ORIX CORP
Form 6-K
August 13, 2015
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

THE SECURITIES EXCHANGE Act of 1934

For the month of August 2015.

Commission File Number: 001-14856

ORIX Corporation

(Translation of Registrant s Name into English)

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

Tokyo, JAPAN

(Address of Principal Executive Offices)

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

Form 20-F x Form 40-F ¨

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

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

Table of Contents

Table of Document(s) Submitted

1. This is an English translation of ORIX Corporation s quarterly financial report (*shihanki houkokusho*) as filed with the Kanto Financial Bureau in Japan on August 13, 2015, which includes unaudited consolidated financial information prepared in accordance with generally accepted accounting principles in the United States for the three months ended June 30, 2014 and 2015.

Table of Contents

SIGNATURES

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

	ORIX Corporation
Date: August 13, 2015	By /s/ Kazuo Kojima Kazuo Kojima Director Deputy President and Chief Financial Officer ORIX Corporation

Table of Contents

CONSOLIDATED FINANCIAL INFORMATION

Notes to Translation

1. The following is an English translation of ORIX Corporation s quarterly financial report (*shihanki houkokusho*) as filed with the Kanto Financial Bureau in Japan on August 13, 2015, which includes unaudited consolidated financial information prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) for the three months ended June 30, 2014 and 2015.

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

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

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)		
	Three months ended June 30, 2014	Three months ended June 30, 2015	Fiscal year ended March 31, 2015
Total revenues	¥ 425,335	¥ 606,124	¥ 2,174,283
Income before income taxes and discontinued operations	104,498	123,916	344,017
Net income attributable to ORIX Corporation shareholders	65,946	81,510	234,948
Comprehensive Income attributable to ORIX Corporation shareholders	51,590	81,691	265,187
ORIX Corporation shareholders equity	1,941,640	2,186,679	2,152,198
Total assets	8,954,775	11,252,045	11,443,628
Earnings per share for net income attributable to ORIX Corporation shareholders			
Basic (yen)	50.35	62.28	179.47
Diluted (yen)	50.28	62.22	179.21
ORIX Corporation shareholders equity ratio (%)	21.7	19.4	18.8
Cash flows from operating activities	24,280	30,573	257,611
Cash flows from investing activities	(46,719)	73,356	(467,801)
Cash flows from financing activities	3,069	(48,001)	213,432
Cash and cash equivalents at end of period	796,376	887,332	827,518

Notes 1. Certain line items presented in the condensed consolidated statements of income have been changed starting from the three months ended December 31, 2014. The amounts that had been previously reported have been reclassified for this change.

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

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

(2) Overview of Activities

During the three months ended June 30, 2015, no significant changes were made in the Company and its subsidiaries operations. Additionally, there were no changes of principal related companies.

2. **Risk Factors**

Investing in the Company s 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, 2015 and the other information in that annual report, including, but not limited to, the Company s consolidated financial statements and related notes and Item 11. Quantitative and Qualitative Disclosures about Market Risk. The Company s business activities, financial condition and results of operations and the trading prices of the Company s securities could be adversely affected by any of those factors or other factors.

3. **Material Contracts**

Not applicable.

Table of Contents

4. Analysis of Financial Results and Condition

The following discussion provides management s explanation of factors and events that have significantly affected the Company s financial condition and results of operations. Also included is management s assessment of factors and trends that could have a material effect on the Company s 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 this quarterly financial report *(shihanki houkokusho)*.

(1) Qualitative Information Regarding Consolidated Financial Results

Economic Environment

Concerns over recent declines and volatility of China s stock market and Greece s debt crisis and improved economic outlook among developed countries create uneven economic landscapes among different economies. Despite these concerns, the Japanese economy continues to show gradual recovery while there are uncertain factors such as the aforementioned China s economy and Greek concerns.

Financial Highlights

Financial Results for the Three Months Ended June 30, 2015

Total revenues	¥606,124 million (Up 43% year on year)
Total expenses	¥497,592 million (Up 44% year on year)
Income before income taxes and discontinued operations	¥123,916 million (Up 19% year on year)
Net income attributable to ORIX Corporation Shareholders	¥81,510 million (Up 24% year on year)
Earnings per share for net income attributable to ORIX Corporation Shareholders	
(Basic)	¥62.28 (Up 24% year on year)
(Diluted)	¥62.22 (Up 24% year on year)
ROE (Annualized) *1	15.0% (13.7% during the same period in the previous fiscal year)
ROA (Annualized) *2	2.87% (2.93% during the same period in 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.

Total revenues for the three months ended June 30, 2015 increased 43% to ¥606,124 million compared to ¥425,335 million during the same period of the previous fiscal year. Life insurance premiums and related investment income increased as a result of the recognition of investment income from underlying investments related to variable annuity and variable life insurance contracts in connection with the consolidation of Hartford Life Insurance K.K. (hereinafter, HLIKK), which we acquired on July 1, 2014. In addition, services income steadily increased due to, among other things, contributions from the asset management business of Robeco Groep N.V. (hereinafter, Robeco), as well as expansion of our environment and energy-related business and other fee-related businesses. Sales of goods and real estate increased primarily due to contributions from subsidiaries acquired during the previous fiscal year.

Total expenses increased 44% to ¥497,592 million compared to ¥344,926 million during the same period of the previous fiscal year. Life insurance costs, services expense, costs of goods and real estate sold each increased in line with the aforementioned revenue increases. Selling, general and administrative expenses also increased due in part to an increase in the number of consolidated subsidiaries and to strong performance of fee business in the Americas.

Gains on sales of subsidiaries and affiliates and liquidation losses, net decreased compared to the same period of the previous fiscal year primarily due to the recognition of a gain on partial sale of shares of STX Energy Co., Ltd. (presently GS E&R Corp. hereinafter, STX Energy) during the same period of the previous fiscal year.

As a result of the foregoing, income before income taxes and discontinued operations for the three months ended June 30, 2015 increased 19% to ¥123,916 million compared to ¥104,498 million during the same period of the previous fiscal year, and net income attributable to ORIX Corporation shareholders increased 24% to ¥81,510 million compared to ¥65,946 million during the same period in the previous fiscal year.

In addition, on July 1, 2015, HLIKK was merged into ORIX Life Insurance.

Table of Contents

Segment Information

Total revenues and profits by segment for the three months ended June 30, 2014 and 2015 are as follows:

	Millions of yen							
	Three months ended June 30, 2014		Three months ended June 30, 2015		Change (revenues)		Change (profits)	
	Segment Revenues	Segment Profits	Segment Revenues	Segment Profits	Amount	Percent (%)	Amount	Percent (%)
Corporate Financial Services	¥ 19,423	¥ 5,852	¥ 27,558	¥ 12,377	¥ 8,135	42	¥ 6,525	112
Maintenance Leasing	65,059	11,014	67,520	11,687	2,461	4	673	6
Real Estate	47,542	10,847	50,349	14,451	2,807	6	3,604	33
Investment and Operation	97,834	5,432	229,187	26,159	131,353	134	20,727	382
Retail	69,781	28,954	83,811	21,619	14,030	20	(7,335)	(25)
Overseas Business	127,551	39,653	147,173	34,486	19,622	15	(5,167)	(13)
Total	427,190	101,752	605,598	120,779	178,408	42	19,027	19
Difference between Segment Total and Consolidated Amounts	(1,855)	2,746	526	3,137	2,381		391	14
Total Consolidated Amounts	¥ 425,335	¥ 104,498	¥ 606,124	¥ 123,916	¥ 180,789	43	¥ 19,418	19

Total assets by segment as of March 31, 2015 and June 30, 2015 are as follows:

	Millions of yen					
	March 31, 2015		June 30, 2015		Change	
	Segment Assets	Composition ratio (%)	Segment Assets	Composition ratio (%)	Amount	Percent (%)
Corporate Financial Services	¥ 1,132,468	9.9	¥ 1,076,103	9.6	¥ (56,365)	(5)
Maintenance Leasing	662,851	5.8	674,964	6.0	12,113	2
Real Estate	835,386	7.3	802,454	7.1	(32,932)	(4)
Investment and Operation	660,014	5.8	593,145	5.3	(66,869)	(10)
Retail	3,700,635	32.3	3,562,654	31.7	(137,981)	(4)
Overseas Business	2,178,895	19.0	2,209,357	19.6	30,462	1
Total	9,170,249	80.1	8,918,677	79.3	(251,572)	(3)
Difference between Segment Total and Consolidated Amounts	2,273,379	19.9	2,333,368	20.7	59,989	3
Total Consolidated Amounts	¥ 11,443,628	100.0	¥ 11,252,045	100.0	¥ (191,583)	(2)

Total segment profits increased 19% to ¥120,779 million compared to ¥101,752 million during the same period of the previous fiscal year. While profits from Retail and Overseas Business segments decreased compared to the same period in the previous fiscal year, Investment and Operation, Corporate Financial Services and Real Estate segments contributed the most to the increase of total segment profits, and Maintenance Leasing segment continued to display strong performance.

In addition, during the three months ended March 31, 2015, the closing date of the accounting period of DAIKYO, which is included in Investment and Operation segment has been changed in order to eliminate a lag period that previously existed between DAIKYO and the Company. Based on this change, the financial statements for the same period of the previous fiscal year have been adjusted retrospectively.

Segment information for the three months ended June 30, 2015 is as follows:

Table of Contents

Corporate Financial Services Segment: Lending, leasing and fee business

The Japanese economy continues to show steady improvement despite concerns over China s economic slowdown and Greece s debt crisis. We are still seeing an increase in lending by financial institutions to small and medium-sized enterprises (hereinafter, SMEs) in addition to large corporations, but competition in the lending business continues to intensify.

Segment revenues increased 42% to ¥27,558 million compared to ¥19,423 million during the same period of the previous fiscal year due to an increase in sales of goods and services income resulting primarily from revenue contribution from Yayoi Co., Ltd. (hereinafter, Yayoi), which we acquired on December 22, 2014, and robust fee business to domestic SMEs and gains on investment securities, offsetting a decrease in finance revenues in line with the decreased average installment loan balances.

While segment expenses increase in selling, general and administrative expenses following the consolidation of Yayoi compared to the same period of the previous fiscal year, segment profits increased 112% to ¥12,377 million compared to ¥5,852 million during the same period of the previous fiscal year.

Segment assets decreased 5% to ¥1,076,103 million compared to the end of the previous fiscal year due primarily to a decrease in investment in direct financing leases, installment loans, and investment in securities.

	Three months ended June 30, 2014	Three months ended June 30, 2015	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Finance revenues	¥ 9,191	¥ 8,432	¥ (759)	(8)
Operating leases	6,079	6,206	127	2
Services income	3,484	8,136	4,652	134
Gains on investment securities and dividends, and other	669	4,784	4,115	615
Total Segment Revenues	19,423	27,558	8,135	42
Segment Expenses:				
Interest expense	2,135	1,878	(257)	(12)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	(92)	(652)	(560)	
Other than the above	11,663	14,127	2,464	21
Total Segment Expenses	13,706	15,353	1,647	12
Segment Operating Income	5,717	12,205	6,488	113
Equity in Net income (Loss) of Affiliates, and others	135	172	37	27
Segment Profits	¥ 5,852	¥ 12,377	¥ 6,525	112

	As of March 31, 2015	As of June 30, 2015	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 461,704	¥ 414,554	¥ (47,150)	(10)
Installment loans	461,277	452,951	(8,326)	(2)
Investment in operating leases	30,329	31,048	719	2
Investment in securities	45,415	42,151	(3,264)	(7)
Property under facility operations	5,930	7,686	1,756	30

Inventories	55	47	(8)	(15)
Advances for investment in operating leases	202	144	(58)	(29)
Investment in affiliates	20,875	21,694	819	4
Advances for property under facility operations	772	414	(358)	(46)
Goodwill and other intangible assets acquired in business combinations	105,909	105,414	(495)	(0)
Total Segment Assets	¥ 1,132,468	¥ 1,076,103	¥ (56,365)	(5)

5

Table of Contents

Maintenance Leasing Segment: Automobile leasing and rentals, car sharing and test and measurement instruments and IT-related equipment rentals and leasing

The Japanese automobile leasing industry has been experiencing steady recovery in the number of new auto leases in line with Japan s gradual economic recovery.

