

ORIX CORP
Form 6-K
February 13, 2014
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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 February 2014.

Commission File Number: 001-14856

ORIX Corporation

(Translation of Registrant's Name into English)

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

Tokyo, JAPAN

(Address of Principal Executive Offices)

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(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 Form 40-F

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

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

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Table of Document(s) Submitted

1. This is an English translation of ORIX Corporation's quarterly financial report (*shihanki houkokusho*) as filed with the Kanto Financial Bureau in Japan on February 13, 2014, which includes unaudited consolidated financial information prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) for the three and nine months ended December 31, 2012 and 2013.

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SIGNATURES

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

ORIX Corporation

Date: February 13, 2014

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

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CONSOLIDATED FINANCIAL INFORMATION

Notes to Translation

1. The following is an English translation of ORIX Corporation's quarterly financial report (*shihanki houkokusho*) as filed with the Kanto Financial Bureau in Japan on February 13, 2014, which includes unaudited consolidated financial information prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) for the three and nine months ended December 31, 2012 and 2013.

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

In preparing its consolidated financial information, ORIX Corporation (the Company) and its subsidiaries have complied with U.S. GAAP.

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

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

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

Table of Contents**1. Information on the Company and its Subsidiaries****(1) Consolidated Financial Highlights**

| | Millions of yen (except for per share amounts and ratios) | | |
|---|--|---|---|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 | Fiscal year ended March 31, 2013 |
| Total revenues | ¥ 781,161 | ¥ 965,563 | ¥ 1,062,399 |
| Income before income taxes and discontinued operations | 134,910 | 179,309 | 171,782 |
| Net income attributable to ORIX Corporation shareholders | 90,140 | 118,177 | 111,909 |
| Comprehensive Income attributable to ORIX Corporation shareholders | 108,415 | 153,181 | 171,791 |
| ORIX Corporation shareholders' equity | 1,479,499 | 1,842,343 | 1,643,596 |
| Total assets | 8,241,801 | 8,673,628 | 8,439,710 |
| Earnings per share for net income attributable to ORIX Corporation shareholders | | | |
| Basic (yen) | 83.83 | 93.97 | 102.87 |
| Diluted (yen) | 70.35 | 90.69 | 87.37 |
| ORIX Corporation shareholders' equity ratio (%) | 18.0 | 21.2 | 19.5 |
| Cash flows from operating activities | 278,191 | 307,932 | 391,304 |
| Cash flows from investing activities | 43,560 | (148,693) | 105,657 |
| Cash flows from financing activities | (435,476) | (290,712) | (467,193) |
| Cash and cash equivalents at end of period | 676,333 | 704,010 | 826,296 |
| | Three months ended December 31, 2012 | Three months ended December 31, 2013 | |
| Total revenues | ¥ 273,583 | ¥ 352,537 | |
| Net income attributable to ORIX Corporation shareholders | 30,300 | 37,769 | |
| Earnings per share for net income attributable to ORIX Corporation shareholders | | | |
| Basic (yen) | 28.18 | 29.35 | |

- Note 1. Pursuant to FASB Accounting Standards Codification (ASC) 205-20 (Presentation of Financial Statements - Discontinued Operations), certain amounts in the fiscal year ended March 31, 2013 related to the operations of subsidiaries, business units, and certain properties that have been sold or are to be disposed of by sale without significant continuing involvement as of December 31, 2013 have been reclassified retrospectively.
2. Consumption tax is excluded from the stated amount of total revenues.
3. On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. Per share data has been adjusted retrospectively to reflect the stock split for the previous period presented.

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(2) Overview of Activities

During the nine months ended December 31, 2013, no significant changes were made in the Company and its subsidiaries' operations.

During the three months ended September 30, 2013, pursuing its growth ambitions in global asset management, the Company completed the acquisition of approximately 90.01% of the total issued shares of Robeco Groep N.V. (Head office: Rotterdam, the Netherlands, hereinafter, Robeco) from Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Head office: Utrecht, the Netherlands). As a result, Robeco became a consolidated subsidiary of the Company on July 1, 2013.

2. Risk Factors

Investing in our securities involves risks. You should carefully consider the information described herein as well as the risks described under Risk Factors in our Form 20-F for the fiscal year ended March 31, 2013 and the other information in that annual report, including, but not limited to, our consolidated financial statements and related notes and Item 11. Quantitative and Qualitative Disclosures about Market Risk. Our business activities, financial condition and results of operations and the trading prices of our securities could be adversely affected by any of those factors or other factors.

3. Material Contracts

Not applicable.

4. Analysis of Financial Results and Condition

The following discussion provides management's explanation of factors and events that have significantly affected our financial condition and results of operations. Also included is management's assessment of factors and trends that could have a material effect on our financial condition and results of operations in the future. However, please be advised that financial conditions and results of operations in the future may also be affected by factors other than those discussed herein. 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

In the global economy, although there are still reasons for concern including uncertainty over U.S. monetary policy and a slowdown in growth rates in emerging economies, steady progress towards recovery has been made due to steady improvement in U.S. economic conditions and a turn for the better in the European economy.

In the U.S. economy, progress towards recovery has been made primarily due to an upturn in the housing market and firm private consumption. In addition, close attention is being paid to the timing of the end of the Quantitative Easing Program (QE3).

In Asia's emerging economies, the trend of currency depreciation is continuing and we are seeing a lowering of the forecasted GDP growth rate in some countries. In China, sustainable growth is being explored and policy is shifting away from high growth toward stable growth. In addition, Asian financial markets continue to be influenced by U.S. monetary policy.

In the Japanese economy, although the rapid depreciation of the yen and the rise in market share prices that continued from the beginning of 2013 have subsided for the moment, we expect ongoing recovery in the domestic economy due to monetary easing by the Bank of Japan and various economic measures. Against a background of improving company results across Japan, we anticipate improvement in the domestic employment environment, an increase in private consumption and increased capital expenditure. We are also seeing movement by some companies to increase basic salary.

Table of Contents**Financial Highlights****Financial Results for the Nine Months Ended December 31, 2013**

| | |
|---|--|
| Total revenues | ¥965,563 million (Up 24% year on year) |
| Total expenses | ¥806,023 million (Up 22% year on year) |
| Income before income taxes and discontinued operations | ¥179,309 million (Up 33% year on year) |
| Net income attributable to ORIX Corporation Shareholders | ¥118,177 million (Up 31% year on year) |
| Earnings per share for net income attributable to ORIX Corporation Shareholders | |
| (Basic) | ¥93.97 (Up 12% year on year) |
| (Diluted) | ¥90.69 (Up 29% year on year) |
| ROE (Annualized) *1 | 9.0% (8.4% during the same period of the previous fiscal year) |
| ROA (Annualized) *2 | 1.84% (1.45% during the same period of the previous fiscal year) |

*1 ROE is the ratio of net income attributable to ORIX Corporation Shareholders for the period to average ORIX Corporation Shareholders Equity.

*2 ROA is the ratio of net income attributable to ORIX Corporation Shareholders for the period to average Total Assets.

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

Total revenues for the nine-month period ended December 31, 2013 (hereinafter the third consolidated period) increased 24% to ¥965,563 million compared to ¥781,161 million during the same period of the previous fiscal year. Compared to the same period of the previous fiscal year, revenues from asset management and servicing increased due to the consolidation of the asset management company Robeco Groep N.V. (hereinafter Robeco) acquired on July 1, 2013, and operating lease revenues increased due to growth in auto leasing in Japan and aircraft leasing overseas. In addition, other operating revenues increased due to contributions from companies acquired after March 31, 2012, growth in the environment and energy-related business, and an increase in fee income compared to the same period of the previous fiscal year. On the other hand, interest on loans and investment securities and real estate sales decreased compared to the same period of the previous fiscal year due to a decrease in installment loan balance and a decrease in the number of condominium units delivered, respectively.

Total expenses increased 22% to ¥806,023 million compared to ¥660,266 million during the same period of the previous fiscal year. In addition to an increase in expenses from the asset management and servicing business in line with the acquisition of Robeco on July 1, 2013, costs of operating leases and other operating expenses also increased in line with an expansion in revenues, and selling, general and administrative expenses increased mainly due to corporate acquisitions. Meanwhile, interest expense decreased due to a decrease in the average balance of borrowings; costs of real estate sales decreased due to a decrease in the number of condominium units delivered; and write-downs of securities decreased mainly due to a decrease in write-downs recorded for non-marketable securities compared to the same period of the previous fiscal year.

Equity in net income of affiliates increased compared to the same period of the previous fiscal year mainly due to an increase in profits from domestic real-estate joint ventures.

As a result of the foregoing, income before income taxes and discontinued operations for the third consolidated period increased 33% to ¥179,309 million compared to ¥134,910 million during the same period of the previous fiscal year, and net income attributable to ORIX Corporation shareholders increased 31% to ¥118,177 million compared to ¥90,140 million during the same period of the previous fiscal year.

For more information about the acquisition of Robeco, see Note 4 Acquisitions.

Table of Contents**Segment Information**

Total revenues and profits by segment for the nine months ended December 31, 2012 and 2013 are as follows:

| | Millions of yen | | | | | | | |
|---|--|--------------------|--|--------------------|----------------------|----------------|---------------------|----------------|
| | Nine months ended December 31, 2012 | | Nine months ended December 31, 2013 | | Change (revenues) | | Change (profits) | |
| | Segment Revenues | Segment Profits | Segment Revenues | Segment Profits | Amount | Percent (%) | Amount | Percent (%) |
| Corporate Financial Services | ¥ 56,426 | ¥ 19,032 | ¥ 56,417 | ¥ 17,974 | ¥ (9) | (0) | ¥ (1,058) | (6) |
| Maintenance Leasing | 173,835 | 25,809 | 188,806 | 30,261 | 14,971 | 9 | 4,452 | 17 |
| Real Estate | 163,293 | 4,153 | 149,894 | 15,748 | (13,399) | (8) | 11,595 | 279 |
| Investment and Operation | 86,069 | 32,710 | 120,368 | 29,855 | 34,299 | 40 | (2,855) | (9) |
| Retail | 136,935 | 33,558 | 155,318 | 39,622 | 18,383 | 13 | 6,064 | 18 |
| Overseas Business | 145,096 | 34,326 | 276,925 | 52,364 | 131,829 | 91 | 18,038 | 53 |
| Total | 761,654 | 149,588 | 947,728 | 185,824 | 186,074 | 24 | 36,236 | 24 |
| Difference between Segment Total and Consolidated Amounts | 19,507 | (14,678) | 17,835 | (6,515) | (1,672) | (9) | 8,163 | |
| Total Consolidated Amounts | ¥ 781,161 | ¥ 134,910 | ¥ 965,563 | ¥ 179,309 | ¥ 184,402 | 24 | ¥ 44,399 | 33 |

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

| | Millions of yen | | | | | |
|---|--------------------|--------------------------|--------------------|--------------------------|------------------|----------------|
| | March 31, 2013 | | December 31, 2013 | | Change | |
| | Segment Assets | Composition ratio (%) | Segment Assets | Composition ratio (%) | Amount | Percent (%) |
| Corporate Financial Services | ¥ 943,295 | 11.2 | ¥ 954,638 | 11.0 | ¥ 11,343 | 1 |
| Maintenance Leasing | 549,300 | 6.5 | 596,155 | 6.9 | 46,855 | 9 |
| Real Estate | 1,133,170 | 13.4 | 1,008,022 | 11.6 | (125,148) | (11) |
| Investment and Operation | 444,315 | 5.3 | 444,613 | 5.1 | 298 | 0 |
| Retail | 1,994,140 | 23.6 | 2,096,934 | 24.2 | 102,794 | 5 |
| Overseas Business | 1,318,434 | 15.6 | 1,928,680 | 22.2 | 610,246 | 46 |
| Total | 6,382,654 | 75.6 | 7,029,042 | 81.0 | 646,388 | 10 |
| Difference between Segment Total and Consolidated Amounts | 2,057,056 | 24.4 | 1,644,586 | 19.0 | (412,470) | (20) |
| Total Consolidated Amounts | ¥ 8,439,710 | 100.0 | ¥ 8,673,628 | 100.0 | ¥ 233,918 | 3 |

Segment profits for the third consolidated period increased 24% to ¥185,824 million compared to ¥149,588 million during the same period of the previous fiscal year.

In line with the acquisition of Robeco, goodwill and other intangible assets have been allocated to the relevant segments. In addition, ORIX's Information and Communication Technology Department which was previously included in the Maintenance Leasing Segment, is now disclosed as part of the Corporate Financial Services Segment from the third quarter due to reorganization of operation management scope. The segment information for the previous third consolidated period and previous periods has been reclassified to reflect these changes.

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Segment information for the third consolidated period is as follows:

Corporate Financial Services Segment

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

In terms of domestic economic environment, we are seeing a steady increase in capital expenditure as company sentiment became more positive due to improvement in company revenues. Although there is a trend of increased amounts of lending by financial institutions focusing on large corporations, we are seeing severe lending competition. With respects to amounts of lending to small and medium-sized enterprises, we are not seeing an increase to the extent of large corporations, however moving forward close attention is being paid to this trend.

Segment assets stayed relatively flat at ¥954,638 million compared to the end of the previous fiscal year primarily due to an increase in investment in direct financing leases despite a decrease in installment loans.

Installment loan revenues decreased in line with a decrease in the average loan balance. On the other hand, segment revenues were flat compared to the same period of the previous fiscal year at ¥56,417 million due to solid direct financing lease revenues as a result of an increase in the average investment balance.

Segment profits decreased 6% to ¥17,974 million compared to ¥19,032 million during the same period of the previous fiscal year due to an increase in segment expenses compared to the same period of the previous fiscal year and a decrease in equity in net income of affiliates.

Maintenance Leasing Segment

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

The manufacturing activities of Japanese companies are expected to continue to recover. Large companies are making upward revision of their capital expenditure plans and there are signs that private investment activities that had been halted for a period of time are beginning to be resumed. In such an environment, revenues are growing due to our ability to provide customers with high value-added services that meet their capital expenditure and cost reduction needs.

Segment revenues increased 9% to ¥188,806 million compared to ¥173,835 million during the same period of the previous fiscal year due to an increase in operating lease revenues. Segment expenses increased compared to the same period of the previous fiscal year due to an increase in the costs of operating leases in line with increased investment in operating leases.

As a result of the foregoing, segment profits increased 17% to ¥30,261 million compared to ¥25,809 million during the same period of the previous fiscal year.

Segment assets increased 9% compared to the end of the previous fiscal year to ¥596,155 million primarily due to increased investment in operating leases.

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Real Estate Segment

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

The office building market in Japan continues to show signs of recovery with the vacancy rate falling below its peak and rent levels appearing to have bottomed out. The J-REIT market is driving the real estate market and we are seeing active acquisition of property as a result of new stock exchange listings and capital increases through public offerings. In addition, the hotel industry is performing solidly due to increased private consumption and also an increase in the number of foreign visitors to Japan.

Segment revenues decreased 8% to ¥149,894 million compared to ¥163,293 million during the same period of the previous fiscal year due to a decrease in real estate sales resulting from a decrease in the number of condominiums units delivered despite an increase in gains from sale of rental properties and an increase in revenues from facilities operation.

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

In addition to the foregoing, due to an increase in equity in net income of affiliates including real estate joint ventures, segment profits increased 279% to ¥15,748 million compared to ¥4,153 million during the same period of the previous fiscal year.

Segment assets decreased 11% compared to the end of the previous fiscal year to ¥1,008,022 million due to sales of rental properties, as well as decreases in installment loans and investment in securities.

Investment and Operation Segment

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

In the environment and energy-related business in Japan, there has been ongoing active investment in power generation businesses such as mega-solar projects. In addition, investment targets are expanding beyond solar power projects to include wind and geothermal power generation projects. In the capital markets, there has been an increase in the number of initial public offerings for the third consecutive year during which many companies have exceeded their initial public offering price. We are also seeing large M&A deals.

Segment revenues increased 40% to ¥120,368 million compared to ¥86,069 million during the same period of the previous fiscal year due to revenue contributions from consolidated subsidiaries acquired during the previous fiscal year, despite the absence of large collections in the loan servicing business which were recorded during the first quarter of the previous fiscal year and gains on sale of shares in Aozora Bank which were recorded during the third quarter of the previous fiscal year.

Segment expenses increased compared to the same period of the previous fiscal year due to increased expenses relating to our principal investment and environment and energy related businesses in addition to increased expenses attributable to consolidated subsidiaries acquired after March 31, 2012.

As a result of the foregoing, segment profits decreased 9% to ¥29,855 million compared to ¥32,710 million during the same period of the previous fiscal year.

Segment assets were flat compared to the end of the previous fiscal year at ¥444,613 million due to a decrease in investment in securities and installment loans despite an increase in investment in affiliates.

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Retail Segment

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

Although the life insurance business is being affected by macro factors such as depopulation, within the aging population there is increasing demand for primarily medical insurance due to so called risks associated with living longer. With respect to consumer finance, we anticipate an increase in loan demand due to an upturn in consumer sentiment in line with economic recovery.

Segment revenues increased 13% to ¥155,318 million compared to ¥136,935 million during the same period of the previous fiscal year due to increased installment loan revenues, increased insurance premium income as a result of growth in the number of policies in force in the life insurance business and increased insurance-related investment income.

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

As a result of the foregoing, segment profits increased 18% to ¥39,622 million compared to ¥33,558 million during the same period of the previous fiscal year.

Segment assets increased 5% compared with the end of the previous fiscal year to ¥2,096,934 million due to increases in investment in securities and installment loans despite a decrease in investment in affiliates.

Overseas Business Segment

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

In the United States, moderate recovery is continuing primarily as private consumption and the housing market remain firm. In Asia, the trend of currency depreciation is continuing and we are seeing a lowering of the forecasted GDP growth rate in some countries. In China, sustainable growth is being explored and policy is shifting away from high growth toward stable growth.

Segment revenues increased 91% to ¥276,925 million compared to ¥145,096 million during the same period of the previous fiscal year due to an increase in revenues from asset management in line with the acquisition of Robeco on July 1, 2013, and an increase in direct financing lease and operating lease revenues in Asia as well as in aircraft-related operations.

Segment expenses increased compared to the same period of the previous fiscal year due to an increase in expenses from asset management in line with the acquisition of Robeco on July 1, 2013, and an increase in selling general and administrative expenses.

As a result of the foregoing, segment profits increased 53% to ¥52,364 million compared to ¥34,326 million during the same period of the previous fiscal year.

Segment assets increased 46% to ¥1,928,680 million compared to the end of the previous fiscal year due to recognition of goodwill and other intangible assets in line with the acquisition of Robeco, and increased investment in direct financing leases and operating leases in Asia as well as in aircraft-related operations.

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| | As of March 31, 2013 | As of December 31, 2013 | Change Amount | Percent (%) |
|--|----------------------------|-------------------------------|------------------|----------------|
| Total assets (millions of yen) | 8,439,710 | 8,673,628 | 233,918 | 3 |
| (Segment assets) | 6,382,654 | 7,029,042 | 646,388 | 10 |
| Total liabilities (millions of yen) | 6,710,516 | 6,671,843 | (38,763) | (1) |
| (Short- and long-term debt) | 4,482,260 | 4,159,421 | (322,839) | (7) |
| (Deposits) | 1,078,587 | 1,122,441 | 43,854 | 4 |
| ORIX Corporation shareholders' equity (millions of yen) | 1,643,596 | 1,842,343 | 198,747 | 12 |
| ORIX Corporation shareholders' equity per share (yen) | 1,345.63 | 1,421.31 | 75.68 | 6 |
| ORIX Corporation shareholders' equity ratio | 19.5% | 21.2% | 1.7% | |
| Adjusted ORIX Corporation shareholders' equity ratio* | 21.4% | 22.0% | 0.6% | |
| D/E ratio (Debt-to-equity ratio) (Short-and long-term debt (excluding deposits) / ORIX Corporation shareholders' equity) | 2.7x | 2.3x | (0.4)x | |
| Adjusted D/E ratio* | 2.3x | 2.1x | (0.2)x | |

- * ORIX Corporation shareholders' equity per share is calculated using total ORIX Corporation shareholders' equity.
- * On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. Per share data has been retrospectively adjusted to reflect the stock split for the previous period presented.
- * Goodwill and other intangible assets acquired in the business combination have been recognized as segment assets beginning in the second consolidated fiscal period. Segment assets for the previous fiscal year have been reclassified as a result of this change.
- * Adjusted ORIX Corporation shareholders' equity ratio and Adjusted D/E ratio are non-GAAP financial measures presented on an adjusted basis which excludes the effect of consolidating certain VIEs on our assets or liabilities and reverses the cumulative effect on our retained earnings of such consolidation, which resulted from applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17. For a discussion of these and other non-GAAP financial measures, including a quantitative reconciliation to the most directly comparable GAAP financial measures, please see 5. Non-GAAP Financial Measures.

Total assets increased 3% to ¥8,673,628 million compared to ¥8,439,710 million at the end of the previous fiscal year. Investment in direct financing leases increased due to robust new transactions in Japan and the Asian region. Investment in operating leases increased primarily due to strong auto leasing in Japan and aircraft leasing overseas. Other operating assets and investment in affiliates increased primarily due to new investment overseas. Other assets increased primarily due to the recognition of goodwill and other intangible assets from the acquisition of Robeco on July 1, 2013. On the other hand, cash and cash equivalents decreased, and installment loans decreased due to an increase in collections. Segment assets increased 10% compared to March 31, 2013 to ¥7,029,042 million.

The balance of interest bearing liabilities is managed at an appropriate level, taking into account the condition of assets and liquidity on-hand as well as the domestic and overseas financial environments. As a result, long-term and short-term debt decreased compared to March 31, 2013.

Shareholders' equity increased 12% compared to March 31, 2013 to ¥1,842,343 million due to a decrease in treasury stock, at cost for the disposal of treasury shares to pay part of the consideration for the acquisition of the Robeco shares, an increase in common stock and additional paid-in capital as a result of the exercise of acquisition rights and the conversion of convertible bond, and an increase in retained earnings due to net income recorded for the period.

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

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

Our funding was comprised of borrowings from financial institutions, direct fund procurement from capital markets, and deposits. ORIX Group's total funding including that from short- and long-term debt and deposits on a consolidated basis was ¥5,281,862 million as of December 31, 2013.

Borrowings were procured from a diverse range of financial institutions including major banks, regional banks, foreign banks and life and casualty insurance companies. The number of financial institutions from which we procured borrowings exceeded 200 as of December 31, 2013. Procurement from the capital markets was composed of bonds, including unsecured convertible bonds, medium-term notes, commercial paper, and payables under securitized leases, loan receivables and investment in securities (including asset backed securities). ORIX Group accepts deposits for funding purposes, with the majority of deposits attributable to ORIX Bank Corporation.

In an effort to promote longer liability maturities and further diversified funding resources, during the nine months ended December 31, 2013, we issued domestic straight bonds to institutional investors and retail investors, and issued Thai baht-denominated bonds, Korean won-denominated bonds. We intend to continue to strengthen our financial condition, while maintaining an appropriate funding mix.

Short-term and long-term debt and deposits

(a) Short-term debt

| | Millions of yen | |
|--|-----------------|-------------------|
| | March 31, 2013 | December 31, 2013 |
| Borrowings from financial institutions | ¥ 268,588 | ¥ 217,002 |
| Notes | 634 | |
| Commercial paper | 151,504 | 103,935 |
| Total | ¥ 420,726 | ¥ 320,937 |

Short-term debt as of December 31, 2013 was ¥320,937 million, which accounted for 8% of the total amount of short and long-term debt (excluding deposits) as compared to 9% as of March 31, 2013.

While the amount of short-term debt as of December 31, 2013 was ¥320,937 million, the sum of cash and cash equivalents and the unused amount of the committed credit facilities as of December 31, 2013 was ¥1,141,381 million.

(b) Long-term debt

| | Millions of yen | |
|--|-----------------|-------------------|
| | March 31, 2013 | December 31, 2013 |
| Borrowings from financial institutions | ¥ 2,099,408 | ¥ 2,291,741 |
| Bonds | 1,224,191 | 1,194,349 |
| Medium-term notes | 58,169 | 59,009 |

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|--|--------------------|--------------------|
| Payables under securitized lease and loan receivables and investment in securities | 679,766 | 293,385 |
| Total | ¥ 4,061,534 | ¥ 3,838,484 |

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The balance of long-term debt as of December 31, 2013 was ¥3,838,484 million, which accounted for 92% of the total amount of short and long-term debt (excluding deposits) as compared to 91% as of March 31, 2013. On an adjusted basis, our ratio of long-term debt to total debt (excluding deposits) was 92% as of December 31, 2013 as compared to 89% as of March 31, 2013. This ratio is a non-GAAP financial measure presented on an adjusted basis that excludes payables under securitized leases, loan receivables and investment in securities. For a discussion of this and other non-GAAP financial measures including reconciliations to the most directly comparable financial measures presented in accordance with GAAP, see 5. Non-GAAP Financial Measures.

(c) Deposits

| | Millions of yen | |
|----------|-----------------|-------------------|
| | March 31, 2013 | December 31, 2013 |
| Deposits | ¥ 1,078,587 | ¥ 1,122,441 |

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

(4) Summary of Cash Flows

Cash and cash equivalents as of December 31, 2013 decreased by ¥122,286 million to ¥704,010 million compared to March 31, 2013.

Cash flows from operating activities provided ¥307,932 million in the nine months ended December 31, 2013, up from ¥278,191 million during the same period of the previous fiscal year, resulting from an increase in net income, an increase in trade notes, accounts payable and other liabilities compared to a decrease during the same period of the previous fiscal year and a smaller decrease in other receivables, restricted cash and inventories, in addition to adjustments made for the non-cash revenue and expense items such as depreciation and amortization, write-downs of long-lived assets and write-downs of securities compared to the same period of the previous fiscal year.

Cash flows from investing activities used ¥148,693 million in the nine months ended December 31, 2013, having provided ¥43,560 million during the same period of the previous fiscal year. This change was due to increases in acquisitions of subsidiaries, net of cash acquired, purchases of available-for-sale securities and lease equipment, partially offset by increases in principal collected on installment loans and proceeds from sales of operating lease assets.

Cash flows from financing activities used ¥290,712 million in the nine months ended December 31, 2013, while having used ¥435,476 million during the same period of the previous fiscal year. This change was due to a decrease in repayment of debt with maturities longer than three months and an increase in contribution from noncontrolling interests, partially offset by decrease in proceeds from debt with maturities longer than three months.

(5) Challenges to be addressed

There were no significant changes for the nine months ended December 31, 2013.

(6) Research and Development Activity

There were no significant changes in research and development activity for the nine months ended December 31, 2013.

(7) Employees

The number of employees for the nine-month period ended December 31, 2013 increased 2,337 to 21,380 compared to March 31, 2013 mainly due to the business expansion in an overseas business segment.

(8) Major facilities

There were no significant changes in major facilities for the nine months ended December 31, 2013.

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5. Non-GAAP Financial Measures

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

Our management believes these non-GAAP financial measures provide investors with additional meaningful comparisons between our financial condition as of December 31, 2013, as compared to prior periods. Effective April 1, 2010, we adopted ASU 2009-16 and ASU 2009-17, which changed the circumstances under which we are required to consolidate certain VIEs. Our adoption of these accounting standards caused a significant increase in our consolidated assets and liabilities and a decrease in our retained earnings without affecting the net cash flow and economic effects of our investments in such consolidated VIEs. Accordingly, our management believes that providing certain financial measures that exclude the impact of consolidating certain VIEs on our assets and liabilities as a supplement to financial information calculated in accordance with U.S. GAAP enhances understanding of the overall picture of our current financial position and enables investors to evaluate our historical financial and business trends without the large balance sheet fluctuation caused by our adoption of these accounting standards.

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

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

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| | | Millions of yen, except percentage data | |
|---|-------------|---|-------------------------|
| | | As of March 31, 2013 | As of December 31, 2013 |
| Total assets | (a) | 8,439,710 | 8,673,628 |
| Deduct: Payables under securitized leases, loan receivables and investment in securities* | | 679,766 | 293,385 |
| Adjusted total assets | (b) | 7,759,944 | 8,380,243 |
| Short-term debt | (c) | 420,726 | 320,937 |
| Long-term debt | (d) | 4,061,534 | 3,838,484 |
| Deduct: Payables under securitized leases, loan receivables and investment in securities* | | 679,766 | 293,385 |
| Adjusted long-term debt | (e) | 3,381,768 | 3,545,099 |
| Long- and short-term debt (excluding deposits) | (f)=(c)+(d) | 4,482,260 | 4,159,421 |
| Adjusted short- and long-term debt (excluding deposits) | (g)=(c)+(e) | 3,802,494 | 3,866,036 |
| ORIX Corporation shareholders equity | (h) | 1,643,596 | 1,842,343 |
| Deduct: The cumulative effect on retained earnings of applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17 | | (16,593) | (5,416) |
| Adjusted ORIX Corporation shareholders equity | (i) | 1,660,189 | 1,847,759 |
| ORIX Corporation shareholders equity ratio | (h)/(a) | 19.5% | 21.2% |
| Adjusted ORIX Corporation shareholders equity ratio | (i)/(b) | 21.4% | 22.0% |
| D/E ratio | (f)/(h) | 2.7x | 2.3x |
| Adjusted D/E ratio | (g)/(i) | 2.3x | 2.1x |
| Long-term debt ratio | (d)/(f) | 91% | 92% |
| Adjusted long-term debt ratio | (e)/(g) | 89% | 92% |

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

6. Company Stock Information

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

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

The information of the number of issued shares, the amount of common stock and additional paid-in capital for the three months ended December 31, 2013 is as follows:

| In thousands | | Millions of yen | | | |
|-------------------------|-------------------|-----------------|-------------------|----------------------------|-------------------|
| Number of issued shares | | Common stock | | Additional paid-in capital | |
| Increase, net | December 31, 2013 | Increase, net | December 31, 2013 | Increase, net | December 31, 2013 |
| 21,482 | 1,309,558 | ¥7,411 | ¥214,988 | ¥7,411 | ¥242,167 |

Note 1. Common stock and additional paid-in capital have increased due to the exercise of stock acquisition rights and the conversion of convertible bonds.

