ORIX CORP
Form 6-K
August 13, 2013
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 OF

THE SECURITIES EXCHANGE Act of 1934

For the month of August 2013.

Commission File Number: 001-14856

ORIX Corporation

(Translation of Registrant s Name into English)

World Trade Center Bldg., 2-4-1 Hamamatsucho, Minato-Ku,

Tokyo, JAPAN

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ¨

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Table of Document(s) Submitted

1. This is an English translation of ORIX Corporation s quarterly financial report (*shihanki houkokusho*) as filed with the Kanto Financial Bureau in Japan on August 13, 2013, which includes unaudited consolidated financial information prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) for the three months ended June 30, 2012 and 2013.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ORIX Corporation

Date: August 13, 2013

By /s/ Haruyuki Urata
Haruyuki Urata
Director
Deputy President and Chief Financial Officer
ORIX Corporation

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CONSOLIDATED FINANCIAL INFORMATION

Notes to Translation

1. The following is an English translation of ORIX Corporation s quarterly financial report (*shihanki houkokusho*) as filed with the Kanto Financial Bureau in Japan on August 13, 2013, which includes unaudited consolidated financial information prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) for the three months ended June 30, 2012 and 2013.

2. Significant differences between U.S. GAAP and generally accepted accounting principles in Japan (Japanese GAAP) are stated in the notes of Overview of Accounting Principles Utilized.

In preparing its consolidated financial information, ORIX Corporation (the Company) and its subsidiaries have complied with U.S. GAAP, except as modified to account for stock splits in accordance with the usual practice in Japan.

This document may contain forward-looking statements about expected future events and financial results that involve risks and uncertainties. Such statements are based on our current expectations and are subject to uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause such a difference include, but are not limited to, those described under Risk Factors in the Company s most recent annual report on Form 20-F filed with the U.S. Securities and Exchange Commission.

This document contains non-GAAP financial measures, including adjusted long-term and interest-bearing debt, adjusted total assets and adjusted ORIX Corporation shareholders equity, as well as other measures and ratios calculated on the basis thereof. These non-GAAP financial measures should not be considered in isolation or as a substitute for the most directly comparable financial measures included in our consolidated financial statements presented in accordance with U.S. GAAP. Reconciliations of these non-GAAP financial measures to the most directly comparable U.S. GAAP measures are included in these documents.

The Company believes that it will be considered a passive foreign investment company for U.S. Federal income tax purposes in the year to which these consolidated financial results relate and for the foreseeable future by reason of the composition of its assets and the nature of its income. A U.S. holder of the shares or ADSs of the Company is therefore subject to special rules generally intended to eliminate any benefits from the deferral of U.S. Federal income tax that a holder could derive from investing in a foreign corporation that does not distribute all of its earnings on a current basis. Investors should consult their tax advisors with respect to such rules, which are summarized in the Company s annual report.

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1. Information on the Company and its Subsidiaries
(1) Consolidated Financial Highlights

	Millions of yen (except for per share amounts and ratios)		
	Three months ended June 30, 2012	Three months ended June 30, 2013	Fiscal year ended March 31, 2013
Total revenues	¥ 250,711	¥ 278,924	¥ 1,065,132
Income before income taxes and discontinued operations	47,303	63,228	172,538
Net income attributable to ORIX Corporation shareholders	34,773	45,007	111,909
Comprehensive Income attributable to ORIX Corporation shareholders	18,423	51,989	171,791
ORIX Corporation shareholders equity	1,389,372	1,690,216	1,643,596
Total assets	8,177,457	8,218,930	8,439,710
Earnings per share for net income attributable to ORIX Corporation shareholders			
Basic (yen)	32.34	36.62	102.87
Diluted (yen)	27.03	34.79	87.37
ORIX Corporation shareholders equity ratio (%)	17.0	20.6	19.5
Cash flows from operating activities	85,776	28,919	391,304
Cash flows from investing activities	3,642	69,853	105,657
Cash flows from financing activities	(258,004)	(195,799)	(467,193)
Cash and cash equivalents at end of period	614,917	731,748	826,296

Notes: 1. Pursuant to FASB Accounting Standards Codification (ASC) 205-20 (Presentation of Financial Statements Discontinued Operations), certain amounts in the fiscal year ended March 31, 2013 related to the operations of subsidiaries, business units, and certain properties, that have been sold or are to be disposed of by sale without significant continuing involvement as of June 30, 2013 have been reclassified retrospectively.

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

3. On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company s register of shareholders as of March 31, 2013. Per share data has been adjusted retrospectively to reflect the stock split for the previous period presented.

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(2) Overview of Activities

During the three months ended June 30, 2013, no significant changes were made in the Company and its subsidiaries operations. Additionally, there were no changes of principal related companies.

2. Risk Factors

Investing in our securities involves risks. You should carefully consider the information described herein as well as the risks described under Risk Factors in our Form 20-F for the fiscal year ended March 31, 2013 and the other information in that 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 those factors or other factors.

3. Material Contracts

Not applicable.

4. Analysis of Financial Results and Condition

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 that could have a material effect on our financial condition and results of operations in the future. However, please be advised that financial conditions and results of operations in the future may also be affected by factors other than those discussed here. These factors and trends regarding the future were assessed as of the issue date of the quarterly financial report (*shihanki houkokusho*).

(1) Qualitative Information Regarding Consolidated Financial Results

Economic Environment

Although the global economy continues to carry downside risks such as decelerating growth in emerging countries and lingering uncertainties in European sovereign debt issues, we believe the risk of another serious global financial crisis is receding, with signs of improvement in the United States economy.

In the United States, private consumption has been firm on the back of increased wages and employment levels, and income and consumption in the retail sector are beginning to create a self-sustained healthy economic cycle. On the other hand, the Federal Open Market Committee (FOMC) is attracting market attention for pointing to the possibility of tapering quantitative easing (QE3) this year, although it decided to maintain the current fiscal policy back in June.

In Asia s emerging economies, China is at a standstill due to policies restricting investment and India is also experiencing slower growth. In the ASEAN region, although high growth is continuing in comparison with developed nations, the growth rate is beginning to slowdown.

In Japan, although the rapid weakening of the yen and rise in share prices that continued from the beginning of the year has subsided for the moment, the domestic economy is continuing to show signs of a moderate recovery primarily due to the effect of various economic measures and monetary easing by the Bank of Japan. Moving forward, against a background of improving company results brought about by the weakening yen and increased public investment, we expect an increase in private consumption and improvement in the domestic employment environment.

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Financial Highlights

Financial Results for the Three Months Ended June 30, 2013

Total revenues	¥278,924 million (Up 11% year on year)
Total expenses	¥223,629 million (Up 5% year on year)
Income before income taxes and discontinued operations	¥63,228 million (Up 34% year on year)
Net income attributable to ORIX Corporation shareholders	¥45,007 million (Up 29% year on year)
Earnings per share for net income attributable to ORIX Corporation shareholders *3	
(Basic)	¥36.62 (Up 13% year on year)
(Diluted)	¥34.79 (Up 29% year on year)
ROE (Annualized) *1	10.8% (10.0% during the same period of the previous fiscal year)
ROA (Annualized) *2	2.16% (1.68% during the same period of the previous fiscal year)

*1 ROE is the ratio of Net Income Attributable to ORIX Corporation shareholders for the period to average ORIX Corporation shareholders Equity.

*2 ROA is the ratio of Net Income Attributable to ORIX Corporation shareholders for the period to average Total Assets.

*3 On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company s register of shareholders as of March 31, 2013. Per share data has been retrospectively adjusted to reflect the stock split for the previous period presented.

Total Revenues for the three-month period ended June 30, 2013 (hereinafter the first consolidated period) increased 11% to ¥278,924 million compared to ¥250,711 million during the same period of the previous fiscal year. Compared to the same period of the previous fiscal year, operating lease revenues increased due to increases in auto leasing in Japan and aircraft leasing overseas; life insurance premiums and related investment income increased due to increases in the number of policies in force and related investment income; and other operating revenues increased mainly due to contributions from acquired companies, growth in environment and energy business and an increase in fee revenues. Meanwhile, real estate sales decreased compared to the same period of the previous fiscal year due to a decrease in the number of condominium units sold.

Total Expenses increased 5% to ¥223,629 million compared to ¥213,897 million during the same period of the previous fiscal year. Costs of operating leases and other operating expenses increased in line with an expansion in revenues, and selling, general and administrative expenses increased due to factors including corporate acquisitions. Meanwhile, interest expense decreased due to a decrease in the balance of liabilities; costs of real estate sales decreased due to a decrease in the number of condominium units sold; and write-downs of securities decreased mainly due to a decrease in write-downs recorded for non-marketable securities compared to the same period of the previous fiscal year.

Equity in net income of affiliates decreased compared to the same period of the previous fiscal year due to a decrease in profits from domestic equity-method affiliates and recognition of impairment losses regarding certain overseas equity-method affiliates.

As a result of the foregoing, income before income taxes and discontinued operations for the first consolidated period increased 34% to ¥63,228 million compared to ¥47,303 million during the same period of the previous fiscal year, and net income attributable to ORIX Corporation shareholders increased 29% to ¥45,007 million compared to ¥34,773 million during the same period of the previous fiscal year.

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Segment Information

Total revenues and profits by segment for the three months ended June 30, 2012 and 2013 are as follows:

	Millions of yen							
	Three months ended June 30, 2012		Three months ended June 30, 2013		Change (revenues)		Change (profits)	
	Segment Revenues	Segment Profits	Segment Revenues	Segment Profits	Amount	Percent (%)	Amount	Percent (%)
Corporate Financial Services	¥ 18,093	¥ 6,100	¥ 17,550	¥ 4,935	¥ (543)	(3)	¥ (1,165)	(19)
Maintenance Leasing	58,437	9,247	63,205	11,342	4,768	8	2,095	23
Real Estate	56,466	1,843	46,542	5,545	(9,924)	(18)	3,702	201
Investment and Operation	23,009	10,578	31,473	10,699	8,464	37	121	1
Retail	40,174	13,427	51,227	17,223	11,053	28	3,796	28
Overseas Business	45,004	11,485	59,661	15,509	14,657	33	4,024	35
Total	241,183	52,680	269,658	65,253	28,475	12	12,573	24
Difference between Segment Total and Consolidated Amounts	9,528	(5,377)	9,266	(2,025)	(262)	(3)	3,352	
Total Consolidated Amounts	¥ 250,711	¥ 47,303	¥ 278,924	¥ 63,228	¥ 28,213	11	¥ 15,925	34

Total assets by segment as of March 31, 2013 and June 30, 2013 are as follows:

	Millions of yen					
	March 31, 2013		June 30, 2013		Change	
	Segment Assets	Composition ratio (%)	Segment Assets	Composition ratio (%)	Amount	Percent (%)
Corporate Financial Services	¥ 892,738	10.6	¥ 873,205	10.6	¥ (19,533)	(2)
Maintenance Leasing	599,075	7.1	620,945	7.6	21,870	4
Real Estate	1,111,810	13.2	1,063,453	12.9	(48,357)	(4)
Investment and Operation	416,569	4.9	444,932	5.4	28,363	7
Retail	1,970,972	23.4	1,999,169	24.3	28,197	1
Overseas Business	1,211,500	14.3	1,264,570	15.4	53,070	4
Total	6,202,664	73.5	6,266,274	76.2	63,610	1
Difference between Segment Total and Consolidated Amounts	2,237,046	26.5	1,952,656	23.8	(284,390)	(13)
Total Consolidated Amounts	¥ 8,439,710	100.0	¥ 8,218,930	100.0	¥ (220,780)	(3)

Segment profits for the first consolidated period increased 24% to ¥65,253 million compared to ¥52,680 million during the same period of the previous fiscal year.