Segment revenues increased 4% to ¥67,520 million from ¥65,059 million during the same period of the previous fiscal year due primarily to an increase in operating leases revenues resulting from the steady expansion of assets in the auto-business and in services income derived from value-added services.

Meanwhile, segment expenses increased due primarily to an increase in the costs of operating leases, service expenses, and selling, general, and administrative expenses, which was in line with revenues growth.

As a result of the foregoing, segment profits increased 6% to ¥11,687 million compared to ¥11,014 million during the same period of the previous fiscal year.

Segment assets increased 2% to ¥674,964 million compared to the end of the previous fiscal year primarily due to steady increases in leasing asset primarily in the auto-business.

	Three months ended June 30, 2014	Three months ended June 30, 2015	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Finance revenues	¥ 2,892	¥ 3,041	¥ 149	5
Operating leases	46,175	46,679	504	1
Services income	14,922	16,753	1,831	12
Sales of goods and real estate, and other	1,070	1,047	(23)	(2)
Total Segment Revenues	65,059	67,520	2,461	4
Segment Expenses:				
Interest expense	939	884	(55)	(6)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	13	54	41	315
Other than the above	53,076	54,934	1,858	4
Total Segment Expenses	54,028	55,872	1,844	3
Segment Operating Income	11,031	11,648	617	6
Equity in Net income (Loss) of Affiliates, and others	(17)	39	56	
Segment Profits	¥ 11,014	¥ 11,687	¥ 673	6

	As of March 31, 2015	As of June 30, 2015	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 184,907	¥ 196,699	¥ 11,792	6
Investment in operating leases	473,035	473,338	303	0
Investment in securities	1,130	1,177	47	4
Property under facility operations	576	582	6	1

Inventories	463	458	(5)	(1)
Advances for investment in operating leases	241	126	(115)	(48)
Investment in affiliates	2,074	2,159	85	4
Goodwill and other intangible assets acquired in business combinations	425	425	0	
Total Segment Assets	¥ 662,851	¥ 674,964	¥ 12,113	2

6

Table of Contents

Real Estate Segment: Real estate development, rental and financing; facility operation; REIT asset management; and real estate investment and advisory services

Office rents and vacancy rates in the Japanese office building market continue to show signs of improvement. J-REIT and foreign investors are becoming more active in property acquisitions, and we are also seeing increased sales of large-scale real estate and rising sales prices due to increased competition among buyers. Furthermore, due to increased numbers of tourists from abroad, we are seeing increases in the occupancy rate and average daily rate of hotels and Japanese inns.

Segment revenues increased 6% to ¥50,349 million compared to ¥47,542 million during the same period of the previous fiscal year primarily due to an increase in gains on sales of real estate under operating leases, which are included in operating leases revenues, increase in services income from the facility operation business, offsetting decreases in rental revenues, which are included in operating leases revenues, and finance revenues, which decreased in line with the decrease in asset balance.

Segment expenses decreased compared to the same period of the previous fiscal year primarily due to a decrease in write-downs of long-lived assets in addition to decreases in interest expense and costs of operating leases in line with decreased assets.

As a result of the foregoing, segment profits increased 33% to ¥14,451 million compared to ¥10,847 million during the same period of the previous fiscal year.

Segment assets decreased 4% to ¥802,454 million compared to the end of the previous fiscal year primarily due to a decrease in investment in operating leases, which resulted from sales of rental properties, and decreases in installment loans and investment in securities.

	Three months ended June 30, 2014	Three months ended June 30, 2015	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Finance revenues	¥ 1,211	¥ 666	¥ (545)	(45)
Operating leases	18,618	18,834	216	1
Services income	24,877	26,999	2,122	9
Sales of goods and real estate, and other	2,836	3,850	1,014	36
Total Segment Revenues	47,542	50,349	2,807	6
Segment Expenses:				
Interest expense	2,033	1,345	(688)	(34)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	2,392	728	(1,664)	(70)
Other than the above	34,542	34,493	(49)	(0)
Total Segment Expenses	38,967	36,566	(2,401)	(6)
Segment Operating Income	8,575	13,783	5,208	61
Equity in Net income (Loss) of Affiliates, and others	2,272	668	(1,604)	(71)
Segment Profits	¥ 10,847	¥ 14,451	¥ 3,604	33

	As of March 31, 2015	As of June 30, 2015	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 22,277	¥ 23,905	¥ 1,628	7

Installment loans	22,811	13,710	(9,101)	(40)
Investment in operating leases	423,825	414,560	(9,265)	(2)
Investment in securities	21,718	10,128	(11,590)	(53)
Property under facility operations	172,207	180,359	8,152	5
Inventories	12,484	11,289	(1,195)	(10)
Advances for investment in operating leases	44,666	37,639	(7,027)	(16)
Investment in affiliates	91,275	91,373	98	0
Advances for property under facility operations	12,055	7,468	(4,587)	(38)
Goodwill and other intangible assets acquired in business combinations	12,068	12,023	(45)	(0)
Total Segment Assets	¥ 835,386	¥ 802,454	¥ (32,932)	(4)

7

Table of Contents

Investment and Operation Segment: Environment and energy-related business, principal investment and loan servicing (asset recovery)

In the Japanese environment and energy-related business, even though the government is reassessing the renewable energy purchase program, the significance of renewable energy in the mid-to long term is on the rise, with investment targets expanding beyond solar power generation projects to include wind and geothermal power generation projects. In the capital markets, the fiscal year ended March 31, 2015 marked the fifth consecutive year of increase in the number of initial public offerings. This favorable capital markets environment is continuing into this fiscal year.

Segment revenues increased 134% to ¥229,187 million compared to ¥97,834 million during the same period of the previous fiscal year due to increases in sales of goods and real estate contributed by subsidiaries acquired during the previous fiscal year and environment and energy-related business, and by increase in number of condominiums sold by DAIKYO.

Segment expenses also increased compared to the same period of the previous fiscal year due to increase in expenses in connection with acquired subsidiaries, DAIKYO, and the environment and energy-related business, each of which increased in line with segment revenues expansion.

In addition, due to the recognition of gains on sales of shares of subsidiaries, segment profits increased 382% to ¥26,159 million compared to ¥5,432 million during the same period of the previous fiscal year.

Segment assets decreased 10% to ¥593,145 million compared to the end of the previous fiscal year primarily due to a decrease in investment in securities and goodwill and other intangible assets.

	Three months ended June 30, 2014	Three months ended June 30, 2015	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Finance revenues	¥ 4,663	¥ 3,727	¥ (936)	(20)
Gains on investment securities and dividends	2,451	8,236	5,785	236
Sales of goods and real estate	33,336	150,287	116,951	351
Services income	55,169	64,155	8,986	16
Operating leases, and other	2,215	2,782	567	26
Total Segment Revenues	97,834	229,187	131,353	134
Segment Expenses:				
Interest expense	881	908	27	3
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	118	(558)	(676)	
Other than the above	92,759	211,250	118,491	128
Total Segment Expenses	93,758	211,600	117,842	126
Segment Operating Income	4,076	17,587	13,511	331
Equity in Net income (Loss) of Affiliates, and others	1,356	8,572	7,216	532
Segment Profits	¥ 5,432	¥ 26,159	¥ 20,727	382

	As of March 31,	As of June 30,	Change Amount

	2015	2015		Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 15,092	¥ 14,631	¥ (461)	(3)
Installment loans	93,196	93,050	(146)	(0)
Investment in operating leases	23,388	21,884	(1,504)	(6)
Investment in securities	112,896	83,700	(29,196)	(26)
Property under facility operations	90,895	78,189	(12,706)	(14)
Inventories	116,549	109,096	(7,453)	(6)
Advances for investment in operating leases	16	16	0	
Investment in affiliates	51,108	54,076	2,968	6
Advances for property under facility operations	30,861	35,167	4,306	14
Goodwill and other intangible assets acquired in business combinations	126,013	103,336	(22,677)	(18)
Total Segment Assets	¥ 660,014	¥ 593,145	¥ (66,869)	(10)

8

Table of Contents

Retail Segment: Life insurance, banking and card loan business

Although the life insurance business is being affected by macroeconomic factors such as domestic population decline, we are seeing increasing numbers of companies developing new products in response to the rising demand for medical insurance. In the consumer finance sector, banks are increasing their assets to further secure new revenue streams and we are seeing that the competition in the lending business continues to intensify.

Segment revenues increased 20% to ¥83,811 million compared to ¥69,781 million during the same period of the previous fiscal year due to an increase in revenues resulting from the consolidation of HLIKK which was acquired on July 1, 2014 in spite of the recognition of a gain on sale of shares of Monex Group Inc. during the same period of the previous fiscal year.

Segment expenses increased compared to the same period of the previous fiscal year due primarily to an increase in insurance-related expenses and selling, general and administrative expenses in connection with the consolidation of HLIKK.

As a result of the foregoing, segment profits decreased 25% to ¥21,619 million compared to ¥28,954 million during the same period of the previous fiscal year.

Segment assets decreased 4% to ¥3,562,654 million compared to the end of the previous fiscal year due to a large decrease in investment in securities held by HLIKK, offsetting an increase in installment loans in line with an increase in assets in the banking business.

	Three months ended June 30, 2014	Three months ended June 30, 2015	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Finance revenues	¥ 12,845	¥ 13,450	¥ 605	5
Life insurance premiums and related investment income	40,470	68,605	28,135	70
Gains on investment securities and dividends, and other	16,466	1,756	(14,710)	(89)
Total Segment Revenues	69,781	83,811	14,030	20
Segment Expenses:				
Interest expense	1,413	1,239	(174)	(12)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	251	1,557	1,306	520
Other than the above	39,359	59,925	20,566	52
Total Segment Expenses	41,023	62,721	21,698	53
Segment Operating Income	28,758	21,090	(7,668)	(27)
Equity in Net income (Loss) of Affiliates, and others	196	529	333	170
Segment Profits	¥ 28,954	¥ 21,619	¥ (7,335)	(25)

	As of March 31, 2015	As of June 30, 2015	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 2,740	¥ 2,286	¥ (454)	(17)
Installment loans	1,376,710	1,390,179	13,469	1
Investment in operating leases	50,587	50,214	(373)	(1)
Investment in securities	2,246,912	2,097,148	(149,764)	(7)

Investment in affiliates	3,785	3,335	(450)	(12)
Goodwill and other intangible assets acquired in business combinations	19,901	19,492	(409)	(2)
Total Segment Assets	¥ 3,700,635	¥ 3,562,654	¥ (137,981)	(4)

Table of Contents

Overseas Business Segment: Leasing, lending, investment in bonds, investment banking, asset management and ship- and aircraft-related operations

Concerns over recent declines and volatility of China s stock market and the Greece s debt crisis and improved economic outlook among developed countries create uneven economic landscapes among different economies.

Segment revenues increased 15% to ¥147,173 million compared to ¥127,551 million during the same period of the previous fiscal year due to an increase in services income contributed by the asset management business of Robeco and the fee business operations in the Americas, as well as an increase in finance revenues in the Americas.

Segment expenses increased compared to the same period of the previous fiscal year primarily due to increases in selling, general and administrative expenses in the Americas and Robeco.

