ORIX CORP
Form 6-K
August 13, 2010
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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, 2010.

ORIX Corporation

(Translation of Registrant s Name into English)

Mita NN Bldg., 4-1-23 Shiba, 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 whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes ¨ No x

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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 12, 2010	By /s/ Haruyuki Urata Haruyuki Urata Director Deputy President & CFO ORIX Corporation

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CONSOLIDATED FINANCIAL INFORMATION

1. On August 12, 2010, ORIX Corporation (the Company) filed its quarterly financial report (*shihanki houkokusho*) with the Kanto Financial Bureau in Japan. This document is an English translation of 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, 2009 and 2010. This translation is unaudited.

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 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.*

These documents 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 annual report on Form 20-F filed with the U.S. Securities and Exchange Commission.

The Company believes that it will be considered a passive foreign investment company for U.S. Federal income tax purpose 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, ratios and employees)		
	Three months ended June 30, 2009	Three months ended June 30, 2010	Fiscal year ended March 31, 2010
Total Revenues	233,043	234,514	932,140
Income before Income Taxes and Discontinued Operations	11,979	24,635	55,720
Net Income Attributable to ORIX Corporation	7,192	16,450	37,757
ORIX Corporation Shareholders Equity	1,175,444	1,266,795	1,298,684
Total Assets	8,139,440	8,704,169	7,739,800
ORIX Corporation Shareholders Equity Per Share (yen)	13,147.74	11,785.67	12,082.56
Earnings Per Share for Net Income Attributable to ORIX Corporation			
Basic (yen)	80.45	153.05	370.52
Diluted (yen)	68.04	129.27	315.91
ORIX Corporation Shareholders Equity Ratio (%)	14.44	14.55	16.78
Cash Flows from Operating Activities	6,450	(14,241)	209,311
Cash Flows from Investing Activities	111,792	73,143	432,788
Cash Flows from Financing Activities	(177,502)	(83,530)	(466,924)
Cash and Cash Equivalents at End of Period	402,461	609,110	639,087
Number of Employees	19,022	18,065	17,725

Notes: 1. As a result of the recording of Discontinued Operations in accordance with FASB Accounting Standards Codification (ASC) 205-20 (Presentation of Financial Statements Discontinued Operations), certain amounts in the fiscal year ended March 31, 2010 have been reclassified retroactively.

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

(2) Overview of Activities

For the three months ended June 30, 2010, no significant changes were made in the Company and its subsidiaries operations.

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(3) Changes of Principal Related Companies

Changes of principal related companies for the three months ended June 30, 2010 are as follows:

Additions:

There were no additions during the three months ended June 30, 2010.

Deletions:

There were no deletions during the three months ended June 30, 2010.

(4) Number of Employees

The following shows the total number of employees in the Company and its subsidiaries as of June 30, 2010:

Number of employees
18,065

Note: (a) The above number represents individuals employed on a full-time basis.
(b) The average number of temporary employees for the three months ended June 30, 2010 was 5,580.

2. Operating Results

(1) Earnings Summary

Total revenues and profits (losses) by segment for the three months ended June 30, 2010 and 2009 are as follows:

	Millions of yen							
	Three months ended June 30, 2009		Three months ended June 30, 2010		Change (revenues)		Change (profits)	
	Segment Revenues	Segment Profits (losses)	Segment Revenues	Segment Profits	Amount	Percent (%)	Amount	Percent (%)
Corporate Financial Services	25,802	1,513	23,845	2,004	(1,957)	(8)	491	32
Maintenance Leasing	57,441	5,830	56,777	6,753	(664)	(1)	923	16
Real Estate	42,645	261	39,645	2,180	(3,000)	(7)	1,919	735
Investment Banking	23,580	(10,418)	26,765	2,109	3,185	14	12,527	
Retail	43,225	5,181	35,582	8,105	(7,643)	(18)	2,924	56
Overseas Business	42,273	11,257	43,123	11,435	850	2	178	2
Total	234,966	13,624	225,737	32,586	(9,229)	(4)	18,962	139
Difference between Segment Total and Consolidated Amounts	(1,923)	(1,645)	8,777	(7,951)	10,700		(6,306)	
Total Consolidated Amounts	233,043	11,979	234,514	24,635	1,471	1	12,656	106

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(2) Total Assets

Total assets by segment at June 30, 2010 and March 31, 2010 are as follows:

	June 30, 2010		March 31, 2010		Change	
	Millions of yen	Composition ratio (%)	Millions of yen	Composition ratio (%)	Amount	Percent (%)
Corporate Financial Services	1,135,577	13.0	1,178,458	15.2	(42,881)	(4)
Maintenance Leasing	524,171	6.0	515,716	6.7	8,455	2
Real Estate	1,070,122	12.3	1,079,273	14.0	(9,151)	(1)
Investment Banking	1,062,218	12.2	1,071,255	13.8	(9,037)	(1)
Retail	1,611,351	18.5	1,578,758	20.4	32,593	2
Overseas Business	840,634	9.7	860,815	11.1	(20,181)	(2)
Total	6,244,073	71.7	6,284,275	81.2	(40,202)	(1)
Difference between Segment Total and Consolidated Amounts	2,460,096	28.3	1,455,525	18.8	1,004,571	69
Total Consolidated Amounts	8,704,169	100.0	7,739,800	100.0	964,369	12

(3) New Business Volumes

New business volumes of direct financing leases, installment loans, operating leases, investment in securities, other operating transactions for the three months ended June 30, 2010 and 2009 are as follows:

	Millions of yen		Change	
	Three months ended June 30, 2009	Three months ended June 30, 2010	Amount	Percent (%)
Direct Financing Leases:				
New equipment acquisitions	49,629	76,644	27,015	54
Installment Loans:				
New loans added	157,222	143,024	(14,198)	(9)
Operating Leases:				
New equipment acquisitions	45,299	51,822	6,523	14
Investment in Securities:				
New securities added	61,869	244,610	182,741	295
Other Operating Transactions:				
New assets added	4,231	8,690	4,459	105

3. Risk Factors

There were not any significant changes for the three months ended June 30, 2010.

4. Material Contract

Not applicable

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5. 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 which are anticipated to have a material effect on our financial condition and results of operations in the future. However, please be advised that financial 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

Concerns about global economic recovery heightened due to the European sovereign debt crisis. However, the International Monetary Fund (IMF) revised upward its global GDP forecast for 2010 indicating that the recovery from the global crisis has been better than expected. Recovery is occurring at different speeds in different regions, with emerging and developing economies in Asia leading the recovery. The effects of the revaluation of the Chinese Renminbi on the global economy are also a focus of attention. The pace of recovery in the United States is slowing as unemployment remains high and consumer spending is decreasing despite continued improvement in industrial production leading to a recovery of corporate performance.

In Japan, the government upgraded its economic outlook in June, stating that the groundwork for a self-sustaining recovery is being laid. Recovery is coming from increased export levels and there has been an upswing in consumer spending buoyed by stimulus measures. However, downside risks remain such as deflationary pressures, high unemployment and Japan s long-term financial issues.

Financial Highlights

Financial Results for the Three Months Ended June 30, 2010	
Total Revenues	¥234,514 million (Up 1% year on year)
Income before Income Taxes*	¥24,635 million (Up 106% year on year)
Net Income Attributable to ORIX Corporation	¥16,450 million (Up 129% year on year)
Earnings Per Share:	
(Basic)	¥153.05 (Up 90% year on year)
(Diluted)	¥129.27 (Up 90% year on year)
ROE (Annualized)	5.1% (2.5% during the same period of the previous fiscal year)
ROA (Annualized)	0.80% (0.35% during the same period of the previous fiscal year)

* Income before income taxes refers to income before income taxes and discontinued operations.

Total Revenues

Total Revenues for the three-month period ended June 30, 2010 increased 1% to ¥234,514 million compared to the same period of the previous fiscal year.

Direct financing leases decreased 8% to ¥12,330 million compared to the same period of the previous fiscal year. The decline is in line with decreased balance of investment in direct financing leases particularly a decline in the average balance in the Corporate Financial Service segment compared to the same period of the previous fiscal year.

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Operating leases were flat year on year at ¥68,045 million. Revenues continued to be strong in the Maintenance Leasing segment and revenues from overseas automobile leasing on a yen-equivalent basis increased year on year.