Segment information for the first consolidated period is as follows:

Corporate Financial Services Segment

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

In the first consolidated period, aided by the weakening yen, large domestic companies primarily in the manufacturing industry, such as automobile manufacturers, increased their revenues. In addition, there are signs of recovery in SMEs performance with the growing domestic demands resulting from increased public investments.

Segment assets decreased 2% to ¥873,205 million due to a decrease in the balance of installment loans offsetting an increase in investment in direct financing leases.

Direct financing lease revenues were solid due to an increase in average balance. On the other hand, installment loan revenues decreased in line with a decrease in the average balance of installment loans. As a result, segment revenues decreased 3% to ¥17,550 million compared to ¥18,093 million during the same period of the previous fiscal year.

As segment expenses increased compared to the same period of the previous fiscal year, segment profits decreased 19% to ¥4,935 million compared to ¥6,100 million during the same period of the previous fiscal year.

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Maintenance Leasing Segment

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

In Japan, we are seeing movement toward renewed manufacturing activities and movement to restart investment that had been put on hold including upward revision of the capital investment plans of large companies. In such an environment, revenues have remained stable due to our ability to provide customers with high value-added services that meet corporate customers capital expenditure and cost reduction needs.

Segment revenues continued to progress steadily due to an increase in operating lease revenues, increasing 8% to ¥63,205 million compared to ¥58,437 million during the same period of the previous fiscal year. Segment expenses increased compared to the same period of the previous fiscal year due to an increase in the costs of operating leases in line with increased investment in operating leases.

As a result of the foregoing, segment profits increased 23% to ¥11,342 million compared to ¥9,247 million during the same period of the previous fiscal year.

Segment assets increased 4% compared to the end of the previous fiscal year to ¥620,945 million due to increases in both investment in operating leases and investment in direct financing leases.

Real Estate Segment

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

The office building market in Japan is showing signs of recovery with the vacancy ratio falling below its peak and rent levels appearing to have bottomed out. In addition, foreign real estate funds are expanding their investment in Japanese office buildings under the favorable conditions of low interest rates and weakening yen.

Segment revenues decreased 18% to ¥46,542 million compared to ¥56,466 million during the same period of the previous fiscal year due to a decrease in real estate sales resulting from a decrease in the number of condominiums units delivered despite an increase in revenues from gains on sales of real estate under operating leases.

Segment expenses decreased compared to the same period of the previous fiscal year due to decreases in costs of real estate sales and write-downs of securities despite an increase in write-downs of long-lived assets.

In addition to the foregoing, due to recognition of gains from sales of real estate joint ventures, segment profits increased 201% to ¥5,545 million compared to ¥1,843 million during the same period of the previous fiscal year.

Segment assets decreased 4% compared to the end of the previous fiscal year to ¥1,063,453 million due to sales of rental properties, as well as decreases in installment loans and investment securities.

Investment and Operation Segment

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

In the environment and energy-related business in Japan, although the feed in tariff price for renewable energy was lowered, there has been no waning of investment in power generation business, including mega-solar projects.

There have also been signs of recovery in the stock market, including an increase in the number of IPOs for the third consecutive year with initial IPO prices of many companies exceeding their offering price.

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Segment revenues increased 37% to ¥31,473 million compared to ¥23,009 million during the same period of the previous fiscal year due to an increase in gains on sales of investment securities and recognition of revenues from consolidated subsidiaries acquired after the same period of the previous fiscal year despite a decrease in installment loan revenues due to absence of revenues from large collections in the loan servicing business recorded during the same period of the previous fiscal year.

Similarly, segment expenses increased compared to the same period of the previous fiscal year due to recognition of costs concerning aforementioned consolidated subsidiaries.

On the other hand, equity in net income of affiliates decreased compared to the same period of the previous fiscal year.

As a result of the foregoing, segment profits remained relatively flat compared to the same period of the previous fiscal year at ¥10,699 million.

Segment assets increased 7% compared to the end of the previous fiscal year to ¥444,932 million due to increases in investment in operating leases and investment in affiliates despite a decrease in investment in securities and installment loans.

Retail Segment

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

Segment revenues increased 28% to ¥51,227 million compared to ¥40,174 million during the same period of the previous fiscal year due to an increase in installment loan revenues, steady growth in insurance premium income as a result of an increase in the number of policies in force in the life insurance business and an increase in insurance-related investment income.

Segment expenses increased due to an increase in selling, general and administrative expenses as well as an increase in insurance related costs.

As a result of the foregoing, segment profits increased 28% to ¥17,223 million compared to ¥13,427 million during the same period of the previous fiscal year.

Segment assets remained relatively flat compared to the end of the previous fiscal year at ¥1,999,169 million due to increases in investment in securities and the balance of installment loans despite a decrease in investment in affiliates.

Overseas Business Segment

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

In the United States, moderate recovery is continuing while private consumption and the residential markets are making gradual progress. In Asia, while growth in China and India has slowed slightly, in the ASEAN region, although high growth is continuing in comparison with developed nations, the growth rate is also beginning to slowdown.

Segment revenues increased 33% to ¥59,661 million compared to ¥45,004 million during the same period of the previous fiscal year due to an increase in gains on sales of investment securities in the United States, an increase in direct financing lease revenues in Asia, and also an increase in aircraft operating lease revenues.

Segment expenses increased compared to the same period of the previous fiscal year due to increases in selling, general and administrative expenses and costs of operating leases.

As a result of the foregoing, segment profits increased 35% to ¥15,509 million compared to ¥11,485 million during the same period of the previous fiscal year.

Segment assets increased 4% to ¥1,264,570 million compared to the end of the previous fiscal year due to increased investment in operating leases including aircraft, investment in direct financing leases in Asia, investment in affiliates, in addition to the effects of the weakened yen.

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(2) Financial Condition

	As of March 31, 2013	As of June 30, 2013	Change Amount	Change Percent (%)
Total assets (millions of yen)	8,439,710	8,218,930	(220,780)	(3)
(Segment assets)	6,202,664	6,266,274	63,610	1
Total liabilities (millions of yen)	6,710,516	6,438,989	(271,527)	(4)
(Long- and short-term debt)	4,482,260	4,209,143	(273,117)	(6)
(Deposits)	1,078,587	1,097,272	18,685	2
ORIX Corporation shareholders equity (millions of yen)	1,643,596	1,690,216	46,620	3
ORIX Corporation shareholders equity per share (yen)*	1,345.63	1,366.43	20.80	2
ORIX Corporation shareholders equity ratio	19.5%	20.6%	1.1%	
Adjusted ORIX Corporation shareholders equity ratio*	21.4%	22.0%	0.6%	
D/E ratio (Debt-to-equity ratio) (Long-and short-term debt (excluding deposits) / ORIX Corporation shareholders equity)	2.7x	2.5x	(0.2)x	
Adjusted D/E ratio*	2.3x	2.2x	(0.1)x	

* ORIX Corporation shareholders equity per share is calculated using total ORIX Corporation Shareholders Equity.

* On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company s register of shareholders as of March 31, 2013. Per share data has been retrospectively adjusted to reflect the stock split for the previous period presented.

* Adjusted ORIX Corporation Shareholders equity ratio and Adjusted D/E ratio are non-GAAP financial measures presented on an adjusted basis which excludes the effect of consolidating certain VIEs on our assets or liabilities and reverses the cumulative effect on our retained earnings of such consolidation, which resulted from applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010. For a discussion of these and other non-GAAP financial measures, including a quantitative reconciliation to the most directly comparable GAAP financial measures, please see 5. Non-GAAP Financial Measures.

Total assets decreased 3% to ¥8,218,930 million from ¥8,439,710 million on March 31, 2013. Investment in direct financing leases increased due to robust new transactions in the Asian region, and investment in operating leases increased primarily due to completion of rental properties and increased aircraft leasing overseas. On the other hand, cash and cash equivalents decreased, while installment loans also decreased due to increased collection of loans. Segment assets increased 1% compared to March 31, 2013 to ¥6,266,274 million. For more information about assets attributed to segment assets, see Note 20 Segment Information.

The balance of interest bearing liabilities is managed at an appropriate level with considering the situation of assets and liquidity on-hand in addition to the domestic and overseas financial environment. As a result, long-term and short-term debt decreased compared to March 31, 2013.

ORIX Corporation Shareholders equity increased 3% compared to March 31, 2013 to ¥1,690,216 million primarily due to an increase in retained earnings.

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(3) Liquidity and Capital Resources

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

We have endeavored to diversify our funding sources, promote longer liability maturities, stagger interest and principal repayment dates, and otherwise maintain sufficient liquidity and reinforce our funding stability.

Our funding was comprised of borrowings from financial institutions, direct fund procurement from capital markets, and deposits. ORIX Group s total funding including that from short- and long-term debt and deposits on a consolidated basis was ¥5,306,415 million as of June 30, 2013.

Borrowings were procured from a diverse range of financial institutions including major banks, regional banks, foreign banks and life and casualty insurance companies. The number of financial institutions from which we procured borrowings exceeded 200 as of June 30, 2013. Procurement from the capital markets was composed of bonds, including unsecured convertible bonds, medium term notes, commercial paper, and payables under securitized leases, loan receivables and investment in securities (including asset backed securities). ORIX Group accepts deposits for funding purposes, with the majority of deposits attributable to ORIX Bank Corporation.

In an effort to promote longer liability maturities and further diversified funding resources, during the three months ended June 30, 2013, we issued seven-year domestic straight bonds to institutional investors and ten-year domestic straight bonds to retail investors. We intend to continue to strengthen our financial condition, while maintaining an appropriate funding mix.

Short-term and long-term debt and deposits

(a) Short-term debt

	Millions of yen	
	March 31, 2013	**June 30, 2013**
Borrowings from financial institutions	¥ 268,588	¥ 192,200
Notes	634	603
Commercial paper	151,504	107,823
Total short-term debt	¥ 420,726	¥ 300,626

Short-term debt as of June 30, 2013 was ¥300,626 million, which accounted for 7% of the total amount of short and long-term debt (excluding deposits) as compared to 9% as of March 31, 2013.

While the amount of short-term debt as of June 30, 2013 was ¥300,626 million, the sum of cash and cash equivalents and the unused amount of the committed credit facilities as of June 30, 2013 was ¥1,165,529 million.

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(b) Long-term debt

	Millions of yen	
	March 31, 2013	June 30, 2013
Borrowings from financial institutions	¥ 2,099,408	¥ 2,098,583
Bonds	1,224,191	1,251,007
Medium-term notes	58,169	61,466
Payable under securitized lease and loan receivables and investment in securities	679,766	497,461
Total long-term debt	¥ 4,061,534	¥ 3,908,517

The balance of long-term debt as of June 30, 2013 was ¥3,908,517 million, which accounted for 93% of the total amount of short and long-term debt (excluding deposits) as compared to 91% as of March 31, 2013. On an adjusted basis, our ratio of long-term debt to total debt (excluding deposits) was 92% as of June 30, 2013 as compared to 89% as of March 31, 2013. This ratio is a non-GAAP financial measure presented on an adjusted basis that excludes payables under securitized leases, loan receivables and investment in securities. For a discussion of this and other non-GAAP financial measures including reconciliations to the most directly comparable financial measures presented in accordance with GAAP, see 5. Non-GAAP Financial Measures.

(c) Deposits

	Millions of yen	
	March 31, 2013	June 30, 2013
Deposits	¥ 1,078,587	¥ 1,097,272

Apart from the short-term and long-term debt noted above, ORIX Bank Corporation and ORIX Asia Limited accept deposits. These deposit taking subsidiaries are regulated institutions, and loans from these subsidiaries to ORIX Group are subject to maximum regulatory limits.

(4) Summary of Cash Flows

Cash and cash equivalents as of June 30, 2013 decreased by ¥94,548 million to ¥731,748 million compared to March 31, 2013.