On the other hand, due to the recognition of a gain on sale of partial shares of STX Energy during the same period of the previous fiscal year, segment profits decreased 13% to ¥34,486 million compared to ¥39,653 million during the same period of the previous fiscal year.

Segment assets increased 1% to ¥2,209,357 million compared to the end of the previous fiscal year due to an increase in investment in operating leases by aircraft-related operations along with weaker yen, offsetting the decreases in installment loans and investment in securities in the Americas.

	Three months ended June 30, 2014	Three months ended June 30, 2015	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Finance revenues	¥ 14,156	¥ 18,952	¥ 4,796	34
Gains on investment securities and dividends	5,558	9,634	4,076	73
Operating leases	19,391	21,650	2,259	12
Services income	70,774	75,916	5,142	7
Sales of goods and real estate, and other	17,672	21,021	3,349	19
Total Segment Revenues	127,551	147,173	19,622	15
Segment Expenses:				
Interest expense	7,541	7,867	326	4
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	679	2,453	1,774	261
Other than the above	96,582	102,834	6,252	6
Total Segment Expenses	104,802	113,154	8,352	8
Segment Operating Income	22,749	34,019	11,270	50
Equity in Net income (Loss) of Affiliates, and others	16,904	467	(16,437)	(97)
Segment Profits	¥ 39,653	¥ 34,486	¥ (5,167)	(13)

	As of March 31, 2015	As of June 30, 2015	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			

Investment in direct financing leases	¥ 386,567	¥ 385,544	¥ (1,023)	(0)
Installment loans	344,108	300,590	(43,518)	(13)
Investment in operating leases	278,665	326,627	47,962	17
Investment in securities	404,322	399,597	(4,725)	(1)
Property under facility operations	26,867	26,888	21	0
Inventories	35,925	37,472	1,547	4
Advances for investment in operating leases	4,434	7,874	3,440	78
Investment in affiliates	209,027	217,217	8,190	4
Goodwill and other intangible assets acquired in business combinations	488,980	507,548	18,568	4
Total Segment Assets	¥ 2,178,895	¥ 2,209,357	¥ 30,462	1

Table of Contents

(2) Financial Condition

	As of March 31, 2015	As of June 30, 2015	Change Amount	Change Percent (%)
	(Millions of yen except per share, ratios and percentages)			
Total assets	¥ 11,443,628	¥ 11,252,045	¥ (191,583)	(2)
(Segment assets)	9,170,249	8,918,677	(251,572)	(3)
Total liabilities	9,058,656	8,829,160	(229,496)	(3)
(Short- and long-term debt)	4,417,730	4,415,366	(2,364)	(0)
(Deposits)	1,287,380	1,311,742	24,362	2
ORIX Corporation shareholders equity	2,152,198	2,186,679	34,481	2
ORIX Corporation shareholders equity per share (yen)*1	1,644.60	1,670.44	25.84	2
ORIX Corporation shareholders equity ratio*2	18.8%	19.4%		
Adjusted ORIX Corporation shareholders equity ratio*3	19.3%	20.1%		
D/E ratio (Debt-to-equity ratio) (Short-and long-term debt (excluding deposits) / ORIX Corporation shareholders equity)	2.1x	2.0x		
Adjusted D/E ratio*3	1.9x	1.8x		

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

*2 ORIX Corporation shareholders equity ratio is the ratio as of the period end of ORIX Corporation shareholders equity to total assets.

*3 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 variable interest entities (VIEs) on our assets or liabilities and reverses the cumulative effect on our retained earnings of such consolidation, which resulted from applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010. For a discussion of these and other non-GAAP financial measures, including a quantitative reconciliation to the most directly comparable GAAP financial measures, please see 5. Non-GAAP Financial Measures.

Total assets decreased 2% to ¥11,252,045 million compared to ¥11,443,628 million at the end of the previous fiscal year. Investment in operating leases increased primarily due to purchases of aircraft in the Overseas Business segment. Meanwhile, investment in securities decreased due to sales of operating assets by HLIKK.

Segment assets decreased 3% compared to the end of the previous fiscal year to ¥8,918,677 million.

We manage the balance of interest-bearing liabilities at an appropriate level taking into account the condition of assets and liquidity on-hand as well as the domestic and overseas financial environment. As a result, long-term debt and short-term debt decreased and deposits increased compared to the end of the previous fiscal year. In addition, policy liabilities and policy account balances decreased due to cancelation of variable annuity and variable life insurance contracts in HLIKK.

Shareholders equity increased 2% to ¥2,186,679 million compared to the end of the previous fiscal year primarily due to an increase in retained earnings.

Table of Contents

(3) Liquidity and Capital Resources

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

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

Our funding was comprised of borrowings from financial institutions, direct fund procurement from capital markets, and deposits. ORIX Group s total funding including that from short- and long-term debt and deposits on a consolidated basis was ¥5,727,108 million as of June 30, 2015.

Borrowings were procured from a diverse range of financial institutions including major banks, regional banks, foreign banks and life and casualty insurance companies. The number of financial institutions from which we procured borrowings exceeded 200 as of June 30, 2015. Procurement from the capital markets was composed of bonds, medium-term notes, commercial paper, payables under securitized leases, loan receivables and other assets (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 diversify our funding sources, during the three months ended June 30, 2015, we issued five-year domestic straight bonds to individual investors, and also Baht denominated straight bonds and Won denominated straight bonds outside Japan. 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, 2015	**June 30, 2015**
Borrowings from financial institutions	¥ 195,164	¥ 191,820
Commercial paper	89,621	90,721
Total short-term debt	¥ 284,785	¥ 282,541

Short-term debt as of June 30, 2015 was ¥282,541 million, which accounted for 6% of the total amount of short and long-term debt (excluding deposits) as compared to 6% as of March 31, 2015.

While the amount of short-term debt as of June 30, 2015 was ¥282,541 million, the sum of cash and cash equivalents and the unused amount of committed credit facilities as of June 30, 2015 was ¥1,329,200 million.

(b) Long-term debt

	Millions of yen	
	March 31, 2015	**June 30, 2015**
Borrowings from financial institutions	¥ 2,687,434	¥ 2,678,983
Bonds	1,118,766	1,048,816
Medium-term notes	35,110	39,865
Payables under securitized lease, loan receivables and other assets	291,635	365,161

Total long-term debt	¥ 4,132,945	¥ 4,132,825

12

Table of Contents

The balance of long-term debt as of June 30, 2015 was ¥4,132,825 million, which accounted for 94% of the total amount of short and long-term debt (excluding deposits) as compared to 94% as of March 31, 2015. On an adjusted basis, our ratio of long-term debt to total debt (excluding deposits) was 93% as of June 30, 2015 as compared to 93% as of March 31, 2015. This ratio is a non-GAAP financial measure presented on an adjusted basis that excludes payables under securitized leases, loan receivables and other assets. For a discussion of this and other non-GAAP financial measures including reconciliations to the most directly comparable financial measures presented in accordance with U.S. GAAP, see 5. Non-GAAP Financial Measures.

(c) Deposits

	Millions of yen	
	March 31, 2015	June 30, 2015
Deposits	¥ 1,287,380	¥ 1,311,742

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 entities are subject to maximum regulatory limits.

(4) Summary of Cash Flows

Cash and cash equivalents as of June 30, 2015 increased by ¥59,814 million to ¥887,332 million compared to March 31, 2015.

Cash flows provided by operating activities were ¥30,573 million in the three months ended June 30, 2015, up from ¥24,280 million during the same period of the previous fiscal year, primarily resulting from an increase in net income, and a decrease in trading securities, but partially offset by a net decrease in policy liabilities and policy account balances of HLIKK compared to the same period of the previous fiscal year.

Cash flows provided by investing activities were ¥73,356 million in the three months ended June 30, 2015 compared to the outflow of ¥46,719 million during the same period of the previous fiscal year. This change was primarily due to an increase in proceeds from sales of available-for-sale securities, but partially offset by increases in purchases of lease equipment and available-for-sale securities.

Cash flows used in financing activities were ¥48,001 million in the three months ended June 30, 2015 compared to the inflow of ¥3,069 million during the same period of the previous fiscal year. This change was primarily due to an increase in repayment of long- and short-term debt.

(5) Challenges to be addressed

There were no significant changes for the three months ended June 30, 2015.

(6) Research and Development Activity

There were no significant changes in research and development activity for the three months ended June 30, 2015.

(7) Major facilities

There were no significant changes in major facilities for the three months ended June 30, 2015.

Table of Contents

5. Non-GAAP Financial Measures

Section 4 Analysis of Financial Results and Condition 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, which excludes payables under securitized leases, loan receivables and other assets and reverses the cumulative effect on retained earnings of applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010.

Our management believes these non-GAAP financial measures provide investors with additional meaningful comparisons between our financial condition as of June 30, 2015, 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.

		2015	
		As of March 31,	**As of June 30,**
		(Millions of yen, except percentage data)	
Total assets	(a)	¥ 11,443,628	¥ 11,252,045
Deduct: Payables under securitized leases, loan receivables and other assets*		291,635	365,161
Adjusted total assets	(b)	11,151,993	10,886,884
Short-term debt	(c)	284,785	282,541
Long-term debt	(d)	4,132,945	4,132,825
Deduct: Payables under securitized leases, loan receivables and other assets*		291,635	365,161
Adjusted long-term debt	(e)	3,841,310	3,767,664
Long- and short-term debt (excluding deposits)	(f)=(c)+(d)	4,417,730	4,415,366
Adjusted short- and long-term debt (excluding deposits)	(g)=(c)+(e)	4,126,095	4,050,205
ORIX Corporation shareholders equity	(h)	2,152,198	2,186,679
Deduct: The cumulative effect on retained earnings of applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010		(3,060)	(2,940)
Adjusted ORIX Corporation shareholders equity	(i)	2,155,258	2,189,619
ORIX Corporation shareholders equity ratio	(h)/(a)	18.8%	19.4%
Adjusted ORIX Corporation shareholders equity ratio	(i)/(b)	19.3%	20.1%
D/E ratio	(f)/(h)	2.1x	2.0x
Adjusted D/E ratio	(g)/(i)	1.9x	1.8x
Long-term debt ratio	(d)/(f)	94%	94%
Adjusted long-term debt ratio	(e)/(g)	93%	93%

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

Table of Contents

6. Company Stock Information

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

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

The number of issued shares, the amount of common stock and additional paid-in capital for the three months ended June 30, 2015 is as follows:

In thousands		Millions of yen			
Number of issued shares		Common stock		Additional paid-in capital	
Increase, net	June 30, 2015	Increase, net	June 30, 2015	Increase, net	June 30, 2015
402	1,324,047	¥399	¥220,456	¥399	¥247,635

(2) List of Major Shareholders

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

7. Directors and Executive Officers

Between the filing date of Form 20-F for the fiscal year ended March 31, 2015 and June 30, 2015, there were no changes of directors and executive officers.