Interest on loans and investment securities increased 7% to ¥44,752 million compared to the same period of the previous fiscal year. Due to the application of new accounting standards in this fiscal year relating to the consolidation of variable interest entities (VIEs), see Note 2 Significant Accounting and Reporting Policies and Note 6 Variable Interest Entities , VIEs that have become subject to consolidation have increased and, as a result, interest on loans and investment securities increased compared to the same period of the previous fiscal year.

Brokerage commissions and net gains on investment securities decreased 32% to ¥5,055 million compared to the same period of the previous fiscal year. This was chiefly due to a decrease in gains on trading securities in the United States compared to the same period of the previous fiscal year and a decrease in brokerage commissions due to the deconsolidation of ORIX Securities Corporation in January 2010.

Life insurance premiums and related investment income increased 6% to ¥27,722 million compared to the same period of the previous fiscal year. Life insurance premiums increased for the life insurance operations due to strong sales of retail customer-oriented products such as medical insurance and an increase in operating revenues from insurance-related investment.

Real estate sales decreased 45% to ¥5,672 million compared to the same period of the previous fiscal year resulting from a decrease in the number of condominiums delivered as a result of previously limited new developments in the condominium operations.

Gains on sales of real estate under operating leases mainly recorded in the Real Estate segment decreased 79% to ¥103 million.

Other operating revenues increased 8% to ¥70,835 million compared to the same period of the previous fiscal year due to the increased revenues from operating facilities, advisory services in the U.S. and environment-related business.

Total Expenses

Expenses were flat at ¥212,157 million compared to the same period of the previous fiscal year.

Interest expense increased 47% to ¥33,359 million compared to the same period of the previous fiscal year due to the application of new accounting standards, see Note 2 Significant Accounting and Reporting Policies and Note 6 Variable Interest Entities as mentioned above.

Costs of operating leases decreased 2% to ¥46,252 million compared to the same period of the previous fiscal year.

Life insurance costs decreased 5% to ¥20,639 million compared to the same period of the previous fiscal year.

Costs of real estate sales decreased 42% to ¥6,175 million compared to the same period of the previous fiscal year due to fewer condominiums being delivered as mentioned above in Real estate sales .

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Other operating expenses increased 8% to ¥42,776 million compared to the same period of the previous fiscal year mainly due to increased expenses from operating facilities and environment-related business as mentioned in Other operating revenues .

Selling, general and administrative expenses decreased 7% to ¥49,453 million compared to the same period of the previous fiscal year. Expenses decreased due to the deconsolidation of ORIX Credit Corporation and ORIX Securities Corporation, despite an increase in line with increased revenues from advisory services in the United States.

Provision for doubtful receivables and probable loan losses decreased 52% to ¥5,992 million compared to the same period of the previous fiscal year. This decrease is mainly due to a decrease in provisions in the Corporate Financial Services and Retail segments.

At the end of the first quarter, domestic installment loans to real estate-related companies (excluding non-recourse loans by SPCs) accounted for ¥427,220 million, or 19% of all outstanding domestic installment loans. Installment loans made to real estate-related companies are secured in most cases with real estate as collateral. Of this amount, loans individually evaluated for impairment were down to ¥141,665 million from ¥152,455 million on March 31, 2010, the valuation allowance for this amount decreased to ¥49,471 million from ¥53,122 million on March 31, 2010.

Write-downs of long-lived assets increased to ¥1,603 million from ¥102 million in the same period of the previous fiscal year. This is primarily due to write-downs of rental properties in the Real Estate segment.

Write-downs of securities increased 128% to ¥6,271 million compared to the same period of the previous fiscal year. Write-downs were primarily recorded for non-marketable equity securities and preferred capital shares.

As a result of the foregoing changes, operating profit increased 2% to ¥22,357 million compared to the same period of the previous fiscal year.

Net Income Attributable to ORIX Corporation

Net Income Attributable to ORIX Corporation increased 129% to ¥16,450 million compared to the same period of the previous fiscal year.

Equity in net income (loss) of affiliates was ¥1,932 million, improving from a loss of ¥9,161 million, which was recorded as a result of an affiliate filing for protection under the Corporate Rehabilitation Law during the same period of the previous fiscal year.

Gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net was a profit of ¥346 million, an improvement from a loss of ¥707 million during the same period of the previous fiscal year. A loss was recorded from the sale of common stock of the aforementioned affiliate.

As a result of the foregoing changes, income before income taxes increased 106% to ¥24,635 million.

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Discontinued operations, net of applicable tax effect increased to ¥2,296 million from ¥225 million compared to the same period of the previous fiscal year primarily due to an increase in gains on sales of real estate under operating leases in Japan.

Net income attributable to ORIX Corporation increased 129% to ¥16,450 million compared to the same period of the previous fiscal year.

Segment Information

Profitability was achieved in all segments during the first consolidated period.

From this fiscal year, the Company changed the measure of its segment assets and segment revenues related to certain variable interest entities (VIEs) which are consolidated in accordance with the above mentioned new accounting standards since the Company s management changed its internal performance assessment measures to manage its segments.

In addition, in line with a change of management classification, Internet Research Institute, Inc. and ORIX s Information and Communication Technology Department, which were previously included in the Corporate Financial Services segment, have been included in the Investment Banking segment and Maintenance Leasing segment, respectively.

Due to these changes, the reclassified figures are shown for the first consolidated period and the fiscal year ended March 31, 2010 (See Notes 18, Segment Information).

Segment information for the first consolidated period is as follows:

Corporate Financial Services Segment

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

Segment revenues decreased 8% to ¥23,845 million compared to ¥25,802 million in the same period of the previous fiscal year, primarily due to a decrease in the average balance of installment loans by 26% compared to the same period of the previous fiscal year as a result of adjustments to the portfolio balance through a reduction in new loan executions.

Segment expenses decreased compared to the same period of the previous fiscal year, resulting from decreases in interest expense and provision for doubtful receivables and probable loan losses. New occurrences of non-performing assets have been decreasing since the fourth quarter of the previous fiscal year, due to restrictions on new loans to real estate-related companies and increased collateral requirements continuing from the previous fiscal year. In addition, provision for doubtful receivables and probable loan losses have decreased with improvement in corporate revenues as the economy moves toward recovery.

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As a result, segment profits increased 32% to ¥2,004 million compared to ¥1,513 million during the same period of the previous fiscal year.

Segment assets decreased 4% to ¥1,135,577 million compared to March 31, 2010, due to a decline in the installment loan balance.

Maintenance Leasing Segment

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

The business environment outlook remains bleak, as corporate client demand for new automobiles is weak. Capital expenditures in the equipment rental business have yet to sufficiently recover, despite a recovery trend in capital expenditures in Japan. However, the Maintenance Leasing segment has maintained stable revenues by capitalizing on ORIX s position as the industry-leader in terms of market share and by providing high value-added services.

Segment revenues remained flat at ¥56,777 million, compared to ¥57,441 million during the same period of the previous fiscal year due to steady operating lease and maintenance revenues despite the current environment.

Segment expenses decreased compared to the same period of the previous fiscal year, due to a decrease in depreciation expense and interest expense as a result of a year on year decrease in operating lease assets.

As a result, segment profits increased 16% to ¥6,753 million compared to ¥5,830 million during the same period of the previous fiscal year.

Segment assets increased 2% to ¥524,171 million compared to March 31, 2010 due to an increase in operating lease assets.

Real Estate Segment

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

The condominium market recovery is on a recovering trend, especially in urban areas as a result of an improved balance of supply and demand. However, a loss was recorded as a result of a decrease in the number of condominiums delivered to 103 units from 375 units during the same period of the previous fiscal year due to previous limitations on new developments in the condominium operations.

Although sales of real estate under operating leases remain below pre-crisis levels, they are on an increasing trend. Under this environment, the real estate investment business is pursuing a policy of making appropriate assets sales based on real demand. Real estate transactions are on a gradually increasing trend, with the sale of a large-scale property occurring during the first consolidated period, and gains on sales of real estate under operating leases increased compared to the same period of the previous fiscal year.