Cash flows from operating activities provided ¥28,919 million in the three months ended June 30, 2013, down from ¥85,776 million during the same period of the previous fiscal year, resulting from a decrease in restricted cash, a decrease in trade notes, accounts payable and other liabilities, an increase in trading securities and an increase in other receivables, in addition to adjustments made for the non-cash revenue and expense items such as depreciation and amortization, provision for doubtful receivables and probable loan losses, equity in net income of affiliates (excluding interest on loans), write-downs of long-lived assets and gains on sales of available-for-sale securities compared to the same period of the previous fiscal year.

Cash flows from investing activities provided ¥69,853 million in the three months ended June 30, 2013, up from ¥3,642 million during the same period of the previous fiscal year. This change was due to increases in principal collected on installment loans, proceeds from redemption of available-for-sale securities, proceeds from sales of available-for-sale securities, partially offset by increases in purchases of available-for-sale securities, installment loans made to customers and investment in affiliates, net.

Cash flows from financing activities used ¥195,799 million in the three months ended June 30, 2013, while having used ¥258,004 million during the same period of the previous fiscal year. This change was due to a decrease in repayment of debt with maturities longer than three months.

(5) Challenges to be addressed

There were no significant changes for the three months ended June 30, 2013.

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(6) Research and Development Activity

There were no significant changes in research and development activity for the three months ended June 30, 2013.

(7) Major facilities

There were no significant changes in major facilities for the three months ended June 30, 2013.

5. Non-GAAP Financial Measures

The sections 4 (2) Financial Condition and (3) Liquidity and Capital Resources contain certain financial measures presented on a basis not in accordance with U.S. GAAP (commonly referred to as non-GAAP financial measures), including long-term debt, ORIX Corporation shareholders equity and total assets, as well as other measures or ratios calculated based on those measures, presented on an adjusted basis. The adjustment excludes payables under securitized leases, loan receivables and investment in securities and reverses the cumulative effect on retained earnings of applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010.

Our management believes these non-GAAP financial measures provide investors with additional meaningful comparisons between our financial condition as of June 30, 2013, as compared to prior periods. Effective April 1, 2010, we adopted ASU 2009-16 and ASU 2009-17, which changed the circumstances under which we are required to consolidate certain VIEs. Our adoption of these accounting standards caused a significant increase in our consolidated assets and liabilities and a decrease in our retained earnings without affecting the net cash flow and economic effects of our investments in such consolidated VIEs. Accordingly, our management believes that providing certain financial measures that exclude the impact of consolidating certain VIEs on our assets and liabilities as a supplement to financial information calculated in accordance with U.S. GAAP enhances understanding of the overall picture of our current financial position and enables investors to evaluate our historical financial and business trends without the large balance sheet fluctuation caused by our adoption of these accounting standards.

We provide these non-GAAP financial measures as supplemental information to our consolidated financial statements prepared in accordance with U.S. GAAP, and they should not be considered in isolation or as substitutes for the most directly comparable U.S. GAAP measures.

The tables set forth below provide reconciliations of these non-GAAP financial measures to the most directly comparable financial measures presented in accordance with U.S. GAAP as reflected in our consolidated financial statements for the periods provided.

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		As of March 31, 2013	As of June 30, 2013
		(Millions of yen, except percentage data)	
Total assets	(a)	8,439,710	8,218,930
Deduct: Payables under securitized leases, loan receivables and investment in securities*		679,766	497,461
Adjusted total assets	(b)	7,759,944	7,721,469
Short-term debt	(c)	420,726	300,626
Long-term debt	(d)	4,061,534	3,908,517
Deduct: Payables under securitized leases, loan receivables and investment in securities*		679,766	497,461
Adjusted long-term debt	(e)	3,381,768	3,411,056
Long- and short-term debt (excluding deposits)	(f)=(c)+(d)	4,482,260	4,209,143
Adjusted short- and long-term debt (excluding deposits)	(g)=(c)+(e)	3,802,494	3,711,682
ORIX Corporation shareholders equity	(h)	1,643,596	1,690,216
Deduct: The cumulative effect on retained earnings of applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010		(16,593)	(10,196)
Adjusted ORIX Corporation shareholders equity	(i)	1,660,189	1,700,412
ORIX Corporation shareholders equity ratio	(h)/(a)	19.5%	20.6%
Adjusted ORIX Corporation shareholders equity ratio	(i)/(b)	21.4%	22.0%
D/E ratio	(f)/(h)	2.7x	2.5x
Adjusted D/E ratio	(g)/(i)	2.3x	2.2x
Long-term debt ratio	(d)/(f)	91%	93%
Adjusted long-term debt ratio	(e)/(g)	89%	92%

* These deductions represent amounts recorded as liabilities and included in long-term debt on the consolidated balance sheet.

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6. Company Stock Information

(The following disclosure in this section is provided for ORIX Corporation on a stand-alone basis and has been prepared based on Japanese GAAP.)

(1) Issued Shares, Common Stock and Additional Paid-in Capital

The number of issued shares, the amount of common stock and additional paid-in capital for the three months ended June 30, 2013 is as follows:

In thousands		Millions of yen			
Number of issued shares		Common stock		Additional paid-in capital	
Increase, net	June 30, 2013	Increase, net	June 30, 2013	Increase, net	June 30, 2013
1,139,346	1,264,218	¥5,361	¥199,401	¥5,361	¥226,580

Note: *1. On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company s register of shareholders as of March 31, 2013. The number of issued shares as of March 31, 2013, which is 124,871 thousand, does not reflect the 10-for-1 stock split.

Note: *2. Common stock and additional paid-in capital have been increased by the exercise of stock acquisition rights and the conversion of convertible bond.

(2) List of Major Shareholders

Not applicable (this item is not subject to disclosure in quarterly reports for the three months ended June 30 or December 31).

7. Directors and Executive Officers

(Following disclosure is based on Japanese GAAP and represents stand-alone basis of ORIX Corporation.)

Between the filing date of Form 20-F for the fiscal year ended March 31, 2013 and June 30, 2013, there were no changes of directors and executive officers.

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8. Financial Information

(1) Condensed Consolidated Balance Sheets (Unaudited)

	Millions of yen	
Assets	**March 31, 2013**	**June 30, 2013**
Cash and Cash Equivalents	¥ 826,296	¥ 731,748
Restricted Cash	106,919	88,228
Time Deposits	8,356	4,734
Investment in Direct Financing Leases	989,380	1,010,140
Installment Loans	2,691,171	2,471,633
(The amounts of ¥16,026 million of installment loans as of March 31, 2013 and ¥20,245 million of installment loans as of June 30, 2013 are measured at fair value by electing the fair value option under FASB Accounting Standards Codification 825-10.)		
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses	(104,264)	(96,924)
Investment in Operating Leases	1,395,533	1,445,856
Investment in Securities	1,093,668	1,103,607
(The amounts of ¥5,800 million of investment in securities as of March 31, 2013 and ¥7,128 million of investment in securities as of June 30, 2013 are measured at fair value by electing the fair value option under FASB Accounting Standards Codification 825-10.)		
Other Operating Assets	233,258	235,114
Investment in Affiliates	326,732	357,378
Other Receivables	196,626	208,479
Inventories	41,489	37,818
Prepaid Expenses	50,323	55,365
Office Facilities	108,757	109,435
Other Assets	475,466	456,319
Total Assets	¥ 8,439,710	¥ 8,218,930

Note: The assets of consolidated variable interest entities (VIEs) that can be used only to settle obligations of those VIEs are below:

	Millions of yen	
Assets	**March 31, 2013**	**June 30, 2013**
Cash and Cash Equivalents	¥ 9,439	¥ 8,995
Investment in Direct Financing Leases (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	205,989	163,678
Installment Loans (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	528,976	371,078
Investment in Operating Leases	199,190	255,894
Investment in Securities	37,641	4,739
Investment in Affiliates	13,820	11,034
Others	98,885	102,046
	¥ 1,093,940	¥ 917,464

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Liabilities and Equity	Millions of yen March 31, 2013	June 30, 2013
Liabilities:		
Short-Term Debt	¥ 420,726	¥ 300,626
Deposits	1,078,587	1,097,272
Trade Notes, Accounts Payable and Other Liabilities	312,922	303,079
Accrued Expenses	121,281	99,770
Policy Liabilities	426,007	429,898
Current and Deferred Income Taxes	143,057	151,813
Security Deposits	146,402	148,014
Long-Term Debt	4,061,534	3,908,517
Total Liabilities	6,710,516	6,438,989
Redeemable Noncontrolling Interests	41,621	43,985
Commitments and Contingent Liabilities		
Equity:		
Common stock	194,039	199,401
Additional paid-in capital	229,600	234,820
Retained earnings	1,305,044	1,334,055
Accumulated other comprehensive income (loss)	(36,263)	(29,281)
Treasury stock, at cost	(48,824)	(48,779)
ORIX Corporation Shareholders Equity	1,643,596	1,690,216
Noncontrolling interests	43,977	45,740
Total Equity	1,687,573	1,735,956
Total Liabilities and Equity	¥ 8,439,710	¥ 8,218,930

Note: The liabilities of consolidated VIEs for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries are below:

Liabilities	Millions of yen March 31, 2013	June 30, 2013
Short-Term Debt	¥ 1,710	¥ 1,479
Trade Notes, Accounts Payable and Other Liabilities	3,503	4,200
Security Deposits	5,679	5,837
Long-Term Debt	806,857	631,635
Others	5,649	5,143
	¥ 823,398	¥ 648,294

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(2) Condensed Consolidated Statements of Income (Unaudited)

	Millions of yen	
	Three months ended June 30, 2012	**Three months ended June 30, 2013**
Revenues:		
Direct financing leases	¥ 13,385	¥ 14,242
Operating leases	71,671	81,219
Interest on loans and investment securities	38,856	37,286
Brokerage commissions and net gains on investment securities	6,943	7,550
Life insurance premiums and related investment income	32,481	37,518
Real estate sales	12,504	1,728
Gains on sales of real estate under operating leases	315	62
Other operating revenues	74,556	99,319
Total revenues	250,711	278,924
Expenses:		
Interest expense	27,315	22,906
Costs of operating leases	46,282	52,812
Life insurance costs	21,839	23,964
Costs of real estate sales	13,402	5,093
Other operating expenses	42,834	52,575
Selling, general and administrative expenses	50,820	60,153
Provision for doubtful receivables and probable loan losses	1,214	2,348
Write-downs of long-lived assets	1,320	2,771
Write-downs of securities	9,208	688
Foreign currency transaction loss (gain), net	(337)	319
Total expenses	213,897	223,629
Operating Income	36,814	55,295
Equity in Net Income of Affiliates	7,376	3,974
Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, Net	3,113	3,959
Income before Income Taxes and Discontinued Operations	47,303	63,228
Provision for Income Taxes	12,617	21,545
Income from Continuing Operations	34,686	41,683

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	Millions of yen	
	Three months ended June 30, 2012	Three months ended June 30, 2013
Discontinued Operations:		
Income from discontinued operations, net	1,971	6,945
Provision for income taxes	(710)	(2,598)
Discontinued operations, net of applicable tax effect	1,261	4,347
Net Income	35,947	46,030
Net Income Attributable to the Noncontrolling Interests	476	354
Net Income Attributable to the Redeemable Noncontrolling Interests	698	669
Net Income Attributable to ORIX Corporation Shareholders	¥ 34,773	¥ 45,007

Note 1. Pursuant to FASB Accounting Standards Codification 205-20 (Presentation of Financial Statements-Discontinued Operations), the results of operations which meet the criteria for discontinued operations are reported as a separate component of income, and those related amounts that had been previously reported are reclassified.