Table of Contents

8. **Financial Information**

(1) Condensed Consolidated Balance Sheets (Unaudited)

	Millions of yen	
Assets	**March 31, 2015**	**June 30, 2015**
Cash and Cash Equivalents	¥ 827,518	¥ 887,332
Restricted Cash	85,561	88,693
Investment in Direct Financing Leases	1,216,454	1,207,545
Installment Loans	2,478,054	2,478,854
(The amounts of ¥15,361 million as of March 31, 2015 and ¥20,383 million as of June 30, 2015 are measured at fair value by electing the fair value option under ASC 825.)		
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses	(72,326)	(69,442)
Investment in Operating Leases	1,296,220	1,333,474
Investment in Securities	2,846,257	2,583,825
(The amounts of ¥16,891 million as of March 31, 2015 and ¥16,073 million as of June 30, 2015 are measured at fair value by electing the fair value option under ASC 825.)		
Property under Facility Operations	278,100	275,099
Investment in Affiliates	378,087	389,868
Trade Notes, Accounts and Other Receivable	348,404	336,049
Inventories	165,540	158,488
Office Facilities	131,556	131,695
Other Assets	1,464,203	1,450,565
(The amounts of ¥36,038 million as of March 31, 2015 and ¥33,221 million as of June 30, 2015 are measured at fair value by electing the fair value option under ASC 825.)		
Total Assets	¥ 11,443,628	¥ 11,252,045

Note: The assets of consolidated VIEs that can be used only to settle obligations of those VIEs are below:

	Millions of yen	
	March 31, 2015	**June 30, 2015**
Cash and Cash Equivalents	¥ 5,242	¥ 5,848
Investment in Direct Financing Leases (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	153,951	183,218
Installment Loans (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	171,163	219,262
Investment in Operating Leases	252,234	261,930
Property under Facility Operations	39,153	46,556
Investment in Affiliates	11,905	12,028
Other	93,983	98,564
	¥ 727,631	¥ 827,406

Table of Contents

	Millions of yen	
Liabilities and Equity	**March 31, 2015**	**June 30, 2015**
Liabilities:		
Short-Term Debt	¥ 284,785	¥ 282,541
Deposits	1,287,380	1,311,742
Trade Notes, Accounts and Other Payable	335,936	239,796
Policy Liabilities and Policy Account Balances	2,073,650	1,935,951
(The amounts of ¥1,254,483 million as of March 31, 2015 and ¥1,101,566 million as of June 30, 2015 are measured at fair value by electing the fair value option under ASC 825.)		
Current and Deferred Income Taxes	345,514	356,597
Long-Term Debt	4,132,945	4,132,825
Other Liabilities	598,446	569,708
Total Liabilities	9,058,656	8,829,160
Redeemable Noncontrolling Interests	66,901	70,496
Commitments and Contingent Liabilities		
Equity:		
Common Stock	220,056	220,456
Additional Paid-in Capital	255,595	255,913
Retained Earnings	1,672,585	1,706,168
Accumulated Other Comprehensive Income	30,373	30,554
Treasury Stock, at Cost	(26,411)	(26,412)
ORIX Corporation Shareholders Equity	2,152,198	2,186,679
Noncontrolling Interests	165,873	165,710
Total Equity	2,318,071	2,352,389
Total Liabilities and Equity	¥ 11,443,628	¥ 11,252,045

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 its subsidiaries are below:

	Millions of yen	
	March 31, 2015	**June 30, 2015**
Trade Notes, Accounts and Other Payable	¥ 2,100	¥ 2,163
Long-Term Debt	454,216	534,303
Other	7,792	9,284
	¥ 464,108	¥ 545,750

Table of Contents

(2) Condensed Consolidated Statements of Income (Unaudited)

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Revenues:		
Finance revenues	¥ 46,110	¥ 49,627
Gains on investment securities and dividends	23,922	22,933
Operating leases	91,730	95,429
Life insurance premiums and related investment income	40,428	68,314
Sales of goods and real estate	53,077	176,576
Services income	170,068	193,245
Total revenues	425,335	606,124
Expenses:		
Interest expense	18,724	18,023
Costs of operating leases	57,871	60,008
Life insurance costs	27,286	43,056
Costs of goods and real estate sold	47,435	154,781
Services expense	99,230	106,213
Other (income) and expense, net	(1,966)	(2,241)
Selling, general and administrative expenses	93,265	114,370
Provision for doubtful receivables and probable loan losses	243	611
Write-downs of long-lived assets	2,738	822
Write-downs of securities	100	1,949
Total expenses	344,926	497,592
Operating Income	80,409	108,532
Equity in Net Income of Affiliates	4,241	6,166
Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, Net	19,848	9,218
Income before Income Taxes and Discontinued Operations	104,498	123,916
Provision for Income Taxes	36,532	39,157
Income from Continuing Operations	¥ 67,966	¥ 84,759
Discontinued Operations:		
Income from discontinued operations, net	¥ 101	¥
Provision for income taxes	(36)	
Discontinued operations, net of applicable tax effect	65	
Net Income	68,031	84,759
Net Income Attributable to the Noncontrolling Interests	1,098	2,188
Net Income Attributable to the Redeemable Noncontrolling Interests	987	1,061
Net Income Attributable to ORIX Corporation Shareholders	¥ 65,946	¥ 81,510

Note 1. Certain line items presented in the condensed consolidated statements of income have been changed starting from the three months ended December 31, 2014. For further information, see Note 2 Significant Accounting and Reporting Policies (ai) Reclassifications.

2. Prior-year amounts have been adjusted for the retrospective elimination of a lag period that previously existed between DAIKYO and ORIX in fiscal 2015. For further information, see Note 1 Significant Accounting and Reporting Policies (ah) Elimination of a lag period.

3. Pursuant to ASC 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.

Table of Contents

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Income attributable to ORIX Corporation shareholders:		
Income from continuing operations	¥ 65,881	¥ 81,510
Discontinued operations	65	
Net income attributable to ORIX Corporation shareholders	¥ 65,946	¥ 81,510

	Yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Amounts per Share of Common Stock for Income attributable to ORIX Corporation shareholders:		
Basic:		
Income from continuing operations	¥ 50.30	¥ 62.28
Discontinued operations	0.05	
Net income attributable to ORIX Corporation shareholders	¥ 50.35	¥ 62.28
Diluted:		
Income from continuing operations	¥ 50.23	¥ 62.22
Discontinued operations	0.05	
Net income attributable to ORIX Corporation shareholders	¥ 50.28	¥ 62.22

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

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Net Income	¥ 68,031	¥ 84,759
Other comprehensive income (loss), net of tax:		
Net change of unrealized losses on investment in securities	(6,075)	(7,281)
Net change of defined benefit pension plans	264	(900)
Net change of foreign currency translation adjustments	(11,057)	10,996
Net change of unrealized gains (losses) on derivative instruments	(282)	117
Total other comprehensive income (loss)	(17,150)	2,932
Comprehensive Income	50,881	87,691
Comprehensive Income Attributable to the Noncontrolling Interests	(891)	3,514
Comprehensive Income Attributable to the Redeemable Noncontrolling Interests	182	2,486
Comprehensive Income Attributable to ORIX Corporation Shareholders	¥ 51,590	¥ 81,691

19

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

Three months ended June 30, 2014

	Millions of yen							
	ORIX Corporation Shareholders Equity							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total ORIX Corporation Shareholders Equity	Noncontrolling Interests	Total Equity
Beginning Balance	¥ 219,546	¥ 255,449	¥ 1,468,172	¥ 38	¥ (23,859)	¥ 1,919,346	¥ 177,019	¥ 2,096,365
Contribution to subsidiaries						0	743	743
Transaction with noncontrolling interests		27				27	(13,337)	(13,310)
Comprehensive income, net of tax:								
Net income			65,946			65,946	1,098	67,044
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment in securities				(6,296)		(6,296)	221	(6,075)
Net change of defined benefit pension plans				143		143	121	264
Net change of foreign currency translation adjustments				(7,947)		(7,947)	(2,305)	(10,252)
Net change of unrealized losses on derivative instruments				(256)		(256)	(26)	(282)
Total other comprehensive loss						(14,356)	(1,989)	(16,345)
Total comprehensive income						51,590	(891)	50,699
Cash dividends			(30,117)			(30,117)	(2,182)	(32,299)
Exercise of stock options	505	491				996	0	996
Acquisition of treasury stock					(1)	(1)	0	(1)
Other, net		82	(283)			(201)	0	(201)
Ending Balance	¥ 220,051	¥ 256,049	¥ 1,503,718	¥ (14,318)	¥ (23,860)	¥ 1,941,640	¥ 161,352	¥ 2,102,992

Three months ended June 30, 2015

	Millions of yen							
	ORIX Corporation Shareholders Equity							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total ORIX Corporation Shareholders Equity	Noncontrolling Interests	Total Equity
Beginning Balance	¥ 220,056	¥ 255,595	¥ 1,672,585	¥ 30,373	¥ (26,411)	¥ 2,152,198	¥ 165,873	¥ 2,318,071
Contribution to subsidiaries						0	1,295	1,295
Transaction with noncontrolling interests		3				3	(2,191)	(2,188)
Comprehensive income, net of tax:								
Net income			81,510			81,510	2,188	83,698
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment in securities				(7,309)		(7,309)	28	(7,281)

Net change of defined benefit pension plans				(845)		(845)	(55)	(900)
Net change of foreign currency translation adjustments				8,225		8,225	1,346	9,571
Net change of unrealized gains on derivative instruments				110		110	7	117
Total other comprehensive income						181	1,326	1,507
Total comprehensive income						81,691	3,514	85,205
Cash dividends			(47,188)			(47,188)	(2,781)	(49,969)
Exercise of stock options	400	398				798	0	798
Acquisition of treasury stock					(1)	(1)	0	(1)
Other, net		(83)	(739)			(822)	0	(822)
Ending Balance	¥ 220,456	¥ 255,913	¥ 1,706,168	¥ 30,554	¥ (26,412)	¥ 2,186,679	¥ 165,710	¥ 2,352,389

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

Table of Contents

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

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Cash Flows from Operating Activities:		
Net income	¥ 68,031	¥ 84,759
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	54,862	59,768
Provision for doubtful receivables and probable loan losses	243	611
Equity in net income of affiliates (excluding interest on loans)	(4,193)	(6,053)
Gains on sales of subsidiaries and affiliates and liquidation losses, net	(19,848)	(9,218)
Gains on sales of available-for-sale securities	(16,921)	(21,466)
Gains on sales of operating lease assets	(11,811)	(13,794)
Write-downs of long-lived assets	2,738	822
Write-downs of securities	100	1,949
Decrease (Increase) in restricted cash	4,249	(1,689)
Decrease (Increase) in trading securities	(1,034)	147,591
Decrease (Increase) in inventories	(8,035)	5,012
Decrease in trade notes, accounts and other receivable	9,020	6,974
Decrease in trade notes, accounts and other payable	(14,869)	(52,752)
Increase (Decrease) in policy liabilities and policy account balances	7,124	(137,699)
Other, net	(45,376)	(34,242)
Net cash provided by operating activities	24,280	30,573
Cash Flows from Investing Activities:		
Purchases of lease equipment	(180,708)	(227,195)
Principal payments received under direct financing leases	118,729	128,538
Installment loans made to customers	(288,348)	(243,473)
Principal collected on installment loans	242,137	246,577
Proceeds from sales of operating lease assets	76,357	62,106
Investment in affiliates, net	(1,987)	(6,406)
Proceeds from sales of investment in affiliates	1,327	1,084
Purchases of available-for-sale securities	(278,465)	(332,527)
Proceeds from sales of available-for-sale securities	122,872	272,934
Proceeds from redemption of available-for-sale securities	171,598	179,120
Purchases of held-to-maturity securities	(173)	(148)
Purchases of other securities	(13,359)	(7,217)
Proceeds from sales of other securities	6,804	18,169
Purchases of property under facility operations	(16,260)	(20,417)
Acquisitions of subsidiaries, net of cash acquired	(15,270)	(214)
Sales of subsidiaries, net of cash disposed	43,555	22,832
Other, net	(35,528)	(20,407)
Net cash provided by (used in) investing activities	(46,719)	73,356
Cash Flows from Financing Activities:		
Net increase (decrease) in debt with maturities of three months or less	29,248	(32,578)
Proceeds from debt with maturities longer than three months	285,440	367,821
Repayment of debt with maturities longer than three months	(274,241)	(372,868)
Net increase (decrease) in deposits due to customers	(11,080)	24,346
Cash dividends paid to ORIX Corporation shareholders	(30,117)	(47,188)
Contribution from noncontrolling interests	1,208	1,456

Net increase in call money	3,000	14,000
Other, net	(389)	(2,990)
Net cash provided by (used in) financing activities	3,069	(48,001)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2,293)	3,886
Net increase (decrease) in Cash and Cash Equivalents	(21,663)	59,814
Cash and Cash Equivalents at Beginning of Period	818,039	827,518
Cash and Cash Equivalents at End of Period	¥ 796,376	¥ 887,332

Note: Certain line items presented in the condensed consolidated statements of cash flows have been changed starting from the three months ended December 31, 2014. For further information, see Note 2 Significant Accounting and Reporting Policies (ai) Reclassifications.