(2) List of Major Shareholders

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

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7. Information of the Directors and the Executive Officers

Between the filing date of Form 20-F for the fiscal year ended March 31, 2013 and December 31, 2013, the personnel changes of the directors and the executive officers are as follows:

(1) Departures

| Name | Title | Areas of duties | The day of retirement |
|-----------------|-------------------|--|------------------------------|
| Komei Ikebukuro | Executive Officer | Responsible for Group Legal and Compliance Department Responsible for Group Internal Audit Department | August 31, 2013 |

(2) Change of Position

| Name | New Position | Ex-Position | The day of change |
|-------------|--|---|--------------------------|
| Tamio Umaki | Director, Deputy President and Chief Information Officer Head of Human Resources and Corporate Administration Headquarters Responsible for Group Legal and Compliance Department Responsible for Group Internal Audit Department | Director, Deputy President and Chief Information Officer Head of Human Resources and Corporate Administration Headquarters | September 1, 2013 |
| Tamio Umaki | Director, Deputy President and Chief Information Officer Head of Human Resources and Corporate Administration Headquarters Responsible for Group Compliance Department Responsible for Group Internal Audit Department | Director, Deputy President and Chief Information Officer Head of Human Resources and Corporate Administration Headquarters Responsible for Group Legal and Compliance Department Responsible for Group Internal Audit Department | October 1, 2013 |

Table of Contents**8. Financial Information****(1) Condensed Consolidated Balance Sheets (Unaudited)**

| | Millions of yen | |
|---|--------------------|----------------------|
| | March 31, 2013 | December 31, 2013 |
| Assets | | |
| Cash and Cash Equivalents | ¥ 826,296 | ¥ 704,010 |
| Restricted Cash | 106,919 | 91,004 |
| Time Deposits | 8,356 | 6,298 |
| Investment in Direct Financing Leases | 989,380 | 1,064,253 |
| Installment Loans | 2,691,171 | 2,307,482 |
| (The amounts of ¥16,026 million of installment loans as of March 31, 2013 and ¥11,809 million of installment loans as of December 31, 2013 are measured at fair value by electing the fair value option under FASB Accounting Standards Codification 825-10.) | | |
| Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses | (104,264) | (92,218) |
| Investment in Operating Leases | 1,395,533 | 1,426,934 |
| Investment in Securities | 1,093,668 | 1,153,134 |
| (The amounts of ¥5,800 million of investment in securities as of March 31, 2013 and ¥8,730 million of investment in securities as of December 31, 2013 are measured at fair value by electing the fair value option under FASB Accounting Standards Codification 825-10.) | | |
| Other Operating Assets | 233,258 | 302,001 |
| Investment in Affiliates | 326,732 | 342,508 |
| Other Receivables | 196,626 | 218,091 |
| Inventories | 41,489 | 39,227 |
| Prepaid Expenses | 50,323 | 59,165 |
| Office Facilities | 108,757 | 100,624 |
| Other Assets | 475,466 | 951,115 |
| Total Assets | ¥ 8,439,710 | ¥ 8,673,628 |

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

| | Millions of yen | |
|---|--------------------|----------------------|
| | March 31, 2013 | December 31, 2013 |
| Assets | | |
| Cash and Cash Equivalents | ¥ 9,439 | ¥ 5,120 |
| Investment in Direct Financing Leases (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses) | 205,989 | 165,654 |
| Installment Loans (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses) | 528,976 | 207,339 |
| Investment in Operating Leases | 199,190 | 241,639 |
| Investment in Securities | 37,641 | 2,373 |
| Investment in Affiliates | 13,820 | 11,034 |
| Other | 98,885 | 95,149 |
| | ¥ 1,093,940 | ¥ 728,308 |

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| | Millions of yen | |
|---|-------------------|----------------------|
| | March 31, 2013 | December 31, 2013 |
| Liabilities and Equity | | |
| Liabilities: | | |
| Short-Term Debt | ¥ 420,726 | ¥ 320,937 |
| Deposits | 1,078,587 | 1,122,441 |
| Trade Notes, Accounts Payable and Other Liabilities | 312,922 | 357,356 |
| Accrued Expenses | 121,281 | 178,637 |
| Policy Liabilities | 426,007 | 443,848 |
| Current and Deferred Income Taxes | 143,057 | 260,329 |
| Security Deposits | 146,402 | 149,811 |
| Long-Term Debt | 4,061,534 | 3,838,484 |
| Total Liabilities | 6,710,516 | 6,671,843 |
| Redeemable Noncontrolling Interests | 41,621 | 48,942 |
| Commitments and Contingent Liabilities | | |
| Equity: | | |
| Common Stock | 194,039 | 214,988 |
| Additional Paid-in Capital | 229,600 | 250,724 |
| Retained Earnings | 1,305,044 | 1,401,743 |
| Accumulated Other Comprehensive Income (Loss) | (36,263) | (1,259) |
| Treasury Stock, at Cost | (48,824) | (23,853) |
| ORIX Corporation Shareholders' Equity | 1,643,596 | 1,842,343 |
| Noncontrolling Interests | 43,977 | 110,500 |
| Total Equity | 1,687,573 | 1,952,843 |
| Total Liabilities and Equity | ¥ 8,439,710 | ¥ 8,673,628 |

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

| | Millions of yen | |
|---|-------------------|----------------------|
| | March 31, 2013 | December 31, 2013 |
| Liabilities | | |
| Short-Term Debt | ¥ 1,710 | ¥ 1,581 |
| Trade Notes, Accounts Payable and Other Liabilities | 3,503 | 3,742 |
| Security Deposits | 5,679 | 5,080 |
| Long-Term Debt | 806,857 | 439,251 |
| Other | 5,649 | 3,693 |
| | ¥ 823,398 | ¥ 453,347 |

Table of Contents**(2) Condensed Consolidated Statements of Income (Unaudited)**

| | Millions of yen | |
|---|---|---|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Revenues: | | |
| Direct financing leases | ¥ 40,090 | ¥ 42,844 |
| Operating leases | 219,214 | 245,294 |
| Interest on loans and investment securities | 116,971 | 101,731 |
| Brokerage commissions and net gains on investment securities | 29,130 | 19,431 |
| Life insurance premiums and related investment income | 100,574 | 112,954 |
| Real estate sales | 30,307 | 13,135 |
| Gains on sales of real estate under operating leases | 3,015 | 4,652 |
| Revenues from asset management and servicing | 11,626 | 85,130 |
| Other operating revenues | 230,234 | 340,392 |
| Total revenues | 781,161 | 965,563 |
| Expenses: | | |
| Interest expense | 77,546 | 63,455 |
| Costs of operating leases | 143,933 | 162,044 |
| Life insurance costs | 70,887 | 77,618 |
| Costs of real estate sales | 31,716 | 17,895 |
| Expenses from asset management and servicing | 418 | 24,021 |
| Other operating expenses | 143,464 | 207,702 |
| Selling, general and administrative expenses | 162,692 | 223,920 |
| Provision for doubtful receivables and probable loan losses | 4,631 | 9,506 |
| Write-downs of long-lived assets | 4,247 | 17,104 |
| Write-downs of securities | 20,761 | 2,369 |
| Foreign currency transaction loss (gain), net | (29) | 389 |
| Total expenses | 660,266 | 806,023 |
| Operating Income | 120,895 | 159,540 |
| Equity in Net Income of Affiliates | 10,105 | 15,133 |
| Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, Net | 3,910 | 4,636 |
| Income before Income Taxes and Discontinued Operations | 134,910 | 179,309 |
| Provision for Income Taxes | 42,310 | 62,396 |
| Income from Continuing Operations | ¥ 92,600 | ¥ 116,913 |

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| | Millions of yen | |
|--|---|---|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Discontinued Operations: | | |
| Income from discontinued operations, net | ¥ 4,080 | ¥ 11,438 |
| Provision for income taxes | (1,685) | (4,422) |
| Discontinued operations, net of applicable tax effect | 2,395 | 7,016 |
| Net Income | 94,995 | 123,929 |
| Net Income Attributable to the Noncontrolling Interests | 2,412 | 3,050 |
| Net Income Attributable to the Redeemable Noncontrolling Interests | 2,443 | 2,702 |
| Net Income Attributable to ORIX Corporation Shareholders | ¥ 90,140 | ¥ 118,177 |

- Note 1. Pursuant to FASB Accounting Standards Codification 205-20 (Presentation of Financial Statements-Discontinued Operations), the results of operations which meet the criteria for discontinued operations are reported as a separate component of income, and those related amounts that had been previously reported are reclassified.
2. Revenues and Expenses from asset management and loan servicing business have been separately presented from the three-month period ended September 30, 2013 as, Revenues from asset management and servicing and Expenses from asset management and servicing . The amounts in the third consolidated period of the previous fiscal year have been retrospectively reclassified for this change.

| | Millions of yen | |
|--|---|--|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Income attributable to ORIX Corporation shareholders: | | |
| Income from continuing operations | ¥ 88,154 | ¥ 111,367 |
| Discontinued operations | 1,986 | 6,810 |
| Net income attributable to ORIX Corporation shareholders | 90,140 | 118,177 |

| | Yen | |
|---|---|--|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Amounts per Share of Common Stock for Income attributable to ORIX Corporation shareholders: | | |
| Basic: | | |
| Income from continuing operations | ¥ 81.98 | ¥ 88.56 |
| Discontinued operations | 1.85 | 5.41 |
| Net income attributable to ORIX Corporation shareholders | 83.83 | 93.97 |
| Diluted: | | |
| Income from continuing operations | ¥ 68.82 | ¥ 85.48 |
| Discontinued operations | 1.53 | 5.21 |
| Net income attributable to ORIX Corporation shareholders | 70.35 | 90.69 |

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

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| | Millions of yen | |
|---|--|---|
| | Three months ended December 31, 2012 | Three months ended December 31, 2013 |
| Revenues: | | |
| Direct financing leases | ¥ 13,710 | ¥ 14,457 |
| Operating leases | 74,397 | 82,328 |
| Interest on loans and investment securities | 38,270 | 31,979 |
| Brokerage commissions and net gains on investment securities | 16,047 | 4,113 |
| Life insurance premiums and related investment income | 33,646 | 37,158 |
| Real estate sales | 11,975 | 2,159 |
| Gains on sales of real estate under operating leases | 320 | 5,577 |
| Revenues from asset management and servicing | 4,665 | 41,613 |
| Other operating revenues | 80,553 | 133,153 |
| Total revenues | 273,583 | 352,537 |
| Expenses: | | |
| Interest expense | 25,129 | 21,132 |
| Costs of operating leases | 48,928 | 55,025 |
| Life insurance costs | 24,287 | 26,292 |
| Costs of real estate sales | 10,771 | 2,035 |
| Expenses from asset management and servicing | 206 | 12,184 |
| Other operating expenses | 50,271 | 87,726 |
| Selling, general and administrative expenses | 58,670 | 85,960 |
| Provision for doubtful receivables and probable loan losses | 1,828 | 4,277 |
| Write-downs of long-lived assets | 110 | 5,189 |
| Write-downs of securities | 9,085 | 366 |
| Foreign currency transaction loss (gain), net | 328 | (50) |
| Total expenses | 229,613 | 300,136 |
| Operating Income | 43,970 | 52,401 |
| Equity in Net Income of Affiliates | 3,219 | 4,606 |
| Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, Net | 493 | 19 |
| Income before Income Taxes and Discontinued Operations | 47,682 | 57,026 |
| Provision for Income Taxes | 16,174 | 18,126 |
| Income from Continuing Operations | ¥ 31,508 | ¥ 38,900 |

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| | Millions of yen | |
|--|--|---|
| | Three months ended December 31, 2012 | Three months ended December 31, 2013 |
| Discontinued Operations: | | |
| Income (Loss) from discontinued operations, net | ¥ 598 | ¥ 1,595 |
| Provision for income taxes | (325) | (611) |
| Discontinued operations, net of applicable tax effect | 273 | 984 |
| Net Income | 31,781 | 39,884 |
| Net Income Attributable to the Noncontrolling Interests | 525 | 833 |
| Net Income Attributable to the Redeemable Noncontrolling Interests | 956 | 1,282 |
| Net Income Attributable to ORIX Corporation Shareholders | ¥ 30,300 | ¥ 37,769 |

- Note 1. Pursuant to FASB Accounting Standards Codification 205-20 (Presentation of Financial Statements-Discontinued Operations), the results of operations which meet the criteria for discontinued operations are reported as a separate component of income, and those related amounts that had been previously reported are reclassified.
2. Revenues and Expenses from asset management and loan servicing business have been separately presented from the three-month period ended September 30, 2013 as, Revenues from asset management and servicing and Expenses from asset management and servicing . The amounts in the three months ended December 31, 2012 have been retrospectively reclassified for this change.

| | Millions of yen | |
|--|--|---|
| | Three months ended December 31, 2012 | Three months ended December 31, 2013 |
| Income attributable to ORIX Corporation shareholders: | | |
| Income from continuing operations | ¥ 30,485 | ¥ 36,988 |
| Discontinued operations | (185) | 781 |
| Net income attributable to ORIX Corporation shareholders | 30,300 | 37,769 |

| | Yen | |
|--|--|---|
| | Three months ended December 31, 2012 | Three months ended December 31, 2013 |
| Amounts per Share of Common Stock for Income attributable to ORIX Corporation shareholders: | | |
| Basic: | | |
| Income from continuing operations | ¥ 28.35 | ¥ 28.75 |
| Discontinued operations | (0.17) | 0.60 |
| Net income attributable to ORIX Corporation shareholders | 28.18 | 29.35 |
| Diluted: | | |
| Income from continuing operations | ¥ 23.79 | ¥ 28.24 |
| Discontinued operations | (0.15) | 0.59 |
| Net income attributable to ORIX Corporation shareholders | 23.64 | 28.83 |

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

Table of Contents**(3) Condensed Consolidated Statements of Comprehensive Income (Unaudited)**

| | Millions of yen | |
|--|---|--|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Net Income | ¥ 94,995 | ¥ 123,929 |
| Other comprehensive income (loss), net of tax: | | |
| Net change of unrealized gains (losses) on investment in securities | (192) | 9,865 |
| Net change of defined benefit pension plans | 142 | (492) |
| Net change of foreign currency translation adjustments | 22,308 | 39,209 |
| Net change of unrealized gains on derivative instruments | 325 | 1,657 |
| Total other comprehensive income | 22,583 | 50,239 |
| Comprehensive Income | 117,578 | 174,168 |
| Comprehensive Income Attributable to the Noncontrolling Interests | 4,734 | 13,116 |
| Comprehensive Income Attributable to the Redeemable Noncontrolling Interests | 4,429 | 7,871 |
| Comprehensive Income Attributable to ORIX Corporation Shareholders | ¥ 108,415 | ¥ 153,181 |

| | Millions of yen | |
|--|--|---|
| | Three months ended December 31, 2012 | Three months ended December 31, 2013 |
| Net Income | ¥ 31,781 | ¥ 39,884 |
| Other comprehensive income (loss), net of tax: | | |
| Net change of unrealized gains (losses) on investment in securities | (3,637) | 3,443 |
| Net change of defined benefit pension plans | (37) | (150) |
| Net change of foreign currency translation adjustments | 45,424 | 36,731 |
| Net change of unrealized gains (losses) on derivative instruments | (351) | 624 |
| Total other comprehensive income | 41,399 | 40,648 |
| Comprehensive Income | 73,180 | 80,532 |
| Comprehensive Income Attributable to the Noncontrolling Interests | 4,641 | 8,108 |
| Comprehensive Income Attributable to the Redeemable Noncontrolling Interests | 5,094 | 4,811 |
| Comprehensive Income Attributable to ORIX Corporation Shareholders | ¥ 63,445 | ¥ 67,613 |

Table of Contents**(4) Condensed Consolidated Statements of Changes in Equity (Unaudited)**

Nine months ended December 31, 2012

| | Millions of yen | | | | | | | |
|---|---------------------------------------|----------------------------|-------------------|---|----------------|------------------------|--------------------------|-------------|
| | ORIX Corporation Shareholders' Equity | | | | | Total ORIX Corporation | | Total |
| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Shareholders' Equity | Noncontrolling Interests | Equity |
| Beginning Balance | ¥ 144,026 | ¥ 179,223 | ¥ 1,202,450 | ¥ (96,056) | ¥ (48,907) | ¥ 1,380,736 | ¥ 39,735 | ¥ 1,420,471 |
| Contribution to Subsidiaries | | | | | | 0 | 892 | 892 |
| Transaction with noncontrolling interests | | 93 | | (89) | | 4 | (144) | (140) |
| Comprehensive income, net of tax: | | | | | | | | |
| Net income | | | 90,140 | | | 90,140 | 2,412 | 92,552 |
| Other comprehensive income (loss) | | | | | | | | |
| Net change of unrealized gains (losses) on investment in securities | | | | (655) | | (655) | 463 | (192) |
| Net change of defined benefit pension plans | | | | 141 | | 141 | 1 | 142 |
| Net change of foreign currency translation adjustments | | | | 18,460 | | 18,460 | 1,862 | 20,322 |
| Net change of unrealized gains (losses) on derivative instruments | | | | 329 | | 329 | (4) | 325 |
| Total other comprehensive income | | | | | | 18,275 | 2,322 | 20,597 |
| Total comprehensive income | | | | | | 108,415 | 4,734 | 113,149 |
| Cash dividends | | | (9,676) | | | (9,676) | (1,385) | (11,061) |
| Conversion of convertible bond | 1 | 1 | | | | 2 | 0 | 2 |
| Exercise of stock options | 59 | 59 | | | | 118 | 0 | 118 |
| Other, net | | 151 | (269) | | 18 | (100) | 0 | (100) |
| Ending balance | ¥ 144,086 | ¥ 179,527 | ¥ 1,282,645 | ¥ (77,870) | ¥ (48,889) | ¥ 1,479,499 | ¥ 43,832 | ¥ 1,523,331 |

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Nine months ended December 31, 2013

| | Millions of yen | | | | | | | |
|---|--------------------------------------|----------------------------|-------------------|---|----------------|------------------------|--------------------------|-------------|
| | ORIX Corporation Shareholders Equity | | | | | Total ORIX Corporation | | Total |
| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Shareholders Equity | Noncontrolling Interests | Equity |
| Beginning Balance | ¥ 194,039 | ¥ 229,600 | ¥ 1,305,044 | ¥ (36,263) | ¥ (48,824) | ¥ 1,643,596 | ¥ 43,977 | ¥ 1,687,573 |
| Contribution to subsidiaries | | | | | | 0 | 27,453 | 27,453 |
| Transaction with noncontrolling interests | | 300 | | | | 300 | 2,173 | 2,473 |
| Comprehensive income, net of tax: | | | | | | | | |
| Net income | | | 118,177 | | | 118,177 | 3,050 | 121,227 |
| Other comprehensive income (loss) | | | | | | | | |
| Net change of unrealized gains (losses) on investment in securities | | | | 9,297 | | 9,297 | 568 | 9,865 |
| Net change of defined benefit pension plans | | | | (493) | | (493) | 1 | (492) |
| Net change of foreign currency translation adjustments | | | | 24,580 | | 24,580 | 9,460 | 34,040 |
| Net change of unrealized gains (losses) on derivative instruments | | | | 1,620 | | 1,620 | 37 | 1,657 |
| Total other comprehensive income | | | | | | 35,004 | 10,066 | 45,070 |
| Total comprehensive income | | | | | | 153,181 | 13,116 | 166,297 |
| Cash dividends | | | (15,878) | | | (15,878) | (1,825) | (17,703) |
| Conversion of convertible bond | 20,584 | 20,332 | | | | 40,916 | 0 | 40,916 |
| Exercise of stock options | 365 | 290 | | | | 655 | 0 | 655 |
| Acquisition of treasury stock | | | | | (14) | (14) | 0 | (14) |
| Acquisition of Robeco | | | (5,471) | | 24,880 | 19,409 | 25,606 | 45,015 |
| Other, net | | 202 | (129) | | 105 | 178 | 0 | 178 |
| Ending Balance | ¥ 214,988 | ¥ 250,724 | ¥ 1,401,743 | ¥ (1,259) | ¥ (23,853) | ¥ 1,842,343 | ¥ 110,500 | ¥ 1,952,843 |

Changes in the redeemable noncontrolling interests are not included in the table. For further information, see Note 10 Redeemable Noncontrolling Interests.

Table of Contents**(5) Condensed Consolidated Statements of Cash Flows (Unaudited)**

| | Millions of yen | |
|---|--|---|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Cash Flows from Operating Activities: | | |
| Net income | ¥ 94,995 | ¥ 123,929 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 131,155 | 152,661 |
| Provision for doubtful receivables and probable loan losses | 4,631 | 9,506 |
| Increase in policy liabilities | 13,481 | 17,841 |
| Equity in net income of affiliates (excluding interest on loans) | (9,849) | (14,975) |
| Gains on sales of subsidiaries and affiliates and liquidation losses, net | (3,910) | (4,636) |
| Gains on sales of available-for-sale securities | (14,511) | (13,266) |
| Gains on sales of real estate under operating leases | (3,015) | (4,652) |
| Gains on sales of operating lease assets other than real estate | (10,182) | (13,429) |
| Write-downs of long-lived assets | 4,247 | 17,104 |
| Write-downs of securities | 20,761 | 2,369 |
| Decrease in restricted cash | 32,157 | 17,144 |
| Decrease (Increase) in trading securities | (6,064) | 21,328 |
| Decrease in inventories | 20,997 | 5,686 |
| Decrease in other receivables | 21,502 | 1,160 |
| Increase (Decrease) in trade notes, accounts payable and other liabilities | (27,520) | 5,929 |
| Decrease in accrued expenses | (10,220) | (9,471) |
| Other, net | 19,536 | (6,296) |
| Net cash provided by operating activities | 278,191 | 307,932 |
| Cash Flows from Investing Activities: | | |
| Purchases of lease equipment | (532,442) | (630,196) |
| Principal payments received under direct financing leases | 280,516 | 330,372 |
| Installment loans made to customers | (614,541) | (702,586) |
| Principal collected on installment loans | 800,468 | 963,656 |
| Proceeds from sales of operating lease assets | 120,262 | 199,667 |
| Investment in affiliates, net | (36,880) | (50,059) |
| Proceeds from sales of investment in affiliates | 3,154 | 15,120 |
| Purchases of available-for-sale securities | (494,099) | (663,964) |
| Proceeds from sales of available-for-sale securities | 303,966 | 263,326 |
| Proceeds from redemption of available-for-sale securities | 274,319 | 367,324 |
| Purchases of held-to-maturity securities | (31,441) | (7,740) |
| Purchases of other securities | (20,096) | (19,960) |
| Proceeds from sales of other securities | 29,576 | 13,915 |
| Purchases of other operating assets | (10,825) | (32,125) |
| Acquisitions of subsidiaries, net of cash acquired | (39,187) | (198,754) |
| Other, net | 10,810 | 3,311 |
| Net cash provided by (used in) investing activities | 43,560 | (148,693) |

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| | Millions of yen | |
|--|--|---|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Cash Flows from Financing Activities: | | |
| Net decrease in debt with maturities of three months or less | (120,211) | (120,568) |
| Proceeds from debt with maturities longer than three months | 1,027,336 | 938,062 |
| Repayment of debt with maturities longer than three months | (1,357,108) | (1,145,806) |
| Net increase in deposits due to customers | 28,473 | 43,631 |
| Cash dividends paid to ORIX Corporation shareholders | (9,676) | (15,878) |
| Contribution from noncontrolling interests | 686 | 14,421 |
| Cash dividends paid to redeemable noncontrolling interests | (4,985) | (1,168) |
| Net decrease in call money | 0 | (5,000) |
| Other, net | 9 | 1,594 |
| Net cash used in financing activities | (435,476) | (290,712) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | 3,166 | 9,187 |
| Net decrease in Cash and Cash Equivalents | (110,559) | (122,286) |
| Cash and Cash Equivalents at Beginning of Period | 786,892 | 826,296 |
| Cash and Cash Equivalents at End of Period | ¥ 676,333 | ¥ 704,010 |

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Notes to Consolidated Financial Statements

1. Overview of Accounting Principles Utilized

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

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

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

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

(a) Initial direct costs

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

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.

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

(c) Accounting for life insurance operations

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

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

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

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

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

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

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(e) Accounting for pension plans

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

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

(f) Reporting on discontinued operations

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

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

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

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

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

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

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

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

(i) Classification in consolidated statements of cash flows

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

(j) Securitization of financial assets

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

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

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2. Significant Accounting and Reporting Policies**(a) Principles of consolidation**

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

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

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

(b) Use of estimates

The preparation of 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)), the assessment and measurement of effectiveness in hedging relationship using derivative financial instruments (see (k)), the determination of benefit obligation and net periodic pension cost (see (l)) and the determination of impairment of goodwill and intangible assets that have indefinite useful lives (see (w)).

(c) Foreign currencies translation

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

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

(d) Recognition of revenues

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

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

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

(1) Recognition of revenues for direct financing leases

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

(2) Recognition of revenues for operating leases

Revenues from operating leases are recognized on a straight-line basis over the contract terms. Investment in operating leases is recorded at cost less accumulated depreciation, which was ¥431,329 million and ¥449,489 million as of March 31, 2013 and December 31, 2013, respectively. Operating lease assets are depreciated over their estimated useful lives mainly on a straight-line basis. Depreciation expenses are included in costs of operating leases. Gains or losses arising from dispositions of operating lease assets, except real estate under operating leases, are included in operating lease revenues. With respect to some sales of real estate under operating leases such as commercial buildings, the Company or its subsidiaries may retain an interest in some cash flows of the real estate in the form of management or operation of the real estate. Where the Company or its subsidiaries have significant continuing involvement in the operations from the real estate under operating leases which have been disposed of, the gains or losses arising from such disposition are separately disclosed as gains on sales of real estate under operating leases, whereas if the Company or its subsidiaries have no significant continuing involvement in the operations from such disposed real estate, the gains or losses are reported as income from discontinued operations, net.

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

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

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

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

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

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

Revenues from asset management and servicing The Company and its subsidiaries provide to our customers investment management services for investments in financial assets, and asset management as well as maintenance and administrative services for investments in real estate properties. The Company and its subsidiaries also perform servicing on behalf of their customers. The Company and its subsidiaries receive fees for those services from Company's customers.

Revenues from asset management services and servicing are recognized in the consolidated statements of income when transactions occur or services are rendered and the amounts are fixed or determinable and collectability of which is reasonably assured. Certain subsidiaries recognize revenues from performance fees when earned based on the performance of the asset under management. Another subsidiary recognizes revenues from performance fees on an accrual basis over the period in which services are performed.

Revenues from asset management and servicing primarily include management fee income and performance fee income. Management fees are calculated based on the predetermined percentages of the market value of the assets under management or net assets of the investment funds in accordance with the contracts. Performance fees are calculated based on the predetermined percentages on the performance of the assets under management in accordance with the contracts.

(e) Insurance premiums and expenses

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

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

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

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Amortization charged to income for the nine months ended December 31, 2012 and 2013 amounted to ¥5,042 million and ¥6,835 million, respectively.

Amortization charged to income for the three months ended December 31, 2012 and 2013 amounted to ¥1,746 million and ¥2,741 million, respectively.

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

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

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

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

(g) Impairment of long-lived assets

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

(h) Investment in securities

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

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

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

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

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

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

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

(i) Income taxes

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

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

The effective income tax rates including discontinued operations are 31.7% and 35.0% for the nine months ended December 31, 2012 and 2013, respectively. These rates are 34.2% and 32.0% for the three months ended December 31, 2012 and 2013, respectively. The Company and its subsidiaries in Japan are subject to a National Corporate tax of approximately 28%, an Inhabitant tax of approximately 5% and a deductible Enterprise tax of approximately 8%, which in the aggregate result in a statutory income tax rate of approximately 38.3%. The effective income tax rate is different from the statutory tax rate primarily because of certain non-deductible expenses for tax purposes, non-taxable income for tax purposes, the effect of lower income tax rates on foreign subsidiaries and a life insurance subsidiary in Japan, a change in valuation allowance and reversal of undistributed earnings of affiliates.

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

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

(j) Securitized assets

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

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

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

(k) Derivative financial instruments

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

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.

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

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

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

(l) Pension plans

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

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

(m) Stock-based compensation

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

(n) Stock splits

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

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

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 December 31, 2013 would have increased by approximately ¥24,674 million, with a corresponding decrease in retained earnings. Total ORIX Corporation shareholders equity would remain unchanged. A stock split on May 19, 2000 was excluded from the above amounts because the stock split was not considered to be a stock dividend under U.S. GAAP.

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

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(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 trust accounts under securitization programs and real estate, deposits related to servicing agreements, deposits collected on the underlying assets and applied to non-recourse loans and others.

(q) Installment loans

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

Loans held for sale are included in installment loans and the outstanding balances of these loans as of March 31, 2013 and December 31, 2013 were ¥17,939 million and ¥12,348 million, respectively. There were ¥16,026 million and ¥11,809 million of loans held for sale as of March 31, 2013 and December 31, 2013, respectively, measured at fair value by electing the fair value option.

(r) Other operating assets

Other operating assets consist primarily of operating facilities (including golf courses, hotels, training facilities and senior housing), which are stated at cost less accumulated depreciation, and depreciation is calculated mainly on a straight-line basis over the estimated useful lives of the assets. Accumulated depreciation was ¥48,313 million and ¥58,014 million as of March 31, 2013 and December 31, 2013, respectively.

(s) Other receivables

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

(t) Inventories

Inventories primarily consist of advance and/or progress payments for development of residential condominiums for sale and completed residential condominiums (including completed residential condominiums waiting to be delivered to buyers under the contracts for sale). Advance and/or progress payments for development of residential condominiums for sale are carried at cost less any impairment losses and finished goods (including completed residential condominiums) are stated at the lower of cost or market. As of March 31, 2013, and December 31, 2013, advance and/or progress payments were ¥34,556 million and ¥27,427 million, respectively, and finished goods were ¥6,933 million and ¥11,800 million, respectively.

For the nine months ended December 31, 2012 and 2013, respectively, subsidiaries recorded ¥3,377 million and ¥5,650 million of write-downs principally for advance and/or progress payments for development of residential condominiums for sale, resulting from an increase in development costs and/or a decrease in expected sales price. There were no write-downs for the three months ended December 31, 2012 or 2013. 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 ¥41,698 million and ¥38,395 million as of March 31, 2013 and December 31, 2013, respectively.

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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 policy periods, leasehold deposits, advance payments made in relation to purchases of assets to be leased and to construction of real estate for operating lease, and deferred tax assets.

(w) Goodwill and other intangible assets

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

ASC 350 establishes how intangible assets (other than those acquired in a business combination) should be accounted for upon acquisition. It also addresses how goodwill and other intangible assets should be accounted for subsequent to their acquisition. Both goodwill and intangible assets that have indefinite useful lives are not amortized but tested at least annually for impairment. Additionally, if events or changes in circumstances indicate that the asset might be impaired, we test for impairment when such events or changes occur. Under ASC 350, the Company and its subsidiaries may perform a qualitative assessment to determine whether to calculate the fair value of a reporting unit under the first step of the two-step goodwill impairment test. If, after assessing the totality of events or circumstances, it is determined that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the Company and/or subsidiaries do not perform the two-step impairment test. However, if the Company and/or subsidiaries conclude otherwise, the Company and/or subsidiaries perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the fair value of the reporting unit falls below its carrying amount, then the Company and/or subsidiaries perform the second step of the goodwill impairment test by comparing the fair value of goodwill with its carrying amount. If the carrying amount of goodwill exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The Company and its subsidiaries test the goodwill either at the operating segment level or one level below the operating segments. The Company and its subsidiaries perform the qualitative assessment for some goodwill but bypass the qualitative assessment and proceed directly to the first step of the two-step impairment test for other goodwill.

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

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

The amount of goodwill is ¥136,644 million and ¥358,935 million as of March 31, 2013 and December 31, 2013, respectively.

(x) Trade notes, accounts payable and other liabilities

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

(y) Capitalization of interest costs

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

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(z) Advertising

The costs of advertising are expensed as incurred.

(aa) Discontinued operations

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

(ab) Earnings per share

Basic earnings per share is computed by dividing income attributable to ORIX Corporation shareholders from continuing operations and net income attributable to ORIX Corporation shareholders by the weighted average number of shares of common stock outstanding in each period and diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Earnings per share is adjusted for any stock splits and stock dividends retrospectively. For discussion of stock splits, see Note 17 (Per Share Data).

