate sold increased 8% to ¥1,003,509 million compared to fiscal 2017 mainly due to an increase in expenses in costs of goods. We recorded ¥916 million and ¥936 million of write-downs for fiscal 2017 and 2018, respectively. Costs of goods and real estate sold include the upfront costs associated with advertising and creating model rooms.

New real estate added decreased 11% to ¥83,120 million in fiscal 2018 compared to fiscal 2017.

Inventories as of March 31, 2018 decreased 6% to ¥111,001 million compared to March 31, 2017.

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

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Services, Property under Facility Operations

	As of and for the year ended March 31,		Change	
	2017	2018	Amount	Percent (%)
	(Millions of yen, except percentage data)			
Services, Property under Facility Operations				
Services income	¥ 737,903	¥ 795,058	¥ 57,155	8
Services expense	451,277	482,796	31,519	7
New assets added	68,571	82,206	13,635	20
Japan	61,275	76,206	14,931	24
Overseas	7,296	6,000	(1,296)	(18)
Property under Facility Operations	398,936	434,786	35,850	9

Services income increased 8% to ¥795,058 million in fiscal 2018 compared to fiscal 2017 primarily due to service expansion in the asset management business and the environment and energy business.

Services expense increased 7% to ¥482,796 million in fiscal 2018 compared to fiscal 2017 mainly resulted from the recognition of expenses from the environment and energy business.

New assets added for property under facility operations increased 20% to ¥82,206 million in fiscal 2018 compared to fiscal 2017 due to investment in electric power facilities and completion of property under facility operations.

Property under facility operations as of March 31, 2018 increased 9% to ¥434,786 million compared to March 31, 2017 primarily due to investment in electric power facilities.

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

Expenses

Interest expense

Interest expense increased 5 % to ¥76,815 million in fiscal 2018 compared to ¥72,910 million in fiscal 2017. Our total outstanding short-term debt, long-term debt and deposits as of March 31, 2018 increased 2 % to ¥5,890,720 million compared to ¥5,753,059 million as of March 31, 2017.

The average interest rate on our short-term debt, long-term debt and deposits in domestic currency, calculated on the basis of average monthly balances, decreased to 0.4 % in fiscal 2018, from 0.5 % in fiscal 2017. 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, remained flat in fiscal 2018 at 2.8% compared to 2.8% in fiscal 2017. For more information regarding our interest rate risk, see Item 3. Key Information Risk Factors. For more information regarding our outstanding debt, see Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Short-term and long-term debt and deposits.

Other (income) and expense, net

Other (income) and expense, net included a net income of ¥4,396 million during fiscal 2017 and a net expense of ¥429 million during fiscal 2018. Foreign currency transaction losses (gains) included in other (income) and expense, net included gains of ¥2,764 million in fiscal 2018 compared to losses of ¥1,850 million in fiscal 2017. We recognized impairment losses on goodwill and other intangible assets included in other (income) and expense, net in the amount of ¥194 million in fiscal 2018 compared to ¥3,196 million of impairment losses on goodwill and other intangible assets during fiscal 2017. For further information on our goodwill and other intangible assets, see Note 13 of Item 18. Financial Statements.

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Selling, general and administrative expenses

	Year ended March 31, 2017	2018	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Selling, general and administrative expenses:				
Personnel expenses	¥ 236,818	¥ 241,508	¥ 4,690	2
Selling expenses	76,729	82,850	6,121	8
Administrative expenses	99,819	102,105	2,286	2
Depreciation of office facilities	5,380	5,131	(249)	(5)
Total	¥ 418,746	¥ 431,594	¥ 12,848	3

Employee salaries and other personnel expenses accounted for 56% of selling, general and administrative expenses in fiscal 2018, 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 2018 increased 3% year on year.

Write-downs of long-lived assets

As a result of impairment reviews we performed in fiscal 2018 for long-lived assets in Japan and overseas, such as golf courses, office buildings, commercial facilities other than office buildings, condominiums, hotels, and land undeveloped or under construction, write-downs of long-lived assets decreased 40% to ¥5,525 million in fiscal 2018 compared to ¥9,134 million in fiscal 2017. These write-downs, which are reflected as write-downs of long-lived assets, consisted of impairment losses of ¥190 million on two office buildings, ¥1,431 million on five commercial facilities other than office buildings, and ¥3,904 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 2018 include write-downs of ¥2,138 million of four hotels. For further information, see Note 26 of Item 18. Financial Statements.

Write-downs of securities

Write-downs of securities in fiscal 2018 were mainly for marketable equity securities and non-marketable equity securities. In fiscal 2018, write-downs of securities decreased 81% to ¥1,246 million in fiscal 2018 compared to ¥6,608 million in fiscal 2017. For further information, see Note 9 of Item 18. Financial Statements.

Equity in net income of affiliates

Equity in net income of affiliates increased in fiscal 2018 to ¥50,103 million compared to ¥26,520 million in fiscal 2017 primarily due to the recognition of significant gains on sales of investments in real estate joint ventures. For further information, see Note 12 of Item 18. Financial Statements.

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

Gains on sales of subsidiaries and affiliates and liquidation losses, net decreased to ¥49,203 million in fiscal 2018 compared to ¥63,419 million in fiscal 2017, due to the favorable profit from sales in the Americas and Japan in fiscal 2017. For further information, see Note 3 of Item 18. Financial Statements.

Bargain Purchase Gain

There was no bargain purchase gain recognized in fiscal 2018 compared to a bargain purchase gain of ¥5,802 million associated with one of the acquisitions in fiscal 2017. For further information, see Note 3 of Item 18. Financial Statements.

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Provision for income taxes

Provision for income taxes decreased to ¥113,912 million in fiscal 2018 compared to ¥144,039 million in fiscal 2017 primarily due to decreases in the deferred tax assets and liabilities in line with the Tax Cuts and Jobs Act in the United States. For further information, see Note 16 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 2018 was ¥8,002 million, compared to ¥7,255 million in fiscal 2017.

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 2018 was ¥452 million, compared to ¥432 million in fiscal 2017. For further information, see Note 18 of Item 18. Financial Statements.

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

Performance Summary

Financial Results

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