Table of Contents

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), except 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 consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our March 31, 2015 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 a declining-balance basis or a 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 of) 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.

(e) Accounting for contingent consideration in business combination

Under U.S. GAAP, contingent consideration issued in a business combination that is classified as a liability is recognized at fair value at the acquisition date and subsequently remeasured to fair value, with changes in fair value recognized in earnings until the contingency is resolved.

Table of Contents

Under Japanese GAAP, contingent consideration is recognized as additional acquisition cost and goodwill is additionally recognized when it becomes most probable to deliver and its fair value becomes reasonably determinable.

(f) 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.

(g) 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 item from continuing operations in the consolidated statements of income. Results of these discontinued operations from prior periods are 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.

(h) Sale of the parent s ownership interest in subsidiaries

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

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

(k) Fair value option

Under U.S. GAAP, an entity is permitted to elect at specified election dates to measure eligible financial assets and liabilities at their fair value and to report subsequent changes in the fair value in earnings.

Under Japanese GAAP, there is no accounting standard for fair value option.

Table of Contents

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 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 (Consolidation).

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. The Company makes estimates and assumptions to 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 recognition and measurement of impairment of investment in securities (see (h)), the determination of the 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 recognition and measurement 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) Revenue recognition

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 collectability 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.

Table of Contents

Finance Revenues Finance revenues mainly include revenues for direct financing leases and installment loans. The policies applied to direct financing leases and installment loans are described hereinafter.

(1) Revenues from direct financing leases

Direct financing leases consist of full-payout leases for various equipment types, including office equipment, industrial machinery and transportation equipment. 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. 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) Revenues from installment loans

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

Interest payments received on 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.

(3) Non-accrual policy

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

Gains on investment securities and dividends Gains on investment securities are recorded on a trade date basis. Dividends are recorded when right to receive dividends is established.

Table of Contents

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 ¥506,801 million and ¥516,579 million as of March 31, 2015 and June 30, 2015, 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 are included in operating lease revenues.

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.

Sales of goods and real estate

(1) Sales of goods

The Company and its subsidiaries sell to their customers various types of goods, including precious metals and jewels, and aftermarket parts and accessories for vehicles. Revenues from such sales of goods are recognized when persuasive evidence of an arrangement exists, delivery has occurred, and collectability is reasonably assured. Delivery is considered to have occurred when the customer has taken title to the goods and assumed the risks and rewards of ownership. Revenues are recognized net of estimated sales returns and incentives.

(2) 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.

Services income Revenues are recognized when persuasive evidence of an arrangement exists, the service has been rendered to the customer, the transaction price is fixed or determinable and collectability is reasonably assured. The policies applied to asset management, servicing and automobile maintenance services are described hereinafter.

(1) 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 our customers. The Company and its subsidiaries receive fees for those services from our customers.

Revenues from asset management and servicing primarily include management fees, servicing fees, and performance fees. Management and servicing fees are recognized when transactions occur or services are rendered and the amounts are fixed or determinable and collectability of which is reasonably assured. 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 contracts. Certain subsidiaries recognize revenues from performance fees when earned based on the performance of the asset under management while other subsidiaries recognize revenues from performance fees on an accrual basis over the period in which services are performed. Performance fees are calculated based on the predetermined percentages on the performance of the assets under management in accordance with the contracts.

(2) Revenues from automobile maintenance services

The Company and its subsidiaries provide automobile maintenance services 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 recognized over the contract period in proportion to the estimated service costs to be incurred.

Table of Contents

(e) Insurance and reinsurance transactions

Premium income from life insurance policies, net of premiums on reinsurance ceded, is recognized as earned premiums when due.

Life insurance benefits are recorded as expenses when they are incurred. Policy liabilities and policy account balances for future policy benefits are measured using the net level premium method, based on actuarial estimates of the amount of future policyholder benefits. The policies are characterized as long-duration policies and mainly consist of whole life, term life, endowments, medical insurance and individual annuity insurance contracts. For policies other than individual annuity insurance contracts, computation of policy liabilities necessarily includes assumptions about mortality, morbidity, lapse rates, future yields on related investments and other factors applicable at the time the policies are written. Certain life insurance subsidiaries continually evaluate the potential for changes in the estimates and assumptions applied in determining policy liabilities, both positive and negative and use the results of these evaluations both to adjust recorded liabilities and to adjust underwriting criteria and product offerings.

The insurance contracts sold by one of the life insurance subsidiaries consist of variable annuity, variable life and fixed annuity insurance contracts. The subsidiary manages investment assets on behalf of variable annuity and variable life policyholders, which consist of equity securities and are included in investments in securities in the consolidated balance sheets. These investment assets are measured at fair value with realized and unrealized gains or losses recognized in life insurance premiums and related investment income in the consolidated statements of income. The subsidiary elected the fair value option for the entire variable annuity and variable life insurance contracts in accordance with ASC 825 (Financial Instruments) and changes in the fair value are recognized in life insurance costs.

The subsidiary provides minimum guarantees to its variable annuity and variable life policyholders where it is exposed to the risk of compensating losses incurred by the policyholders to the extent required by the contracts. To avoid the risk, a portion of the minimum guarantee risk related to variable annuity and variable life insurance contracts is ceded to the reinsurance companies and the remaining risk is economically hedged by entering into derivative contracts (See Note 19 Derivative financial instruments and hedging). The reinsurance contracts do not relieve the subsidiary from the obligation as the primary obligor to compensate certain losses incurred by the policyholders, and the default of the reinsurance companies may impose additional losses on the subsidiary. The subsidiary has elected the fair value option under ASC 825 (Financial Instruments) for certain reinsurance contracts relating to variable annuity and variable life insurance contracts, which is included in other assets in the consolidated balance sheets.

Policy liabilities and policy account balances for fixed annuity insurance contracts are measured based on the accumulation of account deposits plus interest based on expected rate and fair value adjustments relating to the acquisition of a subsidiary, less withdrawals, expenses and other charges. The credited interest is recorded in life insurance costs in the consolidated statements of income.

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, except for recurring policy maintenance costs and certain variable costs and expenses for underwriting policies.

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

(h) Investment in securities

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

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

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 (Financial Instruments).

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.

Table of Contents

For debt securities, where the fair value is less than the amortized cost, the Company and its subsidiaries consider whether those securities are other-than-temporarily impaired using all available information about their collectability. The Company and its subsidiaries do not consider a debt security to be other-than-temporarily impaired 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 a debt security to be other-than-temporarily impaired if any of the above mentioned three conditions are not met. When the Company and its subsidiaries deem a debt security to be other-than-temporarily impaired, the Company and its subsidiaries recognize the entire difference between the amortized cost and the fair value of the debt securities 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. However, 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, when the Company and its subsidiaries determine the decline in value is other than temporary, the Company and its subsidiaries reduce the carrying value of the security to the fair value and charge against income losses related to these other securities in situations.

(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 for the three months ended June 30, 2014 and 2015 were 35.0% and 31.6%, respectively. For the three months ended June 30, 2014, the Company and its subsidiaries in Japan were subject to a National Corporate tax of approximately 26%, 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 35.9%. For the three months ended June 30, 2015, as a result of the tax reforms as discussed in the following paragraph, the National Corporation tax was reduced from approximately 26% to approximately 24% and accordingly, the statutory income tax rate was reduced to approximately 33.5%. 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 life insurance subsidiaries in Japan and a change in valuation allowance.

On March 31, 2015, the 2015 tax reform bill was passed by the National Diet of Japan. From a fiscal years beginning on April 1, 2015, the national tax rate and the local business tax rate were reduced, and as a result, the combined statutory income tax rate for the fiscal year beginning on April 1, 2015 was reduced from approximately 35.9% to approximately 33.5%, and the combined statutory income tax rate for a fiscal years beginning on April 1, 2016 will be further reduced to approximately 32.9%. In addition, tax loss carry-forward rules were amended, and the deductible amount of tax losses carried forward for the fiscal years beginning on April 1, 2015 and April 1, 2016 became limited to 65% of taxable income for the year, compared to 80% for the previous fiscal year. From the fiscal years beginning on April 1, 2017, the deductible limit of tax losses carried forward will be further reduced to 50% of taxable income for the year, while from fiscal years beginning on April 1, 2017, the tax loss carry-forward period will be extended from nine years to ten years.

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 percent likely of being realized upon settlement with the taxing authority. The Company and its subsidiaries 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. The Company and its subsidiaries classify penalties and interest expense related to income taxes as part of provision for income taxes in the condensed 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 various financial assets such as lease receivables and loan receivables. In the securitization process, the assets to be securitized are sold to trusts or SPEs that issue asset-backed beneficial interests and securities to the investors.

In accordance with ASC 860 (Transfers and Servicing) and ASC 810 (Consolidation), trusts or SPEs used in securitization transactions are 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 lease receivables or loan receivable, 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.

Table of Contents

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 derivatives that are held for trading purposes or held for the purpose of economic hedges, and the ineffective portion of changes in fair value of derivatives that qualify as a hedge, are recorded in earnings.

For all hedging relationships that are designated and qualify as hedging, 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 became unnecessary.

In the United States, stock splits in comparable circumstances are considered to be stock dividends and are accounted for by transferring from retained earnings to common stock and additional paid-in capital amounts equal to the fair market value of the shares issued. Common stock is increased by the par value of the shares and additional paid-in capital is increased by the excess of the market value over par value of the shares issued. Had such stock splits made prior to October 1, 2001 been accounted for in this manner, additional paid-in capital as of June 30, 2015 would have increased by approximately ¥24,674 million, with a corresponding decrease in retained earnings. Total ORIX Corporation shareholders equity would remain unchanged. Stock splits on May 19, 2000 and April 1, 2013 were excluded from the above amounts because the stock splits were not considered to be stock dividends under U.S. GAAP.

(o) Cash and cash equivalents

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

(p) Restricted cash

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

Table of Contents

(q) Installment loans

Certain loans, for which the Company and its subsidiaries have the intent and ability to sell to outside parties in the foreseeable future, are considered held for sale and are carried at the lower of cost or fair value determined on an individual basis, except loans held for sale for which the fair value option under ASC 825 (Financial Instruments) was elected. A subsidiary elected the fair value option under ASC 825 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, 2015 and June 30, 2015 were ¥15,613 million and ¥21,971 million, respectively. There were ¥15,361 million and ¥20,383 million of loans held for sale as of March 31, 2015 and June 30, 2015, respectively, measured at fair value by electing the fair value option.

(r) Property under facility operations

Property under facility operations consist primarily of operating facilities (including golf courses, hotels and training facilities and senior housings) and environmental assets (including mega solar), 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 ¥60,999 million and ¥58,307 million as of March 31, 2015 and June 30, 2015, respectively.

(s) Trade notes, accounts and other receivable

Trade notes, accounts and other receivable primarily include accounts receivables in relation to sales of assets to be leased, inventories and other assets and payments made on behalf of lessees for property tax, maintenance fees and insurance premiums in relation to direct financing lease contracts.