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

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

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

(ad) Redeemable noncontrolling interests

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

(ae) Issuance of stock by an affiliate

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

(af) New accounting pronouncements

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

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

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

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

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

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

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

In July 2013, Accounting Standards Update 2013-10 (Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes ASC 815 (Derivatives and Hedging)) was issued. This Update permits the Fed Funds Effective Swap Rate (OIS) to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to the interest rates on direct Treasury obligations of the U.S. government and LIBOR swap rate. This Update also removes the restriction on using different benchmark rates for similar hedges. The Company and its subsidiaries adopted this Update for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The adoption had no effect on the Company and its subsidiaries' results of operations or financial position.

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

In January 2014, Accounting Standards Update 2014-04 (Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure ASC 310-40 (Receivables Troubled Debt Restructurings by Creditors)) was issued. This Update clarifies when a creditor is considered to have received physical possession resulting from an in substance repossession or foreclosure of residential real estate property collateralizing a consumer mortgage loan. Additionally, this Update requires an entity to disclose the amount of foreclosed residential real estate property and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. This Update is effective for fiscal years, and interim periods within those annual periods beginning after December 15, 2014. The amendments should be applied on either a prospective basis or a modified retrospective basis. Early adoption is permitted. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations and financial position.

(ag) Reclassifications

Revenues and Expenses from asset management and loan servicing business have been separately presented from the three months ended September 30, 2013 as, Revenues from asset management and servicing and Expenses from asset management and servicing. The amounts in the same period of the previous year have been retrospectively reclassified for this change.

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3. Fair Value Measurements

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

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

- Level 1: Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3: Unobservable inputs for the assets or liabilities.

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

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

March 31, 2013

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

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December 31, 2013

| | Millions of yen | | | |
|--|---|---|---|---|
| | Total carrying value in Consolidated Balance Sheets | Quoted prices in active markets for identical assets or liabilities (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Financial Assets: | | | | |
| Loans held for sale *1 | ¥ 11,809 | ¥ 0 | ¥ 11,809 | ¥ 0 |
| Trading securities | 15,599 | 845 | 14,754 | 0 |
| Available-for-sale securities | 808,402 | 191,650 | 550,379 | 66,373 |
| Japanese and foreign government bond securities | 336,859 | 89,988 | 246,871 | 0 |
| Japanese prefectural and foreign municipal bond securities | 82,509 | 0 | 82,509 | 0 |
| Corporate debt securities | 197,228 | 0 | 196,559 | 669 |
| Specified bonds issued by SPEs in Japan | 14,729 | 0 | 0 | 14,729 |
| CMBS and RMBS in the U.S., and other asset-backed securities | 41,538 | 0 | 639 | 40,899 |
| Other debt securities | 10,076 | 0 | 0 | 10,076 |
| Equity securities | 125,463 | 101,662 | 23,801 | 0 |
| Other securities | 11,794 | 2,948 | 0 | 8,846 |
| Investment funds *2 | 11,794 | 2,948 | 0 | 8,846 |
| Derivative assets | 15,022 | 254 | 14,768 | 0 |
| Interest rate swap agreements | 4,067 | 0 | 4,067 | 0 |
| Options held/written and other | 4,900 | 0 | 4,900 | 0 |
| Futures, foreign exchange contracts | 816 | 254 | 562 | 0 |
| Foreign currency swap agreements | 5,206 | 0 | 5,206 | 0 |
| Credit derivatives held/written | 33 | 0 | 33 | 0 |
| | ¥ 862,626 | ¥ 195,697 | ¥ 591,710 | ¥ 75,219 |
| Financial Liabilities: | | | | |
| Derivative liabilities | ¥ 33,935 | ¥ 78 | ¥ 33,729 | ¥ 128 |
| Interest rate swap agreements | 829 | 0 | 829 | 0 |
| Options held/written and other | 2,956 | 0 | 2,828 | 128 |
| Futures, foreign exchange contracts | 20,554 | 78 | 20,476 | 0 |
| Foreign currency swap agreements | 9,276 | 0 | 9,276 | 0 |
| Credit derivatives held | 320 | 0 | 320 | 0 |
| | ¥ 33,935 | ¥ 78 | ¥ 33,729 | ¥ 128 |

*1 A subsidiary elected the fair value option under ASC 825-10 (Financial Instruments Fair Value Option) on the loans held for sale originated on or after October 1, 2011. These loans are multi-family and seniors housing loans and are sold to Federal National Mortgage Association (Fannie Mae) or institutional investors. Included in other operating revenues in the consolidated statements of income are losses from the change in the fair value of the loans of ¥537 million for the nine months ended December 31, 2012 and losses from the change in the fair value of the loans of ¥281 million for the nine months ended December 31, 2013. Included in other operating revenues in the consolidated statements of income are losses from the change in the fair value of the loans of ¥231 million for the three months ended December 31, 2012 and gains from the change in the fair value of the loans of ¥184 million for the three months ended December 31, 2013. No gains or losses were recognized in earnings during the nine months ended December 31, 2012 and the nine months ended December 31, 2013, attributable to changes in instrument-specific credit risk. The amounts of aggregate unpaid principal balance and aggregate fair value of the loans held for sale at March 31, 2013, are ¥15,535 million and ¥16,026 million, respectively, and the amount of the aggregate fair value exceeds the amount of aggregate unpaid principal balance by ¥491 million. The amounts of aggregate unpaid principal balance and aggregate fair value of the loans held for sale as of December 31, 2013, are ¥11,568 million and ¥11,809 million, respectively, and the

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amount of the aggregate fair value exceeds the amount of aggregate unpaid principal balance by ¥241 million. As of March 31, 2013 and December 31, 2013, there are no loans that are 90 days or more past due, in non-accrual status, or both.

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*2 A subsidiary elected the fair value option under ASC 825-10 (Financial Instruments Fair Value Option) for certain funds purchased at a discount on the secondary market and an investment in a drug royalty trust, which were made on or after April 1, 2012.

Included in brokerage commissions and net gains on investment securities in the consolidated statements of income are gains from the change in the fair value of those investments of ¥867 million for the nine months ended December 31, 2013 and ¥472 million for the three months ended December 31, 2013. The amounts of aggregate fair value elected the fair value option are ¥5,800 million and ¥8,730 million as of March 31, 2013 and December 31, 2013, respectively.

Changes in economic conditions or valuation methodologies may require the transfer of assets and liabilities from one fair value level to another. In such instances, the Company and its subsidiaries recognize the transfer at the beginning of the quarter during which the transfers occur. For the nine months ended December 31, 2012, and 2013, there were no transfers between Level 1 and Level 2.

The following table presents the reconciliation for financial assets and liabilities (net) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended December 31, 2012 and 2013:

Nine months ended December 31, 2012

| | Millions of yen | | | | | | | | Change in unrealized gains or losses included in earnings for assets and liabilities still held at December 31, 2012 *1 | |
|--|--------------------------|-------------------------|---|-----------|-----------|-----------|-------------|--|---|------------------------------|
| | Balance at April 1, 2012 | Included in earnings *1 | Gains or losses (realized/unrealized) Included in other comprehensive income *2 | Total | Purchases | Sales | Settlements | Transfers in and/or out of Level 3 (net) | | Balance at December 31, 2012 |
| Available-for-sale securities | ¥ 243,655 | ¥ (9,870) | ¥ 4,484 | ¥ (5,386) | ¥ 16,253 | ¥ (2,001) | ¥ (100,103) | ¥ 0 | ¥ 152,418 | ¥ (9,134) |
| Corporate debt securities | 2,912 | (553) | 387 | (166) | 3,942 | (432) | (293) | 0 | 5,963 | (498) |
| Specified bonds issued by SPEs in Japan | 139,152 | (9,254) | 60 | (9,194) | 5,419 | (9) | (65,538) | 0 | 69,830 | (8,121) |
| CMBS and RMBS in the U.S., and other asset-backed securities | 93,181 | (63) | 2,924 | 2,861 | 6,892 | (1,560) | (34,272) | 0 | 67,102 | (515) |
| Other debt securities | 8,410 | 0 | 1,113 | 1,113 | 0 | 0 | 0 | 0 | 9,523 | 0 |
| Derivative assets and liabilities (net) | 5,293 | (1,224) | 0 | (1,224) | 0 | 0 | 0 | 0 | 4,069 | (1,224) |
| Options held, caps held and other | 5,293 | (1,224) | 0 | (1,224) | 0 | 0 | 0 | 0 | 4,069 | (1,224) |

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Nine months ended December 31, 2013

| | Millions of yen | | | | | | | | | |
|--|--------------------------|---------------------------------------|---|---------|----------|------------|------------|-------------|------------------------------------|------------------------------|
| | Balance at April 1, 2013 | Gains or losses (realized/unrealized) | | | Total | Purchases | Sales | Settlements | Transfers in and/or out of Level 3 | Balance at December 31, 2013 |
| | | Included in earnings *1 | Included in other comprehensive income *2 | | | | | (net) | | |
| Available-for-sale securities | ¥ 136,978 | ¥ 4,231 | ¥ 4,865 | ¥ 9,096 | ¥ 22,046 | ¥ (11,829) | ¥ (89,918) | ¥ 0 | ¥ 66,373 | ¥ 181 |
| Corporate debt securities | 6,524 | 413 | (359) | 54 | 0 | (1,325) | (4,584) | 0 | 669 | (13) |
| Specified bonds issued by SPEs in Japan | 63,244 | 325 | 818 | 1,143 | 0 | (36) | (49,622) | 0 | 14,729 | 4 |
| CMBS and RMBS in the U.S., and other asset-backed securities | 58,899 | 3,493 | 2,641 | 6,134 | 22,046 | (10,469) | (35,711) | 0 | 40,899 | 190 |
| Other debt securities | 8,311 | 0 | 1,765 | 1,765 | 0 | 0 | 0 | 0 | 10,076 | 0 |
| Other securities | 5,800 | 865 | 844 | 1,709 | 2,001 | (661) | (3) | 0 | 8,846 | 865 |
| Investment funds | 5,800 | 865 | 844 | 1,709 | 2,001 | (661) | (3) | 0 | 8,846 | 865 |
| Derivative assets and liabilities (net) | 2,099 | (395) | 0 | (395) | 0 | 0 | (1,832) | 0 | (128) | (395) |
| Options held/written and other | 2,099 | (395) | 0 | (395) | 0 | 0 | (1,832) | 0 | (128) | (395) |

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

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

There were no transfers in or out of Level 3 for the nine months ended December 31, 2012 and 2013.

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Changes in economic conditions or valuation methodologies may require the transfer of assets and liabilities from one fair value level to another. In such instances, the Company and its subsidiaries recognize the transfer at the beginning of the quarter during which the transfers occur. For the three months ended December 31, 2012, and 2013, there were no transfers between Level 1 and Level 2.

The following table presents the reconciliation for financial assets and liabilities (net) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended December 31, 2012 and 2013:

Three months ended December 31, 2012

| | Millions of yen | | | | | | | Transfers in and/ or out of Level 3 (net) | Balance at December 31, 2012 | Change in unrealized gains or losses included in earnings for assets and liabilities still held at December 31, 2012 *1 |
|---|--|----------------------------|--|-----------|-----------|-----------|-------------|--|------------------------------------|---|
| | Balance at September 30, 2012 | Included in earnings *1 | Gains or losses (realized/unrealized) Included in other comprehensive income *2 | Total | Purchases | Sales | Settlements | | | |
| Available-for-sale securities | ¥ 179,770 | ¥ (7,697) | ¥ 5,889 | ¥ (1,808) | ¥ 5,071 | ¥ (1,149) | ¥ (29,466) | ¥ 0 | ¥ 152,418 | ¥ (6,632) |
| Corporate debt securities | 1,944 | 112 | 298 | 410 | 3,840 | (228) | (3) | 0 | 5,963 | 101 |
| Specified bonds issued by SPEs in Japan | 101,512 | (7,558) | 316 | (7,242) | 0 | 0 | (24,440) | 0 | 69,830 | (6,416) |
| CMBS and RMBS in the U.S., and other asset-backed securities | 67,877 | (251) | 4,189 | 3,938 | 1,231 | (921) | (5,023) | 0 | 67,102 | (317) |
| Other debt securities | 8,437 | 0 | 1,086 | 1,086 | 0 | 0 | 0 | 0 | 9,523 | 0 |
| Derivative assets and liabilities (net) | 5,707 | (1,638) | 0 | (1,638) | 0 | 0 | 0 | 0 | 4,069 | (1,638) |
| Options held and other | 5,707 | (1,638) | 0 | (1,638) | 0 | 0 | 0 | 0 | 4,069 | (1,638) |

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Three months ended December 31, 2013

| | Millions of yen | | | | | | | | | Change in unrealized gains or losses included in earnings for assets and liabilities still held at |
|--|---|--|---|---------|-----------|---------|-------------|--|--|--|
| | Balance at September 30, 2013 | Gains or losses (realized/unrealized) included in earnings *1 | Included in other comprehensive income *2 | Total | Purchases | Sales | Settlements | Transfers in and/ or out of Level 3 (net) | Balance at December 31, 2013 | |
| Available-for-sale securities | ¥ 63,765 | ¥ 192 | ¥ 2,662 | ¥ 2,854 | ¥ 5,215 | ¥ (384) | ¥ (5,077) | ¥ 0 | ¥ 66,373 | ¥ 39 |
| Corporate debt securities | 662 | 2 | 7 | 9 | 0 | 0 | (2) | 0 | 669 | (35) |
| Specified bonds issued by SPEs in Japan | 14,733 | 30 | 21 | 51 | 0 | (14) | (41) | 0 | 14,729 | (47) |
| CMBS and RMBS in the U.S., and other asset-backed securities | 39,130 | 160 | 1,798 | 1,958 | 5,215 | (371) | (5,033) | 0 | 40,899 | 121 |
| Other debt securities | 9,240 | 0 | 836 | 836 | 0 | 0 | 0 | 0 | 10,076 | 0 |
| Other securities | 7,582 | 486 | 618 | 1,104 | 435 | (275) | 0 | 0 | 8,846 | 486 |
| Investment funds | 7,582 | 486 | 618 | 1,104 | 435 | (275) | 0 | 0 | 8,846 | 486 |
| Derivative assets and liabilities (net) | (2,191) | 2,189 | 0 | 2,189 | 0 | 0 | (126) | 0 | (128) | 2,189 |
| Options held/written and other | (2,191) | 2,189 | 0 | 2,189 | 0 | 0 | (126) | 0 | (128) | 2,189 |

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

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

There were no transfers in or out of Level 3 for the three months ended December 31, 2012 and 2013.

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

March 31, 2013

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

December 31, 2013

| | Millions of yen | | | |
|--|---|---|---|--|
| | Total carrying value in Consolidated Balance Sheets | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets: | | | | |
| Real estate collateral-dependent loans (net of allowance for probable loan losses) | ¥ 40,058 | ¥ 0 | ¥ 0 | ¥ 40,058 |
| Investment in operating leases and other operating assets | 23,533 | 0 | 0 | 23,533 |
| Land and buildings undeveloped or under construction | 18,237 | 0 | 0 | 18,237 |
| | ¥ 81,828 | ¥ 0 | ¥ 0 | ¥ 81,828 |

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The following is a description of the valuation process and the main valuation methodologies used for assets and liabilities measured at fair value.

Valuation process

The Company and its subsidiaries determine fair value of Level 3 assets and liabilities by using valuation techniques such as internally developed models or using third-party pricing information. Internally developed models include the discounted cash flow methodologies and direct capitalization methodologies. To measure the fair value of the assets and liabilities, the Company and its subsidiaries select the valuation technique which best reflects the nature, characteristics and risks of each asset and liability. The appropriateness of valuation methods and unobservable inputs is verified when measuring fair values of the assets and liabilities by using internally developed models. The Company and its subsidiaries also use third-party pricing information to measure the fair value of certain assets and liabilities. In that case, the Company and its subsidiaries verify the appropriateness of the prices by monitoring available information about the assets and liabilities such as current conditions of the assets or liabilities as well as surrounding market information. When these prices are determined to be able to reflect the nature, characteristics and risks of assets and liabilities reasonably, the Company and its subsidiaries use these prices as fair value of the assets and liabilities.

Loans held for sale

Certain loans, which the Company and its subsidiaries have the intent and ability to sell to outside parties in the foreseeable future, are considered held-for-sale. The loans held for sale in the United States are classified as Level 2, because the Company and its subsidiaries measure their fair value based on a market approach using inputs other than quoted prices that are observable for the assets such as treasury rate, swap rate and market spread.

Real estate collateral-dependent loans

The valuation allowance for large balance non-homogeneous loans is individually evaluated based on the present value of expected future cash flows, the loan's observable market price or the fair value of the collateral securing the loans if the loans are collateral-dependent. According to ASC 820-10 (Fair Value Measurement), measurement for impaired loans determined using a present value technique is not considered a fair value measurement. However, measurement for impaired loans determined using the loan's observable market price or the fair value of the collateral securing the collateral-dependent loans are fair value measurements and are subject to the disclosure requirements for nonrecurring fair value measurements.

The Company and its subsidiaries determine the fair value of the real estate collateral of real estate collateral-dependent loans using appraisals prepared by independent third party appraisers or the Company's own staff of qualified appraisers based on recent transactions involving sales of similar assets or other valuation techniques such as discounted cash flows methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate. We generally obtain a new appraisal once a fiscal year. In addition, we periodically monitor circumstances of the real estate collateral and then obtain a new appraisal in situations involving a significant change in economic and/or physical conditions, which may materially affect the fair value of the collateral. Real estate collateral-dependent loans whose fair values are estimated using appraisals of the underlying collateral based on these valuation techniques are classified as Level 3 because such appraisals involve unobservable inputs. These unobservable inputs contain discount rates and cap rates as well as future cash flows estimated to be generated from real estate collateral. An increase (decrease) in the discount rate or cap rate and a decrease (increase) in the estimated future cash flows would result in a decrease (increase) in the fair value of real estate collateral-dependent loans.

Investment in operating leases and other operating assets and Land and buildings undeveloped or under construction

Investment in operating leases measured at fair value is mostly real estate. The Company and its subsidiaries determine the fair value of Investment in operating leases and other operating assets and Land and buildings undeveloped or under construction using appraisals prepared by independent third party appraisers or the Company's own staff of qualified appraisers based on recent transactions involving sales of similar assets or other valuation techniques such as discounted cash flow methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate. The Company and its subsidiaries classified the assets as Level 3 because such appraisals involve unobservable inputs. These unobservable inputs contain discount rates as well as future cash flows estimated to be generated from the assets or projects. An increase (decrease) in the discount rate and a decrease (increase) in the estimated future cash flows would result in a decrease (increase) in the fair value of investment in operating leases and other operating assets and Land and buildings undeveloped or under construction.

Table of Contents***Trading securities, Available-for-sale securities, Unlisted securities and Investment in affiliates***

If active market prices are available, fair value measurement is based on quoted active market prices and, accordingly, these securities are classified as Level 1. If active market prices are not available, fair value measurement is based on observable inputs other than quoted prices included within Level 1, such as prices for similar assets and accordingly these securities are classified as Level 2. If market prices are not available and there are no observable inputs, then fair value is estimated by using valuation models including discounted cash flow methodologies, commonly used option-pricing models and broker quotes. Such securities are classified as Level 3, as the valuation models and broker quotes are based on inputs that are unobservable in the market. If fair value is based on broker quotes, the Company and its subsidiaries check the validity of received prices based on comparison to prices of other similar assets and market data such as relevant bench mark indices.

The Company and its subsidiaries classified CMBS and RMBS in the United States as level 3 due to a certain market being inactive. In determining whether a market is active or inactive, the Company and its subsidiaries evaluate various factors such as the lack of recent transactions, price quotations that are not based on current information or vary substantially over time or among market makers, a significant increase in implied risk premium, a wide bid-ask spread, significant decline in new issuances, little or no public information (e.g. a principal-to-principal market) and other factors. With respect to the CMBS and RMBS in the United States, the Company and its subsidiaries judged that there has been increased overall trading activity but due to the lack of observable trades for older vintage and below investment grade securities we continue to limit the reliance on independent pricing service vendors and brokers. As a result, the Company and its subsidiaries established internally developed pricing models (Level 3 inputs) using valuation techniques such as discounted cash flow methodologies in order to estimate fair value of these securities and classified them as Level 3. Under the models, the Company and its subsidiaries use anticipated cash flows of the security discounted at a risk-adjusted discount rate that incorporates our estimate of credit risk and liquidity risk that a market participant would consider. The cash flows are estimated based on a number of assumptions such as default rate and prepayment speed, as well as seniority of the security. An increase (decrease) in the discount rate or default rate would result in a decrease (increase) in the fair value of CMBS and RMBS in the United States.

The Company and its subsidiaries classified the specified bonds as Level 3 because the Company and its subsidiaries measure their fair value using unobservable inputs. Since the specified bonds do not trade in an open market, no relevant observable market data is available. Accordingly the Company and its subsidiaries use discounted cash flow methodologies that incorporates significant unobservable inputs to measure their fair value. When evaluating the specified bonds issued by SPEs in Japan, the Company and its subsidiaries estimate the fair value by discounting future cash flows using a discount rate based on market interest rates and a risk premium. The future cash flows for the specified bonds issued by the SPEs in Japan are estimated based on contractual principal and interest repayment schedules on each of the specified bonds issued by the SPEs in Japan. Since the discount rate is not observable for the specified bonds, the Company and its subsidiaries use an internally developed model to estimate a risk premium considering the value of the real estate collateral (which also involves unobservable inputs in many cases when using valuation techniques such as discounted cash flow methodologies) and the seniority of the bonds. Under the model, the Company and its subsidiaries consider the loan-to-value ratio and other relevant available information to reflect both the credit risk and the liquidity risk in our own estimate of the risk premium. Generally, the higher the loan-to-value ratio, the larger the risk premium the Company and its subsidiaries estimate under the model. The fair value of the specified bonds issued by SPEs in Japan rises when the fair value of the collateral real estate rises and the discount rate declines. The fair value of the specified bonds issued by SPEs in Japan declines when the fair value of the collateral real estate declines and the discount rate rises.

Investment funds

If active market prices are available, fair value measurement is based on quoted active market prices and, accordingly, these securities are classified as Level 1. Certain investment funds classified as other securities in the United States for which the fair value option is elected are classified as Level 3, because a subsidiary measures their fair value using discounted cash flow methodologies based on inputs that are unobservable in the market or a discount methodology based on the net asset value.

Derivatives

For exchange-traded derivatives, fair value is based on quoted market prices, and accordingly, classified as Level 1. For non-exchange traded derivatives, fair value is based on commonly used models and discounted cash flow methodologies. If the inputs used for these measurements including yield curves and volatilities, are observable, the Company and its subsidiaries classify it as Level 2. If the inputs are not observable, the Company and its subsidiaries classify it as Level 3. These unobservable inputs contain discount rates. An increase (decrease) in the discount rate would result in a decrease (increase) in the fair value of derivatives.

Table of Contents**Information about Level 3 Fair Value Measurements**

The following tables provide information about the valuation techniques and significant unobservable inputs used in the valuation of Level 3 assets and liabilities measured at fair value on a recurring basis as of March 31, 2013 and December 31, 2013.

| | Millions of yen | | March 31, 2013 | | Range (Weighted average) |
|--|------------------|--|--------------------------|---------------------------------|-----------------------------|
| | Fair value | | Valuation technique(s) | Significant unobservable inputs | |
| Financial Assets: | | | | | |
| Available-for-sale securities | | | | | |
| Corporate debt securities | ¥ 974 | | Discounted cash flows | Discount rate | 5.4% (5.4%) |
| | 5,550 | | Appraisals/Broker quotes | | |
| Specified bonds issued by SPEs in Japan | 60,013 | | Discounted cash flows | Discount rate | 1.0% 12.0% (4.9%) |
| | 3,231 | | Appraisals/Broker quotes | | |
| CMBS and RMBS in the U.S., and other asset-backed securities | 30,804 | | Discounted cash flows | Discount rate | 2.9% 42.6% (9.3%) |
| | | | | Probability of default | 0.0% 12.8% (1.7%) |
| | 28,095 | | Appraisals/Broker quotes | | 11.7% |
| Other debt securities | 8,311 | | Discounted cash flows | Discount rate | (11.7%) |
| Other securities | | | | | |
| Investment funds | 5,800 | | Discounted cash flows | Discount rate | 13.0% 20.0% (18.6%) |
| Derivative assets | | | | | |
| Options held/written and other | 2,099 | | Discounted cash flows | Discount rate | 10.0% 15.0% (12.3%) |
| Total Assets | ¥ 144,877 | | | | |

| | Millions of yen | | December 31, 2013 | | Range (Weighted average) |
|--|-----------------|--|--------------------------|---------------------------------|-----------------------------|
| | Fair value | | Valuation technique(s) | Significant unobservable inputs | |
| Financial Assets: | | | | | |
| Available-for-sale securities | | | | | |
| Corporate debt securities | ¥ 669 | | Appraisals/Broker quotes | | |
| Specified bonds issued by SPEs in Japan | 11,583 | | Discounted cash flows | Discount rate | 1.0% 11.3% (7.7%) |
| | 3,146 | | Appraisals/Broker quotes | | |
| CMBS and RMBS in the U.S., and other asset-backed securities | 13,851 | | Discounted cash flows | Discount rate | 4.1% 34.1% (19.4%) |
| | | | | Probability of default | 0.0% 11.0% (1.4%) |
| | 27,048 | | Appraisals/Broker quotes | | 11.8% |
| Other debt securities | 10,076 | | Discounted cash flows | Discount rate | (11.8%) |
| Other securities | | | | | |
| Investment funds | 8,846 | | Internal cash flows | Discount rate | |

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| | | | | | |
|--------------------------------|---|--------|-----------------------|---------------|-------------|
| | | | | 13.0% | 22.6% |
| | | | | (19.6%) | |
| Total Assets | ¥ | 75,219 | | | |
| Financial Liabilities: | | | | | |
| Derivative liabilities | | | | | |
| Options held/written and other | ¥ | 128 | Discounted cash flows | Discount rate | 10.0% 15.0% |
| | | | | (12.3%) | |
| Total Liabilities | ¥ | 128 | | | |

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The following tables provide information about the valuation techniques and significant unobservable inputs used in the valuation of Level 3 assets measured at fair value on a nonrecurring basis as of March 31, 2013 and December 31, 2013.

| | Millions of yen Fair value | Valuation technique(s) | March 31, 2013 | |
|--|----------------------------------|------------------------|------------------------------------|--------------------------------|
| | | | Significant unobservable inputs | Range (Weighted average) |
| Assets: | | | | |
| Real estate collateral-dependent loans (net of allowance for probable loan losses) | ¥ 60,564 | Discounted cash flows | Discount rate | 5.4% 19.0% (8.4%) |
| | | Direct capitalization | Capitalization rate | 5.0% 21.0% (10.7%) |
| Investment in operating leases and other operating assets | 21,960 | Discounted cash flows | Discount rate | 4.4% 12.7% (6.9%) |
| Land and buildings undeveloped or under construction | 11,845 | Discounted cash flows | Discount rate | 4.7% 9.6% (6.6%) |
| Certain investment in affiliates | 3,704 | Discounted cash flows | Discount rate | 5.0% 9.2% (8.8%) |
| | ¥ 98,073 | | | |

| | Millions of yen Fair value | Valuation technique(s) | December 31, 2013 | |
|--|----------------------------------|------------------------|------------------------------------|--------------------------------|
| | | | Significant unobservable inputs | Range (Weighted average) |
| Assets: | | | | |
| Real estate collateral-dependent loans (net of allowance for probable loan losses) | ¥ 40,058 | Discounted cash flows | Discount rate | 4.9% 19.0% (8.1%) |
| | | Direct capitalization | Capitalization rate | 5.6% 20.0% (11.1%) |
| Investment in operating leases and other operating assets | 23,533 | Discounted cash flows | Discount rate | 5.2% 9.5% (5.5%) |
| Land and buildings undeveloped or under construction | 18,237 | Discounted cash flows | Discount rate | 3.9% 9.9% (7.1%) |
| | ¥ 81,828 | | | |

The Company and its subsidiaries generally use discounted cash flow methodologies or similar internally developed models to determine the fair value of Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the preceding table. Accordingly, changes in these unobservable inputs may have a

significant impact on the fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the asset or liability for a given change in that input. Alternatively, the fair value of the asset or liability may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular asset or liability. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated to one another), which may counteract or magnify the fair value impact.

For more analysis of the sensitivity of each input, see the description of the valuation process and the main valuation methodologies used for assets and liabilities measured at fair value.

Table of Contents**4. Acquisitions**

On July 1, 2013, the Company acquired approximately 90.01% of the total voting equity interests of Robeco Groep N.V. (Head office: Rotterdam, the Netherlands, hereinafter, "Robeco") from Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Head office: Utrecht, the Netherlands, hereinafter, "Rabobank"). As a result, Robeco has become a consolidated subsidiary of the Company. Robeco, a mid-size global asset manager, offers a mix of investment solutions in a broad range of strategies to institutional and private investors worldwide.

The consideration of ¥250,724 million was paid by means of ¥231,316 million in cash and shares valued at ¥19,408 million issued out of treasury. The 13,902,900 shares held in treasury issued to Rabobank as part of the total consideration was determined based on the closing price of 1,396 yen of the Company's common share on the Tokyo Stock Exchange on July 1, 2013 in accordance with the share purchase agreement executed between the Company and Rabobank as of February 19, 2013.

In addition, the Company will be required to pay contingent consideration depending on the future performance of a certain asset management business for each year until December 2015 based on Robeco's fiscal year. The preliminary estimate of fair value of such contingent consideration was ¥5,408 million, which is included in the total consideration transferred. However, the Company believes that the upward variation of such consideration, if any, will not be significant.

Transaction costs of ¥2,039 million are included in selling, general and administrative expenses in the Company's consolidated statements of income.

Through this acquisition, the Company aims to expand its global asset management business as one of the measures to pursue new business models by combining finance with related services. The rationales for the Company's acquisition of Robeco include the strength of Robeco's global brand, the diversity of its businesses across asset classes and regions, the breadth of its global distribution network and the experience of its investments teams. As a well-managed and relatively autonomous group of businesses with a good performance record, Robeco is the ideal vehicle for the Company to pursue its ambitions in global asset management. Growth opportunities also exist in the pension and asset management markets in Asia and the Middle East, where the Company has an established network.

The Company allocates the acquisition consideration to Robeco's respective assets acquired and liabilities assumed, and records the assets, liabilities and noncontrolling interest based on their fair values at the acquisition date by the acquisition method of accounting in accordance with ASC 805 ("Business Combinations").