	Millions of yen	
	Three months ended June 30, 2012	Three months ended June 30, 2013
Income attributable to ORIX Corporation shareholders:		
Income from continuing operations	¥ 33,483	¥ 40,660
Discontinued operations	1,290	4,347
Net income attributable to ORIX Corporation shareholders	34,773	45,007

	Yen	
	Three months ended June 30, 2012	Three months ended June 30, 2013
Amounts per Share of Common Stock for Income attributable to ORIX Corporation shareholders:		
Basic:		
Income from continuing operations	¥ 31.14	¥ 33.08
Discontinued operations	1.20	3.54
Net income attributable to ORIX Corporation shareholders	32.34	36.62
Diluted:		
Income from continuing operations	¥ 26.04	¥ 31.44
Discontinued operations	0.99	3.35
Net income attributable to ORIX Corporation shareholders	27.03	34.79

Note 1: On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company s register of shareholders as of March 31, 2013. The amounts per share of common stock for income attributable to ORIX Corporation shareholders have been adjusted retrospectively to reflect the stock split for the previous period presented.

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(3) Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Millions of yen	
	Three months ended June 30, 2012	Three months ended June 30, 2013
Net Income	¥ 35,947	¥ 46,030
Other comprehensive income (loss), net of tax:		
Net change of unrealized gains (losses) on investment in securities	(845)	315
Net change of defined benefit pension plans	109	(65)
Net change of foreign currency translation adjustments	(18,808)	9,579
Net change of unrealized gains (losses) on derivative instruments	594	550
Total other comprehensive income (loss)	(18,950)	10,379
Comprehensive Income	16,997	56,409
Comprehensive Income (Loss) Attributable to the Noncontrolling Interests	(718)	1,769
Comprehensive Income (Loss) Attributable to the Redeemable Noncontrolling Interests	(708)	2,651
Comprehensive Income Attributable to ORIX Corporation Shareholders	¥ 18,423	¥ 51,989

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(4) Condensed Consolidated Statements of Changes in Equity (Unaudited)

Three months ended June 30, 2012

	Millions of yen							
	ORIX Corporation Shareholders Equity							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total ORIX Corporation Shareholders Equity	Noncontrolling Interests	Total Equity
Beginning Balance	¥ 144,026	¥ 179,223	¥ 1,202,450	¥ (96,056)	¥ (48,907)	¥ 1,380,736	¥ 39,735	¥ 1,420,471
Contribution to subsidiaries						0	205	205
Transaction with noncontrolling interests		3				3	94	97
Comprehensive income (loss), net of tax:								
Net income			34,773			34,773	476	35,249
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment in securities				(993)		(993)	148	(845)
Net change of defined benefit pension plans				108		108	1	109
Net change of foreign currency translation adjustments				(16,060)		(16,060)	(1,342)	(17,402)
Net change of unrealized gains (losses) on derivative instruments				595		595	(1)	594
Total other comprehensive income (loss)						(16,350)	(1,194)	(17,544)
Total comprehensive income (loss)						18,423	(718)	17,705
Cash dividends			(9,676)			(9,676)	(376)	(10,052)
Other, net		60	(174)			(114)	0	(114)
Ending Balance	¥ 144,026	¥ 179,286	¥ 1,227,373	¥ (112,406)	¥ (48,907)	¥ 1,389,372	¥ 38,940	¥ 1,428,312

Three months ended June 30, 2013

	Millions of yen							
	ORIX Corporation Shareholders Equity							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total ORIX Corporation Shareholders Equity	Noncontrolling Interests	Total Equity
Beginning Balance	¥ 194,039	¥ 229,600	¥ 1,305,044	¥ (36,263)	¥ (48,824)	¥ 1,643,596	¥ 43,977	¥ 1,687,573
Contribution to subsidiaries						0	261	261
Transaction with noncontrolling interests		6				6	(47)	(41)
Comprehensive income, net of tax:								
Net income			45,007			45,007	354	45,361
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment in securities				(297)		(297)	612	315
Net change of defined benefit pension plans				(65)		(65)	0	(65)
Net change of foreign currency translation adjustments				6,809		6,809	788	7,597
Net change of unrealized gains (losses) on derivative instruments				535		535	15	550
Total other comprehensive income (loss)						6,982	1,415	8,397
Total comprehensive income						51,989	1,769	53,758
Cash dividends			(15,878)			(15,878)	(220)	(16,098)
Conversion of convertible bond	5,162	4,981				10,143	0	10,143
Exercise of stock options	200	197				397	0	397
Acquisition of treasury stock					(6)	(6)	0	(6)
Other, net		36	(118)		51	(31)	0	(31)
Ending Balance	¥ 199,401	¥ 234,820	¥ 1,334,055	¥ (29,281)	¥ (48,779)	¥ 1,690,216	¥ 45,740	¥ 1,735,956

Changes in the redeemable noncontrolling interests are not included in the table. For further information, see Note 9 Redeemable Noncontrolling Interests.

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(5) Condensed Consolidated Statements of Cash Flows (Unaudited)

	Millions of yen	
	Three months ended June 30, 2012	Three months ended June 30, 2013
Cash Flows from Operating Activities:		
Net income	¥ 35,947	¥ 46,030
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	42,353	48,285
Provision for doubtful receivables and probable loan losses	1,214	2,348
Increase in policy liabilities	1,835	3,891
Equity in net income of affiliates (excluding interest on loans)	(7,178)	(3,915)
Gains on sales of subsidiaries and affiliates and liquidation losses, net	(3,113)	(3,959)
Gains on sales of available-for-sale securities	(1,189)	(7,100)
Gains on sales of real estate under operating leases	(315)	(62)
Gains on sales of operating lease assets other than real estate	(3,528)	(5,236)
Write-downs of long-lived assets	1,320	2,771
Write-downs of securities	9,208	688
Decrease in restricted cash	36,449	17,739
Increase in trading securities	(16,941)	(5,134)
Decrease in inventories	5,057	4,087
Decrease (Increase) in other receivables	12,603	(8,702)
Decrease in trade notes, accounts payable and other liabilities	(3,719)	(17,039)
Decrease in accrued expenses	(18,883)	(22,887)
Other, net	(5,344)	(22,886)
Net cash provided by operating activities	85,776	28,919
Cash Flows from Investing Activities:		
Purchases of lease equipment	(171,899)	(200,122)
Principal payments received under direct financing leases	90,171	106,967
Installment loans made to customers	(171,208)	(229,001)
Principal collected on installment loans	213,435	364,871
Proceeds from sales of operating lease assets	40,737	70,742
Investment in affiliates, net	(10,173)	(47,785)
Proceeds from sales of investment in affiliates	32	9,635
Purchases of available-for-sale securities	(130,344)	(287,269)
Proceeds from sales of available-for-sale securities	104,990	144,926
Proceeds from redemption of available-for-sale securities	69,009	131,833
Purchases of held-to-maturity securities	(3,406)	(608)
Purchases of other securities	(6,638)	(5,536)
Proceeds from sales of other securities	8,611	3,987
Purchases of other operating assets	(4,308)	(5,291)
Acquisitions of subsidiaries, net of cash acquired	(40,195)	(1,157)
Other, net	14,828	13,661
Net cash provided by investing activities	3,642	69,853
Cash Flows from Financing Activities:		
Net decrease in debt with maturities of three months or less	(63,362)	(137,310)
Proceeds from debt with maturities longer than three months	330,519	292,337
Repayment of debt with maturities longer than three months	(514,387)	(355,315)
Net increase (decrease) in deposits due to customers	(5,445)	18,673

Cash dividends paid to ORIX Corporation shareholders	(9,676)	(15,878)
Net increase in call money	5,000	0
Other, net	(653)	1,694
Net cash used in financing activities	(258,004)	(195,799)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(3,389)	2,479
Net decrease in Cash and Cash Equivalents	(171,975)	(94,548)
Cash and Cash Equivalents at Beginning of Period	786,892	826,296
Cash and Cash Equivalents at End of Period	¥ 614,917	¥ 731,748

Notes to Consolidated Financial Statements

1. Overview of Accounting Principles Utilized

In preparing the accompanying consolidated financial statements, ORIX Corporation (the Company) and its subsidiaries have complied with accounting principles generally accepted in the United States of America (U.S. GAAP), modified for the accounting for stock splits (see Note 2 (n)).

These statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to present a fair statement of our results of operations, financial position and cash flows. The results reported in these condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our March 31, 2013 consolidated financial statements on Form 20-F.

Since the Company listed on the New York Stock Exchange in September 1998, the Company has filed the annual report (Form 20-F) including the consolidated financial statements with the Securities and Exchange Commission.

Significant differences between U.S. GAAP and generally accepted accounting principles in Japan (Japanese GAAP) are as follows:

(a) Initial direct costs

Under U.S. GAAP, certain initial direct costs to originate leases or loans are being deferred and amortized as yield adjustments over the life of related direct financing leases or loans by using interest method.

On the other hand, under Japanese GAAP, those initial direct costs are recognized as expenses when they are incurred.

(b) Operating leases

Under U.S. GAAP, revenues from operating leases are recognized on a straight-line basis over the contract terms. Also operating lease assets are depreciated over their estimated useful lives mainly on a straight-line basis.

On the other hand, Japanese GAAP allows for operating lease assets to be depreciated using mainly either the declining-balance basis or straight-line basis.

(c) Accounting for life insurance operations

Based on ASC 944 (Financial Services Insurance), certain costs related directly to the successful acquisition of new or renewal insurance contracts, or deferred policy acquisition costs, are being deferred and amortized over the respective policy periods in proportion to anticipated premium revenue.

Under Japanese GAAP, such costs are recorded as expenses currently in earnings in each accounting period.

In addition, under U.S. GAAP, although policy liabilities for future policy benefits are established using the net level premium method, based on actuarial estimates of the amount of future policyholder benefits, under Japanese GAAP, these are calculated by the methodology which relevant authorities accept.

(d) Accounting for goodwill and other intangible assets in business combination

Under U.S. GAAP, goodwill and intangible assets that have indefinite useful lives are not amortized, but assessed at least annually for impairment. Additionally, if events or changes in circumstances indicate that the asset might be impaired, the Company and its subsidiaries test for impairment when such events or changes occur.

Under Japanese GAAP, goodwill is amortized over an appropriate period up to 20 years.

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(e) Accounting for pension plans

Under U.S. GAAP, the Company and its subsidiaries apply ASC 715 (Compensation Retirement Benefits) and record pension costs based on the amounts determined using actuarial methods. The net actuarial gain (loss) is amortized using a corridor test.

Under Japanese GAAP, the net actuarial gain (loss) is fully amortized over a certain term within the average remaining service period of employees.

(f) Reporting on discontinued operations

Under U.S. GAAP, in accordance with ASC 205-20 (Presentation of Financial Statements Discontinued Operations), the financial results of discontinued operations and disposal gain or loss, net of applicable income tax effects, are presented as a separate line from continuing operations in the consolidated statements of income. The prior periods results of these discontinued operations have also been reclassified as income from discontinued operations in each prior period presented in the accompanying consolidated statements of income and consolidated statements of cash flows.

Under Japanese GAAP, there are no rules on reporting discontinued operations and the amounts are not presented separately from continuing operations.

(g) Presentation of net income in the consolidated statements of income

Under U.S. GAAP, net income consists of net income attributable to the parent and net income attributable to the noncontrolling interests. Each of them is separately stated in the consolidated statements of income.

Under Japanese GAAP, net income attributable to the minority interests is not included in net income.

(h) Partial sale and additional acquisition of the parent s ownership interest in subsidiaries

Under U.S. GAAP, a partial sale and an additional acquisition of the parent s ownership interest in subsidiaries where the parent continues to retain control of that subsidiary are accounted for as equity transactions. On the other hand, in a transaction that results in the loss of control, the gain or loss recognized in income includes the realized gain or loss related to the portion of ownership interest sold and the gain or loss on the remeasurement to fair value of the interest retained.