(t) Inventories

Inventories consist primarily of residential condominiums under development, completed residential condominiums (including those waiting to be delivered to buyers under the contract for sale), and merchandise for sale. Residential condominiums under development are carried at cost less any impairment losses, and completed residential condominiums and merchandise for sale are stated at the lower of cost or fair value less cost to sell. The cost of inventories that are unique and not interchangeable is determined on the specific identification method and the cost of other inventories is principally determined on the average cost method. As of March 31, 2015, and June 30, 2015, residential condominiums under development were ¥97,320 million and ¥98,044 million, respectively, and completed residential condominiums and merchandise for sale were ¥68,220 million and ¥60,444 million, respectively.

The Company and its subsidiaries recorded ¥2 million and ¥2 million of write-downs principally on residential condominiums under development for the three months ended June 30, 2014 and 2015, respectively, resulting from an increase in development costs and/or a decrease in expected sales price. These write-downs were principally recorded in costs of goods and real estate sold and included in the Investment and Operation 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 ¥44,443 million and ¥45,968 million as of March 31, 2015 and June 30, 2015, respectively.

(v) Other assets

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

32

Table of Contents

(w) Goodwill and other intangible assets

The Company and its subsidiaries have followed ASC 805 (Business Combinations) and ASC 350 (Intangibles). 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. Goodwill is measured as an excess of the aggregate of consideration transferred and the fair value of noncontrolling interests over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed in the business combination measured at fair value. The Company and its subsidiaries would recognize a bargain purchase gain when the amount of recognized net assets exceeds the sum of consideration transferred and the fair value of noncontrolling interests. In a business combination achieved in stages, the Company and its subsidiaries remeasure their previously held equity interest at their acquisition-date fair value and recognize the resulting gain or loss, if any, in earnings.

ASC 350 establishes how intangible assets (other than those acquired in a business combination) should be accounted for upon acquisition. It also addresses how goodwill and other intangible assets should be accounted for subsequent to their acquisition. Goodwill and intangible assets that have indefinite useful lives are not amortized but tested at least annually for impairment. Additionally, if events or changes in circumstances indicate that the asset might be impaired, the Company and its subsidiaries test for impairment when such events or changes occur.

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 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 (Property, Plant, and Equipment).

The amount of goodwill was ¥372,615 million and ¥373,856 million as of March 31, 2015 and June 30, 2015, respectively.

The amount of other intangible assets was ¥425,012 million and ¥418,249 million as of March 31, 2015 and June 30, 2015, respectively.

(x) Trade notes, accounts and other payable

Trade notes, accounts and other payable include primarily accounts payable in relation to purchase of assets to be leased and other assets and deposits received mainly for withholding income tax.

Table of Contents

(y) Other Liabilities

Other liabilities include primarily interest, bonus accrued expense and accrued benefit liability, advances received from lessees in relation to lease contracts, deposit received from real estate transaction and derivative liabilities.

(z) Capitalization of interest costs

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

(aa) Advertising

The costs of advertising are expensed as incurred.

(ab) Discontinued operations

In April 2014, Accounting Standards Update 2014-08 (Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ASC 205 (Presentation of Financial Statements) and ASC 360 (Property, Plant, and Equipment)) was issued. This Update requires an entity to report a disposal or a classification as held for sale of a component of an entity or a group of components of an entity in discontinued operations if it represents a strategic shift that has (or will have) a major effect on an entity s operations and financial results. The Company and its subsidiaries early adopted this Update on April 1, 2014. In accordance with this Update, the Company and its subsidiaries report a disposal of a component or a group of components of the Company and its subsidiaries in discontinued operations if the disposal represents a strategic shift which has (or will have) a major effect on the Company and its subsidiaries operations and financial results when the component or group of components is disposed by sale or classified as held for sale on or after April 1, 2014.

Accounting Standards Update 2014-08 does not apply to a disposal or a classification as held for sale of a component or a group of components of the Company and its subsidiaries which have previously been reported in the financial statements. Accordingly, during the three months ended June 30, 2014, the Company and its subsidiaries continue to report gains on sales and the results of operations of subsidiaries and business units, which was classified as held for sale at March 31, 2014, as income from discontinued operations in the accompanying consolidated statements of income in accordance with ASC 205-20 prior to the early adoption of the update.

(ac) 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 outstanding common stock in each period and diluted earnings per share, which reflects the potential dilution that could occur if securities or other contracts issuing common stock were exercised or converted into common stock.

(ad) Additional acquisition and partial sale of the parent s ownership interest in subsidiaries

Additional acquisition of the parent s ownership interest in subsidiaries and partial sale of such interest where the parent continues to retain control of the subsidiary are accounted for as equity transactions. 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.

(ae) 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).

(af) Issuance of stock by an affiliate

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

Table of Contents

(ag) New accounting pronouncements

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 adopted this Update on April 1, 2015. The adoption had no material effect on the Company and its subsidiaries results of operations or financial position.

In May 2014, Accounting Standards Update 2014-09 (Revenue from Contracts with Customers ASC 606 (Revenue from Contracts with Customers)) was issued. The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply a five-step model to determine when to recognize revenue, and in what amount. The five steps to apply the model are:

Identify the contract(s) with a customer

Identify the performance obligations in the contract

Determine the transaction price

Allocate the transaction price to the performance obligations in the contract

Recognize revenue when (or as) the entity satisfies a performance obligation

This Update requires an entity to disclose more information about contracts with customers than under the current disclosure requirements. The Update is effective for fiscal years, and interim periods within those years beginning after December 15, 2016. Early adoption is prohibited. An entity should apply the amendments in this Update using either a retrospective method or a cumulative-effect method. The entity using the retrospective method may elect some optional expedients to simplify a full retrospective basis. The entity using the cumulative-effect method would recognize the cumulative effect of initially applying this Update as an adjustment to the opening balance of retained earnings or net assets at the date of initial application. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries results of operations or financial position.

In June 2014, Accounting Standards Update 2014-11 (Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures ASC 860 (Transfers and Servicing)) was issued. This Update requires an entity to account for repurchase-to-maturity transactions as secured borrowings. This Update eliminates the guidance on repurchase financing transactions in ASC 860-10-40-42 through 40-47 and requires the transferor and transferee to symmetrically account for the initial transfer of the financial asset as a sale (provided that derecognition conditions are met) and purchase, respectively. Additionally, this Update requires new disclosure requirements related to certain transfers of financial assets that are accounted for as sales and certain transfers accounted for as secured borrowings. The Company and its subsidiaries adopted this Update for accounting on January 1, 2015, and for new disclosure on April 1, 2015. The adoption had no effect on the Company and its subsidiaries results of operations or financial position.

In June 2014, Accounting Standards Update 2014-12 (Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period ASC 718 (Compensation Stock Compensation)) was issued. This Update requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. This Update is effective for fiscal years, and interim periods within those annual periods beginning after December 15, 2015. The amendments in this Update should be applied on either a prospective basis or a modified retrospective basis. 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.

35

Table of Contents

In August 2014, Accounting Standards Update 2014-13 (Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity ASC 810 (Consolidation)) was issued. This Update permits the parent of the consolidated collateralized financing entity (CFE) within the scope of this Update to measure the CFE s financial assets and liabilities based on either the fair value of the financial assets or financial liabilities, whichever has the more observable inputs. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. Early adoption is permitted as of the beginning of a fiscal year. An entity should apply the amendments in this Update using either a modified retrospective approach or a full retrospective approach. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries results of operations or financial position.

In August 2014, Accounting Standards Update 2014-14 (Classification of Certain Government -Guaranteed Mortgage Loans Upon Foreclosure ASC 310-40 (Receivables Troubled Debt Restructurings by Creditors)) was issued. This Update requires creditors to classify certain foreclosed government guaranteed mortgage loans as a receivable from the guarantor that is measured at the amount expected to be recovered under the guarantee, without treating the guarantee as a separate unit of account. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2014. An entity should apply the amendments in this Update using either a prospective transition method or a modified retrospective transition method. The transition method must be consistent with that applied by the entity for 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)). Early adoption is permitted only if the entity has already adopted Accounting Standards Update 2014-04.The Company and its subsidiaries adopted this Update on April 1, 2015. The adoption had no effect on the Company and its subsidiaries results of operations or financial position.

In August 2014, Accounting Standards Update 2014-15 (Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern ASC 205-40 (Presentation of Financial Statements Going Concern)) was issued. This Update requires an entity to perform a going concern assessment by evaluating their ability to meet obligations for a look-forward period of one year from the financial statement issuance date (or date the financial statements are available to be issued). Disclosures are required if it is probable an entity will be unable to meet its obligations within the look-forward period. Incremental substantial doubt disclosure is required if the probability is not mitigated by management s plans. This Update is effective for the first fiscal years ending after December 15, 2016 and interim periods thereafter. Early adoption is permitted. The Update only relates to certain disclosure requirements and the adoption will have no effect on the Company and its subsidiaries results of operations or financial position.

In November 2014, Accounting Standards Update 2014-16 (Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity ASC 815 (Derivatives and Hedging)) was issued. This Update requires an issuer or an investor of hybrid financial instruments issued in the form of a share to determine whether the nature of the host contract is more akin to debt or to equity by considering the economic characteristics and risks of the entire hybrid financial instrument, including the embedded derivative feature that is being evaluated for separate accounting from the host contract. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. Early adoption, including adoption in an interim period, is permitted. The amendments in this Update should be applied on a modified retrospective basis to all existing hybrid financial instruments in the form of a share as of the beginning of the fiscal year of adoption. Retrospective application is permitted to all relevant prior periods. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries results of operations or financial position.

In January 2015, Accounting Standards Update 2015-01 (Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items ASC 225-20 (Income Statement Extraordinary and Unusual Items)) was issued. This Update eliminates the concept of extraordinary items from U.S. GAAP, but does not change the current presentation and disclosure requirements for material events or transactions that are unusual in nature or infrequent in occurrence. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. The amendments in this Update should be applied on either a prospective basis or a retrospective basis. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. Generally, the effect of adopting this Update on the Company and its subsidiaries results of operations will depend on future transactions.

Table of Contents

In February 2015, Accounting Standards Update 2015-02 (Amendments to the Consolidation Analysis ASC 810 (Consolidation)) was issued. This Update requires an entity to change the way to evaluate whether reporting entities should consolidate limited partnerships and similar legal entities, fees paid to a decision maker or service provider are variable interest in a variable interest entity (VIE), and variable interests in a VIE held by related parties of the reporting entity require the reporting entity to consolidate the VIE. Additionally, the amendments in this Update rescind the indefinite deferral of FASB Statement No.167 (Amendments to FASB Interpretation No.46(R) (FIN46R)), included in Accounting Standard Update 2010-10 (ASC 810 (Consolidation)) for certain investment companies and similar entities. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. A reporting entity is permitted to apply the amendments in this Update using either a modified retrospective approach or a full retrospective approach. Early adoption is permitted. If an entity adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries results of operations or financial position.

In April 2015, Accounting Standards Update 2015-03 (Simplifying the Presentation of Debt Issuance Costs ASC 835-30 (Interest Imputation of Interest)) was issued. This Update requires that debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, similar to the presentation of debt discounts or premiums. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. Retrospective application is required to all relevant prior periods. Early adoption is permitted for financial statements that have not been previously issued. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries results of operations or financial position.

In July 2015, Accounting Standards Update 2015-11 (Simplifying the Measurement of Inventory ASC 330 (Inventory)) was issued. This Update applies to all inventory except for which is measured using last-in, first-out (LIFO) or the retail inventory method, and requires an entity to measure inventory at the lower of cost and net realizable value. Additionally, this Update defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2016. The amendments in this Update should be applied on a prospective 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 or financial position.

(ah) Elimination of lag period

Since its acquisition on February 27, 2014, the Company had been consolidating DAIKYO on a lag basis. In order to reflect DAIKYO s financial position and results of operations and cash flows in the Company s consolidated financial statements in a concurrent manner, the Company eliminated the lag period and has aligned the fiscal year end of DAIKYO with the Company s fiscal year end of March 31 during the year ended March 31, 2015.