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Despite gains on sales of real estate under operating leases, segment revenues decreased 7% to ¥39,645 million compared to ¥42,645 million in the same period of the previous fiscal year due to the decrease in number of condominiums delivered. Segment expenses dramatically declined due to such factors as advertising and other expenses incurred ahead of unit delivery and a decrease in the number of condominiums delivered. As a result, segment profits increased approximately eight-fold to ¥2,180 million compared to ¥261 million in the same period of the previous fiscal year.

Segment assets remained flat at ¥1,070,122 million compared to March 31, 2010.

Investment Banking Segment

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

The market is reaching a turning point with investment appetite returning to the real estate finance market, particularly among foreign investors.

Segment revenues increased 14% to ¥26,765 million compared to ¥23,580 million in the same period of the previous fiscal year. Revenues increased compared to the same period of the previous fiscal year due to major collections made by the loan servicing (asset recovery) business and increased revenues from operating leases, despite decreased revenues due to a 13% year-on-year decline in the average balance of installment loans and investment in securities (including specified bonds).

Segment expenses increased due to increased write-downs of securities despite decreased selling, general and administrative expenses.

Equity in net income (loss) of affiliates recorded a profit during the first consolidated period, whereas a loss was recorded during the same period of the previous fiscal year due to an affiliate filing for protection under the Corporate Rehabilitation Law.

As a result, segment profits were ¥2,109 million compared to a loss of ¥10,418 million in the same period of the previous fiscal year.

Segment assets remained flat at ¥1,062,218 million compared to March 31, 2010.

Retail Segment

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

In the life insurance business, insurance related gains improved due to increased contracts for new products together with increased insurance-related investment income due to recovery of the market environment.

Installment loans increased in the trust and banking business in line with increased corporate lending. As a result, both revenues and profits increased. Also, Internet-based deposits increased steadily, and assets have surpassed the 1 trillion yen level.

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Segment revenues and expenses from the card loan and online securities brokerage business is recognized as segment profits under equity in net income (loss) of affiliates due to the share transfer and share exchange of the card loan and online securities brokerage businesses during the previous consolidated fiscal year.

As a result, segment revenues decreased 18% to ¥35,582 million compared to ¥43,225 million in the same period of the previous fiscal year. However, segment profits increased 56% to ¥8,105 million compared to ¥5,181 million during the same period of the previous fiscal year due to decreased segment expenses, mainly lower selling, general and administrative expenses and decreased provisions for doubtful receivables and probable loan losses.

Segment assets increased 2% to ¥1,611,351 million compared to March 31, 2010 as a result of increased installment loans in the trust and banking business and an increase in investment securities.

Overseas Business Segment

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

Economic recovery in the U.S. is slowing down despite a decreasing trend in financial institutions cost of credit as the housing market remains stagnant and unemployment continues to hover at a high rate despite. Economic recovery is continuing in the Asian region, especially China.

Segment revenues increased 2% to ¥43,123 million compared to ¥42,273 million in the same period of the previous fiscal year. In the U.S., fee income from investment banking operations increased. Also, revenues remained flat in Asia and Oceania mainly due to an increase in gains on sales of autos in the automobile leasing business being offset by decreased revenues from a decline in the balances of investment in operating and direct financing leases.

Segment expenses remained flat year on year due to a decrease in provision for doubtful receivables and probable loan losses in the U.S. being offset by an increase in selling, general and administrative expenses from a corporate acquisition. As a result, segment profits increased 2% to ¥11,435 million compared to ¥11,257 million during the same period of the previous fiscal year.

Segment assets decreased 2% to ¥840,634 million compared to March 31, 2010, mainly due to the effects of an appreciated yen.

(2) Financial Condition

	Fiscal Period Ended June 30, 2010	Fiscal Year Ended March 31, 2010	Change	Year on Year Change
Total Assets (millions of yen)	8,704,169	7,739,800	964,369	12%
(Segment Assets)	6,244,073	6,284,275	(40,202)	(1%)
Total Liabilities (millions of yen)	7,386,486	6,395,244	991,242	15%
(Long- and Short-term Debt)	5,400,598	4,409,835	990,763	22%
(Deposits)	897,733	853,269	44,464	5%
Shareholders Equity* (millions of yen)	1,266,795	1,298,684	(31,889)	(2%)
Shareholders Equity Per Share* (yen)	11,785.67	12,082.56	(296.89)	(2%)

* Shareholders Equity refers to ORIX Corporation Shareholders Equity.

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Total assets increased 12% to ¥8,704,169 million compared to ¥7,739,800 million on March 31, 2010. Installment loans and investment in direct financing leases increased due to the application of new accounting standards, see Note 2 Significant Accounting and Reporting Policies and Note 6 Variable Interest Entities , in this fiscal year relating to consolidation of VIEs. Segment assets decreased 1% to ¥6,244,073 million from March 31, 2010.

Regarding liabilities, the application of the new accounting standard with respect to VIEs resulted in an increase in long-term debt compared to March 31, 2010. Furthermore, deposits have increased in accordance with business expansion into corporate lending in the trust and banking business.

Shareholders equity decreased 2% to ¥1,266,795 million compared to March 31, 2010 due to a decrease in retained earnings in line with the application of the new accounting standard in addition to accumulated other comprehensive income (loss) such as net change of foreign currency translation adjustments.

(3) Liquidity and Capital Resources

ORIX Group requires capital resources at all times for maintaining working capital. We have put our main emphasis on ensuring stable funding and reduction of our funding costs by diversifying our funding methods and procuring capital from a variety of sources. We strive for timely and flexible capital resource procurement by monitoring the funding requirements from our sales and investment operations, and the balance between the supply and demands of our funding needs. We are also monitor the financial institutions willingness to lead money in the market, investors investment trend, and so on.

ORIX Group s funding from long- and short-term debt and acceptance of deposits on a consolidated basis, as of June 30, 2010, was 6,131 billion yen.

Funding was mainly comprised of borrowings from financial institutions and direct fund procurement from capital markets. Borrowings were procured from a diverse range of financial institutions including major banks, regional banks, foreign banks, life and casualty insurance companies and financial institutions associated with agricultural cooperatives. The number of financial institutions from which we procured borrowings exceeded 200 as of June 30, 2010. Procurement from the capital markets was composed of the issuance of ORIX straight bonds, commercial paper (CP), medium-term notes issued by ORIX and three overseas subsidiaries, the securitization of operating assets (ABS/CMBS), and through unsecured convertible bonds with stock acquisition rights.

Due to application of new accounting standards this consolidated fiscal year relating to the consolidation of variable interest entities (VIEs), total debt increased by ¥1,053 billion.

In response to market risks, we have been implementing various measures to maintain financial stability, such as decreasing interest bearing debt to improve our debt-to-equity ratio, and increasing the average length of debt as well as retaining excess liquidity through cash and deposits to decrease short-term liquidity risk. In July 2009, we issued new shares at the amount of 83.4 billion yen for new investments and reduction of debt, and in April 2010, we issued $750 million aggregate principal amount of U.S. dollar-denominated senior notes in a SEC-registered offering outside of Japan. We will continue to strengthen our financial condition, while maintaining an appropriate balance of funding structure.

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Debt

(a) Short-term debt

	June 30, 2010 (Millions of yen)	March 31, 2010 (Millions of yen)
Borrowings from financial institutions	316,744	271,234
Commercial paper	279,170	282,781
Medium-term notes	19,550	19,550
Total	615,464	573,565

The above amounts include Short-term debt of VIEs as of June 30, 2010. Of them, amounts additionally disclosed in accordance with Accounting Standards Update 2009-17 ((ASC810 (Consolidation)) are as follows.

Short-term debt: ¥1,643 million.

Cash and cash equivalent, time deposits and available amount of the committed credit facilities at the end of the first fiscal quarter were 1,000 billion yen in altogether, which amount was 358% of the amount of the CPs of which outstanding balance at the end of the first fiscal quarter was 279,170 million.

(b) Long-term debt

	June 30, 2010 (Millions of yen)	March 31, 2010 (Millions of yen)
Borrowings from financial institutions	2,239,171	2,314,377
Bonds	1,228,554	1,215,359
Medium-term notes	95,895	104,310
Payable under securitized lease and loan receivables	1,221,514	202,224
Total	4,785,134	3,836,270

The above amounts include Long-term debt of VIEs as of June 30, 2010. Of them, amounts additionally disclosed in accordance with Accounting Standards Update 2009-17 ((ASC810 (Consolidation)) are as follows.