Under Japanese GAAP, a partial sale of the parent s ownership interest where the parent continues to retain control is accounted for as a profit-loss transaction and an additional acquisition of the parent s ownership interest is accounted for as a business combination. In addition, in a transaction that results in the loss of control, only the realized gain or loss related to the portion of ownership interest sold is recognized in income and the gain or loss on the remeasurement to fair value of the interest retained is not recognized.

(i) Classification in consolidated statements of cash flows

Classification in the statements of cash flows under U.S. GAAP is based on ASC 230 (Statement of Cash Flows), which differs from Japanese GAAP. As significant differences, purchase of lease equipment and principal payments received under direct financing leases, proceeds from sales of operating lease assets, installment loans made to customers and principal collected on installment loans (excluding issues and collections of loans held for sale) are included in Cash Flows from Investing Activities under U.S. GAAP while they are classified as Cash Flows from Operating Activities under Japanese GAAP.

(j) Securitization of financial assets

Under U.S. GAAP, from April 1, 2010, because the exception to variable interest entities that are qualifying special-purpose entities has been removed, an enterprise is required to perform analysis to determine whether or not to consolidate special-purpose entities (SPEs) for securitization under the VIE s consolidation rules. As a result of the analysis, if it is determined that the enterprise transferred financial assets in a securitization transaction to an SPE that needs to be consolidated, the transaction is not accounted for as a sale but accounted for as a secured borrowing.

Under Japanese GAAP, an SPE that meets certain conditions may be considered not to be a subsidiary of the transferor. Therefore, if an enterprise transfers financial assets to this type of SPE in a securitization transaction, the transferee SPE is not required to be consolidated, and the enterprise accounts for the transaction as a sale and recognizes a gain or loss on the sale into earnings when control over the transferred assets is surrendered.

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2. Significant Accounting and Reporting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Investments in affiliates, where the Company has the ability to exercise significant influence by way of 20%-50% ownership or other means, are accounted for by using the equity method. Where the Company holds majority voting interests but noncontrolling shareholders have substantive participating rights to decisions that occur as part of the ordinary course of their business, the equity method is applied pursuant to FASB Accounting Standards Codification (ASC) 810-10-25-2 to 14 (Consolidation The effect of Noncontrolling Rights on Consolidation). In addition, the consolidated financial statements also include variable interest entities to which the Company and its subsidiaries are primary beneficiaries pursuant to ASC 810-10 (Consolidation Variable Interest Entities).

A lag period of up to three months is used on a consistent basis for recognizing the results of certain subsidiaries and affiliates.

All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company has identified ten areas where it believes assumptions and estimates are particularly critical to the financial statements. These are the selection of valuation techniques and determination of assumptions used in fair value measurements (see Note 3), the determination and periodic reassessment of the unguaranteed residual value for direct financing leases and operating leases (see (d)), the determination and reassessment of insurance policy liabilities and deferred policy acquisition costs (see (e)), the determination of the allowance for doubtful receivables on direct financing leases and probable loan losses (see (f)), the determination of impairment of long-lived assets (see (g)), the determination of impairment of investment in securities (see (h)), the determination of valuation allowance for deferred tax assets and the evaluation of tax positions (see (i)), assessment and measurement of effectiveness in hedging relationship using derivative financial instruments (see (k)), the determination of benefit obligation and net periodic pension cost (see (l)) and the determination of impairment of goodwill and intangible assets that have indefinite useful lives (see (w)).

(c) Foreign currencies translation

The Company and its subsidiaries maintain their accounting records in their functional currency. Transactions in foreign currencies are recorded in the entity s functional currency based on the prevailing exchange rates on the transaction date.

The financial statements of overseas subsidiaries and affiliates are translated into Japanese yen by applying the exchange rates in effect at the end of each fiscal period to all assets and liabilities. Income and expenses are translated at the average rates of exchange prevailing during the fiscal period. The currencies in which the operations of the overseas subsidiaries and affiliates are conducted are regarded as the functional currencies of these companies. Foreign currency translation adjustments reflected in accumulated other comprehensive income (loss) arise from the translation of foreign currency financial statements into Japanese yen.

(d) Recognition of revenues

Revenues are recognized when persuasive evidence of an arrangement exists, the service has been rendered or the goods have been delivered to the customer, the transaction price is fixed or determinable and collectibility is reasonably assured.

In addition to the aforementioned general policy, the policies as specifically described hereinafter are applied for each of the major revenue items.

Leases The Company and its subsidiaries lease various assets to customers under direct financing or operating lease arrangements. Classification of a lease arrangement into either a direct financing lease or an operating lease is dependent upon the specific conditions of the arrangement. Revenue recognition policies applied for direct financing leases and operating leases are specifically described in sections following this paragraph. In providing leasing services, the Company and its subsidiaries execute supplemental services, such as paying insurance and handling taxes on leased assets on behalf of lessees. In some cases, automobile maintenance services are also provided to lessees. Where under terms of the lease or related maintenance agreements the Company and its subsidiaries bear the favorable or unfavorable variability of cost, revenues and expenses are recorded on a gross basis. For those arrangements in which the Company and its subsidiaries do not have substantial risks and rewards of ownership, but instead serve as an agent in collecting from lessees and remitting payments to third parties, the Company and its subsidiaries record revenues net of third-party services costs. Revenues from automobile maintenance services are taken into income over the contract period in proportion to the estimated service costs to be incurred and are recorded in other operating revenues in the accompanying consolidated statements of income.

(1) Recognition of revenues for direct financing leases

Direct financing leases consist of full-payout leases for various equipment types, including office equipment, industrial machinery and transportation equipment. The excess of aggregate lease rentals plus the estimated unguaranteed residual value over the cost of the leased equipment constitutes the unearned lease income to be taken into income over the lease term by using the interest method. The estimated residual values represent estimated proceeds from the disposition of equipment at the time the lease is terminated. Estimates of unguaranteed residual values are based on market values of used equipment, estimates of when and how much equipment will become obsolete, and actual recovery being experienced for similar used equipment. Initial direct costs are being deferred and amortized as a yield adjustment over the life of the related lease by using interest method. The unamortized balance of initial direct costs is reflected as a component of investment in direct financing leases.

(2) Recognition of revenues for operating leases

Revenues from operating leases are recognized on a straight-line basis over the contract terms. Investment in operating leases is recorded at cost less accumulated depreciation, which was ¥431,329 million and ¥433,442 million as of March 31, 2013 and June 30, 2013, respectively. Operating lease assets are depreciated over their estimated useful lives mainly on a straight-line basis. Depreciation expenses are included in costs of operating leases. Gains or losses arising from dispositions of operating lease assets, except real estate under operating leases, are included in operating lease revenues. With respect to some sales of real estate under operating leases such as commercial buildings, the Company or its subsidiaries may retain an interest in some cash flows of the real estate in the form of management or operation of the real estate. Where the Company or its subsidiaries have significant continuing involvement in the operations from the real estate under operating leases which have been disposed of, the gains or losses arising from such disposition are separately disclosed as gains on sales of real estate under operating leases, whereas if the Company or its subsidiaries have no significant continuing involvement in the operations from such disposed real estate, the gains or losses are reported as income from discontinued operations, net.

Estimates of residual values are based on market values of used equipment, estimates of when and how much equipment will become obsolete and actual recovery being experienced for similar used equipment.

Installment loans Interest income on installment loans is recognized on an accrual basis. Certain direct loan origination costs, net of origination fees, are being deferred and amortized over the contractual term of the loan as an adjustment of the related loan s yield using the interest method.

Interest payments received on impaired loans other than purchased loans are recorded as interest income unless the collection of the remaining investment is doubtful at which time payments received are recorded as reductions of principal. For purchased loans, although the acquired assets may remain loans in legal form, collections on these loans often do not reflect the normal historical experience of collecting delinquent accounts, and the need to tailor individual collateral-realization strategies often makes it difficult to reliably estimate the amount, timing or nature of collections. Accordingly, the Company and its subsidiaries use the cost recovery method of income recognition for such purchased loans regardless of whether impairment is recognized or not.

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Non-accrual policy In common with all classes, past-due financing receivables are receivables for which principal or interest is past-due 30 days or more. Loans whose terms have been modified are not classified as past-due financing receivables if the principals and interests are not past-due 30 days or more in accordance with the modified terms. The Company and its subsidiaries suspend accruing revenues on past-due installment loans and direct financing leases when principal or interest is past-due 90 days or more, or earlier, if management determines that their collections are doubtful based on factors such as individual debtors creditworthiness, historical loss experience, current delinquencies and delinquency trends. Accrued but uncollected interest is reclassified to investment in direct financing leases or installment loans in the accompanying consolidated balance sheets and becomes subject to the allowance for doubtful receivables and probable loan loss process. Cash repayments received on non-accrual loans are applied first against past due interest and then any surpluses are applied to principal in view of the conditions of the contract and obligors. The Company and its subsidiaries return to accrual status non-accrual loans and lease receivables when it becomes probable that the Company and its subsidiaries will be able to collect all amounts due according to the contractual terms of these loans and receivables, as evidenced by continual payments from the debtors. The period of such continual payments before returning to accrual status varies depending on factors that we consider are relevant in assessing the debtor s creditworthiness, such as the debtor s business characteristics and financial conditions as well as relevant economic conditions and trends.

Brokerage commissions and net gains on investment securities Brokerage commissions and net gains on investment securities are recorded on a trade date basis.

Real estate sales Revenues from the sales of real estate are recognized when a contract is in place, a closing has taken place, the buyer s initial and continuing investment is adequate to demonstrate a commitment to pay for the property and the Company and its subsidiaries do not have a substantial continuing involvement in the property.

(e) Insurance premiums and expenses

Premium income from life insurance policies is recognized as earned premiums when due.

Life insurance benefits are recorded as expenses when they are incurred. Policy liabilities for future policy benefits are established using the net level premium method, based on actuarial estimates of the amount of future policyholder benefits.

ASC 944 (Financial Services Insurance) requires insurance companies to defer certain costs related directly to the successful acquisition of new or renewal insurance contracts, or deferred policy acquisition costs, and amortize them over the respective policy periods in proportion to anticipated premium revenue. These deferred policy acquisition costs consist primarily of first-year commissions in excess of recurring policy maintenance costs and certain variable costs and expenses for underwriting policies.

Amortization charged to income for the three months ended June 30, 2012 and 2013 amounted to ¥1,481 million and ¥1,803 million, respectively.

(f) Allowance for doubtful receivables on direct financing leases and probable loan losses

The allowance for doubtful receivables on direct financing leases and probable loan losses is maintained at a level which, in the judgment of management, is appropriate to provide for probable losses inherent in lease and loan portfolios. The allowance is increased by provision charged to income and is decreased by charge-offs, net of recoveries.

Developing the allowance for doubtful receivables on direct financing leases and probable loan losses is subject to numerous estimates and judgments. In evaluating the appropriateness of the allowance, management considers various factors, including the business characteristics and financial conditions of the obligors, current economic conditions and trends, prior charge-off experience, current delinquencies and delinquency trends, future cash flows expected to be received from the direct financing leases and loans and value of underlying collateral and guarantees. Impaired loans are individually evaluated for a valuation allowance based on the present value of expected future cash flows, the loan s observable market price or the fair value of the collateral securing the loans if the loans are collateral-dependent. For non-impaired loans, including loans that are not individually evaluated for impairment, and direct financing leases, the Company and its subsidiaries evaluate prior charge-off experience segmented by the debtors industries and the purpose of the loans, and then develop the allowance for doubtful receivables on direct financing leases and probable loan losses considering the prior charge-off experience and current economic conditions.