Because the elimination of a lag period represents a change in accounting principle, the Company retrospectively adjusted the prior year s consolidated financial statements for the effects of the lag accounting.

The segment information in the Note 23 (Segment Information) has been restated giving effect to these changes to conform to DAIKYO s fiscal year end of March 31, 2015.

(ai) Reclassifications

Certain line items presented in the condensed consolidated balance sheets, the condensed consolidated statements of income and the condensed consolidated statements of cash flows have been changed starting from the three months ended December 31, 2014. These changes aim to reflect fairly the changing revenues structure of the Company and its subsidiaries on the consolidated financial statements, which has resulted from continued diversification in our business activities and also an increase in the number of consolidated subsidiaries acquired in recent years. Corresponding to these changes, the presented amounts in the condensed consolidated statements of income and the condensed consolidated statements of cash flows for the previous fiscal year have also been reclassified retrospectively as follows to conform to the presentation for the three months ended June 30, 2015.

Table of Contents

(Condensed Consolidated Statements of Income)

Direct financing leases and Interest on loans and investment securities have been presented as Finance revenues. Certain finance-related revenues previously included in Other operating revenues in the amount of ¥954 million for the three months ended June 30, 2014 have been included in Finance revenues.

Brokerage commissions and net gains on investment securities has been changed to Gains on investment securities and dividends.

Gains (losses) on sales of real estate under operating leases has been reclassified and combined into Operating leases.

Real estate sales and sales of goods included in Other operating revenues have been reclassified and combined into Sales of goods and real estate. Costs of real estate sales and costs of goods sold included in Other operating expenses have been reclassified and combined into Costs of goods and real estate sold.

Revenues from asset management and servicing and part of the service-related revenues in the amount of ¥125,849 million for the three months ended June 30, 2014 previously classified under Other operating revenues have been reclassified into Services income. Expenses from asset management and servicing and part of service-related expenses in the amount of ¥86,921 million for the three months ended June 30, 2014 previously classified under Other operating expenses have been reclassified into Services expense.

Foreign currency transaction loss (gain), net and revenues and expenses other than service-related previously classified under Other operating revenues in the amount of ¥(2,966) million for the three months ended June 30, 2014 and Other operating expenses, in the amount of ¥300 million for the three months ended June 30, 2014 as well as part of expenses previously classified under Selling, general and administrative expenses, in the amount of ¥182 million for the three months ended June 30, 2014 have been reclassified and combined into Other (income) and expense, net.

(Condensed Consolidated Statements of Cash flows)

Gains on sales of real estate under operating lease and Gains on sales of operating lease assets other than real estate have been combined and presented as Gains on sales of operating lease assets in cash flows from operating activities.

Decrease (Increase) in trade notes, accounts and other receivable previously included in Increase in other receivables has separately been presented. A part of assets in the amount of ¥(23,440) million for the three months ended June 30, 2014 previously included in Decrease (Increase) in trade notes, accounts and other receivable has been reclassified into Other, net in cash flows from operating activities.

Increase (Decrease) in trade notes, accounts and other payable previously included in Increase (Decrease) in trade notes, accounts payable and other liabilities has separately been presented. A part of liabilities in the amount of ¥(30,502) million for the three months ended June 30, 2014 previously included in Increase (Decrease) in trade notes, accounts and other payable has been reclassified into Other, net in cash flows from operating activities.

Decrease in accrued expenses has been reclassified into Other, net in cash flows from operating activities.

Purchases of other operating assets has been changed to Purchases of property under facility operations. A part of assets in the amount of ¥(722) million for the three months ended June 30, 2014 previously included in Purchases of other operating assets has been reclassified into Other, net in cash flows from investing activities.

The following table provides information about Finance revenues for the three months ended June 30, 2014 and 2015:

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Direct financing leases	¥ 15,234	¥ 15,703
Interest on loans	27,354	29,979
Interest on investment securities	2,568	2,959
Other	954	986
Finance revenues	¥ 46,110	¥ 49,627

Table of Contents

The following table provides information about Gains on sales of real estate under operating leases included in Operating leases for the three months ended June 30, 2014 and 2015:

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Gains on sales of real estate under operating leases	¥ 6,302	¥ 8,308

The following table provides information about Sales of goods and real estate and Costs of goods and real estate sold for the three months ended June 30, 2014 and 2015:

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Sales of goods	¥ 41,309	¥ 145,760
Real estate sales	11,768	30,816
Sales of goods and real estate	53,077	176,576
Costs of goods sold	35,040	128,190
Costs of real estate sales	12,395	26,591
Costs of goods and real estate sold	¥ 47,435	¥ 154,781

The following table provides information about Services income and Services expense for the three months ended June 30, 2014 and 2015:

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Revenues from asset management and servicing	¥ 44,219	¥ 53,224
Revenues from automobile related business	15,801	19,100
Revenues from facilities management related business	26,912	29,245
Revenues from environment and energy related business	18,888	18,621
Revenues from real estate management and contract work	35,530	37,963
Revenues from commissions for M&A advisory services, financing advice, financial restructuring advisory services and related services	15,086	17,557
Other	13,632	17,535
Services income	¥ 170,068	¥ 193,245
Expenses from asset management and servicing	¥ 12,309	¥ 14,756
Expenses from automobile related business	10,072	11,601
Expenses from facilities management related business	23,197	24,341
Expenses from environment and energy related business	15,552	15,459
Expenses from real estate management and contract work	32,823	33,704
Other	5,277	6,352
Services expense	¥ 99,230	¥ 106,213

Table of Contents

3. Fair Value Measurements

The Company and its subsidiaries adopted ASC 820 (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, derivatives, certain reinsurance recoverables, certain contingent consideration, and variable annuity and variable life insurance contracts at fair value on a recurring basis.

The following table presents recorded amounts of major financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2015 and June 30, 2015:

March 31, 2015

	Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Loans held for sale*1	¥ 15,361	¥ 0	¥ 15,361	¥ 0
Trading securities	1,190,131	50,902	1,139,229	0
Available-for-sale securities	1,356,840	130,519	1,129,270	97,051
Japanese and foreign government bond securities	527,592	0	527,592	0
Japanese prefectural and foreign municipal bond securities	161,477	0	161,477	0
Corporate debt securities	287,613	0	287,613	0
Specified bonds issued by SPEs in Japan	7,280	0	0	7,280
CMBS and RMBS in the Americas	69,976	0	47,318	22,658
Other asset- backed securities and debt securities	147,970	0	81,718	66,252
Equity securities*2	154,932	130,519	23,552	861
Other securities	8,723	0	0	8,723
Investment funds*3	8,723	0	0	8,723
Derivative assets	25,123	6	13,247	11,870
Interest rate swap agreements	890	0	890	0
Options held/written and other	12,103	0	233	11,870
Futures, foreign exchange contracts	5,719	6	5,713	0
Foreign currency swap agreements	6,411	0	6,411	0
Netting*4	(2,858)	0	0	0
Net derivative assets	22,265	0	0	0
Other assets	36,038	0	0	36,038
Reinsurance recoverables*5	36,038	0	0	36,038

	¥ 2,632,216	¥ 181,427	¥ 2,297,107	¥ 153,682
Liabilities:				
Derivative liabilities	¥ 29,619	¥ 762	¥ 28,857	¥ 0
Interest rate swap agreements	1,221	0	1,221	0
Options written and other	6,177	0	6,177	0
Futures, foreign exchange contracts	12,268	762	11,506	0
Foreign currency swap agreements	9,788	0	9,788	0
Credit derivatives held	165	0	165	0
Netting*4	(2,858)	0	0	0
Net derivative Liabilities	26,761	0	0	0
Accounts Payable	5,533	0	0	5,533
Contingent consideration	5,533	0	0	5,533
Policy Liabilities and Policy Account Balances	1,254,483	0	0	1,254,483
Variable annuity and variable life insurance contracts*6	1,254,483	0	0	1,254,483
	¥ 1,289,635	¥ 762	¥ 28,857	¥ 1,260,016

Table of Contents

June 30, 2015

	Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Loans held for sale*1	¥ 20,383	¥ 0	¥ 20,383	¥ 0
Trading securities	1,042,956	51,153	991,803	0
Available-for-sale securities	1,243,007	119,313	1,027,669	96,025
Japanese and foreign government bond securities	473,993	0	473,993	0
Japanese prefectural and foreign municipal bond securities	160,041	0	160,041	0
Corporate debt securities	321,012	0	321,012	0
Specified bonds issued by SPEs in Japan	5,947	0	0	5,947
CMBS and RMBS in the Americas	75,523	0	50,751	24,772
Other asset-backed securities and debt securities	66,038	0	732	65,306
Equity securities*2	140,453	119,313	21,140	0
Other securities	9,208	0	0	9,208
Investment funds*3	9,208	0	0	9,208
Derivative assets	21,821	465	14,114	7,242
Interest rate swap agreements	665	0	665	0
Options held/written and other	8,476	0	1,234	7,242
Futures, foreign exchange contracts	4,611	465	4,146	0
Foreign currency swap agreements	7,962	0	7,962	0
Credit derivative held	107	0	107	0
Netting*4	(3,951)	0	0	0
Net derivative assets	17,870	0	0	0
Other assets	33,221	0	0	33,221
Reinsurance recoverables*5	33,221	0	0	33,221
	¥ 2,370,596	¥ 170,931	¥ 2,053,969	¥ 145,696
Liabilities:				
Derivative liabilities	¥ 26,929	¥ 45	¥ 26,884	¥ 0
Interest rate swap agreements	1,182	0	1,182	0
Options written and other	3,617	0	3,617	0
Futures, foreign exchange contracts	12,914	45	12,869	0
Foreign currency swap agreements	9,067	0	9,067	0
Credit derivatives held	149	0	149	0
Netting*4	(3,951)	0	0	0
Net derivative Liabilities	22,978	0	0	0
Accounts Payable	2,989	0	0	2,989
Contingent consideration	2,989	0	0	2,989
Policy Liabilities and Policy Account Balances	1,101,566	0	0	1,101,566
Variable annuity and variable life insurance contracts*6	1,101,566	0	0	1,101,566
	¥ 1,131,448	¥ 45	26,884	¥ 1,104,555

*1 A subsidiary elected the fair value option under ASC 825 (Financial Instrument) 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 (income) and expense, net in the consolidated statements of income were losses from the change in the fair value of the loans of ¥1 million and ¥157 million for the three months ended June 30, 2014 and 2015, respectively. No gains or losses were recognized in earnings during the three months ended June 30, 2014 and the three months ended June 30, 2015, 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, 2015, were ¥14,431 million and ¥15,361 million, respectively, and the amount of aggregate fair value exceeded the amount of aggregate unpaid principal balance by ¥930 million. The amounts of aggregate unpaid principal balance and aggregate fair value of the loans held for sale as of June 30, 2015, were ¥19,594 million and ¥20,383 million, respectively, and the amount of aggregate fair value exceeds the amount of aggregate unpaid principal balance by ¥789 million. As of March 31, 2015 and June 30, 2015, there were no loans that are 90 days or more past due, in non-accrual status, or both.

*2 A subsidiary elected the fair value option under ASC 825 (Financial Instruments) for investments in equity securities included in available-for-sale securities. Included in Gains on investment securities and dividends in the consolidated statements of income were gains of ¥220 million and losses of ¥14 million from the change in the fair value of those investments for the three months ended June, 30, 2014 and 2015, respectively. The amounts of aggregate fair value elected the fair value option were ¥8,168 million and ¥6,865 million as of March 31, 2015 and June 30, 2015, respectively.