Borrowings from financial institutions: ¥141,153 million.

Bonds: ¥4,618 million.

Payable under securitized lease and loan receivables: ¥1,222 billion

Long-term debt increased by ¥1,053 billion due to application of new accounting standards this consolidated fiscal year relating to the consolidation of variable interest entities (VIEs)

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(c) Deposits

	June 30, 2010 (Millions of yen)	March 31, 2010 (Millions of yen)
Deposits	897,733	853,269

Apart from the short-term and long-term debt noted above, ORIX Trust and Banking Corporation and ORIX Asia Limited accept deposits. The balance of deposits at the end of the first fiscal quarter was 897,733 million, an increase of 5% or 44,464 million yen from the end of the previous fiscal year.

(4) Summary of Cash Flows

Cash and cash equivalents decreased by ¥29,977 million to ¥609,110 million compared to March 31, 2010.

Cash flows from operating activities used ¥14,251 million during the first consolidated period, having provided ¥6,450 million during the same period of the previous fiscal year, resulting from a decrease in the delivery of real estate (*e.g.* condominiums) for sale such as condominiums, an increase in trading securities, in addition to the adjustment of net income such as depreciation and amortization, provision for doubtful receivables and probable loan losses and equity in net income (loss) of affiliates (excluding interest on loans), despite an increase in quarterly net income compared to the same period of the previous fiscal year.

Cash flows from investing activities provided ¥73,143 million during the first consolidated period, having provided ¥111,792 million during the same period of the previous fiscal year, due to a year on year decrease in installment loans made to customers and a return of investments in connection with proceeds from the sales of operating lease assets, despite increases in purchase of lease equipment and purchases of other securities compared to the same period of the previous fiscal year.

Cash flows from financing activities used ¥83,530 million during the first consolidated period, having used ¥177,502 million during the same period of the previous fiscal year due to the amount of borrowings exceeding the amount of funding raised, despite an increase in the amount of funding raised through the issuance of unsecured debt compared to the same period of the previous fiscal year in accordance with the policy to enhance financial stability.

(5) Challenges to be addressed

There were no significant changes for the three months ended June 30, 2010.

(6) Research and Development Activity

There were no significant changes for the three months ended June 30, 2010.

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6. Overview of Facilities
(1) Facilities for Rent

(a) New equipment acquisitions

In association with the operating lease business, the Company and its subsidiaries own facilities for rent. New equipment acquisitions were ¥51,822 million for the three months ended June 30, 2010.

(b) Details of facilities for rent

Details of facilities for rent at June 30, 2010 are as follows:

	Millions of yen	Composition ratio
Transportation equipment	569,289	35.9%
Measuring and information-related equipment	168,767	10.6
Real estate	827,918	52.2
Other	20,140	1.3
Subtotal	1,586,114	100.0%
Accumulated depreciation	(388,096)	
Net	1,198,018	
Accrued rental receivables	16,266	
Total	1,214,284	

For the three months ended June 30, 2010, the Company and its subsidiaries wrote down certain facilities for rent to their fair value under the provisions of ASC 360-10 (Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets). For further information on the write-downs, see Note 12 Write-Downs of Long-Lived Assets .

(c) Plans for acquisition and disposal of facilities

For the three months ended June 30, 2010, there were not any significant changes in acquisition and disposal of facilities.

(2) Office Facilities and Facilities for Operation Other than for Rent

(a) Overview of facilities not for rent

The Company and its subsidiaries own the following facilities:

Head-office buildings

Facilities for management such as golf courses and training facilities

(b) Status of main facilities not for rent

i) The Company

For the three months ended June 30, 2010, there no significant changes of major facilities.

ii) Subsidiaries in Japan

For the three months ended June 30, 2010, there were no significant changes of major facilities.

iii) Overseas subsidiaries

For the three months ended June 30, 2010, there were no significant changes of major facilities.

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(c) Plans for acquisition and disposal of facilities not for rent

For the three months ended June 30, 2010, there were no significant changes in acquisition and disposal of facilities not for rent.

7. Company Stock Information

(1) Information of Outstanding Shares, Common Stock and Additional Paid-in Capital

The information of the number of outstanding shares, the amount of common stock and additional paid-in capital for the three months ended June 30, 2010 is as follows:

In thousands		Millions of yen			
Number of outstanding shares		Common stock		Additional paid-in capital	
Increase, net	June 30, 2010	Increase, net	June 30, 2010	Increase, net	June 30, 2010
1	110,231	6	143,946	6	171,125

Note: *1 Additional paid-in capital represented as shown above is based on Japanese GAAP.
*2 The exercise of stock acquisition right increased common stock and additional paid-in capital.

(2) Condition of Major Shareholders

(a) On the list of shareholders as of June 30, 2010, THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT became a major shareholder.

Name Address	Number of shares held (in thousands)	Percentage of total shares issued
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT WOOLGATE HOUSE, COLEMAN STREET LONDON EC2P 2HD, ENGLAND	1,477	1.34%

(b) AllianceBernstein L.P. and AllianceBernstein Japan Ltd. jointly filed an amended report as required under Japanese regulations on May 19, 2010 that shows their share holdings of the Company as of May 14, 2010. The reported number of shares held is not able to be confirmed substantially against the list of shareholders as of June 30, 2010.

Name	Number of shares held (in thousands)	Percentage of total shares issued
AllianceBernstein L.P.	10,944	9.93%
AllianceBernstein Japan Ltd.	685	0.62
Total	11,629	10.55%

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(c) Nomura Securities Co., Ltd., NOMURA INTERNATIONAL PLC, Nomura Capital Markets plc, and Nomura Asset Management Co., Ltd. jointly filed an amended report as required under Japanese regulations on June 7, 2010 that shows their share holdings of the Company as of May 31, 2010. The reported number of shares held is not able to be confirmed substantially against the list of shareholders as of June 30, 2010.

Name	Number of shares held (in thousands)	Percentage of total shares in issued
Nomura Securities Co., Ltd.	178	0.16%
NOMURA INTERNATIONAL PLC *1	6,272	5.42
Nomura Capital Markets plc	498	0.45
Nomura Asset Management Co., Ltd. *2	4,113	3.73
Total	11,062	9.55%

*1, 2 The number of shares and percentage of total shares in issued held by NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd. include the residual securities.

(d) Fidelity Investments Japan Limited and FMR LLC jointly filed an amended report as required under Japanese regulations on June 11, 2010 that shows their share holdings of the Company as of June 7, 2010. The reported number of shares held is not able to be confirmed substantially against the list of shareholders as of June 30, 2010.

Name	Number of shares held (in thousands)	Percentage of total shares issued
Fidelity Investments Japan Limited	7,140	6.48%
FMR LLC	8,977	8.14
Total	16,117	14.62

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8. Financial Information

(1) Condensed Consolidated Balance Sheets (Unaudited)

	Millions of yen	
Assets	June 30, 2010	March 31, 2010
Cash and Cash Equivalents	609,110	639,087
Restricted Cash	112,565	77,486
Time Deposits	3,489	548
Investment in Direct Financing Leases	844,153	756,481
Installment Loans	3,360,338	2,464,251
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses	(182,179)	(157,523)
Investment in Operating Leases	1,214,284	1,213,223
Investment in Securities	1,081,287	1,104,158
Other Operating Assets	215,859	186,396
Investment in Affiliates	407,255	409,711
Other Receivables	187,756	210,521
Inventories	143,625	153,256
Prepaid Expenses	52,747	45,420
Office Facilities	99,854	96,831
Other Assets	554,026	539,954
Total Assets	8,704,169	7,739,800

Pursuant to Accounting Standards Update 2009-17 (ASC 810-10 (Consolidation Variable Interest Entities)), assets attributed to variable interest entities (VIEs) in the Condensed Consolidated Balance Sheets are as follows:

	Millions of yen
	June 30, 2010
Cash and Cash Equivalents	30,788
Investment in Direct Financing Leases (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	270,097
Installment Loans (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	1,045,362
Investment in Operating Leases	330,036
Investment in Securities	75,483
Investment in Affiliates	35,244
Others	194,960
	1,981,970