The following table provides preliminary fair value amounts allocated to assets acquired and liabilities assumed of Robeco. Because the acquisition occurred during the three months ended September 30, 2013, the purchase price allocation has not yet been finalized as of December 31, 2013. Because the fair value measurements of these assets, liabilities and noncontrolling interest require estimates based on various assumptions, the provisional amounts are subject to change as more information about facts and circumstances that existed at the acquisition date becomes available.

| | Millions of yen | |
|---|--|---------|
| | Provisional fair value amounts of | |
| | assets, liabilities and | |
| | noncontrolling | |
| | interest | |
| Cash and Cash Equivalents | ¥ | 43,737 |
| Investment in Securities | | 3,325 |
| Investment in Affiliates | | 931 |
| Other Receivables | | 17,938 |
| Prepaid Expenses | | 1,908 |
| Office Facilities | | 1,839 |
| Other Assets | | 361,194 |
| Total Assets | | 430,872 |
| Trade Notes, Accounts Payable and Other Liabilities | | 1,353 |
| Accrued Expenses | | 55,575 |
| Current and Deferred Income Taxes | | 61,188 |
| Long-Term Debt | | 31,016 |
| Total Liabilities | | 149,132 |

| | | |
|--------------------------|---|---------|
| Noncontrolling Interests | | 25,607 |
| Net | ¥ | 256,133 |

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Goodwill and other intangible assets, with a total preliminary fair value amounting to ¥325,657 million, identified in the acquisition are included in other assets in the above table and the Company's consolidated balance sheets as of December 31, 2013. The goodwill is calculated as the excess of consideration transferred and the fair value of noncontrolling interest over the net assets recognized at fair value. The Company calculated the amount of goodwill based on preliminary estimates of fair value of assets acquired, liabilities assumed and noncontrolling interest. The completion of the purchase price allocation could result in an adjustment to the amount of goodwill and other intangible assets. However, such an adjustment, if any, is not expected to have a significant effect on the Company's consolidated statements of income. The goodwill represents the future growth of the ORIX Group from new revenue streams arising from the consolidation of Robeco and synergies with the existing Company's assets and businesses. The goodwill is not deductible for tax purposes. The goodwill and other intangible assets recorded in connection with this acquisition are included in the Overseas Business segment. Certain intangible assets with finite lives recognized in connection with the acquisition are amortized over their useful lives based on their preliminary amounts recognized. Such amortization did not have a significant effect on the Company's consolidated statements of income for the nine and three months ended December 31, 2013.

The following unaudited supplemental pro forma financial information presents the combined results of operations of the Company and its subsidiaries as though the acquisition had occurred as of April 1, 2012, the beginning of the fiscal year ended March 31, 2013:

| | Millions of yen | |
|-----------------------------------|-------------------|-------------------|
| | Nine months ended | Nine months ended |
| | December 31, 2012 | December 31, 2013 |
| Total revenues | ¥ 858,345 | ¥ 997,400 |
| Income from Continuing Operations | 100,734 | 119,378 |

Total revenues and income from continuing operations of Robeco included in the Company's consolidated statements of income for the nine months ended December 31, 2013 are ¥72,923 million and ¥10,821 million, respectively. Total revenues and income from continuing operations of Robeco included in the Company's consolidated statements of income for the three months ended December 31, 2013 are ¥38,179 million and ¥5,944 million, respectively.

The unaudited supplemental pro forma financial information is based on estimates and assumptions, that the Company believes are reasonable and should not be taken as indicative of what the Company's consolidated financial results would have been had the acquisition been completed on that date. The unaudited supplemental pro forma financial information does not include certain nonrecurring costs directly attributable to the acquisition that would not have been incurred had the acquisition not occurred.

The acquisition accounting has not been completed as of February 13, 2014.

There were no other material acquisitions for the nine months ended December 31, 2012 or December 31, 2013.

Table of Contents**5. Credit Quality of Financing Receivables and the Allowance for Credit Losses**

The Company and its subsidiaries apply ASC 310 (Receivables). ASC 310 requires an entity to provide the following information disaggregated by portfolio segment and class of financing receivable.

Allowance for credit losses by portfolio segment

Credit quality of financing receivables by class

Impaired loans

Credit quality indicators

Non-accrual and past-due financing receivables

Information about troubled debt restructurings by class

A portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses. The Company and its subsidiaries classify their portfolio segments by instruments of loans and direct financing leases. Classes of financing receivables are determined based on the initial measurement attribute, risk characteristics of the financing receivables and the method for monitoring and assessing obligors' credit risk, and are defined as the level of detail necessary for a financial statement user to understand the risks inherent in the financing receivables. Classes of financing receivables generally are a disaggregation of a portfolio segment, and the Company and its subsidiaries disaggregate their portfolio segments into classes by regions, instruments or industries of our debtors.

The following table provides information about the allowance for credit losses as of March 31, 2013, for the nine and three months ended December 31, 2012 and 2013:

| | Nine months ended December 31, 2012 | | | | | | Total |
|---|-------------------------------------|--------------------|-----------|--------------------|-------------------------|-------------|-------|
| | Millions of yen | | | | | | |
| | Loans | | Other | Purchased loans *1 | Direct financing leases | | |
| | Consumer | Non-recourse loans | | | | | |
| Allowance for credit losses: | | | | | | | |
| Beginning balance | ¥ 16,140 | ¥ 23,505 | ¥ 60,266 | ¥ 19,825 | ¥ 16,852 | ¥ 136,588 | |
| Provision (Reversal) | 1,928 | 402 | (1,135) | 1,767 | 1,669 | 4,631 | |
| Charge-offs | (2,339) | (2,777) | (13,838) | (8,755) | (3,394) | (31,103) | |
| Recoveries | 240 | 3 | 845 | 0 | 434 | 1,522 | |
| Other *2 | 213 | 14 | 411 | 130 | 243 | 1,011 | |
| Ending balance | ¥ 16,182 | ¥ 21,147 | ¥ 46,549 | ¥ 12,967 | ¥ 15,804 | ¥ 112,649 | |
| Individually evaluated for impairment | 3,191 | 18,998 | 38,856 | 10,879 | 0 | 71,924 | |
| Not individually evaluated for impairment | 12,991 | 2,149 | 7,693 | 2,088 | 15,804 | 40,725 | |
| Financing receivables: | | | | | | | |
| Ending balance | ¥ 1,157,089 | ¥ 633,585 | ¥ 897,752 | ¥ 75,314 | ¥ 955,087 | ¥ 3,718,827 | |
| Individually evaluated for impairment | 10,282 | 81,563 | 129,186 | 25,891 | 0 | 246,922 | |
| Not individually evaluated for impairment | 1,146,807 | 552,022 | 768,566 | 49,423 | 955,087 | 3,471,905 | |

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| | Three months ended December 31, 2012 | | | | | |
|-------------------------------------|--------------------------------------|-----------------------|----------|-----------------------|---------------------|-----------|
| | Millions of yen | | | | | |
| | Loans Corporate | | | | Direct financing | |
| | Consumer | Non-recourse loans | Other | Purchased loans *1 | leases | Total |
| Allowance for credit losses: | | | | | | |
| Beginning balance | ¥ 15,785 | ¥ 20,518 | ¥ 52,077 | ¥ 13,871 | ¥ 15,268 | ¥ 117,519 |
| Provision (Reversal) | 987 | 150 | (464) | 705 | 450 | 1,828 |
| Charge-offs | (636) | (1,240) | (6,156) | (1,842) | (820) | (10,694) |
| Recoveries | 34 | 2 | 123 | 0 | 406 | 565 |
| Other *3 | 12 | 1,717 | 969 | 233 | 500 | 3,431 |
| Ending balance | ¥ 16,182 | ¥ 21,147 | ¥ 46,549 | ¥ 12,967 | ¥ 15,804 | ¥ 112,649 |

| | As of March 31, 2013 | | | | | |
|---|----------------------|-----------------------|-----------|-----------------------|---------------------|-------------|
| | Millions of yen | | | | | |
| | Loans Corporate | | | | Direct financing | |
| | Consumer | Non-recourse loans | Other | Purchased loans *1 | leases | Total |
| Allowance for credit losses: | | | | | | |
| Ending balance | ¥ 14,526 | ¥ 16,717 | ¥ 41,875 | ¥ 15,316 | ¥ 15,830 | ¥ 104,264 |
| Individually evaluated for impairment | 3,190 | 14,620 | 34,206 | 13,135 | 0 | 65,151 |
| Not Individually Evaluated for Impairment | 11,336 | 2,097 | 7,669 | 2,181 | 15,830 | 39,113 |
| Financing receivables: | | | | | | |
| Ending balance | ¥ 1,171,142 | ¥ 568,957 | ¥ 862,332 | ¥ 70,801 | ¥ 989,380 | ¥ 3,662,612 |
| Individually evaluated for impairment | 10,861 | 61,050 | 111,722 | 29,107 | 0 | 212,740 |
| Not individually evaluated for impairment | 1,160,281 | 507,907 | 750,610 | 41,694 | 989,380 | 3,449,872 |

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| Nine months ended December 31, 2013 | | | | | | |
|---|--------------------|-----------------------|-----------|-----------------------|-------------------------------|-------------|
| Millions of yen | | | | | | |
| | Loans Corporate | | | Purchased loans *1 | Direct financing leases | Total |
| | Consumer | Non-recourse loans | Other | | | |
| Allowance for Credit Losses: | | | | | | |
| Beginning Balance | ¥ 14,526 | ¥ 16,717 | ¥ 41,875 | ¥ 15,316 | ¥ 15,830 | ¥ 104,264 |
| Provision (Reversal) | 3,248 | 2,035 | (123) | 1,922 | 2,424 | 9,506 |
| Charge-offs | (3,146) | (2,529) | (6,321) | (3,296) | (3,154) | (18,446) |
| Recoveries | 279 | 140 | 719 | 98 | 65 | 1,301 |
| Other *4 | (29) | (6,088) | 1,187 | 183 | 340 | (4,407) |
| Ending Balance | ¥ 14,878 | ¥ 10,275 | ¥ 37,337 | ¥ 14,223 | ¥ 15,505 | ¥ 92,218 |
| Individually Evaluated for Impairment | 3,453 | 9,475 | 29,148 | 12,536 | 0 | 54,612 |
| Not Individually Evaluated for Impairment | 11,425 | 800 | 8,189 | 1,687 | 15,505 | 37,606 |
| Financing receivables: | | | | | | |
| Ending Balance | ¥ 1,212,244 | ¥ 208,167 | ¥ 818,085 | ¥ 56,638 | ¥ 1,064,253 | ¥ 3,359,387 |
| Individually Evaluated for Impairment | 11,669 | 30,694 | 90,124 | 23,619 | 0 | 156,106 |
| Not Individually Evaluated for Impairment | 1,200,575 | 177,473 | 727,961 | 33,019 | 1,064,253 | 3,203,281 |

| Three months ended December 31, 2013 | | | | | | |
|--------------------------------------|--------------------|-----------------------|----------|-----------------------|-------------------------------|----------|
| Millions of yen | | | | | | |
| | Loans Corporate | | | Purchased loans *1 | Direct financing leases | Total |
| | Consumer | Non-recourse loans | Other | | | |
| Allowance for credit losses: | | | | | | |
| Beginning Balance | ¥ 14,790 | ¥ 9,052 | ¥ 36,737 | ¥ 14,243 | ¥ 15,090 | ¥ 89,912 |
| Provision | 1,168 | 2,047 | 89 | 123 | 850 | 4,277 |
| Charge-offs | (1,101) | (360) | (825) | (269) | (804) | (3,359) |
| Recoveries | 53 | 0 | 465 | 3 | 24 | 545 |
| Other *2 | (32) | (464) | 871 | 123 | 345 | 843 |
| Ending balance | ¥ 14,878 | ¥ 10,275 | ¥ 37,337 | ¥ 14,223 | ¥ 15,505 | ¥ 92,218 |

*1 Purchased loans represent loans with evidence of deterioration of credit quality since origination and for which it is probable at acquisition that collection of all contractually required payments from the debtors is unlikely in accordance with ASC 310-30 (Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality).

*2 Other mainly includes foreign currency translation adjustments and decrease in allowance related to newly consolidated subsidiaries.

*3 Other mainly includes foreign currency translation adjustments.

*4 Other mainly includes foreign currency translation adjustments and decrease in allowance related to newly consolidated subsidiaries. Additionally, Other in Non-recourse loans includes decreases by ¥6,243 million due to the sale of controlling class interests of certain VIE, which was formerly consolidated, to a third party and resulting in deconsolidation of the VIE.

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In developing the allowance for credit losses, the Company and its subsidiaries consider, among other things, the following factors:

business characteristics and financial conditions of obligors;

current economic conditions and trends;

prior charge-off experience;

current delinquencies and delinquency trends; and

value of underlying collateral and guarantees.

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

In common with all portfolio segments, a deterioration of debtors' condition may increase the risk of delay in payments of principal and interest. For loans to consumer borrowers, the amount of the allowance for credit losses is changed by the variation of individual debtors' creditworthiness and value of underlying collateral and guarantees, and the prior charge-off experience. For loans to corporate other borrowers and direct financing leases, the amount of the allowance for credit losses is changed by current economic conditions and trends, the value of underlying collateral and guarantees, and the prior charge-off experience in addition to the debtors' creditworthiness.

The decline of the value of underlying collateral and guarantees may increase the risk of inability to collect from the loans and direct financing leases. Particularly for non-recourse loans for which cash flow from real estate is the source of repayment, their collection depends on the real estate collateral value, which may decline as a result of decrease in liquidity of the real estate market, rise in vacancy rate of rental properties, fall in rents and other factors. These risks may change the amount of the allowance for credit losses. For purchased loans, their collection may decrease due to a decline in the real estate collateral value and debtors' creditworthiness. Thus, these risks may change the amount of the allowance for credit losses.

In common with all portfolio segments, the Company and its subsidiaries charge off doubtful receivables when the likelihood of any future collection is believed to be minimal, mainly based upon an evaluation of the relevant debtors' creditworthiness and the liquidation status of collateral.

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The following table provides information about the impaired loans as of March 31, 2013 and December 31, 2013:

| Portfolio segment | Class | March 31, 2013 Millions of yen | | |
|---|-------------------------|--|--------------------------------|----------------------|
| | | Loans Individually Evaluated for Impairment | Unpaid Principal Balance | Related Allowance |
| With no related allowance recorded *1: | | ¥ 52,798 | ¥ 52,768 | ¥ 0 |
| Consumer borrowers | | 1,003 | 989 | 0 |
| | Housing loans | 1,003 | 989 | 0 |
| | Card loans | 0 | 0 | 0 |
| | Other | 0 | 0 | 0 |
| Corporate borrowers | | 51,795 | 51,779 | 0 |
| Non-recourse loans | Japan | 21,409 | 21,407 | 0 |
| | U.S. | 5,825 | 5,825 | 0 |
| Other | Real estate companies | 7,063 | 7,060 | 0 |
| | Entertainment companies | 6,148 | 6,147 | 0 |
| | Other | 11,350 | 11,340 | 0 |
| Purchased loans | | 0 | 0 | 0 |
| With an allowance recorded *2: | | 159,942 | 158,798 | 65,151 |
| Consumer borrowers | | 9,858 | 9,828 | 3,190 |
| | Housing loans | 7,496 | 7,471 | 2,565 |
| | Card loans | 1,858 | 1,854 | 547 |
| | Other | 504 | 503 | 78 |
| Corporate borrowers | | 120,977 | 119,863 | 48,826 |
| Non-recourse loans | Japan | 2,006 | 2,004 | 1,021 |
| | U.S. | 31,810 | 31,706 | 13,599 |
| Other | Real estate companies | 40,063 | 39,896 | 15,862 |
| | Entertainment companies | 5,889 | 5,843 | 2,118 |
| | Other | 41,209 | 40,414 | 16,226 |
| Purchased loans | | 29,107 | 29,107 | 13,135 |
| Total: | | ¥ 212,740 | ¥ 211,566 | ¥ 65,151 |
| Consumer borrowers | | 10,861 | 10,817 | 3,190 |
| | Housing loans | 8,499 | 8,460 | 2,565 |
| | Card loans | 1,858 | 1,854 | 547 |
| | Other | 504 | 503 | 78 |
| Corporate borrowers | | 172,772 | 171,642 | 48,826 |
| Non-recourse loans | Japan | 23,415 | 23,411 | 1,021 |
| | U.S. | 37,635 | 37,531 | 13,599 |
| Other | Real estate companies | 47,126 | 46,956 | 15,862 |
| | Entertainment companies | 12,037 | 11,990 | 2,118 |

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| | | | | |
|------------------------|-------|--------|--------|--------|
| | Other | 52,559 | 51,754 | 16,226 |
| Purchased loans | | 29,107 | 29,107 | 13,135 |

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| | | December 31, 2013 | | |
|---|-------------------------|--|--------------------------------|----------------------|
| | | Millions of yen | | |
| Portfolio segment | Class | Loans individually evaluated for impairment | Unpaid principal balance | Related allowance |
| With no related allowance recorded *1: | | ¥ 30,694 | ¥ 30,671 | ¥ 0 |
| Consumer borrowers | | 644 | 630 | 0 |
| | Housing loans | 644 | 630 | 0 |
| | Card loans | 0 | 0 | 0 |
| | Other | 0 | 0 | 0 |
| Corporate borrowers | | 30,050 | 30,041 | 0 |
| Non-recourse loans | | 8,556 | 8,556 | 0 |
| | Japan | 8,556 | 8,556 | 0 |
| | U.S. | 4,700 | 4,700 | 0 |
| Other | | 3,601 | 3,598 | 0 |
| | Real estate companies | 3,601 | 3,598 | 0 |
| | Entertainment companies | 4,597 | 4,597 | 0 |
| | Other | 8,596 | 8,590 | 0 |
| Purchased loans | | 0 | 0 | 0 |
| With an allowance recorded *2: | | 125,412 | 124,540 | 54,612 |
| Consumer borrowers | | 11,025 | 10,955 | 3,453 |
| | Housing loans | 7,033 | 6,975 | 2,654 |
| | Card loans | 2,746 | 2,738 | 622 |
| | Other | 1,246 | 1,242 | 177 |
| Corporate borrowers | | 90,768 | 89,966 | 38,623 |
| Non-recourse loans | | 2,312 | 2,252 | 1,515 |
| | Japan | 2,312 | 2,252 | 1,515 |
| | U.S. | 15,126 | 15,090 | 7,960 |
| Other | | 32,224 | 32,095 | 12,779 |
| | Real estate companies | 32,224 | 32,095 | 12,779 |
| | Entertainment companies | 5,271 | 5,231 | 1,845 |
| | Other | 35,835 | 35,298 | 14,524 |
| Purchased loans | | 23,619 | 23,619 | 12,536 |
| Total: | | ¥ 156,106 | ¥ 155,211 | ¥ 54,612 |
| Consumer borrowers | | 11,669 | 11,585 | 3,453 |
| | Housing loans | 7,677 | 7,605 | 2,654 |
| | Card loans | 2,746 | 2,738 | 622 |
| | Other | 1,246 | 1,242 | 177 |
| Corporate borrowers | | 120,818 | 120,007 | 38,623 |
| Non-recourse loans | | 10,868 | 10,808 | 1,515 |
| | Japan | 10,868 | 10,808 | 1,515 |
| | U.S. | 19,826 | 19,790 | 7,960 |
| Other | | 35,825 | 35,693 | 12,779 |
| | Real estate companies | 35,825 | 35,693 | 12,779 |
| | Entertainment companies | 9,868 | 9,828 | 1,845 |
| | Other | 44,431 | 43,888 | 14,524 |
| Purchased loans | | 23,619 | 23,619 | 12,536 |

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- *1 With no related allowance recorded represents impaired loans with no allowance for credit losses as all amounts are considered to be collectible.
- *2 With an allowance recorded represents impaired loans with the allowance for credit losses as all or a part of the amounts are not considered to be collectible.

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The Company and its subsidiaries recognize installment loans other than purchased loans and loans to consumer borrowers as impaired loans when principal or interest is past-due 90 days or more, or it is probable that the Company and its subsidiaries will be unable to collect all amounts due according to the contractual terms of the loan agreements due to various debtor conditions, including insolvency filings, suspension of bank transactions, dishonored bills and deterioration of businesses. For non-recourse loans, in addition to these conditions, the Company and its subsidiaries perform an impairment review using financial covenants, acceleration clauses, loan-to-value ratios, and other relevant available information.

For purchased loans, the Company and its subsidiaries recognize them as impaired loans when it is probable that the Company and its subsidiaries will be unable to collect book values of the remaining investment due to factors such as a decline in the real estate collateral value and debtors' creditworthiness since the acquisition of these loans.

The Company and its subsidiaries consider that loans to consumer borrowers, including housing loans, card loans and other, are impaired when terms of these loans are modified as troubled debt restructurings.

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

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

The following table provides information about the average recorded investments in impaired loans and interest income on impaired loans for the nine and three months ended December 31, 2012 and 2013:

| | | Nine months ended December 31, 2012 | | |
|----------------------------|-------------------------|---|--------------------|----------------------------|
| | | Millions of yen | | |
| Portfolio segment | Class | Average Recorded | Interest Income on | Interest on |
| | | Investments in Impaired Loans* | Impaired Loans | Loans Collected in Cash |
| Consumer borrowers | | ¥ 9,267 | ¥ 163 | ¥ 126 |
| | Housing loans | 8,669 | 153 | 118 |
| | Card loans | 499 | 8 | 6 |
| | Other | 99 | 2 | 2 |
| Corporate borrowers | | 233,227 | 3,356 | 3,232 |
| Non-recourse loans | Japan | 40,748 | 210 | 207 |
| | U.S. | 42,970 | 1,170 | 1,170 |
| Other | Real estate companies | 66,050 | 750 | 696 |
| | Entertainment companies | 17,545 | 327 | 316 |
| | Other | 65,914 | 899 | 843 |
| Purchased loans | | 29,245 | 0 | 0 |

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Total:

¥ 271,739

¥

3,519

¥

3,358

60

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Nine months ended December 31, 2013

| | | Millions of yen | | |
|----------------------------|-------------------------|------------------|--------------------|--------------|
| Portfolio segment | Class | Average Recorded | Interest Income on | Interest on |
| | | Investments | | |
| | | in | | Loans |
| | | Impaired | | Collected in |
| | | Loans* | | Cash |
| Consumer borrowers | | ¥ 11,357 | ¥ 236 | ¥ 181 |
| | Housing loans | 8,175 | 191 | 145 |
| | Card loans | 2,329 | 28 | 22 |
| | Other | 853 | 17 | 14 |
| Corporate borrowers | | 143,421 | 2,803 | 2,709 |
| Non-recourse loans | Japan | 17,904 | 214 | 201 |
| | U.S. | 24,641 | 518 | 518 |
| Other | Real estate companies | 41,200 | 699 | 681 |
| | Entertainment companies | 10,889 | 347 | 320 |
| | Other | 48,787 | 1,025 | 989 |
| Purchased loans | | 26,216 | 0 | 0 |
| Total | | ¥ 180,994 | ¥ 3,039 | ¥ 2,890 |

Three months ended December 31, 2012

| | | Millions of yen | | |
|----------------------------|-------------------------|-----------------|-----------------|--------------|
| Portfolio segment | Class | Average | Interest Income | Interest on |
| | | Recorded | | |
| | | Investments in | Impaired Loans | Loans |
| | | Impaired | | Collected in |
| | | Loans* | | Cash |
| Consumer borrowers | | ¥ 9,852 | ¥ 81 | ¥ 80 |
| | Housing loans | 8,657 | 74 | 74 |
| | Card loans | 998 | 6 | 5 |
| | Other | 197 | 1 | 1 |
| Corporate borrowers | | 217,314 | 1,046 | 1,018 |
| Non-recourse loans | Japan | 35,752 | 44 | 44 |
| | U.S. | 45,732 | 385 | 385 |
| Other | Real estate companies | 59,450 | 242 | 226 |
| | Entertainment companies | 14,538 | 59 | 56 |
| | Other | 61,842 | 316 | 307 |
| Purchased loans | | 26,727 | 0 | 0 |
| Total: | | ¥ 253,893 | ¥ 1,127 | ¥ 1,098 |

Three months ended December 31, 2013

| | | Millions of yen | | |
|----------------------------|---------------|-----------------|-----------------|--------------|
| Portfolio segment | Class | Average | Interest Income | Interest on |
| | | Recorded | | |
| | | Investments | Impaired Loans | Loans |
| | | in | | Collected in |
| | | Impaired | | Cash |
| | | Loans* | | |
| Consumer borrowers | | ¥ 11,617 | ¥ 76 | ¥ 49 |
| | Housing loans | 7,906 | 60 | 34 |
| | Card loans | 2,616 | 9 | 8 |
| | Other | 1,095 | 7 | 7 |
| Corporate borrowers | | 125,420 | 891 | 857 |

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| | | | | |
|------------------------|-------------------------|-----------|-------|-------|
| Non-recourse loans | Japan | 13,089 | 92 | 80 |
| | U.S. | 20,193 | 103 | 103 |
| Other | Real estate companies | 36,882 | 228 | 223 |
| | Entertainment companies | 10,030 | 106 | 97 |
| | Other | 45,226 | 362 | 354 |
| Purchased loans | | 24,330 | 0 | 0 |
| Total | | ¥ 161,367 | ¥ 967 | ¥ 906 |

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

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The following table provides information about the credit quality indicators as of March 31, 2013 and December 31, 2013:

| | | March 31, 2013 | | | | |
|--------------------------------|-------------------------|----------------|---|---|-----------------|-------------|
| | | | | | Millions of yen | |
| | | | | | Non-performing | |
| | | | | | 90+ days | |
| | | | | | past-due | |
| | | | | | loans not | |
| | | | | | individually | |
| | | | | | evaluated for | |
| | | | | | impairment | |
| Portfolio segment | Class | Performing | Loans individually evaluated for impairment | Loans individually evaluated for impairment | Subtotal | Total |
| Consumer borrowers | | ¥ 1,152,536 | ¥ 10,861 | ¥ 7,745 | ¥ 18,606 | ¥ 1,171,142 |
| | Housing loans | 901,895 | 8,499 | 6,397 | 14,896 | 916,791 |
| | Card loans | 223,130 | 1,858 | 719 | 2,577 | 225,707 |
| | Other | 27,511 | 504 | 629 | 1,133 | 28,644 |
| Corporate borrowers | | 1,258,517 | 172,772 | 0 | 172,772 | 1,431,289 |
| Non-recourse loans | Japan | 111,025 | 23,415 | 0 | 23,415 | 134,440 |
| | U.S. | 396,882 | 37,635 | 0 | 37,635 | 434,517 |
| Other | Real estate companies | 229,555 | 47,126 | 0 | 47,126 | 276,681 |
| | Entertainment companies | 109,222 | 12,037 | 0 | 12,037 | 121,259 |
| | Other | 411,833 | 52,559 | 0 | 52,559 | 464,392 |
| Purchased loans | | 41,694 | 29,107 | 0 | 29,107 | 70,801 |
| Direct financing leases | | 973,574 | 0 | 15,806 | 15,806 | 989,380 |
| | Japan | 680,351 | 0 | 12,234 | 12,234 | 692,585 |
| | Overseas | 293,223 | 0 | 3,572 | 3,572 | 296,795 |
| Total: | | ¥ 3,426,321 | ¥ 212,740 | ¥ 23,551 | ¥ 236,291 | ¥ 3,662,612 |

| | | December 31, 2013 | | | | |
|--------------------------------|-------------------------|-------------------|---|---|-----------------|-------------|
| | | | | | Millions of yen | |
| | | | | | Non-performing | |
| | | | | | 90+ days | |
| | | | | | past-due | |
| | | | | | loans not | |
| | | | | | individually | |
| | | | | | evaluated for | |
| | | | | | impairment | |
| Portfolio segment | Class | Performing | Loans individually evaluated for impairment | Loans individually evaluated for impairment | Subtotal | Total |
| Consumer borrowers | | ¥ 1,193,643 | ¥ 11,669 | ¥ 6,932 | ¥ 18,601 | ¥ 1,212,244 |
| | Housing loans | 945,823 | 7,677 | 5,087 | 12,764 | 958,587 |
| | Card loans | 222,137 | 2,746 | 817 | 3,563 | 225,700 |
| | Other | 25,683 | 1,246 | 1,028 | 2,274 | 27,957 |
| Corporate borrowers | | 905,434 | 120,818 | 0 | 120,818 | 1,026,252 |
| Non-recourse loans | Japan | 72,607 | 10,868 | 0 | 10,868 | 83,475 |
| | U.S. | 104,866 | 19,826 | 0 | 19,826 | 124,692 |
| Other | Real estate companies | 209,147 | 35,825 | 0 | 35,825 | 244,972 |
| | Entertainment companies | 102,032 | 9,868 | 0 | 9,868 | 111,900 |
| | Other | 416,782 | 44,431 | 0 | 44,431 | 461,213 |
| Purchased loans | | 33,019 | 23,619 | 0 | 23,619 | 56,638 |
| Direct financing leases | | 1,048,813 | 0 | 15,440 | 15,440 | 1,064,253 |
| | Japan | 720,990 | 0 | 11,140 | 11,140 | 732,130 |
| | Overseas | 327,823 | 0 | 4,300 | 4,300 | 332,123 |

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| | | | | | |
|--------------|-------------|-----------|----------|-----------|-------------|
| Total | ¥ 3,180,909 | ¥ 156,106 | ¥ 22,372 | ¥ 178,478 | ¥ 3,359,387 |
|--------------|-------------|-----------|----------|-----------|-------------|

Note: Loans held for sale are not included in the table above.

In common with all classes, the Company and its subsidiaries monitor the credit quality indicators as performing and non-performing assets. The category of non-performing assets includes financing receivables for debtors who have filed for insolvency proceedings, whose bank transactions are suspended, whose bills are dishonored, whose repayment is past-due 90 days or more, or financing receivables modified as troubled debt restructurings, and performing assets include all other financing receivables. Regarding purchased loans, they are classified as non-performing assets when considered impaired, while all the other loans are included in the category of performing assets.

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Out of non-performing assets, the Company and its subsidiaries consider smaller balance homogeneous loans, including housing loans and card loans which are not restructured and direct financing leases, as 90 days or more past-due financing receivables not individually evaluated for impairment, and consider the others as loans individually evaluated for impairment. After the Company and its subsidiaries have set aside provision for those non-performing assets, the Company and its subsidiaries continue to monitor at least on a quarterly basis the quality of any underlying collateral, the status of management of the debtors and other important factors in order to report to management and develop additional provision as necessary.