The Company and its subsidiaries charge off doubtful receivables when the likelihood of any future collection is believed to be minimal considering debtors creditworthiness and the liquidation status of collateral.

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(g) Impairment of long-lived assets

The Company and its subsidiaries have followed ASC 360-10 (Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets). Under ASC 360-10, long-lived assets to be held and used in operations, including tangible assets and intangible assets being amortized, consisting primarily of office building, condominiums, golf courses and other operating assets, shall be tested for recoverability whenever events or changes in circumstances indicate that the assets might be impaired. When the undiscounted future cash flows estimated to be generated by those assets are less than the carrying amount of those assets, the net carrying amount of assets not recoverable is reduced to fair value if lower than the carrying amount. The Company and its subsidiaries determine the fair value using appraisals prepared by independent third party appraisers or our own staff of qualified appraisers based on recent transactions involving sales of similar assets or other valuation techniques such as discounted cash flows methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate.

(h) Investment in securities

Trading securities are reported at fair value with unrealized gains and losses included in income.

Available-for-sale securities are reported at fair value, and unrealized gains or losses are recorded in accumulated other comprehensive income (loss), net of applicable income taxes.

Held-to-maturity securities are recorded at amortized cost.

Other securities are recorded at cost or carrying value that reflects equity income and loss based on the Company s share, except investments which are recorded at fair value with unrealized gains and losses included in income by electing the fair value option under ASC 825-10 (Financial Instruments Fair Value Option).

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

For debt securities, in the case of the fair value being below the amortized cost, the Company and its subsidiaries consider whether those securities are other-than-temporarily impaired using all available information about the collectibility of debt securities. The Company and its subsidiaries do not consider that an other-than-temporary impairment for a debt security has occurred if (1) the Company and its subsidiaries do not intend to sell the debt security, (2) it is not more likely than not that the Company and its subsidiaries will be required to sell the debt security before recovery of its amortized cost basis and (3) the present value of estimated cash flows will fully cover the amortized cost of the security. On the other hand, the Company and its subsidiaries consider that an other-than-temporary impairment has occurred if any of the above mentioned three conditions are not met. For the debt security for which an other-than-temporary impairment is considered to have occurred, the Company and its subsidiaries recognize the entire difference between the amortized cost and the fair value in earnings if the Company and its subsidiaries intend to sell the debt security or it is more likely than not that the Company and its subsidiary will be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss. On the other hand, if the Company and its subsidiaries do not intend to sell the debt security and it is not more likely than not that the Company and its subsidiaries will be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss, the Company and its subsidiaries separate the difference between the amortized cost and the fair value of the debt securities into the credit loss component and the non-credit loss component. The credit loss component is recognized in earnings, and the non-credit loss component is recognized in other comprehensive income (loss), net of applicable income taxes.

For other securities, the Company and its subsidiaries reduce the carrying value of other security to the fair value and charge against income losses related to other securities in situations where it is considered that the decline in the value of other security is other than temporary.

(i) Income taxes

The Company, in general, determines its provision for income taxes for quarterly periods by applying the current estimate of the effective tax rate for the full fiscal year to the actual year-to-date income before income taxes and discontinued operations. The estimated effective tax rate is determined by dividing the estimated provision for income taxes for the full fiscal year by the estimated income before income taxes and discontinued operations for the full fiscal year.

At the fiscal year end, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The effective income tax rates including discontinued operations are 27.0% and 34.4% for the three months ended June 30, 2012 and 2013, respectively. The Company and its subsidiaries in Japan are subject to a National Corporate tax of approximately 28%, an Inhabitant tax of approximately 5% and a deductible Enterprise tax of approximately 8%, which in the aggregate result in a statutory income tax rate of approximately 38.3%. The effective income tax rate is different from the statutory tax rate primarily because of certain non-deductible expenses for tax purposes, non-taxable income for tax purposes, the effect of lower income tax rates on foreign subsidiaries and a life insurance subsidiary in Japan, a change in valuation allowance and reversal of undistributed earnings of affiliates.

The Company and its subsidiaries have followed ASC 740 (Income Taxes). According to ASC 740, the Company and its subsidiaries recognize the financial statement effects of a tax position taken or expected to be taken in a tax return when it is more likely than not, based on the technical merits, that the position will be sustained upon tax examination, including resolution of any related appeals or litigation processes, and measure the tax position that meets the recognition threshold at the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement with the taxing authority. The Company and its subsidiaries classify penalties and interest expense related to income taxes as part of provision for income taxes in the consolidated statements of income.

The Company and certain consolidated subsidiaries have elected to file a consolidated tax return for National Corporation tax purposes.

(j) Securitized assets

The Company and its subsidiaries have securitized and sold to investors certain lease receivables, loan receivables and investment in securities. In the securitization process, the assets to be securitized (the assets) are sold to trusts and special-purpose entities that issue asset-backed beneficial interests and securities to the investors.

In accordance with ASC 860 (Transfers and Servicing) and ASC 810-10 (Consolidation Variable Interest Entities), trusts or SPEs used in securitization transactions have been consolidated if the Company and its subsidiaries are the primary beneficiary of the trusts or SPEs, and the transfers of the financial assets to those consolidated trusts and SPEs are not accounted for as sales. Assets held by consolidated trusts or consolidated SPEs continue to be accounted for as direct financing lease receivables, loan receivable and investment securities, as they were before the transfer, and asset-backed beneficial interests and securities issued to the investors are accounted for as debt. When the Company and its subsidiaries have transferred financial assets to a transferee which is not subject to consolidation, the Company and its subsidiaries account for the transfer as a sale if control over the transferred assets is surrendered.

A certain subsidiary originates and sells loans into the secondary market, while retaining the obligation to service those loans. In addition, it undertakes obligations to service loans originated by others. The subsidiary recognizes servicing assets if it expects the benefit of servicing to more than adequately compensate it for performing the servicing or recognizes servicing liabilities if it expects the benefit of servicing to less than adequately compensate it. These servicing assets and liabilities are initially recognized at fair value and subsequently accounted for using the amortization method whereby the assets and liabilities are amortized in proportion to and over the period of estimated net servicing income or net servicing loss. On a quarterly basis, servicing assets and liabilities are evaluated for impairment or increased obligations. The fair value of servicing assets and liabilities is estimated using an internal valuation model, or by obtaining an opinion of value from an independent third-party vendor. Both methods are based on calculating the present value of estimated future net servicing cash flows, taking into consideration discount rates, prepayments, and servicing costs. The internal valuation model is validated at least semiannually through third-party valuations.

(k) Derivative financial instruments

The Company and its subsidiaries apply ASC 815 (Derivatives and Hedging), and all derivatives held by the Company and its subsidiaries are recognized on the consolidated balance sheets at fair value. The accounting treatment of subsequent changes in the fair value depends on their use, and whether they qualify as effective hedges for accounting purposes. Derivatives that are not hedges must be adjusted to fair value through the consolidated statements of income. If a derivative is a hedge, then depending on its nature, changes in its fair value will be either offset against change in the fair value of hedged assets or liabilities through the consolidated statements of income, or recorded in other comprehensive income (loss).

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If a derivative is held as a hedge of the variability of fair value related to a recognized asset or liability or an unrecognized firm commitment (fair value hedge), changes in the fair value of the derivative are recorded in earnings along with the changes in the fair value of the hedged item.

If a derivative is held as a hedge of the variability of cash flows related to a forecasted transaction or a recognized asset or liability (cash flow hedge), changes in the fair value of the derivative are recorded in other comprehensive income (loss) to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item.

If a derivative is held as a hedge of a foreign-currency fair-value or cash-flow hedge (foreign currency hedge), changes in the fair value of the derivative are recorded in either earnings or other comprehensive income (loss), depending on whether the hedged transaction is a fair-value hedge or a cash-flow hedge. However, if a derivative is used as a hedge of a net investment in a foreign operation, changes in its fair value, to the extent effective as a hedge, are recorded in the foreign currency translation adjustments account within other comprehensive income (loss).

Changes in the fair value of a derivative that are not held as a hedge, such as those held for trading use, or the ineffective portion of the change in fair value of derivatives that qualify as a hedge, are recorded in earnings.

For all hedging relationships, at inception the Company and its subsidiaries formally document the details of the hedging relationship and the hedged activity. The Company and its subsidiaries also formally assess, both at the hedge s inception and on an ongoing basis, the effectiveness of the hedge relationship. The Company and its subsidiaries cease hedge accounting prospectively when the derivative no longer qualifies for hedge accounting.

(l) Pension plans

The Company and certain subsidiaries have contributory and non-contributory pension plans covering substantially all of their employees. The Company and its subsidiaries apply ASC 715 (Compensation Retirement Benefits), and the costs of pension plans are accrued based on amounts determined using actuarial methods, with assumptions of discount rate, rate of increase in compensation level, expected long-term rate of return on plan assets and others.

The Company and its subsidiaries also recognize the funded status of pension plans, measured as the difference between the fair value of plan assets and the benefit obligation, on the consolidated balance sheets. Changes in that funded status are recognized in the year in which the changes occur through other comprehensive income (loss), net of applicable income taxes.

(m) Stock-based compensation

The Company and its subsidiaries apply ASC 718 (Compensation Stock Compensation). ASC 718 requires, with limited exception, that the cost of employee services received in exchange for an award of equity instruments be measured based on the grant-date fair value. The costs are recognized over the requisite employee service period.

(n) Stock splits

Stock splits implemented prior to October 1, 2001 had been accounted for by transferring an amount equivalent to the par value of the shares from additional paid-in capital to common stock as required by the Japanese Commercial Code (the Code) before amendment. However, no such reclassification was made for stock splits when common stock already included a portion of the proceeds from shares issued at a price in excess of par value. This method of accounting was in conformity with accounting principles generally accepted in Japan.

As a result of a revision to the Code before amendment effective on October 1, 2001 and the Companies Act implemented on May 1, 2006, the above-mentioned method of accounting required by the Code has become unnecessary.

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In the United States, stock splits in comparable circumstances are considered to be stock dividends and are accounted for by transferring from retained earnings to common stock and additional paid-in capital amounts equal to the fair market value of the shares issued. Common stock is increased by the par value of the shares and additional paid-in capital is increased by the excess of the market value over par value of the shares issued. Had such stock splits made prior to October 1, 2001 been accounted for in this manner, additional paid-in capital as of June 30, 2013 would have increased by approximately ¥24,674 million, with a corresponding decrease in retained earnings. Total ORIX Corporation shareholders equity would remain unchanged. A stock split on May 19, 2000 was excluded from the above amounts because the stock split was not considered to be a stock dividend under U.S. GAAP.

On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company s register of shareholders as of March 31, 2013. The number of shares and per share data have been adjusted retrospectively to reflect the stock split for the previous periods presented.

(o) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits placed with banks and short-term highly liquid investments with original maturities of three months or less.

(p) Restricted cash

Restricted cash consists of deposits related to servicing agreements, deposits collected on the underlying assets and applied to non-recourse loans, trust accounts under securitization programs and others.

(q) Installment loans

Certain loans, for which the Company and its subsidiaries have the intent and ability to sell to outside parties in the foreseeable future, are considered held for sale and are carried at the lower of cost or market value determined on an individual basis, except loans held for sale for which the fair value option under ASC 825-10 (Financial Instruments Fair Value Option) was elected. A subsidiary elected the fair value option under ASC 825-10 (Financial Instruments Fair Value Option) on its loans held for sale originated on or after October 1, 2011. The subsidiary enters into forward sale agreements to offset the change in the fair value of loans held for sale, and the election of the fair value option allows the subsidiary to recognize both the change in the fair value of the loans and the change in the fair value of the forward sale agreements due to changes in interest rates in the same accounting period.