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Liabilities and Equity	Millions of yen June 30, 2010	March 31, 2010
Liabilities:		
Short-Term Debt	615,464	573,565
Deposits	897,733	853,269
Trade Notes, Accounts Payable and Other Liabilities	307,495	311,113
Accrued Expenses	94,648	101,917
Policy Liabilities	398,965	409,957
Current and Deferred Income Taxes	163,957	183,674
Security Deposits	123,090	125,479
Long-Term Debt	4,785,134	3,836,270
Total Liabilities	7,386,486	6,395,244
Redeemable Noncontrolling Interests	27,916	28,095
Commitments and Contingent Liabilities		
Equity:		
Common Stock	143,946	143,939
Additional Paid-in Capital	178,936	178,661
Retained Earnings	1,090,413	1,104,779
Accumulated Other Comprehensive Income (Loss)	(97,263)	(79,459)
Treasury Stock, at Cost	(49,237)	(49,236)
Total ORIX Corporation Shareholders Equity	1,266,795	1,298,684
Noncontrolling Interests	22,972	17,777
Total Equity	1,289,767	1,316,461
Total Liabilities and Equity	8,704,169	7,739,800

Pursuant to Accounting Standards Update 2009-17 (ASC 810-10 (Consolidation Variable Interest Entities)), liabilities attributed to variable interest entities (VIEs) in the Condensed Consolidated Balance Sheets are as follows:

	Millions of yen June 30, 2010
Short-Term Debt	1,643
Trade Notes, Accounts Payable and Other Liabilities	10,025
Security Deposits	8,756
Long-Term Debt	1,367,285
Others	6,306
	1,394,015

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Condensed Consolidated Statements of Income (Unaudited)

	Millions of yen	
	Three months ended June 30, 2009	Three months ended June 30, 2010
Revenues:		
Direct financing leases	13,462	12,330
Operating leases	67,730	68,045
Interest on loans and investment securities	41,847	44,752
Brokerage commissions and net gains on investment securities	7,480	5,055
Life insurance premiums and related investment income	26,097	27,722
Real estate sales	10,403	5,672
Gains on sales of real estate under operating leases	488	103
Other operating revenues	65,536	70,835
Total revenues	233,043	234,514
Expenses:		
Interest expense	22,666	33,359
Costs of operating leases	47,370	46,252
Life insurance costs	21,779	20,639
Costs of real estate sales	10,596	6,175
Other operating expenses	39,737	42,776
Selling, general and administrative expenses	53,178	49,453
Provision for doubtful receivables and probable loan losses	12,404	5,992
Write-downs of long-lived assets	102	1,603
Write-downs of securities	2,748	6,271
Foreign currency transaction loss (gain), net	616	(363)
Total expenses	211,196	212,157
Operating Income	21,847	22,357
Equity in Net Income (Loss) of Affiliates	(9,161)	1,932
Gains (Losses) on Sales of Subsidiaries and Affiliates and Liquidation Losses, net	(707)	346
Income before Income Taxes and Discontinued Operations	11,979	24,635
Provision for Income Taxes	5,017	10,064
Income from Continuing Operations	6,962	14,571
Discontinued Operations:		
Income from discontinued operations, net	450	4,084
Provision for income taxes	(225)	(1,788)
Discontinued operations, net of applicable tax effect	225	2,296
Net Income	7,187	16,867
Net Income (Loss) Attributable to the Noncontrolling Interests	(444)	(13)
Net Income Attributable to the Redeemable Noncontrolling Interests	439	430

Net Income Attributable to ORIX Corporation	7,192	16,450

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	Millions of yen	
	Three months ended June 30, 2009	Three months ended June 30, 2010
Income attributable to ORIX Corporation:		
Income from continuing operations	6,918	14,112
Discontinued operations	274	2,338
Net income attributable to ORIX Corporation	7,192	16,450

	Yen	
	Three months ended June 30, 2009	Three months ended June 30, 2010
Amounts per Share of Common Stock for Income attributable to ORIX Corporation:		
Basic:		
Income from continuing operations	77.38	131.29
Discontinued operations	3.07	21.76
Net income attributable to ORIX Corporation	80.45	153.05
Diluted:		
Income from continuing operations	65.56	111.51
Discontinued operations	2.48	17.76
Net income attributable to ORIX Corporation	68.04	129.27

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(3) Consolidated Statement of Comprehensive Income

	Millions of yen	
	Three months ended June 30, 2009	Three months ended June 30, 2010
Net Income	7,187	16,867
Other comprehensive income (loss), net of tax:		
Net change of unrealized gains (losses) on investment in securities	6,664	(2,238)
Net change of defined benefit pension plans	246	125
Net change of foreign currency translation adjustments	(777)	(14,947)
Net change of unrealized gains (losses) on derivative instruments	(941)	1,137
Total other comprehensive income (loss)	5,192	(15,923)
Comprehensive Income (Loss)	12,379	944
Comprehensive Income (Loss) Attributable to the Noncontrolling Interests	(1,250)	(43)
Comprehensive Income (Loss) Attributable to the Redeemable Noncontrolling Interests	(165)	(1,065)
Comprehensive Income (Loss) Attributable to ORIX Corporation	13,794	2,052

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(4) Consolidated Statement of Changes in Equity

Three months ended June 30, 2010

	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 Before Adjustment	143,939	178,661	1,104,779	(79,459)	(49,236)	1,298,684	17,777	1,316,461
Cumulative effect of applying according for new accounting standards for the consolidation of variable interest entities			(22,495)	(3,406)		(25,901)	4,233	(21,668)
Beginning Balance After Adjustment	143,939	178,661	1,082,284	(82,865)	(49,236)	1,272,783	22,010	1,294,793
Contribution to Subsidiaries							2,281	2,281
Transaction with noncontrolling interests		116				116	(558)	(442)
Comprehensive income (loss)								
Net income			16,450			16,450	(13)	16,437
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment in securities				(2,324)		(2,324)	86	(2,238)
Net change of defined benefit pension plans				125		125		125
Net change of foreign currency translation adjustments				(13,340)		(13,340)	(112)	(13,452)
Net change of unrealized gains (losses) on derivative instruments				1,141		1,141	(4)	1,137
Total						(14,398)	(30)	14,428
Comprehensive income (loss)						2,052	(43)	2,009
Cash dividends			(8,061)			(8,061)	(718)	(8,779)
Conversion of convertible bond	1	1				2		2
Exercise of stock options	6	5				11		11
Compensation cost of stock options		100				100		100
Acquisition of treasury stock					(1)	(1)		(1)
Other, net		53	(260)			(207)		(207)
Ending balance	143,946	178,936	1,090,413	(97,263)	(49,237)	1,266,795	22,972	1,289,767

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Three months ended June 30, 2009

	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	102,216	136,313	1,071,919	(92,384)	(50,534)	1,167,530	18,067	1,185,597
Contribution to subsidiaries							788	788
Transaction with noncontrolling interests		5				5	(1)	4
Comprehensive income (loss)								
Net income			7,192			7,192	(444)	6,748
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment in securities				6,654		6,654	10	6,664
Net change of defined benefit pension plans				258		258	(12)	246
Net change of foreign currency translation adjustments				629		629	(802)	(173)
Net change of unrealized gains (losses) on derivative instruments				(939)		(939)	(2)	(941)
Total						6,602	(806)	5,796
Comprehensive income (loss)						13,794	(1,250)	12,544
Cash dividends			(6,261)			(6,261)	(72)	(6,333)
Conversion of convertible bond	2	2				4		42
Compensation cost of stock options		310				310		310
Acquisition of treasury stock					(1)	(1)		(1)
Other, net		12			51	63	(10)	53
Ending balance	102,218	136,642	1,072,850	(85,782)	(50,484)	1,175,444	17,522	1,192,966

* Changes in the redeemable noncontrolling interests are not included in the table. For further information, see Note 8 Redeemable Noncontrolling Interests .