The following table provides information about the non-accrual and past-due financing receivables as of March 31, 2013 and December 31, 2013:

| | | March 31, 2013 | | | | |
|--------------------------------|-------------------------|--------------------------------|-----------|-----------|-------------|-------------|
| | | Millions of yen | | | | |
| | | Past-due financing receivables | | | | |
| Portfolio segment | Class | 30-89 | 90 days | Total | Total | Non-accrual |
| | | days | or more | past-due | financing | |
| | | past-due | past-due | past-due | receivables | |
| Consumer borrowers | | ¥ 4,699 | ¥ 12,170 | ¥ 16,869 | ¥ 1,171,142 | ¥ 12,170 |
| | Housing loans | 3,650 | 10,422 | 14,072 | 916,791 | 10,422 |
| | Card loans | 738 | 1,078 | 1,816 | 225,707 | 1,078 |
| | Other | 311 | 670 | 981 | 28,644 | 670 |
| Corporate borrowers | | 64,539 | 73,876 | 138,415 | 1,431,289 | 73,876 |
| Non-recourse loans | Japan | 0 | 15,211 | 15,211 | 134,440 | 15,211 |
| | U.S. | 59,532 | 7,516 | 67,048 | 434,517 | 7,516 |
| Other | Real estate companies | 1,324 | 23,921 | 25,245 | 276,681 | 23,921 |
| | Entertainment companies | 437 | 1,542 | 1,979 | 121,259 | 1,542 |
| | Other | 3,246 | 25,686 | 28,932 | 464,392 | 25,686 |
| Direct financing leases | | 5,480 | 15,806 | 21,286 | 989,380 | 15,806 |
| | Japan | 1,467 | 12,234 | 13,701 | 692,585 | 12,234 |
| | Overseas | 4,013 | 3,572 | 7,585 | 296,795 | 3,572 |
| Total: | | ¥ 74,718 | ¥ 101,852 | ¥ 176,570 | ¥ 3,591,811 | ¥ 101,852 |

| | | December 31, 2013 | | | | |
|--------------------------------|-------------------------|--------------------------------|----------|-----------|-------------|-------------|
| | | Millions of yen | | | | |
| | | Past-due financing receivables | | | | |
| Portfolio segment | Class | 30-89 | 90 days | Total | Total | Non-accrual |
| | | days | or more | past-due | financing | |
| | | past-due | past-due | past-due | receivables | |
| Consumer borrowers | | ¥ 3,596 | ¥ 11,324 | ¥ 14,920 | ¥ 1,212,244 | ¥ 11,324 |
| | Housing loans | 2,314 | 8,911 | 11,225 | 958,587 | 8,911 |
| | Card loans | 664 | 1,292 | 1,956 | 225,700 | 1,292 |
| | Other | 618 | 1,121 | 1,739 | 27,957 | 1,121 |
| Corporate borrowers | | 19,839 | 60,258 | 80,097 | 1,026,252 | 69,211 |
| Non-recourse loans | Japan | 0 | 7,699 | 7,699 | 83,475 | 7,699 |
| | U.S. | 17,290 | 7,790 | 25,080 | 124,692 | 14,466 |
| Other | Real estate companies | 572 | 18,723 | 19,295 | 244,972 | 18,723 |
| | Entertainment companies | 58 | 913 | 971 | 111,900 | 913 |
| | Other | 1,919 | 25,133 | 27,052 | 461,213 | 27,410 |
| Direct financing leases | | 5,214 | 15,440 | 20,654 | 1,064,253 | 15,440 |
| | Japan | 1,554 | 11,140 | 12,694 | 732,130 | 11,140 |
| | Overseas | 3,660 | 4,300 | 7,960 | 332,123 | 4,300 |
| Total | | ¥ 28,649 | ¥ 87,022 | ¥ 115,671 | ¥ 3,302,749 | ¥ 95,975 |

Note: Loans held for sale and purchased loans are not included in the table above. In common with all classes, the Company and its subsidiaries consider financing receivables as past-due financing receivables when principal or interest is past-due 30 days or more. Loans whose terms have been modified are not classified as past-due financing receivables if the principals and interests are not past-due 30 days or more in accordance with the modified terms.

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The Company and its subsidiaries suspend accruing revenues on past-due installment loans and direct financing leases when principal or interest is past-due 90 days or more, or earlier, if management determines that their collections are doubtful based on factors such as individual debtors creditworthiness, historical loss experience, current delinquencies and delinquency trends. Cash repayments received on non-accrual loans are applied first against past due interest and then any surpluses are applied to principal in view of the conditions of the contract and obligors. The Company and its subsidiaries return to accrual status non-accrual loans and lease receivables when it becomes probable that the Company and its subsidiaries will be able to collect all amounts due according to the contractual terms of these loans and lease receivables, as evidenced by continual payments from the debtors. The period of such continual payments before returning to accrual status varies depending on factors that we consider are relevant in assessing the debtor's creditworthiness, such as the debtor's business characteristics and financial conditions as well as relevant economic conditions and trends.

The following table provides information about troubled debt restructurings of financing receivables that occurred during the nine months ended December 31, 2012 and 2013, and during the three months ended December 31, 2012 and 2013:

Nine months ended December 31, 2012

| Portfolio segment | Class | Millions of yen | |
|----------------------------|-----------------------|--|---|
| | | Pre-modification Outstanding Recorded Investment | Post-modification Outstanding Recorded Investment |
| Consumer borrowers | | ¥ 2,337 | ¥ 1,627 |
| | Housing loans | 807 | 612 |
| | Card loans | 1,158 | 771 |
| | Other | 372 | 244 |
| Corporate borrowers | | 4,188 | 3,904 |
| Non-recourse loans | Japan | 2,245 | 2,245 |
| | U.S. | 700 | 700 |
| Other | Real estate companies | 388 | 323 |
| | Other | 855 | 636 |
| Total: | | ¥ 6,525 | ¥ 5,531 |

Nine months ended December 31, 2013

| Portfolio segment | Class | Millions of yen | |
|----------------------------|-------------------------|--|---|
| | | Pre-modification Outstanding Recorded Investment | Post-modification Outstanding Recorded Investment |
| Consumer borrowers | | ¥ 2,583 | ¥ 1,651 |
| | Housing loans | 443 | 208 |
| | Card loans | 1,335 | 938 |
| | Other | 805 | 505 |
| Corporate borrowers | | 7,643 | 5,952 |
| Non-recourse loans | Japan | 3,381 | 2,264 |
| | U.S. | 902 | 902 |
| Other | Real estate companies | 122 | 89 |
| | Entertainment companies | 135 | 65 |
| | Other | 3,103 | 2,632 |
| Total: | | ¥ 10,226 | ¥ 7,603 |

Table of Contents**Three months ended December 31, 2012**

| Portfolio segment | Class | Millions of yen | |
|----------------------------|-----------------------|--|---|
| | | Pre-modification Outstanding Recorded Investment | Post-modification Outstanding Recorded Investment |
| Consumer borrowers | | ¥ 1,058 | ¥ 661 |
| | Housing loans | 375 | 225 |
| | Card loans | 498 | 323 |
| | Other | 185 | 113 |
| Corporate borrowers | | 1,215 | 1,119 |
| Non-recourse loans | U.S. | 700 | 700 |
| Other | Real estate companies | 274 | 213 |
| | Other | 241 | 206 |
| Total: | | ¥ 2,273 | ¥ 1,780 |

Three months ended December 31, 2013

| Portfolio segment | Class | Millions of yen | |
|----------------------------|-------------------------|--|---|
| | | Pre-modification Outstanding Recorded Investment | Post-modification Outstanding Recorded Investment |
| Consumer borrowers | | ¥ 780 | ¥ 479 |
| | Housing loans | 171 | 81 |
| | Card loans | 341 | 234 |
| | Other | 268 | 164 |
| Corporate borrowers | | 4,215 | 2,552 |
| Non-recourse loans | Japan | 3,381 | 2,264 |
| Other | Real estate companies | 56 | 43 |
| | Entertainment companies | 135 | 65 |
| | Other | 643 | 180 |
| Total: | | ¥ 4,995 | ¥ 3,031 |

A troubled debt restructuring is defined as a restructuring of a financing receivable in which the creditor grants a concession to the debtor for economic or other reasons related to the debtor's financial difficulties.

The Company and its subsidiaries offer various types of concessions to our debtors to protect as much of our investment as possible in troubled debt restructurings. For the debtors of non-recourse loans, the Company and its subsidiaries offer concessions including an extension of the maturity date at an interest rate lower than the current market rate for a debt with similar risk characteristics. For the debtors of all financing receivables other than non-recourse loans, the Company and its subsidiaries offer concessions such as a reduction of the loan principal, a temporary reduction in the interest payments, or an extension of the maturity date at an interest rate lower than the current market rate for a debt with similar risk characteristics. In addition, the Company and its subsidiaries may acquire collateral assets from the debtors in troubled debt restructurings to satisfy fully or partially the loan principal or past due interest.

In common with all portfolio segments, financing receivables modified as troubled debt restructurings are recognized as impaired and are individually evaluated for a valuation allowance. In most cases, these financing receivables have already been considered impaired and individually evaluated for allowance for credit losses prior to the restructurings. However, as a result of the restructuring, the Company and its subsidiaries may recognize additional provision for the restructured receivables.

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The following table provides information about financing receivables modified as troubled debt restructurings within the previous 12 months from December 31, 2012 and for which there was a payment default during the nine and three months ended December 31, 2012:

| | | Nine months ended December 31, 2012 | |
|----------------------------|-----------------------|--|-----|
| Portfolio segment | Class | Millions of yen Recorded Investment | |
| Consumer borrowers | | ¥ | 159 |
| | Housing loans | | 153 |
| | Card loans | | 4 |
| | Other | | 2 |
| Corporate borrowers | | | 291 |
| Other | Real estate companies | | 246 |
| | Other | | 45 |
| Total: | | ¥ | 450 |

| | | Three months ended December 31, 2012 | |
|----------------------------|---------------|--|-----|
| Portfolio segment | Class | Millions of yen Recorded Investment | |
| Consumer borrowers | | ¥ | 70 |
| | Housing loans | | 64 |
| | Card loans | | 4 |
| | Other | | 2 |
| Corporate borrowers | | | 45 |
| Other | Other | | 45 |
| Total: | | ¥ | 115 |

The following table provides information about financing receivables modified as troubled debt restructurings within the previous 12 months from December 31, 2013 and for which there was a payment default during the nine and three months ended December 31, 2013:

| | | Nine months ended December 31, 2013 | |
|----------------------------|---------------|--|-----|
| Portfolio segment | Class | Millions of yen Recorded Investment | |
| Consumer borrowers | | ¥ | 50 |
| | Housing loans | | 19 |
| | Card loans | | 30 |
| | Other | | 1 |
| Corporate borrowers | | | 221 |
| Other | Other | | 221 |
| Total: | | ¥ | 271 |

| | | Three months ended December 31, 2013 | |
|----------------------------|------------|--|----|
| Portfolio segment | Class | Millions of yen Recorded Investment | |
| Consumer borrowers | | ¥ | 17 |
| | Card loans | | 17 |
| Corporate borrowers | | | 49 |
| Other | Other | | 49 |

| | | |
|---------------|---|----|
| Total: | ¥ | 66 |
|---------------|---|----|

The Company and its subsidiaries consider financing receivables whose terms have been modified in a restructuring as defaulted receivables when principal or interest is past-due 90 days or more in accordance with the modified terms.

In common with all portfolio segments, the Company and its subsidiaries suspend accruing revenues and may recognize additional provision as necessary for the defaulted financing receivables.

Table of Contents**6. Investment in Securities**

Investment in securities at March 31, 2013 and December 31, 2013 consists of the following:

| | Millions of yen | |
|-------------------------------|-----------------|-------------------|
| | March 31, 2013 | December 31, 2013 |
| Trading securities | ¥ 33,041 | ¥ 15,599 |
| Available-for-sale securities | 757,299 | 808,402 |
| Held-to-maturity securities | 89,451 | 96,159 |
| Other securities | 213,877 | 232,974 |
| | ¥ 1,093,668 | ¥ 1,153,134 |

Other securities consist mainly of non-marketable equity securities and preferred capital shares carried at cost and investment funds carried at an amount that reflects equity income and loss based on the Company's share.

Since April 1, 2012, a subsidiary elected the fair value option under ASC 825-10 (Financial Instruments - Fair Value Option) for certain funds purchased at a discount on the secondary market and an investment in a drug royalty trust. Due to the illiquid nature of these investments, the net asset value from the funds/royalty trust does not appear to be indicative of the fair value. The election of the fair value option enables the subsidiary to use more appropriate assumptions for internal cash flow modeling and reflect the fair value of these investments more properly on the financial statements. As of March 31, 2013 and December 31, 2013, there were ¥5,800 million and ¥8,730 million of investments measured at fair value by electing the fair value option included in other securities.

The amortized cost basis amounts, gross unrealized holding gains, gross unrealized holding losses and fair values of available-for-sale securities and held-to-maturity securities in each major security type at March 31, 2013 and December 31, 2013 are as follows:

March 31, 2013

| | Millions of yen | | | |
|--|-----------------|------------------------|-------------------------|------------|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| Available-for-sale: | | | | |
| Japanese and foreign government bond securities | ¥ 276,832 | ¥ 1,906 | ¥ (21) | ¥ 278,717 |
| Japanese prefectural and foreign municipal bond securities | 58,571 | 2,519 | 0 | 61,090 |
| Corporate debt securities | 193,973 | 3,809 | (947) | 196,835 |
| Specified bonds issued by SPEs in Japan | 64,159 | 116 | (1,031) | 63,244 |
| CMBS and RMBS in the U.S., and other asset-backed securities | 59,419 | 3,480 | (2,208) | 60,691 |
| Other debt securities | 7,367 | 944 | 0 | 8,311 |
| Equity securities | 53,869 | 34,703 | (161) | 88,411 |
| | 714,190 | 47,477 | (4,368) | 757,299 |
| Held-to-maturity: | | | | |
| Japanese government bond securities and other | 89,451 | 9,020 | 0 | 98,471 |
| | ¥ 803,641 | ¥ 56,497 | ¥ (4,368) | ¥ 855,770 |

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December 31, 2013

| | Millions of yen | | | |
|--|-----------------|------------------------|-------------------------|------------|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| Available-for-sale: | | | | |
| Japanese and foreign government bond securities | ¥ 336,305 | ¥ 857 | ¥ (303) | ¥ 336,859 |
| Japanese prefectural and foreign municipal bond securities | 80,906 | 1,741 | (138) | 82,509 |
| Corporate debt securities | 196,065 | 2,127 | (964) | 197,228 |
| Specified bonds issued by SPEs in Japan | 14,829 | 73 | (173) | 14,729 |
| CMBS and RMBS in the U.S., and other asset-backed securities | 39,878 | 2,636 | (976) | 41,538 |
| Other debt securities | 8,508 | 1,568 | 0 | 10,076 |
| Equity securities | 72,875 | 54,705 | (2,117) | 125,463 |
| | 749,366 | 63,707 | (4,671) | 808,402 |
| Held-to-maturity: | | | | |
| Japanese government bond securities and other | 96,159 | 6,263 | (6) | 102,416 |
| | ¥ 845,525 | ¥ 69,970 | ¥ (4,677) | ¥ 910,818 |

The following tables provide information about available-for-sale securities and held-to-maturity securities with gross unrealized losses and the length of time that individual securities have been in a continuous unrealized loss portion as of March 31, 2013 and December 31, 2013.

March 31, 2013

| | Millions of yen | | | | | |
|--|---------------------|-------------------------|-------------------|-------------------------|------------|-------------------------|
| | Less than 12 months | | 12 months or more | | Total | |
| | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| Available-for-sale: | | | | | | |
| Japanese and foreign government bond securities | ¥ 85,842 | ¥ (21) | ¥ 0 | ¥ 0 | ¥ 85,842 | ¥ (21) |
| Japanese prefectural and foreign municipal bond securities | 10,118 | 0 | 0 | 0 | 10,118 | 0 |
| Corporate debt securities | 4,490 | (69) | 16,329 | (878) | 20,819 | (947) |
| Specified bonds issued by SPEs in Japan | 3,929 | (106) | 34,226 | (925) | 38,155 | (1,031) |
| CMBS and RMBS in the U.S., and other asset-backed securities | 2,142 | (44) | 8,141 | (2,164) | 10,283 | (2,208) |
| Equity securities | 1,315 | (142) | 318 | (19) | 1,633 | (161) |
| | ¥ 107,836 | ¥ (382) | ¥ 59,014 | ¥ (3,986) | ¥ 166,850 | ¥ (4,368) |

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December 31, 2013

| | Less than 12 months | | Millions of yen 12 months or more | | Total | |
|--|---------------------|-------------------------------|--------------------------------------|-------------------------------|------------|-------------------------------|
| | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| Available-for-sale: | | | | | | |
| Japanese and foreign government bond securities | ¥ 187,379 | ¥ (303) | ¥ 0 | ¥ 0 | ¥ 187,379 | ¥ (303) |
| Japanese prefectural and foreign municipal bond securities | 33,026 | (138) | 0 | 0 | 33,026 | (138) |
| Corporate debt securities | 38,959 | (86) | 12,036 | (878) | 50,995 | (964) |
| Specified bonds issued by SPEs in Japan | 0 | 0 | 2,113 | (173) | 2,113 | (173) |
| CMBS and RMBS in the U.S., and other asset-backed securities | 3,403 | (58) | 2,753 | (918) | 6,156 | (976) |
| Equity securities | 13,495 | (1,975) | 436 | (142) | 13,931 | (2,117) |
| | 276,262 | (2,560) | 17,338 | (2,111) | 293,600 | (4,671) |
| Held-to-maturity: | | | | | | |
| Japanese government bond securities | 1,003 | (6) | 0 | 0 | 1,003 | (6) |
| | ¥ 277,265 | ¥ (2,566) | ¥ 17,338 | ¥ (2,111) | ¥ 294,603 | ¥ (4,677) |

The number of investment securities that were in an unrealized loss position as of March 31, 2013 and December 31, 2013, respectively were 132 and 198. The gross unrealized losses on these securities are attributable to a number of factors including changes in interest rates, credit spreads and market trends.

For debt securities, in the case of the fair value being below the amortized cost, the Company and its subsidiaries consider whether those securities are other-than-temporarily impaired using all available information about the collectibility. 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 Company and its subsidiaries do not expect to recover the entire amortized cost of the security (that is, a credit loss exists). In assessing whether a credit loss exists, the Company and its subsidiaries compare the present value of the expected cash flows to the security's amortized cost basis at the balance sheet date.

Debt securities with unrealized loss position mainly include corporate debt securities in Japan, specified bonds issued by special purpose entities in Japan and CMBS and RMBS.

The unrealized loss associated with corporate debt securities is primarily due to changes in the market interest rate and risk premium. Considering all available information to assess the collectibility of those investments (such as the financial condition of and business prospects for the issuers), the Company and its subsidiaries believe that the Company and its subsidiaries are able to recover the entire amortized cost basis of those investments. Because the Company and its subsidiaries do not intend to sell the investments and it is not more likely than not that the Company and its subsidiaries will be required to sell the investments before recovery of their amortized cost basis, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired at December 31, 2013.

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The unrealized loss associated with specified bonds is primarily due to changes in the market interest rate and risk premium because of deterioration in the real estate market in Japan and the credit crunch in the capital and financial markets. Considering all available information to assess the collectibility of those investments (such as performance and value of the underlying real estate, and seniority of the bonds), the Company and its subsidiaries believe that the Company and its subsidiaries are able to recover the entire amortized cost basis of those investments. Because the Company and its subsidiaries do not intend to sell the investments and it is not more likely than not that the Company and its subsidiaries will be required to sell the investments before recovery of their amortized cost basis, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired at December 31, 2013.

The unrealized loss associated with CMBS and RMBS is primarily caused by changes in credit spreads and interest rates. In order to determine whether a credit loss exists, the Company and its subsidiaries estimate the present value of anticipated cash flows, discounted at the current yield to accrete the security. The cash flows are estimated based on a number of assumptions such as default rate and prepayment speed, as well as seniority of the security. Then, a credit loss is assessed by comparing the present value of the expected cash flows to the security's amortized cost basis. Based on that assessment, the Company and its subsidiaries expect to recover the entire amortized cost basis. Because the Company and its subsidiaries do not intend to sell the investments and it is not more likely than not that the Company and its subsidiaries will be required to sell the investments before recovery of their amortized cost basis, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired at December 31, 2013.

For equity securities with unrealized losses, the Company and its subsidiaries consider various factors to determine whether the decline is other-than-temporary, including the length of time and the extent to which the fair value has been less than the carrying value and the issuer's specific economic conditions as well as the ability and intent to hold these securities for a period of time sufficient to recover the securities carrying amounts. Based on our ongoing monitoring process, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired at December 31, 2013.

The total other-than-temporary impairment with an offset for the amount of the total other-than-temporary impairment recognized in other comprehensive income (loss) for nine months ended December 31, 2012 and 2013 are as follows:

| | Millions of yen | |
|---|--|---|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Total other-than-temporary impairment losses | ¥ 20,891 | ¥ 2,372 |
| Portion of loss recognized in other comprehensive income (before taxes) | (130) | (3) |
| Net impairment losses recognized in earnings | ¥ 20,761 | ¥ 2,369 |

The total other-than-temporary impairment with an offset for the amount of the total other-than-temporary impairment recognized in other comprehensive income (loss) for three months ended December 31, 2012 and 2013 are as follows:

| | Millions of yen | |
|---|---|--|
| | Three months ended December 31, 2012 | Three months ended December 31, 2013 |
| Total other-than-temporary impairment losses | ¥ 9,213 | ¥ 369 |
| Portion of loss recognized in other comprehensive income (before taxes) | (128) | (3) |
| Net impairment losses recognized in earnings | ¥ 9,085 | ¥ 366 |

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Total other-than-temporary impairment losses for the nine and three months ended December 31, 2012 relate to equity securities and debt securities. Total other-than-temporary impairment losses for the nine and three months ended December 31, 2013 relate to equity securities and debt securities.

During the nine months ended December 31, 2012, other-than-temporary impairment losses related to debt securities are recognized mainly on certain specified bonds, which have experienced credit losses due to significant decline in the value of the underlying assets. During the nine months ended December 31, 2013, other-than-temporary impairment losses related to debt securities are recognized on certain mortgage-backed securities, which have experienced credit losses due to a decrease in cash flows attributable to significant default and bankruptcies on the underlying loans. Because the Company and its subsidiaries do not intend to sell these securities and it is not more likely than not that the Company and its subsidiaries will be required to sell these securities before recovery of their amortized cost basis, the Company and its subsidiaries charged only the credit loss component of the total impairment to earnings with the remaining non-credit component recognized in other comprehensive income (loss). The credit loss assessment was made by comparing the securities' amortized cost basis with the portion of the estimated fair value of the underlying assets available to repay the specified bonds, that were estimated based on a number of assumptions such as seniority of the security.

Roll-forwards of the amount related to credit losses on other-than-temporarily impaired debt securities recognized in earnings for nine months ended December 31, 2012 and 2013 are as follows:

| | Millions of yen | |
|--|--|---|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Beginning | ¥ 8,199 | ¥ 7,809 |
| Addition during the period: | | |
| Credit loss for which an other-than-temporary impairment was not previously recognized | 110 | 8 |
| Credit loss for which an other-than-temporary impairment was previously recognized | 651 | 0 |
| Reduction during the period: | | |
| For securities sold | (899) | (3,609) |
| Due to change in intent to sell or requirement to sell | (595) | (1,896) |
| Ending | ¥ 7,466 | ¥ 2,312 |

Roll-forwards of the amount related to credit losses on other-than-temporarily impaired debt securities recognized in earnings for three months ended December 31, 2012 and 2013 are as follows:

| | Millions of yen | |
|--|---|--|
| | Three months ended December 31, 2012 | Three months ended December 31, 2013 |
| Beginning | ¥ 8,194 | ¥ 2,648 |
| Addition during the period: | | |
| Credit loss for which an other-than-temporary impairment was not previously recognized | 0 | 8 |
| Credit loss for which an other-than-temporary impairment was previously recognized | 293 | 0 |
| Reduction during the period: | | |
| For securities sold | (692) | (100) |
| Due to change in intent to sell or requirement to sell | (329) | (244) |
| Ending | ¥ 7,466 | ¥ 2,312 |

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At March 31, 2013, other-than-temporary impairment related to the non-credit losses arising from debt securities for which other-than-temporary impairment related to the credit loss had been recognized in earnings according to ASC 320-10-35-34 (Investments Debt and Equity Securities Recognition of Other-Than-Temporary Impairments) was included in unrealized gains/losses (before taxes) of CMBS and RMBS in the U.S., and other asset-backed securities, with gross unrealized losses of ¥435 million, and was included in unrealized gains/losses (after taxes) of accumulated other comprehensive income, with gross unrealized losses of ¥277 million.

At December 31, 2013, other-than-temporary impairment related to the non-credit losses arising from debt securities for which other-than-temporary impairment related to the credit loss had been recognized in earnings was included in unrealized gains/losses (before taxes) of CMBS and RMBS in the U.S., and other asset-backed securities, with gross unrealized gains of ¥184 million and unrealized losses of ¥93 million, and was included in unrealized gains/losses (after taxes) of accumulated other comprehensive income, with gross unrealized gains of ¥118 million and unrealized losses of ¥60 million.

The unrealized gains/losses include unrealized gains/losses on impaired securities relating to changes in the value of such securities subsequent to the impairment measurement date.

The aggregate carrying amount of other securities accounted for under the cost method totaled ¥86,406 million and ¥83,904 million at March 31, 2013 and December 31, 2013, respectively. Investments with an aggregated cost of ¥83,591 million and ¥83,183 million, respectively, were not evaluated for impairment because the Company and its subsidiaries did not identify any events or changes in circumstances that might have had a significant adverse effect on the fair value of these investments and it was not practicable to estimate the fair value of the investments.

Included in interest on loans and investment securities in the consolidated statements of income is interest income on investment securities of ¥8,770 million and ¥9,754 million, for the nine months ended December 31, 2012 and 2013, respectively. Included in interest on loans and investment securities in the consolidated statements of income is interest income on investment securities of ¥2,137 million and ¥2,894 million, for the three months ended December 31, 2012 and 2013, respectively.

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7. Securitization Transactions

The Company and its subsidiaries have securitized various financial assets such as direct financing lease receivables, installment loans (commercial mortgage loans, housing loans and other) and investment in securities.

In the securitization process, these financial assets are transferred to various vehicles (the SPEs), such as trusts and special-purpose companies that issue beneficial interests of the securitization trusts and securities backed by the financial assets to investors. The cash flows collected from these assets transferred to the SPEs are then used to repay these asset-backed beneficial interests and securities. As the transferred assets are isolated from the Company and its subsidiaries, the investors and the SPEs have no recourse to other assets of the Company and its subsidiaries in cases where the debtors or the issuers of the transferred financial assets fail to perform under the original terms of those financial assets. The Company and its subsidiaries often retain interests in the SPEs in the form of the beneficial interest of the securitization trusts. Those interests that continue to be held include interests in the transferred assets and are often subordinate to other tranche(s) of the securitization. Those beneficial interests that continue to be held by the Company and its subsidiaries are subject to credit risk, interest rate risk and prepayment risk on the securitized financial assets. With regards to these subordinated interests that the Company and its subsidiaries retain, they are subordinated to the senior investments and are exposed to different credit and prepayment risks, since they first absorb the risk of the decline in the cash flows from the financial assets transferred to the SPEs for defaults and prepayment of the transferred assets. If there is any excess cash remaining in the SPEs after payment to investors in the securitization of the contractual rate of returns, most of such excess cash is distributed to the Company and its subsidiaries for payments of the subordinated interests.

Until March 31, 2010, the Company and its subsidiaries did not consolidate qualified special-purpose entities (QSPEs) meeting certain requirements and the Company and its subsidiaries accounted for the transfer of financial assets to QSPEs as a sale when control over the financial assets was surrendered.

From April 1, 2010, the Company and its subsidiaries apply Accounting Standards Update 2009-16 (ASC 860 (Transfers and Servicing)). This Update removes the concept of a QSPE and removes the exception from applying ASC 810-10 (Consolidation Variable Interest Entities) to variable interest entities that are QSPEs. This Update also modifies the financial-components approach used in former ASC 860 (Transfers and Servicing) and limits the circumstances in which a transferor derecognizes a portion or component of a financial asset. As a result, many SPEs for securitization which had not been consolidated because they met QSPE criteria have been consolidated in accordance with Accounting Standards Update 2009-17 (ASC 810 (Consolidation)).

During the nine months ended December 31, 2012 and 2013, there was no securitization transaction accounted for as a sale.

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Quantitative information about delinquencies, impaired loans and components of financial assets sold on securitization and other assets managed together as of March 31, 2013 and December 31, 2013, and quantitative information about net credit loss for the nine months and for the three months ended December 31, 2012 and 2013 are as follows:

| | Millions of yen | | | |
|---|---------------------------------------|-------------------|--|-------------------|
| | Total principal amount of receivables | | Principal amount of receivables that are 90 days or more past-due and impaired loans | |
| | March 31, 2013 | December 31, 2013 | March 31, 2013 | December 31, 2013 |
| Direct financing lease | ¥ 989,380 | ¥ 1,064,253 | ¥ 15,806 | ¥ 15,440 |
| Installment loans | 2,691,171 | 2,307,482 | 220,485 | 163,038 |
| Assets recorded on the balance sheet | 3,680,551 | 3,371,735 | 236,291 | 178,478 |
| Direct financing lease sold on securitization | 1,698 | 1,222 | 0 | 0 |
| Total assets managed together or sold on securitization | ¥ 3,682,249 | ¥ 3,372,957 | ¥ 236,291 | ¥ 178,478 |

| | Millions of yen | | | |
|---|-------------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| | Credit loss | | | |
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 | Three months ended December 31, 2012 | Three months ended December 31, 2013 |
| Direct financing lease | ¥ 2,960 | ¥ 3,089 | ¥ 414 | ¥ 780 |
| Installment loans | 26,621 | 14,056 | 9,715 | 2,034 |
| Assets recorded on the balance sheet | 29,581 | 17,145 | 10,129 | 2,814 |
| Direct financing lease sold on securitization | 0 | 0 | 0 | 0 |
| Total assets managed together or sold on securitization | ¥ 29,581 | ¥ 17,145 | ¥ 10,129 | ¥ 2,814 |

A certain subsidiary originates and sells loans into the secondary market while retaining the obligation to service those loans. In addition, it undertakes obligations to service loans originated by others. The servicing assets related to those servicing activities are included in other operating assets and the balances of these servicing assets as of March 31, 2013 and December 31, 2013 were ¥14,562 million and ¥17,449 million, respectively. During the nine months ended December 31, 2012 and 2013, the servicing assets were increased by ¥3,168 million and ¥3,577 million, respectively, mainly from loans sold with servicing retained and decreased by ¥2,077 million and ¥2,508 million, respectively, mainly from amortization and increased by ¥697 million and in ¥1,818 million from the effects of changes in foreign exchange rates. During the three months ended December 31, 2012 and 2013, the servicing assets were increased by ¥1,247 million and ¥1,313 million, respectively, mainly from loans sold with servicing retained and decreased by ¥809 million and ¥803 million, respectively, mainly from amortization and increased by ¥1,361 million and ¥1,248 million from the effects of changes in foreign exchange rates. The fair value of the servicing assets as of March 31, 2013 and December 31, 2013 were ¥19,376 million and ¥23,706 million, respectively.

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8. Variable Interest Entities

The Company and its subsidiaries use special purpose companies, partnerships and trusts (hereinafter referred to as SPEs) in the ordinary course of business.

These SPEs are not always controlled by voting rights, and there are cases where voting rights do not exist for those SPEs. ASC 810-10 (Consolidation Variable Interest Entities) addresses consolidation by business enterprises of SPEs within the scope of ASC 810-10. Generally these SPEs are entities where (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support provided by any parties, including the equity holders or (b) as a group, the holders of the equity investment at risk do not have (1) the ability to make decisions about an entity's activities that most significantly impact the entity's economic performance through voting rights or similar rights, (2) the obligation to absorb the expected losses of the entity or (3) the right to receive the expected residual returns of the entity. Entities within the scope of ASC 810-10 are called variable interest entities (VIEs).

According to ASC 810-10, the Company and its subsidiaries are required to perform a qualitative analysis to identify the primary beneficiary of VIEs. An enterprise that has both of the following characteristics is considered to be the primary beneficiary and therefore shall consolidate a VIE:

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 VIE or the right to receive benefits from the entity that could potentially be significant to the VIE

All facts and circumstances are taken into consideration when determining whether the Company and its subsidiaries have variable interests that would deem it the primary beneficiary and therefore require consolidation of the VIE. The Company and its subsidiaries make ongoing reassessment of whether they are the primary beneficiaries of a VIE.