Loans held for sale are included in installment loans and the outstanding balances of these loans as of March 31, 2013 and June 30, 2013 were ¥17,939 million and ¥21,790 million, respectively. There were ¥16,026 million and ¥20,245 million of loans held for sale as of March 31, 2013 and June 30, 2013, respectively, measured at fair value by electing the fair value option.

(r) Other operating assets

Other operating assets consist primarily of operating facilities (including golf courses, hotels, training facilities and senior housing), which are stated at cost less accumulated depreciation, and depreciation is calculated mainly on a straight-line basis over the estimated useful lives of the assets. Accumulated depreciation was ¥48,313 million and ¥50,983 million as of March 31, 2013 and June 30, 2013, respectively.

(s) Other receivables

Other receivables include primarily payments made on behalf of lessees for property tax, maintenance fees and insurance premiums in relation to direct financing lease contracts, accounts receivables in relation to sales of leased assets, residential condominiums and other assets, and derivative assets.

(t) Inventories

Inventories primarily consist of advance and/or progress payments for development of residential condominiums for sale and completed residential condominiums (including completed residential condominiums waiting to be delivered to buyers under the contracts for sale). Advance and/or progress payments for development of residential condominiums for sale are carried at cost less any impairment losses and finished goods (including completed residential condominiums) are stated at the lower of cost or market. As of March 31, 2013, and June 30, 2013, advance and/or progress payments were ¥34,556 million and ¥32,457 million, respectively, and finished goods were ¥6,933 million and

¥5,361 million, respectively.

For the three months ended June 30, 2012 and 2013, certain subsidiaries recorded ¥1,795 million and ¥3,257 million of write-downs principally for advance and/or progress payments for development of residential condominiums for sale, resulting from an increase in development costs and/or a decrease in expected sales price. These write-downs were recorded in costs of real estate sales and included in the Real Estate segment.

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(u) Office facilities

Office facilities are stated at cost less accumulated depreciation. Depreciation is calculated on a declining-balance basis or straight-line basis over the estimated useful lives of the assets. Accumulated depreciation was ¥41,698 million and ¥42,550 million as of March 31, 2013 and June 30, 2013, respectively.

(v) Other assets

Other assets consist primarily of the excess of purchase prices over the net assets acquired in acquisitions (goodwill) and other intangible assets (see (w)), deferred insurance policy acquisition costs which are amortized over the contract periods, leasehold deposits, advance payments made in relation to purchases of assets to be leased and to construction of real estate for operating lease, and deferred tax assets.

(w) Goodwill and other intangible assets

The Company and its subsidiaries have followed ASC 805 (Business Combinations) and ASC 350 (Intangibles Goodwill and Other). ASC 805 requires that all business combinations be accounted for using the acquisition method. It also requires that intangible assets acquired in a business combination be recognized apart from goodwill if the intangible assets meet one of two criteria either the contractual-legal criterion or the separability criterion. In a business combination achieved in stages, the Company and its subsidiaries remeasure their previously held equity interest at their acquisition-date fair value and recognize the resulting gain or loss, if any, in earnings.

ASC 350 establishes how intangible assets (other than those acquired in a business combination) should be accounted for upon acquisition. It also addresses how goodwill and other intangible assets should be accounted for subsequent to their acquisition. Goodwill and intangible assets that have indefinite useful lives are not amortized but tested at least annually for impairment. Additionally, if events or changes in circumstances indicate that the asset might be impaired, we test for impairment when such events or changes occur. The Company and its subsidiaries adopted Accounting Standards Update 2011-08 (Testing Goodwill for Impairment ASC 350 (Intangibles Goodwill and Other)) during the fiscal year ended March 31, 2012. According to ASU 2011-08, the Company and its subsidiaries may 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, it is determined that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the Company and/or subsidiaries do not perform the two-step impairment test. However, if the Company and/or subsidiaries conclude otherwise, the Company and/or subsidiaries perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the fair value of the reporting unit falls below its carrying amount, then the Company and/or subsidiaries perform the second step of the goodwill impairment test by comparing the fair value of goodwill with its carrying amount. If the carrying amount of goodwill exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The Company and its subsidiaries test the goodwill either at the operating segment level or one level below the operating segments. The Company and its subsidiaries 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.

The Company and its subsidiaries adopted Accounting Standards Update 2012-02 (Testing Indefinite-Lived Intangible Assets for Impairment ASC 350 (Intangibles Goodwill and Other)) during the fiscal year ended March 31, 2013. According to ASU 2012-02, the Company and its subsidiaries may perform a qualitative assessment to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, the Company and/or subsidiaries conclude that it is not more likely than not that the indefinite-lived asset is impaired, then the Company and/or subsidiaries do not perform the quantitative impairment test. However, if the Company and/or subsidiaries conclude otherwise, the Company and/or subsidiaries calculate the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test. If the carrying amount of the indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The Company and its subsidiaries perform the qualitative assessment for some indefinite-lived intangible assets but bypass the qualitative assessment and perform the quantitative assessment for other indefinite-lived intangible assets.

Intangible assets with finite lives are amortized over their useful lives and tested for impairment in accordance with ASC 360-10 (Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets).

The amount of goodwill is ¥136,644 million and ¥140,195 million as of March 31, 2013 and June 30, 2013, respectively.

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(x) Trade notes, accounts payable and other liabilities

Trade notes, accounts payable and other liabilities include accounts payables, guarantee liabilities, and derivative liabilities.

(y) Capitalization of interest costs

The Company and its subsidiaries capitalized interest costs related to specific long-term development projects.

(z) Advertising

The costs of advertising are expensed as incurred.

(aa) Discontinued operations

The Company and its subsidiaries have followed ASC 205-20 (Presentation of Financial Statements Discontinued Operations). Under ASC 205-20, the scope of discontinued operations includes the operating results of any component of an entity with its own identifiable operations and cash flow and in which operations the Company and its subsidiaries will not have significant continuing involvement. Included in reported discontinued operations are the operating results of operations for the subsidiaries, the business units and certain properties sold or to be disposed of by sale without significant continuing involvements, which results of operations for prior periods presented have also been reclassified as discontinued operations in the accompanying consolidated statements of income.

(ab) Earnings per share

Basic earnings per share is computed by dividing income attributable to ORIX Corporation shareholders from continuing operations and net income attributable to ORIX Corporation shareholders by the weighted average number of shares of common stock outstanding in each period and diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Earnings per share is adjusted for any stock splits and stock dividends retrospectively. For discussion of stock splits, see Note 16 (Per Share Data).

which was redeemed in the previous fiscal year

Furthermore, the Company and its subsidiaries apply ASC 260-10-45-43 to 44 (Earnings Per Share Contingently Convertible Instruments) to Liquid Yield Option Notes which was redeemed in fiscal 2013.

(ac) Partial sale and additional acquisition of the parent s ownership interest in subsidiaries

A partial sale and an additional acquisition of the parent s ownership interest in subsidiaries where the parent continues to retain control of that subsidiary are accounted for as equity transactions. On the other hand, in a transaction that results in the loss of control, the gain or loss recognized in income includes the realized gain or loss related to the portion of ownership interest sold and the gain or loss on the remeasurement to fair value of the interest retained.

(ad) Redeemable noncontrolling interests

Noncontrolling interests in certain subsidiaries are redeemable preferred shares which are subject to call and put rights upon certain shareholder events. As redemption of the noncontrolling interest is not solely in the control of the subsidiary, it is recorded between Liabilities and Equity on the consolidated balance sheets at its estimated redemption value in accordance with provisions including EITF Topic No. D-98 (ASC 480-10-s99-3A) (Classification and Measurement of Redeemable Securities).

(ae) Issuance of stock by an affiliate

When an affiliate issues stock to unrelated third parties, the Company and its subsidiaries ownership interest in the affiliate decreases. In the event that the price per share is more or less than the Company and its subsidiaries average carrying amount per share, the Company and its subsidiaries adjust the carrying amount of its investment in the affiliate and recognize gain or loss in the consolidated statements of income in the year in which the change in ownership interest occurs.

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(af) New accounting pronouncements

In December 2011, Accounting Standards Update 2011-10 (Derecognition of in Substance Real Estate a Scope Clarification ASC 360 (Property, Plant, and Equipment)) was issued. This Update is intended to resolve the diversity in practice and clarifies that when a parent (reporting entity) ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary s non-recourse debt, the reporting entity should apply the guidance in ASC 360-20 (Property, Plant, and Equipment Real Estate Sales) to determine whether it should derecognize the in substance real estate. The Company and its subsidiaries adopted this Update on April 1, 2013. The adoption had no effect on the Company and its subsidiaries results of operations or financial position.

In December 2011, Accounting Standards Update 2011-11 (Disclosures about Offsetting Assets and Liabilities ASC 210 (Balance Sheet)) was issued. This Update requires all entities that have financial instruments and derivative instruments that are either offset in the balance sheet or subject to an enforceable master netting arrangement or similar agreement to disclose information about offsetting and related arrangements. In January 2013, Accounting Standards Update 2013-01 (Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities ASC 210 (Balance Sheet)) was issued. This Update clarifies that the scope of Update 2011-11 applies to derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The Company and its subsidiaries adopted these Updates on April 1, 2013. These Updates only relate to certain disclosure requirements and the adoption had no effect on the Company and its subsidiaries results of operations or financial position.

In February 2013, Accounting Standards Update 2013-02 (Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ASC 220 (Comprehensive Income)) was issued. This Update supersedes the reporting requirement for reclassifications out of accumulated other comprehensive income, originally required under Accounting Standards Update 2011-05, for which the effective date was deferred by Accounting Standards Update 2011-12. This Update requires an entity to present information about amounts reclassified out of accumulated other comprehensive income, their corresponding effect on line items of net income and other information by component. An entity shall provide the information together, in one location, either on the face of the statement where net income is presented or as a separate disclosure in the notes to the financial statement. The Company and its subsidiaries adopted this Update on April 1, 2013. The Update only relates to certain disclosure requirements and the adoption had no effect on the Company and its subsidiaries results of operations or financial position.

In February 2013, Accounting Standards Update 2013-04 (Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date ASC 405 (Liabilities)) was issued. This Update requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The Update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The adoption is not expected to have a material effect on the Company and its subsidiaries results of operations or financial position.

In March 2013, Accounting Standards Update 2013-05 (Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity ASC 830 (Foreign Currency Matters)) was issued. This Update requires that when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity, the parent release any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. This Update continues to require an entity to release a pro rata portion of the cumulative translation adjustment into net income upon a partial sale of an equity method investment that is a foreign entity. This Update requires an acquirer to release any related cumulative translation adjustment into net income when the acquirer obtains a controlling financial interest in a foreign entity that was previously an equity method affiliate in a business combination achieved in stages. The Update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. Generally, the effect of adopting this Update on the Company and its subsidiaries results of operations or financial position will depend on future transactions.

In April 2013, Accounting Standards Update 2013-07 (Liquidation Basis of Accounting ASC 205 (Presentation of Financial Statements)) was issued. This Update requires an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent and provides principles for the recognition and measurement of assets and liabilities and requirements for financial statements prepared using the liquidation basis of accounting. The Update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. Generally, the effect of adopting this Update on the Company and its subsidiaries results of operations or financial position will depend on future transactions.

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In June 2013, Accounting Standards Update 2013-08 (Amendments to the Scope, Measurement, and Disclosure Requirements ASC 946 (Financial Services Investment Companies)) was issued. This Update changes the approach to the investment company assessment, clarifies the characteristics of an investment company, and provides comprehensive guidance for assessing whether an entity is an investment company. This Update requires an investment company to measure noncontrolling ownership interests in other investment companies at fair value rather than using the equity method of accounting. This Update requires an investment company to disclose the additional information about an entity s status as an investment company and financial support provided or contractually required to be provided by an investment company to its investees. The Update is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. Early adoption is prohibited. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries results of operations and financial position.