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(5) Condensed Consolidated Statements of Cash Flows

	Millions of yen	
	Three months ended June 30, 2009	Three months ended June 30, 2010
Cash Flows from Operating Activities:		
Net income	7,187	16,867
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	49,809	39,337
Provision for doubtful receivables and probable loan losses	12,404	5,992
Decrease in policy liabilities	(14,658)	(10,992)
Equity in net (income) loss of affiliates (excluding interest on loans)	9,161	(1,238)
(Gains) losses on sales of subsidiaries and affiliates and liquidation losses, net	707	(346)
Gains on sales of available-for-sale securities	(1,478)	(1,698)
Gains on sales of real estate under operating leases	(488)	(103)
Gains on sales of operating lease assets other than real estate	(1,435)	(2,116)
Write-downs of long-lived assets	102	1,603
Write-downs of securities	2,748	6,271
Increase in restricted cash	(7,944)	(2,570)
Increase in trading securities	(74)	(10,646)
Decrease (increase) in inventories	14,120	(6,234)
Decrease in other receivables	2,209	6,841
Decrease in trade notes, accounts payable and other liabilities	(31,233)	(9,437)
Other, net	(34,687)	(45,772)
Net cash provided by (used in) operating activities	6,450	(14,241)
Cash Flows from Investing Activities:		
Purchases of lease equipment	(90,892)	(126,643)
Principal payments received under direct financing leases	94,370	98,709
Net proceeds from securitization of lease receivables, loan receivables and securities	5,163	
Installment loans made to customers	(156,711)	(143,024)
Principal collected on installment loans	254,827	253,320
Proceeds from sales of operating lease assets	18,184	56,886
Investment in affiliates, net	39	1,102
Proceeds from sales of investment in affiliates	4,367	1,283
Purchases of available-for-sale securities	(58,827)	(224,816)
Proceeds from sales of available-for-sale securities	22,591	94,894
Proceeds from redemption of available-for-sale securities	35,908	104,356
Purchases of other securities	(3,042)	(19,794)
Proceeds from sales of other securities	5,988	2,856
Purchases of other operating assets	(2,045)	(724)
Acquisitions of subsidiaries, net of cash acquired	(5,101)	(10,676)
Other, net	(13,027)	(14,586)
Net cash provided by investing activities	111,792	73,143
Cash Flows from Financing Activities:		
Net increase in debt with maturities of three months or less	84,440	20,460
Proceeds from debt with maturities longer than three months	191,716	364,555
Repayment of debt with maturities longer than three months	(477,134)	(497,038)
Net increase in deposits due to customers	41,085	44,544

Issuance of common stock	2	11
Dividends paid	(6,261)	(8,061)
Net decrease in call money	(11,400)	(8,000)
Acquisition of treasury stock	(1)	(1)
Other, net	51	
Net cash used in financing activities	(177,502)	(83,530)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,752	(5,349)
Net Decrease in Cash and Cash Equivalents	(57,508)	(29,977)
Cash and Cash Equivalents at Beginning of Year	459,969	639,087
Cash and Cash Equivalents at End of Period	402,461	609,110

The accompanying notes to consolidated financial statements are an integral part of these statements.

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 requirements of accounting principles, procedures and disclosure related to issuing American Depositary Receipts, and generally accepted accounting principles in the United States of America (U.S. GAAP), modified for the accounting for stock splits (see Note 2 (n)).

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 based on terms, formats and preparations pursuant to the rules regarding issuing American Depositary Receipts and registered 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 lease or loan are being deferred and amortized as yield adjustments over the life of related direct financing lease or loan 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 either the declining-balance basis or straight-line basis.

(c) Accounting for life insurance operations

Based on ASC 944 (Financial Services Insurance), certain costs associated with writing insurances, 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, although policy liabilities for future policy benefits are established for by the net level premium method, based on actuarial estimates of the amount of future policyholder benefits, under U.S. GAAP, these are calculated by the methodology which relevant authorities accept, under Japanese GAAP.

(d) Accounting for business combinations, goodwill and other intangible assets

Under U.S. GAAP, Goodwill and intangible assets that have indefinite useful lives are not amortized, but are tested at least annually for impairment.

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

(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 loss is amortized using a corridor test. 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.

Under Japanese GAAP, the unrealized net actuarial loss is fully amortized over a certain term within the average remaining service period of employees expected to receive related benefits. The pension liabilities are recorded for the difference between the plan assets and the benefit obligation, net of unrecognized prior service cost and net actuarial loss, on the consolidated balance sheets.

(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 are presented as a separate line from continuing operations less applicable income taxes in the consolidated statements of income. The results of discontinued operations were reclassified as income from discontinued operations in each prior year 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 from continuing operations. Prior consolidated financial statements were not reclassified.

(g) Net Income in 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 are 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) Comprehensive income

Under U.S. GAAP, comprehensive income is required to be disclosed and it is separately stated in the consolidated financial statements.

Under Japanese GAAP, comprehensive income is not required to be disclosed.

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

Under U.S. GAAP, partial sale and additional acquisition of the parent s ownership interest that retain controlling 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, partial sale of the parent s ownership interest that retain controlling are accounted for as profit-loss transactions and additional acquisition of the parent s ownership interest are accounted for as business combination. On the other hand, in a transaction that results in the loss of control, only the realized gain or loss related to the portion of ownership interest sold recognized in income but the gain or loss on the remeasurement to fair value of the interest retained does not recognized.

(j) Classification in consolidated statement of cash flows

Classification in the statement 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.

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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. For certain entities where the Company holds majority voting interests but minority shareholders have substantive participation 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 when considered necessary and appropriate for recognizing the results of 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 not subject to amortization (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 year to all assets and liabilities. Income and expenses are translated at the average rates of exchange prevailing during the fiscal year. The currencies in which the operations of the overseas subsidiaries and affiliates are conducted are regarded as the functional currencies of these companies. Foreign currency translation adjustments reflected in accumulated other comprehensive income (loss) arise from the translation of foreign currency financial statements into Japanese yen.

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(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 depending 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 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 current 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 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 stated at cost less accumulated depreciation, which was ¥388,096 million and ¥399,747 million at June 30, 2010 and March 31, 2010, respectively. Operating lease assets are depreciated over their estimated useful lives mainly on a straight-line basis. Depreciation costs are included in costs of operating leases. Gains or losses arising from dispositions of operating lease assets, except real estate 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 from 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 current market values of used equipment, estimates of when and how much equipment will become obsolete, and actual recovery being experienced for similar used equipment.

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Installment loans Interest income on installment loans is recognized on an accrual basis. Certain direct loan origination costs, offset by loan 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 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.

Interest payments received on loans with evidence of deterioration of credit quality since origination and for which it is probable at acquisition that collection of all contractually required payments from the debtors is unlikely are recognized on a cash basis method or recorded as reductions of principal if the timing and amount of cash flows expected to be collected are reasonably unable to be estimated.

Non-accrual policy Revenues on direct financing leases and installment loans are no longer accrued at the time when principal or interest become past due 90 days or more, or earlier, if management believes their collectibility is doubtful. 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 these accounts are applied first against past due interest until qualifying for a return to accrual status and then any surpluses are taken to income.

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 associated with writing insurances, or deferred policy acquisition costs, and amortizes them over the respective policy periods in proportion to anticipated premium revenue. These deferred policy acquisition costs are the costs related to the acquisition of new and renewal insurance policies and consist primarily of first-year commissions in excess of recurring policy maintenance costs and certain variable costs and expenses for underwriting policies.

Amortization charged to income for the three months ended June 30, 2009 and 2010 amounted to ¥2,897 million and ¥2,333 million respectively.

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(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 adequate to provide for probable losses inherent in lease and loan portfolios. The allowance is increased by provisions 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 adequacy of the allowance, management considers various factors, including the nature and characteristics 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 the value of underlying collateral and guarantees. Generally, the valuation allowance for large balance non-homogeneous loans is individually assessed to determine whether the loan is impaired. If the loan is deemed to be impaired, it is evaluated based on the present value of expected future cash flows, the loan s observable market price or the fair value of the collateral securing the loan if the loan is collateral-dependent. The allowance for losses on smaller-balance homogeneous loans, including individual housing loans which are not restructured, and lease receivables, is collectively evaluated, considering current economic conditions and trends, the value of underlying collateral and guarantees, prior charge-off experience, delinquencies and non-accruals.

Receivables are charged off when, in the opinion of management, the likelihood of any future collection is believed to be minimal.

(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. In determining fair value, appraisals prepared by independent third party appraisers or the Company s own staff of qualified appraisers, based on recent transactions involving sales of similar assets or other valuation techniques to estimate fair value are utilized.