The following are the items that the Company and its subsidiaries are considering in a qualitative assessment:

Which activities most significantly impact the economic performance of the VIE and who has the power to direct such activities

Characteristics of the Company and its subsidiaries' variable interest or interests and other involvements (including involvement of related parties and de facto agents)

Involvement of other variable interest holders

The entity's purpose and design, including the risks that the entity was designed to create and pass through to its variable interest holders

The Company and its subsidiaries generally consider the following types of involvement to be significant when determining the primary beneficiary:

Designing the structuring of a transaction

Providing an equity investment and debt financing

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Being the investment manager, asset manager or servicer and receiving variable fees

Providing liquidity and other financial support

The Company and its subsidiaries do not have the power to direct activities of the VIEs that most significantly impact the VIEs' economic performance if that power is shared among multiple unrelated parties, and accordingly do not consolidate such VIEs.

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Information about VIEs (consolidated and non-consolidated) for the Company and its subsidiaries are as follows:

1. Consolidated VIEs
March 31, 2013

| Types of VIEs | Millions of yen | | | |
|---|--------------------|----------------------|---|----------------|
| | Total assets *1 | Total liabilities *1 | Assets which are pledged as collateral *2 | Commitments *3 |
| (a) VIEs for liquidating customer assets | ¥ 6,191 | ¥ 3,880 | ¥ 6,191 | ¥ 0 |
| (b) VIEs for acquisition of real estate and real estate development projects for customers | 20,081 | 2,112 | 0 | 0 |
| (c) VIEs for acquisition of real estate for the Company and its subsidiaries real estate-related business | 334,179 | 96,758 | 197,143 | 0 |
| (d) VIEs for corporate rehabilitation support business | 10,205 | 192 | 0 | 0 |
| (e) VIEs for investment in securities | 34,091 | 8,075 | 19,133 | 0 |
| (f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable | 467,348 | 250,374 | 391,664 | 0 |
| (g) VIEs for securitization of commercial mortgage loans originated by third parties | 425,017 | 434,273 | 425,017 | 0 |
| (h) Other VIEs | 103,345 | 49,604 | 85,763 | 0 |
| Total | ¥ 1,400,457 | ¥ 845,268 | ¥ 1,124,911 | ¥ 0 |

December 31, 2013

| Types of VIEs | Millions of yen | | | |
|---|------------------|----------------------|---|-----------------|
| | Total assets *1 | Total liabilities *1 | Assets which are pledged as collateral *2 | Commitments *3 |
| (a) VIEs for liquidating customer assets | ¥ 0 | ¥ 0 | ¥ 0 | ¥ 0 |
| (b) VIEs for acquisition of real estate and real estate development projects for customers | 8,847 | 1,175 | 0 | 0 |
| (c) VIEs for acquisition of real estate for the Company and its subsidiaries real estate-related business | 316,775 | 101,720 | 215,903 | 0 |
| (d) VIEs for corporate rehabilitation support business | 8,770 | 92 | 0 | 0 |
| (e) VIEs for investment in securities | 29,849 | 8,787 | 19,979 | 0 |
| (f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable | 391,122 | 209,037 | 325,820 | 0 |
| (g) VIEs for securitization of commercial mortgage loans originated by third parties | 83,225 | 86,251 | 83,225 | 0 |
| (h) Other VIEs | 112,851 | 71,277 | 83,381 | 35,698 |
| Total | ¥ 951,439 | ¥ 478,339 | ¥ 728,308 | ¥ 35,698 |

*1

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The assets of most VIEs are used only to repay the liabilities of the VIEs, and the creditors of the liabilities of the VIEs have no recourse to other assets of the Company and its subsidiaries.

*2 The assets are pledged as collateral by VIE for financing of the VIE.

*3 This item represents remaining balance of commitments that could require the Company and its subsidiaries to provide investments or loans to the VIE.

Table of Contents2. Non-consolidated VIEs
March 31, 2013

| Types of VIEs | Total assets | Millions of yen Carrying amount of the variable interests in the VIEs held by the Company and its subsidiaries | | | Maximum exposure to loss * |
|---|--------------------|---|------------------|------------------|----------------------------------|
| | | Specified bonds and non-recourse loans | Investments | | |
| (a) VIEs for liquidating customer assets | ¥ 41,929 | ¥ 3,428 | ¥ 4,119 | ¥ 7,547 | |
| (b) VIEs for acquisition of real estate and real estate development projects for customers | 872,189 | 106,861 | 51,345 | 201,145 | |
| (c) VIEs for acquisition of real estate for the Company and its subsidiaries real estate-related business | 0 | 0 | 0 | 0 | |
| (d) VIEs for corporate rehabilitation support business | 0 | 0 | 0 | 0 | |
| (e) VIEs for investment in securities | 1,327,751 | 0 | 24,822 | 40,501 | |
| (f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable | 0 | 0 | 0 | 0 | |
| (g) VIEs for securitization of commercial mortgage loans originated by third parties | 2,236,389 | 0 | 23,257 | 23,798 | |
| (h) Other VIEs | 40,806 | 97 | 4,079 | 4,176 | |
| Total | ¥ 4,519,064 | ¥ 110,386 | ¥ 107,622 | ¥ 277,167 | |

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December 31, 2013

| Types of VIEs | Total assets | Millions of yen Carrying amount of the variable interests in the VIEs held by the Company and its subsidiaries | | | Maximum exposure to loss * |
|---|--------------------|--|-----------------|------------------|----------------------------------|
| | | Specified bonds and non-recourse loans | Investments | | |
| (a) VIEs for liquidating customer assets | ¥ 39,858 | ¥ 799 | ¥ 4,086 | ¥ 4,885 | |
| (b) VIEs for acquisition of real estate and real estate development projects for customers | 678,345 | 40,140 | 47,884 | 128,125 | |
| (c) VIEs for acquisition of real estate for the Company and its subsidiaries – real estate-related business | 0 | 0 | 0 | 0 | |
| (d) VIEs for corporate rehabilitation support business | 0 | 0 | 0 | 0 | |
| (e) VIEs for investment in securities | 2,538,471 | 0 | 25,189 | 42,889 | |
| (f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable | 0 | 0 | 0 | 0 | |
| (g) VIEs for securitization of commercial mortgage loans originated by third parties | 1,862,929 | 0 | 12,741 | 13,066 | |
| (h) Other VIEs | 43,825 | 83 | 7,686 | 7,769 | |
| Total | ¥ 5,163,428 | ¥ 41,022 | ¥ 97,586 | ¥ 196,734 | |

* Maximum exposure to loss includes remaining balance of commitments that could require the Company and its subsidiaries to provide investments or loans to the VIE.

(a) VIEs for liquidating customer assets

The Company and its subsidiaries may use VIEs in structuring financing for customers to liquidate specific customer assets. The VIEs are typically used to provide a structure that is bankruptcy remote with respect to the customer and the use of VIE structure is requested by such customer. Such VIEs typically acquire assets to be liquidated from the customer, borrow non-recourse loans from financial institutions and have an equity investment made by the customer. By using cash flows from the liquidated assets, these VIEs repay the loan and pay dividends to equity investors if sufficient funds exist.

The Company and its subsidiaries provide non-recourse loans to such VIEs and occasionally make investments in them. The Company and its subsidiaries have consolidated some of those VIEs because the Company or its subsidiary effectively controls the VIEs by acting as the asset manager of the VIEs. In the consolidated balance sheets, assets of the consolidated VIEs are mainly included in investment in operating leases, and liabilities of the consolidated VIEs are mainly included in long-term debt.

With respect to the variable interests of non-consolidated VIEs, non-recourse loans are included in installment loans, and investments are mainly included in other assets in the Company's consolidated balance sheets.

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(b) VIEs for acquisition of real estate and real estate development projects for customers

Customers and the Company and its subsidiaries are involved with VIEs formed to acquire real estate and/or develop real estate projects. In each case, a customer establishes and makes an equity investment in a VIE that is designed to be bankruptcy remote from the customer. The VIEs acquire real estate and/or develop real estate projects.

The Company and its subsidiaries provide non-recourse loans to such VIEs and hold specified bonds issued by them and/or make investments in them. The Company and its subsidiaries have consolidated certain VIEs because the Company or its subsidiary effectively controls the VIEs by acting as the asset manager of the VIEs.

The Company and its subsidiaries contributed additional funding to certain non-consolidated VIEs to support their repayment obligations, since those VIEs had difficulty repaying debt and accounts payable. The amount of that additional funding for the fiscal year ended March 31, 2013 was ¥2,000 million. As a result, the Company and its subsidiaries performed a reassessment and consolidated those VIEs. There was no additional funding or acquisition of subordinated interests during the nine months ended December 31, 2013.

In the Company's consolidated balance sheets, assets of consolidated VIEs are mainly included in cash and cash equivalents, investment in operating leases, other operating assets and investment in affiliates, and liabilities of those consolidated VIEs are mainly included in short-term debt, trade notes, accounts payable and other liabilities and security deposits.

With respect to the variable interests of non-consolidated VIEs, specified bonds are included in investment in securities, non-recourse loans are included in installment loans, and investments are mainly included in other assets and investment in securities in the Company's consolidated balance sheets. The Company and its subsidiaries have commitment agreements by which the Company and its subsidiaries may be required to provide additional investment in certain non-consolidated VIEs, as long as the agreed-upon terms are met. Under these agreements, the Company and its subsidiaries are committed to invest in these VIEs with the other investors based on their respective ownership percentages. The Company and its subsidiaries concluded that the VIEs are not consolidated because the power to direct these VIEs is held by unrelated parties. In some cases, the Company and its subsidiaries concluded that VIEs are not consolidated because the power to direct these VIEs is shared among multiple unrelated parties.

(c) VIEs for acquisition of real estate for the Company and its subsidiaries – real estate-related business

The Company and its subsidiaries establish VIEs and acquire real estate to borrow non-recourse loans from financial institutions and simplify the administration activities necessary for the real estate. The Company and its subsidiaries consolidate such VIEs even though the Company and its subsidiaries may not have voting rights if substantially all of such VIEs' subordinated interests are issued to the Company and its subsidiaries, and therefore the VIEs are controlled by and for the benefit of the Company and its subsidiaries.

The Company and its subsidiaries contributed additional funding to certain consolidated VIEs, since those VIEs had difficulty repaying debt and accounts payable. The amount of that additional funding for the fiscal year ended March 31, 2013 was ¥646 million. There was no additional funding or acquisition of subordinated interests during the nine months ended December 31, 2013.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in investment in operating leases, office facilities, cash and cash equivalents, restricted cash and other assets, and liabilities of those consolidated VIEs are mainly included in long-term debts.

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(d) VIEs for corporate rehabilitation support business

Financial institutions, the Company and its subsidiary are involved with VIEs established for the corporate rehabilitation support business. VIEs receive the funds from investors including the financial institutions, the Company and the subsidiary, and purchase loan receivables due from borrowers which have financial problems, but are deemed to have the potential to recover in the future. The servicing operations for the VIEs are conducted by the subsidiary.

The Company and its subsidiary consolidated such VIEs since the Company and the subsidiary have the majority of the investment share of such VIEs, and have the power to direct the activities of the VIEs that most significantly impact the entities' economic performance through the servicing operations.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in installment loans and liabilities of those consolidated VIEs are mainly included in accrued expenses and trade notes, accounts payable and other liabilities.

(e) VIEs for investment in securities

The Company and its subsidiaries have interests in VIEs that are investment funds and mainly invest in equity and debt securities. Such VIEs are managed by a subsidiary or fund management companies that are independent of the Company and its subsidiaries.

The Company consolidated certain such VIEs since the Company has the majority of the investment share of them, and has the power to direct the activities of those VIEs that most significantly impact the entities' economic performance through involvement with the design of the VIEs or other means.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in investment in affiliates, investment in securities, installment loans, and cash and cash equivalents, and liabilities of those consolidated VIEs are mainly included in short-term debt and long-term debt.

Variable interests of non-consolidated VIEs are included in investment in securities. The Company and its subsidiaries have a commitment agreement by which the Company may be required to make additional investment in certain such non-consolidated VIEs.

(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable

The Company and its subsidiaries use VIEs to securitize financial assets such as direct financing leases receivable and loans receivable. In the securitization process, these financial assets are transferred to SPEs, and the SPEs issue beneficial interests or securities backed by the transferred financial assets to investors. After the securitization, the Company and its subsidiaries continue to hold a subordinated part of the securities, and act as a servicer.

The Company and its subsidiaries consolidated such VIEs since the Company and its subsidiaries have the power to direct the activities that most significantly impact the entity's economic performance by designing the securitization scheme and conducting servicing activities, and have a responsibility to absorb losses of the VIEs that could potentially be significant to the entities by retaining the subordinated part of the securities.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in investment in direct financing leases and installment loans, and liabilities of those consolidated VIEs are mainly included in long-term debt.

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(g) VIEs for securitization of commercial mortgage loans originated by third parties

The Company and its subsidiaries invest in CMBS and RMBS originated by third parties. In some cases of such securitization, the Company's subsidiaries hold the subordinated portion of CMBS and the subsidiaries act as a special-servicer of the securitization transaction. As the special servicer, the Company's subsidiaries have rights to dispose of real estate collateral related to the securitized commercial mortgage loans.

The subsidiaries consolidate certain of these VIEs when the subsidiaries have the power to direct the activities of the VIEs that most significantly impact the entities' economic performance through its role as special-servicer including the right to dispose of the collateral, and have a responsibility to absorb losses of the VIEs that could potentially be significant to the entities by holding the subordinated part of the securities.

In the Company's consolidated balance sheets, assets of the consolidated VIEs are mainly included in installment loans, and liabilities of those consolidated VIEs are mainly included in long-term debt.

Variable interests of non-consolidated VIEs are included in investment in securities. The Company and its subsidiaries have a commitment agreement by which the Company may be required to make additional investment in certain such non-consolidated VIEs.

(h) Other VIEs

The Company and its subsidiaries are involved with other types of VIEs for various purposes. Consolidated and non-consolidated VIEs of this category are mainly *kumiai* structures. In addition, a subsidiary has consolidated a VIE which is not included in the categories (a) through (g) above, because the subsidiary holds the subordinated portion of the VIE and the VIE is effectively controlled by the subsidiary. The Company has commitment agreements by which the Company may be required to make additional investments or execute loans in such consolidated VIEs.

In Japan, certain subsidiaries provide investment products to their customers that employ a contractual mechanism known as a *kumiai*, which in part result in the subsidiaries forming a type of SPE. As a means to finance the purchase of aircraft or other large-ticket items to be leased to third parties, the Company and its subsidiaries arrange and market *kumiai* products to investors, who invest a portion of the funds necessary into the *kumiai* structure. The remainder of the purchase funds is borrowed by the *kumiai* structure in the form of a non-recourse loan from one or more financial institutions. The *kumiai* investors (and any lenders to the *kumiai* structure) retain all of the economic risks and rewards in connection with purchasing and leasing activities of the *kumiai* structure, and all related gains or losses are recorded on the financial statements of the investors in the *kumiai*. The Company and its subsidiaries are responsible for the arrangement and marketing of these products, and may act as servicer or administrator in *kumiai* transactions. The fee income for the arrangement and administration of these transactions is recognized in the Company's consolidated statements of income. In some cases, the Company and its subsidiaries make investments in the *kumiai* or its related SPE and these VIEs are consolidated because the Company and its subsidiaries have a responsibility to absorb any significant potential loss through the investments and have the power to direct the activities that most significantly impact their economic performance. In other cases, the Company and its subsidiaries are not considered to be the primary beneficiary of the VIEs or *kumiais* because the Company and its subsidiaries did not make significant investments or guarantee or otherwise have any significant financial commitments or exposure with respect to the *kumiai* or its related SPE.

The Company and its subsidiaries may use VIEs to finance. The Company and its subsidiaries transfer their own held assets to SPEs, which borrow non-recourse loans from financial institutions and effectively pledge such assets as collateral. The Company guarantees the performance of obligation of the SPEs. The Company and its subsidiaries continually hold subordinated interests in the SPEs and perform administrative work of such assets. The Company and its subsidiaries consolidate such SPEs because the Company and its subsidiaries have a right to direct the activities of them that most significantly impact their economic performance by setting up the scheme and performing administrative work of the assets and have the obligation to absorb losses expected of them by holding the subordinated interests.

Assets of the consolidated SPEs are mainly included in investment in operating leases, installment loans, other operating assets and other assets, and liabilities are mainly included in short-term debt and long-term debt in the Company's consolidated balance sheets.

Table of Contents**9. Investment in Affiliates**

Investment in affiliates at March 31 and December 31, 2013 consists of the following:

| | Millions of yen | |
|--------|-----------------|-------------------|
| | March 31, 2013 | December 31, 2013 |
| Shares | ¥ 316,790 | ¥ 332,303 |
| Loans | 9,942 | 10,205 |
| | ¥ 326,732 | ¥ 342,508 |

Combined and condensed information relating to the affiliates as of and for the nine months ended December 31, 2012 and 2013 are as follows (some operation data for entities reflect only the period since the Company and its subsidiaries made the investment and on a lag basis):

| | Millions of yen | |
|----------------------------|---|---|
| | As of and for nine months ended December 31, 2012 | As of and for nine months ended December 31, 2013 |
| Operations: | | |
| Total revenues | ¥ 586,928 | ¥ 758,339 |
| Income before income taxes | 60,183 | 111,970 |
| Net income | 37,071 | 81,314 |
| Financial position: | | |
| Total assets | ¥ 4,757,245 | ¥ 5,596,153 |
| Total liabilities | 3,665,142 | 4,332,593 |
| Total equity | 1,092,103 | 1,263,560 |

Table of Contents**10. Redeemable Noncontrolling Interests**

Changes in redeemable noncontrolling interests for the nine months ended December 31, 2012 and 2013 are as follows:

| | Millions of yen | |
|---|---|--|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Beginning balance | ¥ 37,633 | ¥ 41,621 |
| Adjustment of redeemable noncontrolling interests to redemption value | 262 | 93 |
| Transaction with noncontrolling interests | 1,016 | 525 |
| Comprehensive income | | |
| Net income | 2,443 | 2,702 |
| Other comprehensive income | | |
| Net change of foreign currency translation adjustments | 1,986 | 5,169 |
| Total other comprehensive income | 1,986 | 5,169 |
| Comprehensive income | 4,429 | 7,871 |
| Cash dividends | (4,985) | (1,168) |
| Ending balance | ¥ 38,355 | ¥ 48,942 |

Table of Contents**11. Accumulated Other Comprehensive Income (Loss)**

Changes in each component of accumulated other comprehensive income (loss) for the nine and three months ended December 31, 2013, are as follows:

| | Millions of yen | | | | |
|--|---|-------------------------------------|---|--|--|
| | Net unrealized gains (losses) on investment in securities | Defined benefit pension plans | Foreign currency translation adjustments | Net unrealized gains (losses) on derivative instruments | Accumulated other comprehensive income (loss) |
| Balance at March 31, 2013 | ¥ 28,974 | ¥ (9,587) | ¥ (53,759) | ¥ (1,891) | ¥ (36,263) |
| Net unrealized gains on investment in securities, net of tax of ¥(9,356) million | 17,651 | | | | 17,651 |
| Reclassification adjustment included in net income, net of tax of ¥3,972 million | (7,786) | | | | (7,786) |
| Defined benefit pension plans, net of tax of ¥272 million | | (374) | | | (374) |
| Reclassification adjustment included in net income, net of tax of ¥63 million | | (118) | | | (118) |
| Foreign currency translation adjustments, net of tax of ¥(1,235) million | | | 37,750 | | 37,750 |
| Reclassification adjustment included in net income, net of tax of ¥(61) million | | | 1,459 | | 1,459 |
| Net unrealized gains on derivative instruments, net of tax of ¥(452) million | | | | 1,339 | 1,339 |
| Reclassification adjustment included in net income, net of tax of ¥(81) million | | | | 318 | 318 |
| Total other comprehensive income(loss) | 9,865 | (492) | 39,209 | 1,657 | 50,239 |
| Other Comprehensive Income Attributable to the Noncontrolling Interest | 568 | 1 | 9,460 | 37 | 10,066 |
| Other Comprehensive Income Attributable to the Redeemable Noncontrolling Interests | 0 | 0 | 5,169 | 0 | 5,169 |
| Balance at December 31, 2013 | ¥ 38,271 | ¥ (10,080) | ¥ (29,179) | ¥ (271) | ¥ (1,259) |

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| | Millions of yen | | | | |
|--|---|-------------------------------------|---|--|--|
| | Net unrealized gains (losses) on investment in securities | Defined benefit pension plans | Foreign currency translation adjustments | Net unrealized gains (losses) on derivative instruments | Accumulated other comprehensive income (loss) |
| Balance at September 30, 2013 | ¥ 34,965 | ¥ (9,933) | ¥ (55,259) | ¥ (876) | ¥ (31,103) |
| Net unrealized gains on investment in securities, net of tax of ¥(2,334) million | 4,291 | | | | 4,291 |
| Reclassification adjustment included in net income, net of tax of ¥510 million | (848) | | | | (848) |
| Defined benefit pension plans, net of tax of ¥49 million | | (109) | | | (109) |
| Reclassification adjustment included in net income, net of tax of ¥19 million | | (41) | | | (41) |
| Foreign currency translation adjustments, net of tax of ¥(1,988) million | | | 36,731 | | 36,731 |
| Reclassification adjustment included in net income, net of tax of ¥0 million | | | 0 | | 0 |
| Net unrealized gains on derivative instruments, net of tax of ¥(301) million | | | | 741 | 741 |
| Reclassification adjustment included in net income, net of tax of ¥71 million | | | | (117) | (117) |
| Total other comprehensive income(loss) | 3,443 | (150) | 36,731 | 624 | 40,648 |
| Other Comprehensive Income Attributable to the Noncontrolling Interest | 137 | (3) | 7,122 | 19 | 7,275 |
| Other Comprehensive Income Attributable to the Redeemable Noncontrolling Interests | 0 | 0 | 3,529 | 0 | 3,529 |
| Balance at December 31, 2013 | ¥ 38,271 | ¥ (10,080) | ¥ (29,179) | ¥ (271) | ¥ (1,259) |

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Amounts reclassified to net income from accumulated other comprehensive income (loss) for the nine months ended December 31, 2013 are as follows:

| Details about accumulated other comprehensive income components | Reclassification adjustment included in net income Millions of yen | Nine months ended December 31, 2013 | |
|--|---|--|---------------|
| | | Consolidated statements of income caption | |
| Net unrealized gains (losses) on investment in securities | | | |
| Sales of investment securities | ¥ 10,115 | Brokerage commissions and net gains on investment securities | |
| Sales of investment securities | 3,159 | Life insurance premiums and related investment income | |
| Amortization of investment securities | 834 | Interest on loans and investment securities | |
| Amortization of investment securities | (397) | Life insurance premiums and related investment income | |
| Others | (1,953) | Write-downs of securities and other | |
| | 11,758 | Total before tax | |
| | (3,972) | Tax expenses or benefits | |
| | ¥ 7,786 | Net of tax | |
| Defined benefit pension plans | | | |
| Amortization of prior service credit | ¥ 853 | See Note 14 | Pension Plans |
| Amortization of net actuarial loss | (630) | See Note 14 | Pension Plans |
| Amortization of transition obligation | (42) | See Note 14 | Pension Plans |
| | 181 | Total before tax | |
| | (63) | Tax expenses or benefits | |
| | ¥ 118 | Net of tax | |
| Foreign currency translation adjustments | | | |
| Sales or liquidation | ¥ (1,520) | Gains on sales of subsidiaries and affiliates and liquidation losses, net | |
| | (1,520) | Total before tax | |
| | 61 | Tax expenses or benefits | |
| | ¥ (1,459) | Net of tax | |
| Net unrealized gains (losses) on derivative instruments | | | |
| Interest rate swap agreements | ¥ 29 | Interest on loans and investment securities/Interest expense | |
| Foreign exchange contracts | 770 | Foreign currency transaction loss | |
| Foreign currency swap agreements | (1,198) | Interest on loans and investment securities/Interest expense/Foreign currency transaction loss | |
| | (399) | Total before tax | |
| | 81 | Tax expenses or benefits | |
| | ¥ (318) | Net of tax | |

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Amounts reclassified to net income from accumulated other comprehensive income (loss) for the three months ended December 31, 2013 are as follows:

| Details about accumulated other comprehensive income components | Reclassification adjustment included in net income Millions of yen | Three months ended December 31, 2013 | |
|--|---|--|--|
| | | Consolidated statements of income caption | |
| Net unrealized gains (losses) on investment in securities | | | |
| Sales of investment securities | ¥ 1,472 | Brokerage commissions and net gains on investment securities | |
| Sales of investment securities | (1) | Life insurance premiums and related investment income | |
| Amortization of investment securities | 91 | Interest on loans and investment securities | |
| Amortization of investment securities | (143) | Life insurance premiums and related investment income | |
| Others | (61) | Write-downs of securities and other | |
| | 1,358 | Total before tax | |
| | (510) | Tax expenses or benefits | |
| | ¥ 848 | Net of tax | |
| Defined benefit pension plans | | | |
| Amortization of prior service credit | ¥ 285 | See Note 14 Pension Plans | |
| Amortization of net actuarial loss | (211) | See Note 14 Pension Plans | |
| Amortization of transition obligation | (14) | See Note 14 Pension Plans | |
| | 60 | Total before tax | |
| | (19) | Tax expenses or benefits | |
| | ¥ 41 | Net of tax | |
| Net unrealized gains (losses) on derivative instruments | | | |
| Interest rate swap agreements | ¥ 7 | Interest on loans and investment securities/Interest expense | |
| Foreign exchange contracts | 322 | Foreign currency transaction loss | |
| Foreign currency swap agreements | (141) | Interest on loans and investment securities/Interest expense/Foreign currency transaction loss | |
| | 188 | Total before tax | |
| | (71) | Tax expenses or benefits | |
| | ¥ 117 | Net of tax | |

Table of Contents**12. ORIX Corporation Shareholders Equity**

Information about ORIX Corporation Shareholders Equity for the nine months ended December 31, 2012 and 2013 are as follows:

(1) Dividend payments

| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
|-----------------------------|--|--|
| Resolution | The board of directors on May 22, 2012 | The board of directors on May 23, 2013 |
| Type of shares | Common stock | Common stock |
| Total dividends paid | ¥9,676 million | ¥15,878 million |
| Dividend per share | ¥90.00 | ¥130.00 |
| Date of record for dividend | March 31, 2012 | March 31, 2013 |
| Effective date for dividend | June 4, 2012 | June 4, 2013 |
| Dividend resource | Retained earnings | Retained earnings |

On April 1, 2013, the Company implemented a 10-for-1 stock split of common stock held by shareholders registered on the Company's register of shareholders as of March 31, 2013. Regarding the fiscal period ended March 31, 2012 and 2013, the actual amount of dividend per share prior to the stock split is shown.

(2) There are no applicable dividends for which the date of record is in the nine months ended December 31, 2012, and for which the effective date is after December 31, 2012.

There are no applicable dividends for which the date of record is in the nine months ended December 31, 2013, and for which the effective date is after December 31, 2013.

Table of Contents**13. Selling, General and Administrative Expenses**

Selling, general and administrative expenses for the nine months ended December 31, 2012 and 2013 are as follows:

| | Millions of yen | |
|-----------------------------------|---|---|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Personnel expenses | ¥ 101,380 | ¥ 138,646 |
| Selling expenses | 19,820 | 32,094 |
| Administrative expenses | 39,299 | 50,560 |
| Depreciation of office facilities | 2,193 | 2,620 |
| Total | ¥ 162,692 | ¥ 223,920 |

Selling, general and administrative expenses for the three months ended December 31, 2012 and 2013 are as follows:

| | Millions of yen | |
|-----------------------------------|--|--|
| | Three months ended December 31, 2012 | Three months ended December 31, 2013 |
| Personnel expenses | ¥ 36,159 | ¥ 54,905 |
| Selling expenses | 7,776 | 11,833 |
| Administrative expenses | 14,082 | 18,363 |
| Depreciation of office facilities | 653 | 859 |
| Total | ¥ 58,670 | ¥ 85,960 |

The amounts that were previously reported for the nine months and the three months ended December 31, 2012 related to discontinued operations are reclassified.

Table of Contents**14. Pension Plans**

The Company and certain subsidiaries have contributory and non-contributory pension plans covering substantially all of their employees. Those contributory funded pension plans include defined benefit pension plans and defined contribution pension plans. Under the plans, employees are entitled to lump-sum payments at the time of termination of their employment or pension payments. Defined benefit pension plans consist of a plan of which the amounts of such payments are determined on the basis of length of service and remuneration at the time of termination and a cash balance plan.

The Company and its subsidiaries' funding policy is to contribute annually the amounts actuarially determined. Assets of the plans are invested primarily in interest-bearing securities and marketable equity securities.

Net pension cost of the plans for the nine months ended December 31, 2012 and 2013 consists of the following:

| | Millions of yen | |
|---------------------------------------|--|---|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Service cost | ¥ 2,424 | ¥ 3,944 |
| Interest cost | 939 | 2,086 |
| Expected return on plan assets | (1,532) | (3,114) |
| Amortization of transition obligation | 42 | 42 |
| Amortization of net actuarial loss | 1,121 | 630 |
| Amortization of prior service credit | (872) | (853) |
| Net periodic pension cost | ¥ 2,122 | ¥ 2,735 |

Net pension cost of the plans for the three months ended December 31, 2012 and 2013 consists of the following:

| | Millions of yen | |
|---------------------------------------|--|--|
| | Three months ended December 31, 2012 | Three months ended December 31, 2013 |
| Service cost | ¥ 811 | ¥ 1,545 |
| Interest cost | 314 | 872 |
| Expected return on plan assets | (512) | (1,268) |
| Amortization of transition obligation | 14 | 14 |
| Amortization of net actuarial loss | 374 | 211 |
| Amortization of prior service credit | (290) | (285) |
| Net periodic pension cost | ¥ 711 | ¥ 1,089 |

The Company and certain subsidiaries contributed ¥3,553 million to defined benefit pension plans for the nine months ended December 31, 2013 and expect to contribute an additional ¥1,997 million for the remainder of fiscal year ended March 31, 2014.

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15. Write-Downs of Long-Lived Assets

In accordance with ASC 360-10 (*Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets*), the Company and its subsidiaries perform tests for recoverability on assets for which events or changes in circumstances indicated that the assets might be impaired. The Company and its subsidiaries consider an asset's carrying amount as not recoverable when such carrying amount exceeds the undiscounted future cash flows estimated to result from the use and eventual disposition of the asset. The net carrying amount of assets not recoverable is reduced to fair value if lower than the carrying amount. The Company determines the fair value using appraisals prepared by independent third party appraisers or its own staff of qualified appraisers based on recent transactions involving sales of similar assets or other valuation techniques such as discounted cash flows methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate.

For the nine months ended December 31, 2012 and 2013, the Company and certain subsidiaries recognized impairment losses for the difference between carrying amounts and fair values in the amount of ¥5,571 million and ¥18,480 million, respectively, which are reflected as write-downs of long-lived assets and income from discontinued operations. Of these amounts, ¥4,247 million and ¥17,104 million are reflected as write-downs of long-lived assets in the accompanying consolidated statements of income for the nine months ended December 31, 2012 and 2013, respectively.

Losses of ¥3,640 million in the Real Estate segment and ¥1,514 million in the Investment and Operation segment and ¥7 million in the Overseas Business segment were recorded for the nine months ended December 31, 2012. Losses of ¥13,544 million in the Real Estate segment and ¥445 million in the Overseas Business segment were recorded for the nine months ended December 31, 2013.