In July 2013, Accounting Standards Update 2013-10 (Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes ASC 815 (Derivatives and Hedging)) was issued. This Update permits the Fed Funds Effective Swap Rate (OIS) to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to the interest rates on direct Treasury obligations of the U.S. government and LIBOR swap rate. This Update also removes the restriction on using different benchmark rates for similar hedges. The Update is effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The adoption is not expected to have a material effect on the Company and its subsidiaries results of operations or financial position.

In July 2013, Accounting Standards Update 2013-11 (Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ASC 740 (Income Taxes)) was issued. This Update requires an entity to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss carryforward, or similar tax loss or tax credit carryforward, rather than as a liability, with certain exceptions. This Update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date, although retrospective application is permitted. Early adoption is permitted. The adoption is not expected to have a material effect on the Company and its subsidiaries results of operations or financial position.

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3. Fair Value Measurements

The Company and its subsidiaries adopted ASC 820-10 (Fair Value Measurement). This Codification Section defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

This Codification Section classifies and prioritizes inputs used in valuation techniques to measure fair value into the following three levels:

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

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

Level 3: Unobservable inputs for the assets or liabilities.

This Codification Section differentiates between those assets and liabilities required to be carried at fair value at every reporting period (recurring) and those assets and liabilities that are only required to be adjusted to fair value under certain circumstances (nonrecurring). The Company and its subsidiaries mainly measure certain loans held for sale, trading securities, available-for-sale securities, certain investment funds and derivatives at fair value on a recurring basis.

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The following table presents recorded amounts of major financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2013 and June 30, 2013:

March 31, 2013

	Millions of yen			
	Total carrying value in Consolidated Balance Sheets	**Quoted prices in active markets for identical assets or liabilities (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial Assets:				
Loans held for sale*1	¥ 16,026	¥ 0	¥ 16,026	¥ 0
Trading securities	33,041	2,184	30,857	0
Available-for-sale securities	757,299	166,398	453,923	136,978
Japanese and foreign government bond securities	278,717	98,990	179,727	0
Japanese prefectural and foreign municipal bond securities	61,090	0	61,090	0
Corporate debt securities	196,835	0	190,311	6,524
Specified bonds issued by SPEs in Japan	63,244	0	0	63,244
CMBS and RMBS in the U.S., and other asset-backed securities	60,691	0	1,792	58,899
Other debt securities	8,311	0	0	8,311
Equity securities	88,411	67,408	21,003	0
Other securities	5,800	0	0	5,800
Investment funds*2	5,800	0	0	5,800
Derivative assets	14,598	147	12,352	2,099
Interest rate swap agreements	4,654	0	4,654	0
Options held/written and other	5,654	0	3,555	2,099
Futures, foreign exchange contracts	1,030	147	883	0
Foreign currency swap agreements	2,890	0	2,890	0
Credit derivatives held	370	0	370	0
	¥ 826,764	¥ 168,729	¥ 513,158	¥ 144,877
Financial Liabilities:				
Derivative liabilities	¥ 18,037	¥ 0	¥ 18,037	¥ 0
Interest rate swap agreements	1,459	0	1,459	0
Options held/written and other	3,530	0	3,530	0
Futures, foreign exchange contracts	4,685	0	4,685	0
Foreign currency swap agreements	8,263	0	8,263	0
Credit derivatives held/written	100	0	100	0
	¥ 18,037	¥ 0	¥ 18,037	¥ 0

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June 30, 2013

	Millions of yen			
	Total carrying value in Consolidated Balance Sheets	Quoted prices in active markets for identical assets or liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Assets:				
Loans held for sale*1	¥ 20,245	¥ 0	¥ 20,245	¥ 0
Trading securities	42,362	2,535	39,827	0
Available-for-sale securities	757,012	182,009	482,468	92,535
Japanese and foreign government bond securities	287,671	99,985	187,686	0
Japanese prefectural and foreign municipal bond securities	65,001	0	65,001	0
Corporate debt securities	211,817	0	206,553	5,264
Specified bonds issued by SPEs in Japan	25,469	0	0	25,469
CMBS and RMBS in the U.S., and other asset-backed securities	53,762	0	1,010	52,752
Other debt securities	9,050	0	0	9,050
Equity securities	104,242	82,024	22,218	0
Other securities	7,128	0	0	7,128
Investment funds*2	7,128	0	0	7,128
Derivative assets	20,085	464	19,621	0
Interest rate swap agreements	4,291	0	4,291	0
Options held/written and other	7,321	0	7,321	0
Futures, foreign exchange contracts	4,759	464	4,295	0
Foreign currency swap agreements	3,418	0	3,418	0
Credit derivatives held	296	0	296	0
	¥ 846,832	¥ 185,008	¥ 562,161	¥ 99,663
Financial Liabilities:				
Derivative liabilities	¥ 16,588	¥ 0	¥ 13,613	¥ 2,975
Interest rate swap agreements	1,109	0	1,109	0
Options held/written and other	4,715	0	1,740	2,975
Futures, foreign exchange contracts	5,259	0	5,259	0
Foreign currency swap agreements	5,417	0	5,417	0
Credit derivatives held/written	88	0	88	0
	¥ 16,588	¥ 0	¥ 13,613	¥ 2,975

*1 A subsidiary elected the fair value option under ASC 825-10 (Financial Instruments Fair Value Option) on the loans held for sale originated on or after October 1, 2011. These loans are multi-family and seniors housing loans and are sold to Federal National Mortgage Association (Fannie Mae) or institutional investors. Included in other operating revenues in the consolidated statements of income are losses from the change in the fair value of the loans of ¥138 million for the three months ended June 30, 2012 and losses from the change in the fair value of the loans of ¥694 million for the three months ended June 30, 2013. No gains or losses were recognized in earnings during the three months ended June 30, 2012 and the three months ended June 30, 2013, attributable to changes in instrument-specific credit risk. The amounts of aggregate unpaid principal balance and aggregate fair value of the loans held for sale at March 31, 2013, are ¥15,535 million and ¥16,026 million, respectively, and the amount of the aggregate fair value exceeds the amount of aggregate unpaid principal balance by ¥491 million. The amounts of aggregate unpaid principal balance and aggregate fair value of the loans held for sale as of June 30, 2013, are ¥20,431 million and ¥20,245 million, respectively, and the amount of the aggregate fair value falls below the amount of aggregate unpaid principal balance by ¥186 million. As of March 31, 2013 and June 30, 2013, there are no loans that are 90 days or more past due, in non-accrual status, or both.

*2 A subsidiary elected the fair value option under ASC 825-10 (Financial Instruments Fair Value Option) for certain funds purchased at a discount on the secondary market and an investment in a drug royalty trust, which were made on or after April 1, 2012. Included in brokerage commissions and net gains on investment securities in the consolidated statements of income are gains from the change in the fair value of those investments of ¥188 million for the three months ended June 30, 2013. The amounts of aggregate Investment funds and aggregate fair value are ¥5,800 million and ¥7,128 million as of March 31, 2013 and June 30, 2013, respectively.

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Changes in economic conditions or valuation methodologies may require the transfer of assets and liabilities from one fair value level to another. In such instances, the Company and its subsidiaries recognize the transfer at the beginning of the quarter during which the transfers occur. For the three months ended June 30, 2012, and for the three months ended June 2013, there were no transfers between Level 1 and Level 2.

The following table presents the reconciliation for financial assets and liabilities (net) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended June 30, 2012 and 2013:

Three months ended June 30, 2012

	Millions of yen									
		Gains or losses (realized/unrealized)								
	Balance at April 1, 2012	Included in earnings *1	Included in other comprehensive income *2	Total	Purchases	Sales	Settlements	Transfers in and/ or out of Level 3 (net) *3	Balance at June 30, 2012	Change in unrealized gains or losses included in earnings for assets and liabilities still held at June 30, 2012 *1
Available-for-sale securities	¥ 243,655	¥ 229	¥ (1,007)	¥ (778)	¥ 7,171	¥ (9)	¥ (31,034)	¥ 0	¥ 219,005	¥ 199
Corporate debt securities	2,912	7	(180)	(173)	0	0	(110)	0	2,629	7
Specified bonds issued by SPEs in Japan	139,152	(202)	222	20	3,585	(9)	(22,897)	0	119,851	(211)
CMBS and RMBS in the U.S., and other asset-backed securities	93,181	424	(907)	(483)	3,586	0	(8,027)	0	88,257	403
Other debt securities	8,410	0	(142)	(142)	0	0	0	0	8,268	0
Derivative assets and liabilities (net)	5,293	(165)	0	(165)	0	0	0	0	5,128	(165)
Options held/written, caps held and other	5,293	(165)	0	(165)	0	0	0	0	5,128	(165)

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Three months ended June 30, 2013

	Millions of yen									
		Gains or losses (realized/unrealized)								
	Balance at April 1, 2013	Included in earnings *1	Included in other comprehensive income *2	Total	Purchases	Sales	Settlements	Transfers in and/ or out of Level 3 (net) *3	Balance at June 30, 2013	Change in unrealized gains or losses included in earnings for assets and liabilities still held at June 30, 2013 *1
Available-for-sale securities	¥ 136,978	¥ 2,103	¥ 1,808	¥ 3,911	¥ 12,346	¥ (9,622)	¥ (51,078)	¥ 0	¥ 92,535	¥ 313
Corporate debt securities	6,524	275	(329)	(54)	0	(1,203)	(3)	0	5,264	10
Specified bonds issued by SPEs in Japan	63,244	65	24	89	0	0	(37,864)	0	25,469	25
CMBS and RMBS in the U.S., and other asset-backed securities	58,899	1,763	1,374	3,137	12,346	(8,419)	(13,211)	0	52,752	278
Other debt securities	8,311	0	739	739	0	0	0	0	9,050	0
Other securities	5,800	191	285	476	970	(118)	0	0	7,128	190
Investment funds	5,800	191	285	476	970	(118)	0	0	7,128	190
Derivative assets and liabilities (net)	2,099	(3,459)	0	(3,459)	0	0	(1,615)	0	(2,975)	(3,459)
Options held/written and other	2,099	(3,459)	0	(3,459)	0	0	(1,615)	0	(2,975)	(3,459)

*1 Principally, gains and losses from available-for-sale securities are included in brokerage commissions, net gains on investment securities, write-downs of securities or life insurance premiums and related investment income ; other securities are included in brokerage commissions and net gains on investment securities and derivative assets and liabilities (net) are included in other operating revenues/expenses, respectively. Also, for available-for-sale securities, amortization of interest recognized in interest on loans and investment securities is included in these columns.

*2 Unrealized gains and losses from available-for-sale securities are included in Net change of unrealized gains (losses) on investment in securities .

*3 The amount reported in Transfers in and/or out of Level 3 (net) is the fair value at the beginning of quarter during which the transfers occur.

There were no transfers in or out of Level 3 in the three months ended June 30, 2012 and 2013.

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The following table presents recorded amounts of assets and liabilities measured at fair value on a nonrecurring basis as of March 31, 2013 and June 30, 2013. These assets are measured at fair value on a nonrecurring basis mainly to recognize impairment.

March 31, 2013

	Millions of yen			
	Total carrying value in Consolidated Balance Sheets	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Real estate collateral-dependent loans (net of allowance for probable loan losses)	¥ 60,564	¥ 0	¥ 0	¥ 60,564
Investment in operating leases and other operating assets	21,960	0	0	21,960
Land and buildings undeveloped or under construction	11,845	0	0	11,845
Certain investment in affiliates	3,704	0	0	3,704
	¥ 98,073	¥ 0	¥ 0	¥ 98,073

June 30, 2013

	Millions of yen			
	Total carrying value in Consolidated Balance Sheets	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				