(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 investor s share.

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 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 the six months.

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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. 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 (1) the Company and its subsidiaries intend to sell the debt security, (2) it is more likely than not that the Company and its subsidiaries will be required to sell the debt security before recovery of its amortized cost basis, or (3) the present value of estimated cash flows will not fully cover the amortized cost of the security. 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 42.2% and 41.3% for the three months ended June 30, 2009 and 2010, respectively. The Company and its subsidiaries in Japan are subject to a National Corporate tax of 30%, an Inhabitant tax of approximately 6% and a deductible Enterprise tax of approximately 8%, which in the aggregate resulted in a statutory income tax rate of approximately 40.9%. The effective income tax rate is different from the statutory tax rate primarily because of certain non-deductible expenses for tax purposes, a change in valuation allowance and the effect of lower income tax rates on foreign subsidiaries and a life insurance subsidiary in Japan.

The Company and its subsidiaries have followed ASC 740 (Income Taxes). According to ASC740, 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.

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(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. Until the end of previous fiscal year, the Company and its subsidiaries had accounted for the sale when control over the assets is surrendered. When the Company and its subsidiaries sell the assets in a securitization transaction, the carrying value of the assets is allocated to the portion sold and the portion that continues to be held, based on relative fair values. The Company and its subsidiaries recognize gains or losses for the difference between the net proceeds received and the allocated carrying value of the assets sold. Any gain or loss from a securitization transaction is recorded as revenue of direct financing leases, interest on loans and investment securities, or brokerage commissions and net gains (losses) on investment securities.

Interests that continue to be held include senior interests, subordinated interests and cash reserve account. Interests that continue to be held are initially recorded at allocated carrying value of the assets based on their fair value and are periodically reviewed for impairment. For an interest that continues to be held for which the fair value is less than the amortized cost basis amounts, we estimate the present value of cash flows expected to be collected from the interest and compare it with the amortized cost basis of the interest to determine whether a credit loss exists. If, based on current information and events, we determine a credit loss exists for that interest, an other-than-temporary impairment is considered to have occurred. We write down that interest to fair value with the credit loss component of the impairment recognized in earnings and the noncredit component recorded in other comprehensive income (loss), unless we intend to sell that interest or more likely than not will be required to sell that interest before recovery of its amortized cost basis less any current-period credit loss, in which case the entire impairment loss would be charged to earnings.

Fair values of interests that continue to be held are estimated by determining the present value of future expected cash flows based on management s estimates of key assumptions, including expected credit loss rate, discount rate and prepayment rate. From this fiscal year, The Company and its subsidiaries adopt Accounting Standards Update 2009-16 (ASC860 (Transfers and Servicing)). ASU 2009-16 removes the exception from applying ASC 810-10 (Consolidation Variable Interest Entities) qualifying special-purpose entity (QSPE) and SPE for securitizing financial assets are subject to consolidation rule for VIEs. As a results, trust or special-purpose entity for securitizing are consolidated, and transferred financial assets are not treated as sales. Assets hold by consolidated trust or special-purpose entity are accounted for direct financing lease receivable, loan receivable and investment securities, as it was before transfer. In the case of transferee is not subject to be consolidated, the Company and its subsidiaries had accounted for the sale when control over the assets is surrendered.

(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 their 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).

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, which is not held as a hedge, such as those held for trading use, or the ineffective portion of the change in fair value of a derivative that qualifies 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 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 funded 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 under the 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 sheet. 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.

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(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 Companies Act implemented on May 1, 2006, the above-mentioned method of accounting required by the Code has become unnecessary.

In the United States, stock splits in comparable circumstances are considered to be stock dividends and are accounted for by transferring from retained earnings to common stock and additional paid-in capital amounts equal to the fair market value of the shares issued. Common stock is increased by the par value of the shares and additional paid-in capital is increased by the excess of the market value over par value of the shares issued. Had such stock splits made prior to October 1, 2001 been accounted for in this manner, additional paid-in capital as of June 30, 2010 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.

(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 cash held in trusts for the segregation of assets under an investor protection fund, deposits related to servicing agreements, deposits collected on behalf of the customers and applied to non-recourse loans and trust accounts under securitization programs.

(q) Installment loans

Certain loans, which the Company has 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. These loans held for sale are included in installment loans and the outstanding balances of these loans as of June 30, 2010 are ¥8,214 million but there were no such loans as of March 31, 2010.

(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 ¥32,096 million and ¥31,650 million as of June 30, 2010 and March 31, 2010, 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 assets to be leased, residential condominiums and other assets.

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(t) Inventories

Inventories consist primarily 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 June 30, 2010 and March 31, 2010, advance and/or progress payments were ¥124,581 million and ¥115,285 million, respectively, and finished goods were ¥19,044 million and ¥37,971 million, respectively.

For the three months ended June 30, 2010, a certain subsidiary recorded ¥450 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. These write-downs were recorded in costs of real estate sales and included in the Real Estate segment.

(u) Office facilities

Office facilities are stated at cost less accumulated depreciation. Depreciation is calculated on a declining-balance basis or straight-line basis over the estimated useful lives of the assets. Accumulated depreciation was ¥37,428 million and ¥37,319 million as of June 30, 2010 and March 31, 2010, 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. ASC 805 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.

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. Both goodwill and intangible assets that have indefinite useful lives are not amortized but tested at least annually for impairment. The Company and its subsidiaries test the goodwill either at the operating segment level or one level below the operating segments. 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 ¥70,872 million and ¥71,074 million as of June 30, 2010 and March 31, 2010, respectively.

(x) Trade notes, accounts payable and other liabilities

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

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(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 the presented periods were reclassified in the accompanying consolidated statements of income.

(ab) Earnings per share

Basic earnings per share is computed by dividing income attributable to ORIX Corporation from continuing operations and net income attributable to ORIX Corporation 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 retroactively.

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 .

(ac) Redeemable noncontrolling interests

Noncontrolling interest in certain subsidiary is 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).

(ad) Issuance of stock by an affiliate

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

(ae) New accounting pronouncements

In June 2009, FASB Statement No. 166 (Accounting for Transfers of Financial Assets an amendment of FASB Statement No.140), which was codified by Accounting Standards Update 2009-16 (ASC860 (Transfers and Servicing)), was issued. This Update removes the concept of a qualifying special-purpose entity and removes the exception from applying ASC 810-10 (Consolidation-Variable Interest Entities) to variable interest entities that are qualifying special-purpose entities. This Update also modifies the financial-components approach used in ASC 860 and limits the circumstances in which a transferor derecognizes a portion or component of a financial asset.

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Furthermore, in June 2009, FASB Statement No. 167 (Amendment of FASB Interpretation No.46(R)), which was codified by Accounting Standards Update 2009-17 (ASC810 (Consolidation)), was issued. This Update removes the exception from applying FIN 46(R) (ASC 810) to variable interest entities that are qualifying special-purpose entities, and requires an enterprise to perform qualitative analysis to identify the primary beneficiary. An enterprise that has both of the following characteristics is considered to be the primary beneficiary who shall consolidate a variable interest entity:

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

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

Additionally, this Update requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity.

These Updates are effective as of the beginning of the fiscal year that begins after November 15, 2009, for interim periods within that fiscal year, and for fiscal years and interim periods thereafter. The Company and its subsidiaries adopted these Updates on April 1, 2010. These Updates effects on the company and its subsidiaries financial conditions at the initial adoption date is an increase of ¥1,147 billion on total assets, an increase of ¥1,169 billion on total liabilities and a decrease of ¥22 billion on retained earnings, net of tax, respectively, in the consolidated balance sheets. For more information, see note 6 Variable Interest Entities .

In January 2010, Accounting Standards Update 2010-06 (Improving Disclosures about Fair Value Measurements ASC 820 (Fair Value Measurements and Disclosures)) was issued. This Update improves existing disclosures and adds new disclosures. A certain disclosures of roll forward of activity in Level3 are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. Early adoption is permitted. Other disclosures are effective for interim and annual reporting periods beginning after December 15, 2009 and the Company and its subsidiaries adopted those other disclosure requirements for the period ended March 31, 2010. The adoption will not have a material effect on the Company and its subsidiaries results of operation and financial position.