For the three months ended December 31, 2012 and 2013, the Company and certain subsidiaries recognized impairment losses for the difference between carrying amounts and fair values in the amount of ¥580 million and ¥5,893 million, respectively, which are reflected as write-downs of long-lived assets and income from discontinued operations. Of these amounts, ¥110 million and ¥5,189 million are reflected as write-downs of long-lived assets in the accompanying consolidated statements of income for the three months ended December 31, 2012 and 2013, respectively.

Losses of ¥453 million in the Real Estate segment and ¥107 million in the Investment and Operation segment and ¥1 million in the Overseas Business segment were recorded for the three months ended December 31, 2012. Losses of ¥5,448 million in the Real Estate segment and ¥445 million in the Overseas Business segment were recorded for the three months ended December 31, 2013.

The details of significant write-downs are as follows.

Office Buildings For the nine months ended December 31, 2012, write-downs of ¥1,032 million were recorded for 12 office buildings held for sale. For the nine months ended December 31, 2013, write-down of ¥274 million was recorded for two office buildings held for sale, write-downs of ¥3,582 million were recorded in relation to two office buildings due to declines in estimated cash flows of each unit, write-down of ¥4,109 million was recorded for an office building due to a change in use. For the three months ended December 31, 2012, write-downs of ¥395 million were recorded for three office buildings held for sale. For the three months ended December 31, 2013, write-down of ¥259 million was recorded for an office building held for sale.

Commercial Facilities other than Offices For the nine months ended December 31, 2012, write-downs of ¥80 million were recorded for three commercial facilities held for sale, and write-downs of ¥1,582 million were recorded in relation to two commercial facilities due to a decline in cash flows of each unit. For the nine months ended December 31, 2013, write-downs of ¥137 million were recorded for a commercial facility held for sale. There was no impairment for commercial facilities for the three months ended December 31, 2012. For the three months ended December 31, 2013, write-downs of ¥137 million were recorded for a commercial facility held for sale.

Condominiums For the nine months ended December 31, 2012, write-downs of ¥463 million were recorded for six condominiums held for sale. There was no impairment for condominiums for the nine months ended December 31, 2013. For the three months ended December 31, 2012, write-downs of ¥76 million were recorded for two condominiums held for sale. There was no impairment for condominiums for the three months ended December 31, 2013.

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Land undeveloped or under construction For the nine months ended December 31, 2012, write-downs of ¥794 million were recorded in relation to land undeveloped or under construction due to a decline in estimated cash flows of each unit. For the nine months ended December 31, 2013, write-downs of ¥713 million were recorded for land undeveloped or under construction held for sale, and write-downs of ¥3,787 million were recorded in relation to land undeveloped or under construction due to a decline in estimated cash flows of each unit. There was no impairment for land undeveloped or under construction for the three months ended December 31, 2012 and 2013, respectively.

Others For the nine months ended December 31, 2012 and 2013, write-downs of ¥1,620 million and ¥5,878 million were recorded, respectively, for long-lived assets other than the above, mainly because the carrying amounts exceeded the estimated undiscounted future cash flows, which decreased due to deterioration in operating performance. For the three months ended December 31, 2012 and 2013, write-downs of ¥109 million and ¥5,497 million were recorded, respectively, for long-lived assets other than the above, mainly because the carrying amounts exceeded the estimated undiscounted future cash flows, which decreased due to deterioration in operating performance.

Table of Contents**16. Discontinued Operations**

ASC 205-20 (Presentation of Financial Statements Discontinued Operations) requires that the Company and its subsidiaries reclassify the operations sold or to be disposed of by sale without significant continuing involvement in the operations to discontinued operations. Under this Codification Section, the Company and its subsidiaries report the gains on sales and the results of these operations of subsidiaries, business units, and certain properties, which have been sold or are to be disposed of by sale, as income from discontinued operations in the accompanying consolidated statements of income. Revenues and expenses generated by the operations of such subsidiaries, business units and properties recognized for the nine months and for the three months ended December 31, 2012 have also been reclassified as income from discontinued operations in the accompanying consolidated statement of income.

The Company liquidated a kumiai, which was effectively a type of SPE, operating private-equity investment and management in Japan during the nine months ended December 31, 2012. As a result of the liquidation, there was no gain or loss for the nine and three months ended December 31, 2012.

The Company liquidated a subsidiary that operated a hotel and the Company has determined to wind up a subsidiary that operates corporate finance business overseas due to a state of substantially complete liquidation during the nine months ended December 31, 2013. As a result, a loss of ¥1,600 million and a gain of ¥8 million were recognized during the nine and three months ended December 31, 2013, respectively. Furthermore, the Company has determined to wind up a subsidiary that operates alternative investment business in Japan during fiscal 2013 and completed the liquidation procedure for the subsidiary during the three months ended September 30, 2013. There were no gains or losses from liquidating this subsidiary.

The Company and its subsidiaries own various real estate properties, including commercial and office buildings, for rental operations. For the nine months ended December 31, 2012 and 2013 and the three months ended December 31, 2012 and 2013, the Company and its subsidiaries recognized ¥4,825 million, ¥13,901 million, ¥1,888 million and ¥2,309 million of aggregated gains on sales of such real estate properties, respectively. In addition, the Company and its subsidiaries determined to dispose by sale of rental properties of ¥39,459 million and ¥26,005 million which are included in investment in operating leases at March 31, 2013 and December 31, 2013, respectively.

Discontinued operations for the nine months ended December 31, 2012 and 2013 and the three months ended December 31, 2012 and 2013 consist of the following:

| | Millions of yen | |
|---|---|--|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Revenues | ¥ 10,014 | ¥ 15,668 |
| Income from discontinued operations, net* | 4,080 | 11,438 |
| Provision for income taxes | (1,685) | (4,422) |
| Discontinued operations, net of applicable tax effect | ¥ 2,395 | ¥ 7,016 |

| | Millions of yen | |
|---|--|--|
| | Three months ended December 31, 2012 | Three months ended December 31, 2013 |
| Revenues | ¥ 2,382 | ¥ 2,903 |
| Income from discontinued operations, net* | 598 | 1,595 |
| Provision for income taxes | (325) | (611) |
| Discontinued operations, net of applicable tax effect | ¥ 273 | ¥ 984 |

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- * Income from discontinued operations, net includes aggregate gains or losses on sales of subsidiaries, business units and rental properties and liquidation on losses. The amounts of such gains or losses for the nine months ended December 31, 2012 and 2013 and the three months ended December 31, 2012 and 2013 are net gain of ¥4,821 million, ¥12,301 million, ¥1,884 million and ¥2,317 million, respectively.

Table of Contents**17. Per Share Data**

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

Reconciliation of the differences between basic and diluted earnings per share (EPS) in the nine months ended December 31, 2012 and 2013 and the three months ended December 31, 2012 and 2013 is as follows:

During the nine months ended December 31, 2012, the diluted EPS calculation excludes stock option for 9,057 thousand shares, as they were antidilutive. During the nine months ended December 31, 2013, the diluted EPS calculation excludes stock options for 6,854 thousand shares, as they were antidilutive.

During the three months ended December 31, 2012, the diluted EPS calculation excludes stock options for 8,973 thousand shares, as they were antidilutive. During the three months ended December 31, 2013, the diluted EPS calculation excludes stock options for 5,561 thousand shares, as they were antidilutive.

| | Millions of yen | |
|--|---|--|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Income attributable to ORIX Corporation from continuing operations | ¥ 88,154 | ¥ 111,367 |
| Effect of dilutive securities | | |
| Expense related to convertible bonds | 1,025 | 237 |
| Income from continuing operations for diluted EPS computation | ¥ 89,179 | ¥ 111,604 |

| | Millions of yen | |
|--|--|--|
| | Three months ended December 31, 2012 | Three months ended December 31, 2013 |
| Income attributable to ORIX Corporation from continuing operations | 30,485 | 36,988 |
| Effect of dilutive securities | | |
| Expense related to convertible bonds | 342 | 46 |
| Income from continuing operations for diluted EPS computation | 30,827 | 37,034 |

| | Thousands of Shares | |
|---|---|--|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Weighted-average shares | 1,075,272 | 1,257,563 |
| Effect of dilutive securities | | |
| Conversion of convertible bonds | 219,165 | 46,135 |
| Exercise of stock options | 1,421 | 1,950 |
| Weighted-average shares for diluted EPS computation | 1,295,858 | 1,305,648 |

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| | Thousands of Shares | |
|---|--|--|
| | Three months ended December 31, 2012 | Three months ended December 31, 2013 |
| Weighted-average shares | 1,075,348 | 1,286,715 |
| Effect of dilutive securities | | |
| Conversion of convertible bonds | 219,164 | 22,732 |
| Exercise of stock options | 1,562 | 2,098 |
| Weighted-average shares for diluted EPS computation | 1,296,074 | 1,311,545 |

| | Yen | |
|--|---|--|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Earnings per share for income attributable to ORIX Corporation from continuing operations: | | |
| Basic | ¥ 81.98 | ¥ 88.56 |
| Diluted | 68.82 | 85.48 |

| | Yen | |
|--|--|--|
| | Three months ended December 31, 2012 | Three months ended December 31, 2013 |
| Earnings per share for income attributable to ORIX Corporation from continuing operations: | | |
| Basic | ¥ 28.35 | ¥ 28.75 |
| Diluted | 23.79 | 28.24 |

Table of Contents**18. Derivative Financial Instruments and Hedging****Risk management policy**

The Company and its subsidiaries manage interest rate risk through asset and liability management systems. The Company and its subsidiaries use derivative financial instruments to hedge interest rate risk and avoid changes in interest rates that could have a significant adverse effect on the Company's results of operations. As a result of interest rate changes, the fair value and/or cash flow of interest sensitive assets and liabilities will fluctuate. However, such fluctuation will generally be offset by using derivative financial instruments as hedging instruments. Derivative financial instruments that the Company and its subsidiaries use as part of the interest risk management include interest rate swaps.

The Company and its subsidiaries utilize foreign currency borrowings, foreign exchange contracts and foreign currency swap agreements to hedge exchange rate risk that are associated with certain transactions and investments denominated in foreign currencies. Similarly, overseas subsidiaries structure their liabilities to match the currency-denomination of assets in each region.

By using derivative instruments, the Company and its subsidiaries are exposed to credit risk in the event of nonperformance by counterparties. The Company and its subsidiaries attempt to manage the credit risk by carefully evaluating the content of transactions and the quality of counterparties in advance and regularly monitoring the amount of notional principal, fair value, type of transaction and other factors pertaining to each counterparty.

(a) Cash flow hedges

The Company and its subsidiaries designate interest rate swap agreements, foreign currency swap agreements and foreign exchange contracts as cash flow hedges for variability of cash flows originating from floating rate borrowings and forecasted transactions and for exchange fluctuations.

(b) Fair value hedges

The Company and its subsidiaries use financial instruments designated as fair value hedges to hedge their exposure to interest rate risk and foreign currency exchange risk. The Company and its subsidiaries designate foreign currency swap agreements and foreign exchange contracts to minimize foreign currency exposures on lease receivables, loan receivables and borrowings, denominated in foreign currency. The Company and its subsidiaries designate interest rate swap to hedge interest rate exposure of the fair values of loan receivables. The Company and certain overseas subsidiaries, which issued medium-term notes or bonds with fixed interest rates, use interest rate swap contracts to hedge interest rate exposure of the fair values of these medium-term notes or bonds. In cases where the medium-term notes were denominated in other than the subsidiaries' local currencies, foreign currency swap agreements are used to hedge foreign exchange rate exposure. A certain overseas subsidiary uses foreign currency long-term-debt to hedge foreign exchange rate exposure from unrecognized firm commitment.

(c) Hedges of net investment in foreign operations

The Company uses foreign exchange contracts and borrowings and bonds denominated in the subsidiaries' local currencies to hedge the foreign currency exposure of the net investment in overseas subsidiaries.

(d) Trading derivatives or derivatives not designated as hedging instruments

The Company and the subsidiaries engage in trading activities involving various future contracts. Therefore the Company and the subsidiaries are at various risks such as share price fluctuation risk, interest rate risk and foreign currency exchange risk. The Company and the subsidiaries check that these risks are below a certain level by using internal indicators and determine whether such contracts should be continued or not. The Company and the subsidiaries entered into interest rate swap agreements, foreign currency swap agreements and foreign exchange contracts for risk management purposes which are not qualified for hedge accounting under ASC 815 (Derivatives and Hedging).

ASC 815-10-50 (Derivatives and Hedging - Disclosures) requires companies to disclose the fair value of derivative instruments and their gains (losses) in tabular format, as well as information about credit-risk-related contingent features in derivative agreements.

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The effect of derivative instruments on the consolidated statements of income, pre-tax, for the nine months ended December 31, 2012 is as follows.

(1) Cash flow hedges

| | Gains (losses) recognized in other comprehensive income on derivative (effective portion) Millions of yen | Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion) | | Gains (losses) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing) | |
|----------------------------------|---|--|-----------------|--|-----------------|
| | | Consolidated statements of income location | Millions of yen | Consolidated statements of income location | Millions of yen |
| Interest rate swap agreements | ¥ (459) | Interest on loans and investment securities / Interest expense | ¥ 6 | | ¥ 0 |
| Foreign exchange contracts | (741) | Foreign currency transaction loss | 44 | | 0 |
| Foreign currency swap agreements | 366 | Interest on loans and investment securities / Interest expense / Foreign currency transaction loss | (1,307) | Foreign currency transaction loss | 99 |

(2) Fair value hedges

| | Gains (losses) recognized in income on derivative and other Consolidated statements | | Gains (losses) recognized in income on hedged item | |
|----------------------------------|---|--|--|--|
| | Millions of yen | of income location | Millions of yen | Consolidated statements of income location |
| Interest rate swap agreements | ¥ 79 | Interest on loans and investment securities / Interest expense | ¥ (110) | Interest on loans and investment securities / Interest expense |
| Foreign exchange contracts | (5,390) | Foreign currency transaction loss | 5,390 | Foreign currency transaction loss |
| Foreign currency swap agreements | (1,497) | Foreign currency transaction loss | 1,497 | Foreign currency transaction loss |
| Foreign currency long-term debt | 6 | Foreign currency transaction loss | (6) | Foreign currency transaction loss |

(3) Hedges of net investment in foreign operations

| | Gains (losses) recognized in other comprehensive | Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion) | | Gains (losses) recognized in income on derivative and others (ineffective portion and amount excluded from effectiveness testing) |
|--|--|--|--|---|
| | | | | |
| | | | | |

| | income on derivative and others (effective portion) | Consolidated statements | | Consolidated statements | |
|---|---|---|--|-------------------------|-----|
| | Millions of yen | of income location | | of income location | |
| Foreign exchange contracts | ¥ (6,782) | Gains on sales of subsidiaries and affiliates and liquidation losses, net | | ¥ (242) | ¥ 0 |
| Borrowings and bonds in local currency | (8,062) | | | 0 | 0 |
| (4) Trading derivatives or derivatives not designated as hedging instruments | | | | | |

| | Millions of yen | Gains (losses) recognized in income on derivative | |
|---------------------------------|--------------------|--|--|
| | | Consolidated statements of income location | |
| Interest rate swap agreements | ¥ 8 | Other operating revenues / expenses | |
| Futures | (1,415) | Brokerage commissions and net gains on investment securities | |
| Foreign exchange contracts | (136) | Brokerage commissions and net gains on investment securities | |
| Credit derivatives held/written | 498 | Other operating revenues / expenses | |
| Options held/written and other | 1,086 | Other operating revenues / expenses | |

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The effect of derivative instruments on the consolidated statements of income, pre-tax, for the nine months ended December 31, 2013 is as follows.

(1) Cash flow hedges

| | Gains (losses) recognized in other comprehensive income on derivative (effective portion) Millions of yen | Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion) | | Gains (losses) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing) | |
|----------------------------------|--|--|-----------------|--|-----------------|
| | | Consolidated statements of income location | Millions of yen | Consolidated statements of income location | Millions of yen |
| Interest rate swap agreements | ¥ 915 | Interest on loans and investment securities / Interest expense | ¥ 29 | | ¥ 0 |
| Foreign exchange contracts | (1,153) | Foreign currency transaction loss | 770 | | 0 |
| Foreign currency swap agreements | 2,028 | Interest on loans and investment securities / Interest expense / Foreign currency transaction loss | (1,198) | Foreign currency transaction loss | (61) |

(2) Fair value hedges

| | Gains (losses) recognized in income on derivative and other Consolidated statements | | Gains (losses) recognized in income on hedged item | |
|----------------------------------|---|--|--|--|
| | Millions of yen | of income location | Millions of yen | Consolidated statements of income location |
| Interest rate swap agreements | ¥ (911) | Interest on loans and investment securities / Interest expense | ¥ 894 | Interest on loans and investment securities / Interest expense |
| Foreign exchange contracts | (5,869) | Foreign currency transaction loss | 5,869 | Foreign currency transaction loss |
| Foreign currency swap agreements | (3,637) | Foreign currency transaction loss | 3,637 | Foreign currency transaction loss |
| Foreign currency long-term debt | (2,094) | Foreign currency transaction loss | 2,094 | Foreign currency transaction loss |

(3) Hedges of net investment in foreign operations

| | Gains (losses) recognized in other comprehensive income on | Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion) | Gains (losses) recognized in income on derivative and others (ineffective portion and amount excluded from effectiveness testing) |
|--|--|--|---|
|--|--|--|---|

| | derivative and others (effective portion) | Consolidated statements | | Millions of yen | Consolidated statements of income location | Millions of yen |
|--|---|---|--|--------------------|---|--------------------|
| | Millions of yen | of income location | | Millions of yen | Consolidated statements of income location | Millions of yen |
| Foreign exchange contracts | ¥ (30,923) | Gains on sales of subsidiaries and affiliates and liquidation losses, net | | ¥ (171) | | ¥ 0 |
| Borrowings and bonds in local currency | (22,748) | | | 0 | | 0 |

(4) Trading derivatives or derivatives not designated as hedging instruments

| | Millions of yen | Gains (losses) recognized in income on derivative | |
|---------------------------------|--------------------|--|--|
| | | Consolidated statements of income location | |
| Interest rate swap agreements | ¥ 5 | Other operating revenues / expenses | |
| Futures | 29 | Brokerage commissions and net gains on investment securities | |
| Foreign exchange contracts | (54) | Brokerage commissions and net gains on investment securities | |
| Credit derivatives held/written | (557) | Other operating revenues / expenses | |
| Options held/written and other | (178) | Other operating revenues / expenses | |

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The effect of derivative instruments on the consolidated statements of income, pre-tax, for the three months ended December 31, 2012 is as follows.

(1) Cash flow hedges

| | Gains (losses) recognized in other comprehensive income on derivative (effective portion) | Gains (losses) reclassified from comprehensive income (effective portion) Consolidated statements | accumulated other (loss) into income | Gains (losses) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing) | |
|----------------------------------|---|--|--------------------------------------|--|-----------------|
| | | | | Millions of yen | Millions of yen |
| Interest rate swap agreements | ¥ (242) | Interest on loans and investment securities / Interest expense | ¥ 0 | | ¥ 0 |
| Foreign exchange contracts | (1,062) | Foreign currency transaction loss | 21 | | 0 |
| Foreign currency swap agreements | 751 | Interest on loans and investment securities / Interest expense / Foreign currency transaction loss | (161) | Foreign currency transaction loss | 99 |

(2) Fair value hedges

| | Gains (losses) recognized in income on derivative and other Consolidated statements | | Gains (losses) recognized in income on hedged item Consolidated statements | |
|----------------------------------|---|--|--|--|
| | Millions of yen | of income location | Millions of yen | of income location |
| Interest rate swap agreements | ¥ 46 | Interest on loans and investment securities / Interest expense | ¥ (45) | Interest on loans and investment securities / Interest expense |
| Foreign exchange contracts | (8,975) | Foreign currency transaction loss | 8,975 | Foreign currency transaction loss |
| Foreign currency swap agreements | (2,156) | Foreign currency transaction loss | 2,156 | Foreign currency transaction loss |
| Foreign currency long-term debt | 22 | Foreign currency transaction loss | (22) | Foreign currency transaction loss |

(3) Hedges of net investment in foreign operations

| | Gains (losses) recognized in other comprehensive income on derivative and others (effective portion) | Gains (losses) reclassified from comprehensive income (effective portion) Consolidated statements | accumulated other (loss) into income | Gains (losses) recognized in income on derivative and others (ineffective portion and amount excluded from effectiveness testing) | |
|--|--|---|--------------------------------------|---|-----------------|
| | | | | Millions of yen | Millions of yen |

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| | of income location | | Millions of yen |
|---|--------------------|---|-----------------------|
| Foreign exchange contracts | ¥ (6,644) | Gains on sales of subsidiaries and affiliates and liquidation losses, net ¥ (242) | ¥ 0 |
| Borrowings and bonds in local currency | (15,332) | 0 | 0 |
| (4) Trading derivatives or derivatives not designated as hedging instruments | | | |

| | Millions of yen | Gains (losses) recognized in income on derivative Consolidated statements of income location |
|---------------------------------|--------------------|---|
| Interest rate swap agreements | ¥ (8) | Other operating revenues / expenses |
| Futures | (1,534) | Brokerage commissions and net gains on investment securities |
| Foreign exchange contracts | 39 | Brokerage commissions and net gains on investment securities |
| Credit derivatives held/written | 55 | Other operating revenues / expenses |
| Options held/written and other | 271 | Other operating revenues / expenses |

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The effect of derivative instruments on the consolidated statements of income, pre-tax, for the three months ended December 31, 2013 is as follows.

(1) Cash flow hedges

| | Gains (losses) recognized in other comprehensive income on derivative (effective portion) | Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion) | | Gains (losses) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing) | |
|----------------------------------|---|--|--|--|--|
| | | Consolidated statements of income location | Consolidated statements of income location | Consolidated statements of income location | Consolidated statements of income location |
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Interest rate swap agreements | ¥ 210 | Interest on loans and investment securities / Interest expense | ¥ 7 | | ¥ 0 |
| Foreign exchange contracts | (774) | Foreign currency transaction loss | 322 | | 0 |
| Foreign currency swap agreements | 1,605 | Interest on loans and investment securities / Interest expense / Foreign currency transaction loss | (141) | Foreign currency transaction loss | 32 |

(2) Fair value hedges

| | Gains (losses) recognized in income on derivative and other Consolidated statements | Gains (losses) recognized in income on hedged item | | |
|----------------------------------|---|--|--|--|
| | | | Consolidated statements of income location | Consolidated statements of income location |
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Interest rate swap agreements | ¥ (193) | Interest on loans and investment securities / Interest expense | ¥ 185 | Interest on loans and investment securities / Interest expense |
| Foreign exchange contracts | (2,257) | Foreign currency transaction loss | 2,257 | Foreign currency transaction loss |
| Foreign currency swap agreements | (2,663) | Foreign currency transaction loss | 2,667 | Foreign currency transaction loss |
| Foreign currency long-term debt | (507) | Foreign currency transaction loss | 507 | Foreign currency transaction loss |

(3) Hedges of net investment in foreign operations

| | Gains (losses) recognized in other comprehensive income | Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion) | Gains (losses) recognized in income on derivative and others (ineffective portion and amount excluded from effectiveness testing) |
|--|---|--|---|
|--|---|--|---|

| | on derivative and others (effective portion) | Consolidated statements | | Consolidated statements | |
|---|--|-------------------------|--------------------|-------------------------|--------------------|
| | Millions of yen | of income location | Millions of yen | of income location | Millions of yen |
| Foreign exchange contracts | ¥ (22,677) | | ¥ 0 | | ¥ 0 |
| Borrowings and bonds in local currency | (16,186) | | 0 | | 0 |
| (4) Trading derivatives or derivatives not designated as hedging instruments | | | | | |

| | Gains (losses) recognized in income on derivative | |
|---------------------------------|---|--|
| | Millions of yen | Consolidated statements of income location |
| Interest rate swap agreements | ¥ 0 | |
| Futures | (23) | Brokerage commissions and net gains on investment securities |
| Foreign exchange contracts | (52) | Brokerage commissions and net gains on investment securities |
| Credit derivatives held/written | (517) | Other operating revenues / expenses |
| Options held/written and other | 763 | Other operating revenues / expenses |

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Notional amounts of derivative instruments and other, fair values of derivative instruments and other in consolidated balance sheets at March 31, 2013 and December 31, 2013 are as follows.

March 31, 2013

| | Notional amount | Fair value | Asset derivatives | Fair value | Liability derivatives |
|--|------------------------|------------------------|---|------------------------|---|
| | Millions of yen | Millions of yen | Consolidated balance sheets location | Millions of yen | Consolidated balance sheets location |
| Derivatives designated as hedging instruments and other: | | | | | |
| Interest rate swap agreements | ¥ 264,434 | ¥ 4,654 | Other receivables | ¥ 1,451 | Trade notes, accounts payable and other liabilities |
| Futures, foreign exchange contracts | 191,980 | 838 | Other receivables | 4,624 | Trade notes, accounts payable and other liabilities |
| Foreign currency swap agreements | 83,000 | 2,890 | Other receivables | 8,263 | Trade notes, accounts payable and other liabilities |
| Foreign currency long-term debt | 161,379 | 0 | | 0 | |

Trading derivatives or derivatives not designated as hedging instruments:

| | | | | | |
|-------------------------------------|---------|-------|-------------------|-------|---|
| Interest rate swap agreements | ¥ 1,294 | ¥ 0 | | ¥ 8 | Trade notes, accounts payable and other liabilities |
| Options held/written and other | 217,999 | 5,654 | Other receivables | 3,530 | Trade notes, accounts payable and other liabilities |
| Futures, foreign exchange contracts | 41,363 | 192 | Other receivables | 61 | Trade notes, accounts payable and other liabilities |
| Credit derivatives held/written | 20,161 | 370 | Other receivables | 100 | Trade notes, accounts payable and other liabilities |

December 31, 2013

| | Notional amount | Fair value | Asset derivatives | Fair value | Liability derivatives |
|--|------------------------|------------------------|---|------------------------|---|
| | Millions of yen | Millions of yen | Consolidated balance sheets location | Millions of yen | Consolidated balance sheets location |
| Derivatives designated as hedging instruments and other: | | | | | |
| Interest rate swap agreements | ¥ 230,525 | ¥ 4,067 | Other receivables | ¥ 829 | Trade notes, accounts payable and other liabilities |
| Futures, foreign exchange contracts | 363,403 | 226 | Other receivables | 20,006 | Trade notes, accounts payable and other liabilities |
| Foreign currency swap agreements | 107,013 | 5,206 | Other receivables | 9,276 | Trade notes, accounts payable and other liabilities |
| Foreign currency long-term debt | 275,778 | 0 | | 0 | |

Trading derivatives or derivatives not designated as hedging instruments:

| | | | | | |
|-------------------------------|---------|-----|--|-----|--|
| Interest rate swap agreements | ¥ 2,108 | ¥ 0 | | ¥ 0 | |
|-------------------------------|---------|-----|--|-----|--|

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| | | | | | |
|-------------------------------------|---------|-------|-------------------|-------|---|
| Options held/written and other | 143,688 | 4,900 | Other receivables | 2,956 | Trade notes, accounts payable and other liabilities |
| Futures, foreign exchange contracts | 65,473 | 590 | Other receivables | 548 | Trade notes, accounts payable and other liabilities |
| Credit derivatives held/written | 14,887 | 33 | Other receivables | 320 | Trade notes, accounts payable and other liabilities |

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Certain of the Company's derivative instruments contain provisions that require the Company to maintain an investment grade credit rating from each of the major credit rating agencies. If the Company's credit rating were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment on derivative instruments that are in net liability positions.

There are no derivative instruments with credit-risk-related contingent features that are in a liability position as of December 31, 2013.

ASC 815-10-50 (Derivatives and Hedging Disclosures) requires sellers of credit derivatives to disclose additional information about credit-risk-related potential payment risk.

The Company and its subsidiaries have contracted credit derivatives for the purpose of trading. Details of credit derivatives written as of March 31, 2013 and December 31, 2013 are as follows.

March 31, 2013

| Types of derivatives | The events or circumstances that would require the seller to perform under the credit derivative | Maximum potential amount of future payment under the credit derivative Millions of yen | Approximate remaining term of the credit derivative | Fair value of the credit derivative Millions of yen |
|----------------------|--|---|---|--|
| Credit default swap | In case of credit event (bankruptcy, failure to pay, restructuring) occurring in underlying reference company* | ¥ 832 | Less than five years | ¥ (29) |

* Underlying reference company's credit ratings are Caa1 or better rated by rating agencies as of March 31, 2013.

December 31, 2013

| Types of derivatives | The events or circumstances that would require the seller to perform under the credit derivative | Maximum potential amount of future payment under the credit derivative Millions of yen | Approximate remaining term of the credit derivative | Fair value of the credit derivative Millions of yen |
|----------------------|--|---|---|--|
| Credit default swap | In case of credit event (bankruptcy, failure to pay, restructuring) occurring in underlying reference company* | ¥ 435 | Less than four years | ¥ 31 |

* Underlying reference company's credit ratings are Baa2 or better rated by rating agencies as of December 31, 2013.

Table of Contents**19. Offsetting Assets and Liabilities**

The gross amounts recognized, gross amounts offset, and net amounts presented in the consolidated balance sheets regarding to derivative assets and liabilities and other assets and liabilities as of March 31, 2013 and December 31, 2013 are as follows.

March 31, 2013

| | Millions of yen | | | | | |
|---|--------------------------|---|--|--|-----------------|-----------------|
| | Gross amounts recognized | Gross amounts offset in the consolidated balance sheets | Net amounts presented in the consolidated balance sheets | Gross amounts not offset in the consolidated balance sheets *1 | | Net amount |
| | | | | Financial instruments | Cash collateral | |
| Derivative assets | ¥ 17,124 | ¥ (2,639) | ¥ 14,485 | ¥ (2,994) | ¥ (124) | ¥ 11,367 |
| Reverse repurchase, securities borrowing, and similar arrangements *2 | 7,752 | (7,639) | 113 | 0 | 0 | 113 |
| Total assets | 24,876 | (10,278) | 14,598 | (2,994) | (124) | 11,480 |
| Derivative liabilities | 20,676 | (2,639) | 18,037 | (2,994) | (159) | 14,884 |
| Repurchase, securities lending, and similar arrangements *2 | 7,639 | (7,639) | 0 | 0 | 0 | 0 |
| Total liabilities | ¥ 28,315 | ¥ (10,278) | ¥ 18,037 | ¥ (2,994) | ¥ (159) | ¥ 14,884 |

December 31, 2013

| | Millions of yen | | | | | |
|---|--------------------------|---|--|--|-----------------|-----------------|
| | Gross amounts recognized | Gross amounts offset in the consolidated balance sheets | Net amounts presented in the consolidated balance sheets | Gross amounts not offset in the consolidated balance sheets *1 | | Net amount |
| | | | | Financial instruments | Cash collateral | |
| Derivative assets | ¥ 17,144 | ¥ (2,122) | ¥ 15,022 | ¥ (9,193) | ¥ (315) | ¥ 5,514 |
| Reverse repurchase, securities borrowing, and similar arrangements *2 | 6,458 | (6,176) | 282 | 0 | 0 | 282 |
| Total assets | 23,602 | (8,298) | 15,304 | (9,193) | (315) | 5,796 |
| Derivative liabilities | 36,057 | (2,122) | 33,935 | (9,193) | (344) | 24,398 |
| Repurchase, securities lending, and similar arrangements *2 | 6,176 | (6,176) | 0 | 0 | 0 | 0 |
| Total liabilities | ¥ 42,233 | ¥ (8,298) | ¥ 33,935 | ¥ (9,193) | ¥ (344) | ¥ 24,398 |

*1 The balances were related to enforceable master netting agreements or similar agreements.