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

- That has all the attributes of an investment company or

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

The amendments in ASU 2010-10 are effective as of the beginning of a reporting entity s first annual period that begins after November 15, 2009, and for interim periods within that first annual reporting period. The Company and its subsidiaries adopted the Updates on April 1, 2010.The adoption did not have a material effect on the Company and its subsidiaries results of operations or financial position.

In July 2010, Accounting Standards Update 2010-20 (Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit losses ASC 310 (Receivables)) was issued. This Update enhances disclosures about the credit quality of financing receivables and the allowance for credit losses, by requiring an entity to provide disaggregated and class information, credit quality indicators, past due information, and information about modifications of its financing receivables, and other information. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on and after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. This Update amends disclosures and there will be no 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 Measurements and Disclosures). 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 measure mainly cash equivalents, trading securities, available-for-sale securities, investment funds, certain investment in affiliates and derivatives at fair value on a recurring basis.

The following table presents recorded amounts of major financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 and March 31, 2010:

	June 30, 2010 Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial Assets:				
Trading securities	¥ 57,119	¥ 1,004	¥ 56,145	¥ 50
Available-for-sale securities	803,009	57,435	425,090	320,484
Japanese and foreign government bond securities	164,660		164,660	
Japanese prefectural and foreign municipal bond securities	22,660		22,660	
Corporate debt securities	224,673		221,617	3,056
Specified bonds issued by SPEs in Japan	220,972			220,972
CMBS and RMBS in the U.S., and other asset-backed securities	97,041		585	96,456
Equity securities	73,003	57,435	15,568	
Other securities	17,838		17,838	
Investment funds	17,838		17,838	
Derivative assets	29,550	561	25,739	3,250
Interest rate swap agreements	2,979		2,979	
Options held/written, caps held, other	2,898	2	261	2,635
Futures, Foreign exchange contracts	6,406	559	5,847	
Foreign currency swap agreements	16,652		16,652	
Credit derivatives held/written	615			615
	¥ 907,596	¥ 59,000	¥ 524,812	¥ 323,784
Financial Liabilities:				
Derivative liabilities	¥ 29,381	¥ 787	¥ 28,592	¥ 2
Interest rate swap agreements	2,508		2,508	
Options held/written, caps held, other	1,858		1,858	
Futures, Foreign exchange contracts	1,021	787	234	
Foreign currency swap agreements	23,985		23,985	
Credit derivatives held/written	9		7	2

¥	29,381	¥	787	¥	28,592	¥	2

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	March 31, 2010 Millions of yen Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Trading securities	¥ 49,596	¥ 1,157	¥ 48,386	¥ 53
Available-for-sale securities	845,234	67,224	376,206	401,804
Japanese and foreign government bond securities	146,453		146,453	
Japanese prefectural and foreign municipal bond securities	19,247		19,247	
Corporate debt securities	199,291		192,450	6,841
Specified bonds issued by SPEs in Japan	246,305			246,305
CMBS and RMBS in the U.S., and other asset-backed securities	149,358		700	148,658
Equity securities	84,580	67,224	17,356	
Other securities	14,692		14,692	
Investment funds	14,692		14,692	
Derivative assets	17,074	1,015	15,531	528
Interest rate swap agreements	192		192	
Options held/written, caps held	555	2	553	
Futures, Foreign exchange contracts	2,075	1,013	1,062	
Foreign currency swap agreements	13,724		13,724	
Credit derivatives held/written	528			528
	¥ 926,596	¥ 69,396	¥ 454,815	¥ 402,385
Financial Liabilities:				
Derivative liabilities	¥ 31,975	¥ 660	¥ 31,280	¥ 35
Interest rate swap agreements	2,956		2,956	
Options held/written, caps held	189		189	
Futures, Foreign exchange contracts	5,737	660	5,077	
Foreign currency swap agreements	23,053		23,053	
Credit derivatives held/written	40		5	35
	¥ 31,975	¥ 660	¥ 31,280	¥ 35

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Changes in economic conditions or valuation methodologies may require the transfer of assets and liabilities required to be carried at fair value from one fair value level to another. In such instances, the Company and its subsidiaries recognize the transfer at the beginning of the reporting period. The Company and its subsidiaries evaluate the significance of transfers between levels based upon size of the transfer relative to total assets, total liabilities or total earnings. For the three months ended June 30, 2010, there were no significant transfers in or out of Level 1 or 2.

The following table presents the reconciliation for financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended June 30, 2009 and 2010:

	June 30, 2009 Millions of yen							
		Gains or losses (realized/ unrealized)						
	Balance at March 31, 2009	Included in earnings *1	Included in other comprehensive income	Total	Purchase, sales, and settlements	Transfers in and/ or out of Level 3 (net) *2	Balance at June 30, 2009	Change in unrealized gains or losses included in earnings for assets still held at June 30, 2009 *1
Trading securities	¥ 166	¥	¥ (4)	¥ (4)	¥	¥	¥ 162	¥
Available-for-sale securities	447,859	(1,044)	(6,763)	(7,807)	(32,791)	822	408,083	(834)
Corporate debt securities	10,176	(29)	186	157	(2,564)	822	8,591	(29)
Specified bonds issued by SPEs in Japan	300,765	(122)	(2,343)	(2,465)	(31,317)		266,983	(161)
CMBS and RMBS in the U.S., and other asset-backed securities	136,918	(893)	(4,606)	(5,499)	1,090		132,509	(644)
Investment in affiliates	6,954	(6,954)		(6,954)				
Derivative assets	760	77		77	(438)		399	77
Options held/written, caps held	438				(438)			
Credit derivatives held/written	322	77		77			399	77

	June 30, 2010 Millions of yen							
		Gains or losses (realized/ unrealized)						
	Balance at March 31, 2009	Included in earnings *1	Included in other comprehensive income	Total	Purchase, sales, and settlements	Transfers in and/ or out of Level 3 (net) *2	Balance at June 30, 2009	Change in unrealized gains or losses included in earnings for assets still held at June 30, 2009 *1
Trading securities	¥ 53	¥	¥ (3)	¥ (3)	¥	¥	¥ 50	¥
Available-for-sale securities	401,804	(4,198)	(2,814)	(7,012)	(30,772)	(43,536)	320,484	(4,200)
Corporate debt securities	6,841	2	(2)		(1,728)	(2,057)	3,056	
Specified bonds issued by SPEs in Japan	246,305	(2,425)	(493)	(2,918)	(30,344)	7,929	220,972	(2,428)
CMBS and RMBS in the U.S., and other asset-backed securities	146,658	(1,775)	(2,319)	(4,094)	1,300	(49,408)	96,456	(1,772)
Derivative assets	528	63		63		2,659	3,250	63
Options held/written, caps held, other		(24)		(24)		2,659	2,635	(24)
Credit derivatives held/written	528	87		87			615	87

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

*2 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.

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From the three months ended June 30 2010, the Company and its subsidiaries adopted Accounting Standards Update 2009-16 (ASC860 (Transfers and Servicing)), and Accounting Standards Update 2009-17 (ASC810 (Consolidation)). These Updates effects on the company and its subsidiaries financial assets classified as Level 3 is an increase of ¥9,225 million on Specified bonds issued by SPEs in Japan held by variable interest entities that have become subject to consolidation, an decrease of ¥49,408 million and 1,296 million on above entities CMBS and RMBS in the U.S., and other asset-backed securities and Specified bonds issued by SPEs in Japan that the Company and its subsidiaries have held, due to these securities have been eliminated in consolidation.

The following table presents recorded amounts of major assets and liabilities measured at fair value on a nonrecurring basis as of June 30, 2010 and March 31, 2010. These assets are measured at fair value on a nonrecurring basis mainly to recognize impairment.

	June 30, 2010 Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Unlisted securities	¥ 1,613	¥	¥	¥ 1,613
Real estate collateral-dependent loans (net of allowance for probable loan losses)	145,685			145,685
Investment in operating leases	10,227			10,227
Land and buildings undeveloped or under construction	702			702
Certain investment in affiliates	613			613
	¥ 158,840	¥	¥	¥ 158,840

	March 31, 2010 Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Unlisted securities	¥ 10,138	¥	¥	¥ 10,138
Real estate collateral-dependent loans (net of allowance for probable loan losses)	105,948			