*2 Reverse repurchase agreements and securities borrowing, and similar transactions are reported within other receivables in the consolidated balance sheets. Repurchase agreements and securities lending, and similar transactions are reported within trade notes, accounts payable

and other liabilities in the consolidated balance sheets.

Table of Contents**20. Estimated Fair Value of Financial Instruments**

The following information is provided to help readers gain an understanding of the relationship between amounts reported in the accompanying consolidated financial statements and the related market or fair value.

The disclosures include financial instruments and derivative financial instruments, other than investment in direct financing leases, investment in subsidiaries and affiliates, pension obligations and insurance contracts.

March 31, 2013

| | Millions of yen | | | | |
|---|-----------------|----------------------|-----------|-----------|-----------|
| | Carrying amount | Estimated fair value | Level 1 | Level 2 | Level 3 |
| Trading instruments | | | | | |
| Trading securities | ¥ 33,041 | ¥ 33,041 | ¥ 2,184 | ¥ 30,857 | ¥ 0 |
| Futures, Foreign exchange contracts: | | | | | |
| Assets | 147 | 147 | 147 | 0 | 0 |
| Liabilities | 0 | 0 | 0 | 0 | 0 |
| Credit derivatives held/written: | | | | | |
| Assets | 370 | 370 | 0 | 370 | 0 |
| Liabilities | 100 | 100 | 0 | 100 | 0 |
| Options held/written and other: | | | | | |
| Assets | 5,654 | 5,654 | 0 | 3,555 | 2,099 |
| Liabilities | 3,530 | 3,530 | 0 | 3,530 | 0 |
| Non-trading instruments | | | | | |
| Assets: | | | | | |
| Cash and cash equivalents | ¥ 826,296 | ¥ 826,296 | ¥ 826,296 | ¥ 0 | ¥ 0 |
| Restricted cash | 106,919 | 106,919 | 106,919 | 0 | 0 |
| Time deposits | 8,356 | 8,356 | 0 | 8,356 | 0 |
| Installment loans (net of allowance for probable loan losses) | 2,602,737 | 2,625,132 | 0 | 82,125 | 2,543,007 |
| Investment in securities: | | | | | |
| Practicable to estimate fair value | 852,550 | 861,570 | 166,398 | 552,394 | 142,778 |
| Not practicable to estimate fair value* | 208,077 | 208,077 | 0 | 0 | 0 |
| Liabilities: | | | | | |
| Short-term debt | ¥ 420,726 | ¥ 420,726 | ¥ 0 | ¥ 420,726 | ¥ 0 |
| Deposits | 1,078,587 | 1,081,273 | 0 | 1,081,273 | 0 |
| Long-term debt | 4,061,534 | 4,081,912 | 0 | 1,486,219 | 2,595,693 |
| Futures, Foreign exchange contracts: | | | | | |
| Assets | 883 | 883 | 0 | 883 | 0 |
| Liabilities | 4,685 | 4,685 | 0 | 4,685 | 0 |
| Foreign currency swap agreements: | | | | | |
| Assets | 2,890 | 2,890 | 0 | 2,890 | 0 |
| Liabilities | 8,263 | 8,263 | 0 | 8,263 | 0 |
| Interest rate swap agreements: | | | | | |
| Assets | 4,654 | 4,654 | 0 | 4,654 | 0 |
| Liabilities | 1,459 | 1,459 | 0 | 1,459 | 0 |

* The fair value of investment securities of ¥208,077 million was not estimated, as it was not practical.

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December 31, 2013

| | Carrying amount | Estimated fair value | Millions of yen | | |
|---|--------------------|-------------------------|-----------------|-----------|-----------|
| | | | Level 1 | Level 2 | Level 3 |
| Trading instruments | | | | | |
| Trading securities | ¥ 15,599 | ¥ 15,599 | ¥ 845 | ¥ 14,754 | ¥ 0 |
| Futures, Foreign exchange contracts: | | | | | |
| Assets | 254 | 254 | 254 | 0 | 0 |
| Liabilities | 78 | 78 | 78 | 0 | 0 |
| Credit derivatives held/written: | | | | | |
| Assets | 33 | 33 | 0 | 33 | 0 |
| Liabilities | 320 | 320 | 0 | 320 | 0 |
| Options held/written and other: | | | | | |
| Assets | 4,900 | 4,900 | 0 | 4,900 | 0 |
| Liabilities | 2,956 | 2,956 | 0 | 2,828 | 128 |
| Non-trading instruments | | | | | |
| Assets: | | | | | |
| Cash and cash equivalents | ¥ 704,010 | ¥ 704,010 | ¥ 704,010 | ¥ 0 | ¥ 0 |
| Restricted cash | 91,004 | 91,004 | 91,004 | 0 | 0 |
| Time deposits | 6,298 | 6,298 | 0 | 6,298 | 0 |
| Installment loans (net of allowance for probable loan losses) | 2,230,769 | 2,249,967 | 0 | 88,515 | 2,161,452 |
| Investment in securities: | | | | | |
| Practicable to estimate fair value | 916,355 | 922,612 | 194,598 | 652,795 | 75,219 |
| Not practicable to estimate fair value* | 221,180 | 221,180 | 0 | 0 | 0 |
| Liabilities: | | | | | |
| Short-term debt | ¥ 320,937 | ¥ 320,937 | ¥ 0 | ¥ 320,937 | ¥ 0 |
| Deposits | 1,122,441 | 1,123,896 | 0 | 1,123,896 | 0 |
| Long-term debt | 3,838,484 | 3,845,994 | 0 | 1,307,645 | 2,538,349 |
| Futures, Foreign exchange contracts: | | | | | |
| Assets | 562 | 562 | 0 | 562 | 0 |
| Liabilities | 20,476 | 20,476 | 0 | 20,476 | 0 |
| Foreign currency swap agreements: | | | | | |
| Assets | 5,206 | 5,206 | 0 | 5,206 | 0 |
| Liabilities | 9,276 | 9,276 | 0 | 9,276 | 0 |
| Interest rate swap agreements: | | | | | |
| Assets | 4,067 | 4,067 | 0 | 4,067 | 0 |
| Liabilities | 829 | 829 | 0 | 829 | 0 |

* The fair value of investment securities of ¥221,180 million was not estimated, as it was not practical.

Input level of fair value measurement

If active market prices are available, fair value measurement is based on quoted active market prices and classified as Level 1. If active market prices are not available, fair value measurement is based on observable inputs other than quoted prices included within Level 1 such as quoted market prices of similar assets and classified as Level 2. If market prices are not available and there are no observable inputs, then fair value is estimated by using valuation models including discounted cash flow methodologies, commonly used option-pricing models and broker quotes and classified as Level 3, as the valuation models and broker quotes are based on inputs that are unobservable in the market.

Table of Contents**Estimation of fair value**

The following methods and significant assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate a value:

Cash and cash equivalents, restricted cash, time deposits and short-term debt The carrying amounts recognized in the balance sheets were determined to be reasonable estimates of their fair values due to their short maturity.

Installment loans The carrying amounts of floating-rate installment loans with no significant changes in credit risk and which could be repriced within a short-term period were determined to be reasonable estimates of their fair values. The carrying amounts of purchased loans were determined to be reasonable estimates of their fair values because the carrying amounts (net of allowance) are considered to properly reflect the recoverability and value of these loans. For certain homogeneous categories of medium- and long-term fixed-rate loans, such as housing loans, the estimated fair values were calculated by discounting the future cash flows using the current interest rates charged by the Company and its subsidiaries for new loans made to borrowers with similar credit ratings and remaining maturities. Concerning above, if available, estimated fair values were based on quoted market prices or quotations provided by dealers.

Investment in securities For trading securities and available-for-sale securities other than specified bonds issued by SPEs and certain other mortgage-backed and asset-backed securities, the estimated fair values, which are also the carrying amounts recorded in the balance sheets, were generally based on quoted market prices or quotations provided by dealers. As for the specified bonds issued by the SPEs and certain other mortgage-backed and asset-backed securities included in available-for-sale securities, the Company and its subsidiaries estimated the fair value by using valuation models including discounted cash flow methodologies and broker quotes (see Note 3). For held-to-maturity securities, the estimated fair values were based on quoted market prices. For certain investment funds included in other securities, the fair values are estimated based on net asset value per share or discounted cash flow methodologies. With regard to other securities other than the investment funds described above, the Company and its subsidiaries have not estimated the fair value, as it is not practicable to do so. Those other securities mainly consist of non-marketable equity securities and preferred capital shares. Because there were no quoted market prices for such other securities and each security has a different nature and characteristics, reasonable estimates of fair values could not be made without incurring excessive costs.

Deposits The carrying amounts of demand deposits recognized in the consolidated balance sheets were determined to be reasonable estimates of their fair values. The estimated fair values of time deposits were calculated by discounting the future cash flows. The current interest rates offered for the deposits with similar terms and remaining average maturities were used as the discount rates.

Long-term debt The carrying amounts of long-term debt with floating rates which could be repriced within short-term periods were determined to be reasonable estimates of their fair values. For medium-and long-term fixed-rate debt, the estimated fair values were calculated by discounting the future cash flows. The borrowing interest rates that were currently available to the Company and its subsidiaries offered by financial institutions for debt with similar terms and remaining average maturities were used as the discount rates. Concerning above, if available, estimated fair values were based on quoted market prices or quotations provided by dealers.

Derivatives For exchange-traded derivatives, fair value is based on quoted market prices. Fair value estimates for other derivatives generally reflect the estimated amounts that the Company and its subsidiaries would receive or pay to terminate the contracts at the reporting date, thereby taking into account the current unrealized gains or losses of open contracts. Discounted amounts of future cash flows using the current interest rate are used when estimating the fair values for most of the Company's and its subsidiaries' derivatives.

Table of Contents**21. Commitments, Guarantees, and Contingent Liabilities**

Commitments The Company and its subsidiaries have commitments for the purchase of equipment to be leased, having a cost of ¥12,117 million and ¥18,846 million as of March 31, 2013 and December 31, 2013, respectively.

The minimum future rentals on non-cancelable operating leases are as follows:

| | Millions of yen | |
|--------------------|-----------------|-------------------|
| | March 31, 2013 | December 31, 2013 |
| Within one year | ¥ 4,036 | ¥ 6,896 |
| More than one year | 32,224 | 47,890 |
| Total | ¥ 36,260 | ¥ 54,786 |

The Company and its subsidiaries lease office space under operating lease agreements, which are primarily cancelable, and made rental payments totaling ¥5,767 million and ¥7,737 million for the nine months ended December 31, 2012 and 2013, respectively, and ¥1,968 million and ¥2,929 million for the three months ended December 31, 2012 and 2013, respectively.

Certain computer systems of the Company and its subsidiaries have been operated and maintained under non-cancelable contracts with third-party service providers. For such services, the Company and its subsidiaries made payments totaling ¥297 million and ¥2,351 million for the nine months ended December 31, 2012 and 2013, respectively, and ¥24 million and ¥1,072 million for the three months ended December 31, 2012 and 2013, respectively. As of March 31, 2013 and December 31, 2013, the amounts due are as follows:

| | Millions of yen | |
|--------------------|-----------------|-------------------|
| | March 31, 2013 | December 31, 2013 |
| Within one year | ¥ 179 | ¥ 3,058 |
| More than one year | 133 | 2,424 |
| Total | ¥ 312 | ¥ 5,482 |

The Company and its subsidiaries have commitments to fund estimated construction costs to complete ongoing real estate development projects and other commitments, totaling ¥59,830 million and ¥40,641 million as of March 31, 2013 and December 31, 2013, respectively.

The Company and its subsidiaries have agreements to commit to execute loans for customers, and to invest in funds, as long as the agreed-upon terms are met. The total unused credit and capital amount available is ¥284,090 million and ¥300,696 million as of March 31, 2013 and December 31, 2013, respectively.

Guarantees The Company and its subsidiaries apply ASC 460-10 (Guarantees), and at the inception of a guarantee, recognize a liability in the consolidated balance sheets at fair value for the guarantee within the scope of ASC 460-10. The following table represents the summary of potential future payments, book value recorded as guarantee liabilities of the guarantee contracts outstanding and maturity of the longest guarantee contracts as of March 31, 2013 and December 31, 2013:

| | March 31, 2013 | | | December 31, 2013 | | |
|-------------------|--------------------------|-------------------------------------|----------------------------------|--------------------------|-------------------------------------|----------------------------------|
| | Potential future payment | Book value of guarantee liabilities | Maturity of the longest contract | Potential future payment | Book value of guarantee liabilities | Maturity of the longest contract |
| Guarantees | | | | | | |

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| | | | | | | |
|-------------------|-----------|----------|------|-----------|----------|------|
| Corporate loans | ¥ 316,650 | ¥ 2,587 | 2026 | ¥ 349,101 | ¥ 2,365 | 2021 |
| Transferred loans | 196,162 | 4,246 | 2044 | 219,613 | 3,979 | 2044 |
| Consumer loans | 77,034 | 8,085 | 2018 | 90,323 | 9,366 | 2018 |
| Housing loans | 29,510 | 7,437 | 2051 | 22,195 | 7,147 | 2051 |
| Other | 2,936 | 126 | 2024 | 3,193 | 113 | 2024 |
| | | | | | | |
| Total | ¥ 622,292 | ¥ 22,481 | | ¥ 684,425 | ¥ 22,970 | |

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Guarantee of corporate loans: The Company and certain subsidiaries mainly guarantee corporate loans issued by financial institutions for customers. The Company and its subsidiaries are obliged to pay the outstanding loans when the guaranteed customers fail to pay principal and/or interest in accordance with the contract terms. In some cases, the corporate loans are secured by the guaranteed customers' assets. Once the Company and its subsidiaries assume the guaranteed customers' obligation, the Company and its subsidiaries obtain a right to claim the collateral assets. In other cases, certain contracts that guarantee corporate loans issued by financial institutions for customers include contracts that the amounts of performance guarantee are limited to a range of guarantee commissions. As of March 31, 2013 and December 31, 2013, total notional amount of the loans subject to such guarantees are ¥1,239,000 million and ¥1,244,000 million, respectively, and book value of guarantee liabilities which amount is included in the table above are ¥734 million and ¥791 million, respectively. The potential future payment amounts included in the table above for these guarantees are limited to the agreed range of the guarantee commissions, which are less than the total notional amounts of the loans subject to these guarantees.

Payment or performance risk of the guarantees is considered based on the historical experience of credit events. There have been no significant changes in the payment or performance risk of the guarantees for the nine months ended December 31, 2013.

Guarantee of transferred loans: A subsidiary in the United States is authorized to underwrite, originate, fund, and service multi-family and seniors housing loans without prior approval from Federal National Mortgage Association (Fannie Mae) under Fannie Mae's Delegated Underwriting and Servicing program. As part of this program, Fannie Mae provides a commitment to purchase the loans.

In return for the delegated authority, the subsidiary guarantees the performance of certain housing loans transferred to Fannie Mae and has the payment or performance risk of the guarantees to absorb some of the losses when losses arise from the transferred loans.

There were no significant changes in the payment or performance risk of these guarantees for the nine months ended December 31, 2013.

Guarantee of consumer loans: A subsidiary guarantees consumer loans, typically card loans, issued by Japanese financial institutions. The subsidiary is obliged to pay the outstanding obligations when these loans become delinquent generally for more than a month.

Payment or performance risk of the guarantees is considered based on the historical experience of credit events.

There were no significant changes in the payment or performance risk of the guarantees for the nine months ended December 31, 2013.

Guarantee of housing loans: The Company and certain subsidiaries guarantee the housing loans issued by Japanese financial institutions to third party individuals. The Company and its subsidiaries are typically obliged to pay the outstanding loans when these loans become delinquent more than three months. The housing loans are usually secured by the real properties. Once the Company and its subsidiaries assume the guaranteed parties' obligation, the Company and its subsidiaries obtain a right to claim the collateral assets.

Payment or performance risk of the guarantees is considered based on the historical experience of credit events.

There were no significant changes in the payment or performance risk of the guarantees for the nine months ended December 31, 2013.

Other guarantees: Other guarantees include the guarantees to financial institutions and the guarantees derived from collection agency agreements. Pursuant to the contracts of the guarantees to financial institutions, a subsidiary pays to the financial institutions when customers of the financial institutions become debtors and default on the debts. Pursuant to the agreements of the guarantees derived from collection agency agreements, the Company and certain subsidiaries collect third parties' debt and pay the uncovered amounts.

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Litigation The Company and its subsidiaries are involved in legal proceedings and claims in the ordinary course of business. In the opinion of management, none of such proceedings and claims will have a significant impact on the Company's financial position or results of operations.

Collateral Other than the assets of the consolidated VIEs pledged as collateral for financing described in Note 8 (Variable Interest Entities), the Company and certain subsidiaries provide the following assets as collateral for the short-term and long-term debt payables to financial institutions as of March 31, 2013 and December 31, 2013:

| | Millions of yen | |
|--|------------------|-------------------|
| | March 31, 2013 | December 31, 2013 |
| Minimum lease payments, loans and investment in operating leases | ¥ 88,956 | ¥ 95,160 |
| Investment in securities | 110,492 | 109,135 |
| Other operating assets | 8,736 | 49,340 |
| Other assets | 9,916 | 16,846 |
| Total | ¥ 218,100 | ¥ 270,481 |

As of March 31, 2013 and December 31, 2013, investment in securities of ¥24,079 million and ¥23,158 million, respectively, were pledged for primarily collateral deposits.

Under loan agreements relating to short-term and long-term debt from commercial banks and certain insurance companies, the Company and certain subsidiaries are required to provide collateral against these debts at anytime if requested by the lenders. The Company and its subsidiaries did not receive any such requests from the lenders as of December 31, 2013.

Table of Contents**22. Segment Information**

Financial information about the operating segments reported below is information that is separately available and evaluated regularly by the management in deciding how to allocate resources and in assessing performance.

From the second consolidated fiscal period, goodwill and other intangible assets recognized as a result of business combination have been included in segment assets. In addition, ORIX's Information and Communication Technology Department which was previously included in the Maintenance Leasing Segment, is now disclosed as part of the Corporate Financial Services Segment from the third quarter due to reorganization of operation management scope. As a result of the foregoing, we have reclassified the segment information for nine months ended December 31, 2012, three months ended December 31, 2012 and as of March 31, 2013.

An overview of operations for each of the six segments follows below.

| | | |
|------------------------------|---|---|
| Corporate Financial Services | : | Lending, leasing and fee business. |
| Maintenance Leasing | : | Automobile leasing and rentals, car sharing, and precision measuring and IT-related equipment rentals and leasing. |
| Real Estate | : | Real estate development, rental and financing; facility operation; REIT asset management; and real estate investment advisory services. |
| Investment and Operation | : | Environment and energy-related business, loan servicing, and principal investment. |
| Retail | : | Life insurance, banking business and card loan business. |
| Overseas Business | : | Leasing, lending, investment in bonds, investment banking, asset management operations, and ship- and aircraft-related operations. |

Financial information of the segments for the nine months ended December 31, 2012 is as follows:

| | Millions of yen | | | | | | |
|------------------|------------------------------------|------------------------|-------------|--------------------------------|-----------|----------------------|-----------|
| | Corporate Financial Services | Maintenance Leasing | Real Estate | Investment and Operation | Retail | Overseas Business | Total |
| Segment revenues | ¥ 56,426 | ¥ 173,835 | ¥ 163,293 | ¥ 86,069 | ¥ 136,935 | ¥ 145,096 | ¥ 761,654 |
| Segment profits | 19,032 | 25,809 | 4,153 | 32,710 | 33,558 | 34,326 | 149,588 |

Financial information of the segments for the nine months ended December 31, 2013 is as follows:

| | Millions of yen | | | | | | |
|------------------|------------------------------------|------------------------|-------------|--------------------------------|-----------|----------------------|-----------|
| | Corporate Financial Services | Maintenance Leasing | Real Estate | Investment and Operation | Retail | Overseas Business | Total |
| Segment revenues | ¥ 56,417 | ¥ 188,806 | ¥ 149,894 | ¥ 120,368 | ¥ 155,318 | ¥ 276,925 | ¥ 947,728 |
| Segment profits | 17,974 | 30,261 | 15,748 | 29,855 | 39,622 | 52,364 | 185,824 |

Financial information of the segments for the three months ended December 31, 2012 is as follows:

| | Millions of yen | | | | | | |
|------------------|------------------------------------|------------------------|-------------|--------------------------------|----------|----------------------|-----------|
| | Corporate Financial Services | Maintenance Leasing | Real Estate | Investment and Operation | Retail | Overseas Business | Total |
| Segment revenues | ¥ 18,479 | ¥ 58,244 | ¥ 55,249 | ¥ 36,841 | ¥ 47,995 | ¥ 51,809 | ¥ 268,617 |
| Segment profits | 6,856 | 8,460 | 1,170 | 16,302 | 9,911 | 11,666 | 54,365 |

Financial information of the segments for the three months ended December 31, 2013 is as follows:

| | Millions of yen | | |
|--|-----------------|--------|-------|
| | Real Estate | Retail | Total |

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| | Corporate Financial Services | Maintenance Leasing | | Investment and Operation | | Overseas Business | |
|------------------|---|--------------------------------|----------|---|----------|------------------------------|-----------|
| Segment revenues | ¥ 19,144 | ¥ 63,570 | ¥ 50,594 | ¥ 41,685 | ¥ 51,844 | ¥ 125,561 | ¥ 352,398 |
| Segment profits | 6,528 | 9,748 | 6,979 | 7,640 | 11,243 | 18,160 | 60,298 |

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Segment assets information as of March 31, 2013 and December 31, 2013 is as follows:

| | Millions of yen | | | | | | |
|-------------------|------------------------------------|------------------------|-------------|--------------------------------|-------------|----------------------|-------------|
| | Corporate Financial Services | Maintenance Leasing | Real Estate | Investment and Operation | Retail | Overseas Business | Total |
| March 31, 2013 | ¥ 943,295 | ¥ 549,300 | ¥ 1,133,170 | ¥ 444,315 | ¥ 1,994,140 | ¥ 1,318,434 | ¥ 6,382,654 |
| December 31, 2013 | 954,638 | 596,155 | 1,008,022 | 444,613 | 2,096,934 | 1,928,680 | 7,029,042 |

Segment figures reported in these tables include operations classified as discontinued operations in the accompanying consolidated statements of income.

The accounting policies of the segments are almost the same as those described in Note 2 Significant Accounting and Reporting Policies except for the treatment of income tax expenses, net income attributable to the noncontrolling interests, net income attributable to the redeemable noncontrolling interests, discontinued operations and the consolidation of certain variable interest entities (VIEs). Most of selling, general and administrative expenses, including compensation costs that are directly related to the revenue generating activities of each segment, have been accumulated by and charged to each segment. Since the Company and its subsidiaries evaluate performance for the segments based on profit or loss before income taxes, tax expenses are not included in segment profits or losses. Net income attributable to the noncontrolling interests, net income attributable to the redeemable noncontrolling interests and discontinued operations, which are recognized net of tax, are adjusted to profit or loss before income tax. Gains and losses that management does not consider for evaluating the performance of the segments, such as write-downs of certain securities, write-downs of certain long-lived assets and certain foreign exchange gains or losses are excluded from the segment profits or losses and are regarded as corporate items.

Assets attributed to each segment are investment in direct financing leases, installment loans, investment in operating leases, investment in securities, other operating assets, inventories, advances for investment in operating leases (included in other assets), investment in affiliates, advances for investment in other operating assets (included in other assets) and goodwill and other intangible assets recognized as a result of business combination. This has resulted in the depreciation of office facilities being included in each segment's profit or loss while the carrying amounts of corresponding assets are not allocated to each segment's assets. However, the effect resulting from this allocation is not significant.

For those VIEs that are used for securitization and are consolidated in accordance with ASC 810-10 (Consolidations), for which the VIE's assets can be used only to settle related obligations of those VIEs and the creditors (or beneficial interest holders) do not have recourse to other assets of the Company or its subsidiaries, segment assets are measured based on the amount of the Company and its subsidiaries' net investments in the VIEs, which is different from the amount of total assets of the VIEs, and accordingly, segment revenues are also measured at a net amount representing the revenues earned on the net investments in the VIEs.

Certain gains or losses related to assets and liabilities of consolidated VIEs, which are not ultimately attributable to the Company and its subsidiaries, are excluded from segment profits.

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The reconciliation of segment totals to consolidated financial statement amounts is as follows:

| | Millions of yen | |
|--|---|--|
| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
| Segment revenues: | | |
| Total revenues for segments | ¥ 761,654 | ¥ 947,728 |
| Revenues related to corporate assets | 4,734 | 5,050 |
| Revenues related to certain VIEs | 24,787 | 28,453 |
| Revenues from discontinued operations | (10,014) | (15,668) |
| Total consolidated revenues | ¥ 781,161 | ¥ 965,563 |
| Segment profits: | | |
| Total profits for segments | ¥ 149,588 | ¥ 185,824 |
| Corporate interest expenses, general and administrative expenses | (16,089) | (13,423) |
| Corporate other gains (losses) | (993) | (4,230) |
| Gains related to assets or liabilities of certain VIEs | 1,629 | 16,824 |
| Discontinued operations, pre-tax | (4,080) | (11,438) |
| Net income attributable to the noncontrolling interests and net income attributable to the redeemable noncontrolling interests, net of applicable tax effect | 4,855 | 5,752 |
| Total consolidated income before income taxes and discontinued operations | ¥ 134,910 | ¥ 179,309 |

| | Millions of yen | |
|--|--|--|
| | Three months ended December 31, 2012 | Three months ended December 31, 2013 |
| Segment revenues: | | |
| Total revenues for segments | ¥ 268,617 | ¥ 352,398 |
| Revenues related to corporate assets | 159 | 94 |
| Revenues related to certain VIEs | 7,189 | 2,948 |
| Revenues from discontinued operations | (2,382) | (2,903) |
| Total consolidated revenues | ¥ 273,583 | ¥ 352,537 |
| Segment profits: | | |
| Total profits for segments | ¥ 54,365 | ¥ 60,298 |
| Corporate interest expenses, general and administrative expenses | (5,690) | (3,365) |
| Corporate other gains (losses) | (2,091) | (875) |
| Gains related to assets or liabilities of certain VIEs | 215 | 448 |
| Discontinued operations, pre-tax | (598) | (1,595) |
| Net income attributable to the noncontrolling interests and net income attributable to the redeemable noncontrolling interests, net of applicable tax effect | 1,481 | 2,115 |
| Total consolidated income before income taxes and discontinued operations | ¥ 47,682 | ¥ 57,026 |

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| | Millions of yen | |
|--|-----------------|-------------------|
| | March 31, 2013 | December 31, 2013 |
| Segment assets: | | |
| Total assets for segments | ¥ 6,382,654 | ¥ 7,029,042 |
| Cash and cash equivalents, restricted cash and time deposits | 941,571 | 801,312 |
| Allowance for doubtful receivables on direct financing leases and probable loan losses | (104,264) | (92,218) |
| Other receivables | 196,626 | 218,091 |
| Other corporate assets | 354,433 | 425,635 |
| Assets of certain VIEs | 668,690 | 291,766 |
| | | |
| Total consolidated assets | ¥ 8,439,710 | ¥ 8,673,628 |

The following information represents geographical revenues and income before income taxes, which are attributed to geographic areas, based on the country location of the Company and its subsidiaries.

For the nine months ended December 31, 2012

| | Millions of yen | | | | |
|-------------------------------|-----------------|-----------------|----------|--|-----------|
| | Japan | The Americas *2 | Other *3 | Difference between Geographic Total and Consolidated Amounts | Total |
| Total Revenues | ¥ 623,737 | ¥ 92,081 | ¥ 75,357 | ¥ (10,014) | ¥ 781,161 |
| Income before Income Taxes *1 | 101,679 | 17,915 | 19,396 | (4,080) | 134,910 |

For the nine months ended December 31, 2013

| | Millions of yen | | | | |
|-------------------------------|-----------------|-----------------|------------|--|-----------|
| | Japan | The Americas *2 | Other *3*4 | Difference between Geographic Total and Consolidated Amounts | Total |
| Total Revenues | ¥ 677,752 | ¥ 113,801 | ¥ 189,678 | ¥ (15,668) | ¥ 965,563 |
| Income before Income Taxes *1 | 120,826 | 37,702 | 32,219 | (11,438) | 179,309 |

For the three months ended December 31, 2012

| | Millions of yen | | | | |
|-------------------------------|-----------------|-----------------|----------|--|-----------|
| | Japan | The Americas *2 | Other *3 | Difference between Geographic Total and Consolidated Amounts | Total |
| Total Revenues | ¥ 217,195 | ¥ 33,070 | ¥ 25,700 | ¥ (2,382) | ¥ 273,583 |
| Income before Income Taxes *1 | 35,401 | 6,080 | 6,799 | (598) | 47,682 |

For the three months ended December 31, 2013

| | Millions of yen | | | | |
|-------------------------------|-----------------|-----------------|-------------|--|-----------|
| | Japan | The Americas *2 | Other *3 *4 | Difference between Geographic Total and Consolidated Amounts | Total |
| Total Revenues | ¥ 227,451 | ¥ 36,818 | ¥ 91,171 | ¥ (2,903) | ¥ 352,537 |
| Income before Income Taxes *1 | 39,386 | 7,306 | 11,929 | (1,595) | 57,026 |

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- *Note:
1. Results of discontinued operations are included in each amount attributed to each geographic area.
 2. Mainly United States
 3. Mainly Asia, Europe, Australasia and the Middle East
 4. Robeco, one of the Company's subsidiaries domiciled in the Netherlands, conducts principally an asset management business. Due to the integrated nature of such business with its customer base spread across the world, meaningful segregation of its activities among foreign geographic locations is not feasible. Accordingly, in the above table, Other locations include the total revenues and the income before income taxes of Robeco, which amounts to ¥72,923 million and ¥10,280 million for the nine months ended December 31, 2013, amounting to ¥38,178 million and ¥5,900 million for the three months ended December 31, 2013.

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ASC 280-10 (Segment Reporting) requires disclosure of revenues from external customers for each product and service as enterprise-wide information. The consolidated statements of income in which the revenues are categorized based on the nature of types of business conducted include the required information.

No single customer accounted for 10% or more of the total revenues for the nine months and the three months ended December 31, 2012 and 2013.

23. Subsequent Events

On January 17, 2014, to increase earnings from its investment, the Company decided to exercise its acquisition rights with respect to 11,250,000 shares of the type-2 preferred stock, 18,750,000 shares of the type-4 preferred stock, 25,000,000 shares of the type-7 preferred stock and 23,598,144 shares of the type-8 preferred stock of DAIKYO INCORPORATED (Head office: Shibuya-ku, Tokyo, Business Description: real estate development, real estate sales, urban development, Listed Exchange: Tokyo Stock Exchange, hereinafter Daikyo) held by the Company. As a result, ORIX will acquire 398,204,999 shares of Daikyo s common stock. Following the conversion, its voting rights in Daikyo will increase from 31.7% to 64.1% and Daikyo will become a consolidated subsidiary of the Company from an equity-method affiliate. There will be no additional capital investment in Daikyo in conjunction with the exercise of the acquisition rights.

The Company cannot estimate the effect that the acquisition of Daikyo will have on the Company s and its subsidiaries results of operations and financial position as of the date of this release.