*3 Certain subsidiaries elected the fair value option under ASC 825 (Financial Instruments) for investments in some funds. Included in Gains on investment securities and dividends in the consolidated statements of income were gains of ¥168 million and losses of ¥9 million from the change in the fair value of those investments for the three months ended June 30, 2014 and the three months ended June 30, 2015. The amounts of aggregate fair value were ¥8,723 million and ¥9,208 million as of March 31, 2015 and June 30, 2015, respectively.

*4 It represents the amount offset under counterparty netting of derivative assets and liabilities.

*5 Certain subsidiaries elected the fair value option under ASC 825 (Financial Instruments) for certain reinsurance contracts held. The fair value of the reinsurance contracts elected for the fair value option in other assets was ¥36,038 million and ¥33,221 million as of March 31, 2015 and June 30, 2015, respectively. For the effect of changes in the fair value of those reinsurance recoverables on earnings during the three months ended June 30, 2015, see Note 15 Life Insurance Operations.

*6 A subsidiary elected the fair value option under ASC 825 (Financial Instruments) for the entire variable annuity and variable life insurance contracts held in order to match the earnings recognized for the changes in fair value of policy liabilities and policy account balances with earnings recognized for gains or losses from the investment assets managed on behalf of variable annuity and variable life policyholders, derivative contracts and the changes in fair value of reinsurance contracts. The fair value of the variable annuity and variable life insurance contracts elected for the fair value option in policy liabilities and policy account balances was ¥1,254,483 million and ¥1,101,566 million as of March 31, 2015 and June 30, 2015, respectively. For the effect of changes in the fair value of the variable annuity and variable life insurance contracts on earnings during the three months ended June 30, 2015, see Note 15 Life Insurance Operations.

Table of Contents

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. The Company and its subsidiaries evaluate the significance of transfers between levels based upon size of the transfer relative to total assets, total liabilities or total earnings. For the three months ended June 30, 2014 and 2015, there were no transfers between Level 1 and Level 2.

The following table presents the reconciliation for financial assets and liabilities (net) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended June 30, 2014 and 2015:

Three months ended June 30, 2014

	Millions of yen									
		Gains or losses (realized/unrealized)								
	Balance at April 1, 2014	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 June 30, 2014	Change in unrealized gains or losses included in earnings for assets and liabilities still held at June 30, 2014 *1
Available-for-sale securities	¥ 84,001	¥ 27	¥ 245	¥ 272	¥ 22,539	¥ (613)	¥ (8,926)	¥ 0	¥ 97,273	¥ 20
Corporate debt securities	661	1	3	4	0	0	(501)	0	164	0
Specified bonds issued by SPEs in Japan	6,772	1	15	16	700	0	(206)	0	7,282	1
CMBS and RMBS in the Americas	17,833	(8)	199	191	11,237	0	(759)	0	28,502	0
Other asset- backed securities and debt securities	58,735	33	28	61	10,602	(613)	(7,460)	0	61,325	19
Other securities	6,317	179	(154)	25	4,619	(193)	0	0	10,768	179
Investment funds	6,317	179	(154)	25	4,619	(193)	0	0	10,768	179
Derivative assets and liabilities (net)	2,486	1,735	0	1,735	1,814	0	(861)	0	5,174	1,735
Options written and other	2,486	1,735	0	1,735	1,814	0	(861)	0	5,174	1,735
Accounts payable	2,833	413	0	413	0	0	0	0	2,420	413
Contingent consideration	2,833	413	0	413	0	0	0	0	2,420	413

Table of Contents

Three months ended June 30, 2015

	Millions of yen									
		Gains or losses (realized/unrealized)								
	Balance at April 1, 2015	Included in earnings *1	Included in other comprehensive income *2	Total	Purchases *3	Sales	Settlements *4	Transfers in and/ or out of Level 3 (net) *5	Balance at June 30, 2015	Change in unrealized gains or losses included in earnings for assets and liabilities still held at June 30, 2015 *1
Available-for-sale securities	¥ 97,051	¥ 83	¥ 1,530	¥ 1,613	¥ 12,174	¥ (5,583)	¥ (8,361)	¥ (869)	¥ 96,025	¥ (15)
Specified bonds issued by SPEs in Japan	7,280	1	23	24	0	0	(1,357)	0	5,947	1
CMBS and RMBS in the Americas	22,658	68	271	339	4,887	(1,901)	(1,211)	0	24,772	(29)
Other asset- backed securities and debt securities	66,252	13	1,228	1,241	7,287	(3,681)	(5,793)	0	65,306	13
Equity securities	861	0	8	8	0	0	0	(869)	0	0
Other securities	8,723	(12)	172	160	487	(162)	0	0	9,208	(12)
Investment funds	8,723	(12)	172	160	487	(162)	0	0	9,208	(12)
Derivative assets and liabilities (net)	11,870	(3,158)	0	(3,158)	1,117	0	(2,587)	0	7,242	(3,158)
Options held/written and other	11,870	(3,158)	0	(3,158)	1,117	0	(2,587)	0	7,242	(3,158)
Other asset	36,038	(5,775)	0	(5,775)	3,053	0	(95)	0	33,221	(5,775)
Reinsurance recoverables *6	36,038	(5,775)	0	(5,775)	3,053	0	(95)	0	33,221	(5,775)
Accounts payable	5,533	2,544	0	2,544	0	0	0	0	2,989	2,544
Contingent consideration	5,533	2,544	0	2,544	0	0	0	0	2,989	2,544
Policy Liabilities and Policy Account Balances	1,254,483	(1,654)	0	(1,654)	0	0	(154,571)	0	1,101,566	(1,654)
Variable annuity and variable life insurance contracts *7	1,254,483	(1,654)	0	(1,654)	0	0	(154,571)	0	1,101,566	(1,654)

*1 Principally, gains and losses from available-for-sale securities are included in Gains on investment securities and dividends , Write-downs of securities or Life insurance premiums and related investment income other securities are included in Gains on investment securities and dividends and derivative assets and liabilities (net) are included in Other (income) and expense, net and gains from accounts payable are included in Other (income) and expense, net respectively. Also, for available-for-sale securities, amortization of interest recognized in finance revenues is included in these columns.

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

*3 Increases resulting from insurance contracts ceded to reinsurance companies are included.

*4 Decreases resulting from the receipts of reimbursements for benefits, and decreases resulting from insurance payouts to variable annuity and variable life policyholders due to death, surrender and maturity of the investment period are included.

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

*6 Included in earnings in the above table includes changes in the fair value of reinsurance contracts recorded in Life insurance costs and reinsurance premiums, net of reinsurance benefits received, recorded in Life insurance premiums and related investment income.

*7 Included in earnings in the above table is recorded in Life insurance costs and includes changes in the fair value of policy liabilities and policy account balances resulting from gains or losses on the underlying investment assets managed on behalf of variable annuity and variable life policyholders, and the changes in the minimum guarantee risks relating to variable annuity and variable life insurance contracts as well as insurance costs recognized for insurance and annuity payouts as a result of insured events.

There were no transfers in or out of Level 3 in the three months ended June 30, 2014. In the three months ended June 30, 2015, equity securities totaling ¥869 million were transferred from Level 3 to Level 2, since the inputs became observable.

44

Table of Contents

The following table presents recorded amounts of assets measured at fair value on a nonrecurring basis as of March 31, 2015 and June 30, 2015. These assets are measured at fair value on a nonrecurring basis mainly to recognize impairment:

March 31, 2015

	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)	¥ 21,537	¥ 0	¥ 0	¥ 21,537
Investment in operating leases and property under facility operations	67,500	0	0	67,500
Land and buildings undeveloped or under construction	8,084	0	0	8,084
Certain investment in affiliates	1,220	0	0	1,220
Goodwill	2,435	0	0	2,435
	¥ 100,776	¥ 0	¥ 0	¥ 100,776

June 30, 2015

	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)	¥ 19,398	¥ 0	¥ 0	¥ 19,398
Investment in operating leases and property under facility operations	5,149	0	0	5,149
	¥ 24,547	¥ 0	¥ 0	¥ 24,547

Table of Contents

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

Investment in operating leases and property under facility operations 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 property under facility operations 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 property under facility operations and land and buildings undeveloped or under construction.

Table of Contents

Trading securities, Available-for-sale 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 Americas and other asset-backed securities as level 2 if the inputs such as trading price and/or bid price are observable. The Company and its subsidiaries classified CMBS and RMBS in the Americas and other asset-backed securities as level 3 if the company and subsidiaries evaluate the fair value based on the unobservable inputs. In determining whether the inputs are observable or unobservable, the Company and its subsidiaries evaluate various factors such as the lack of recent transactions, price quotations that are not based on current information or vary substantially over time or among market makers, a significant increase in implied risk premium, a wide bid-ask spread, significant decline in new issuances, little or no public information (e.g. a principal-to-principal market) and other factors. With respect to certain CMBS and RMBS in the Americas and other asset-backed securities, the Company and its subsidiaries judged that there has been increased overall trading activity, and the Company and its subsidiaries classified these securities as level 2 for those securities that were measured at fair value based on the observable inputs such as trading price and/or bit price. But for those securities that lacked observable trades because they are older vintage or below investment grade securities, the Company and its subsidiaries limit the reliance on independent pricing service vendors and brokers. As a result, the Company and its subsidiaries established internally developed pricing models using valuation techniques such as discounted cash flow model using level 3 inputs in order to estimate fair value of these securities and classified them as Level 3. Under the models, the Company and its subsidiaries use anticipated cash flows of the security discounted at a risk-adjusted discount rate that incorporates our estimate of credit risk and liquidity risk that a market participant would consider. The cash flows are estimated based on a number of assumptions such as default rate and prepayment speed, as well as seniority of the security. An increase (decrease) in the discount rate or default rate would result in a decrease (increase) in the fair value of CMBS and RMBS in the Americas and other asset-backed securities.

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 are not traded 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

Certain subsidiaries elected the fair value option for investments in some funds. These investment funds for which the fair value option is elected are classified as Level 3, because the subsidiaries measure their fair value using discounting to net asset value based on inputs that are unobservable in the market.

Table of Contents

Derivatives

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

Reinsurance recoverables

Certain subsidiaries of the Company have elected the fair value option for certain reinsurance contracts related to variable annuity and variable life insurance contracts to partially offset the changes in fair value recognized in earnings of the policy liabilities and policy account balances attributable to the changes in the minimum guarantee risks of the variable annuity and variable life insurance contracts. These reinsurance contracts for which the fair value option is elected are classified as Level 3 because the subsidiaries measure their fair value using discounted cash flow methodologies based on inputs that are unobservable in the market.

Contingent consideration

The Company will be required to pay certain contingent consideration described in Note 4 Acquisitions and divestitures depending on the future performance of a certain asset management business of the acquired subsidiary, and the Company recognizes a liability for the contingent consideration at its estimated fair value. The fair value of the contingent consideration is classified as Level 3 because the Company measures its fair value using a Monte Carlo model based on inputs that are unobservable in the market.

Variable annuity and variable life insurance contracts

A subsidiary of the Company has elected the fair value option for the entire variable annuity and variable life insurance contracts held in order to match earnings recognized for changes in fair value of policy liabilities and policy account balances with the earnings recognized for gains or losses from the investment assets managed on behalf of variable annuity and variable life policyholders, derivative contracts and changes in fair value of reinsurance contracts. The changes in fair value of the variable annuity and variable life insurance contracts are linked to the fair value of the investment in securities managed on behalf of variable annuity and variable life policyholders. These securities consist mainly of equity securities traded in the market and are categorized as trading securities. In addition, variable annuity and variable life insurance contracts are exposed to the minimum guarantee risk, and the subsidiary adjusts the fair value of the underlying investments by incorporating changes in fair value of the minimum guarantee risk in the evaluation of the fair value of the entire variable annuity and variable life insurance contracts. The variable annuity and variable life insurance contracts for which the fair value option is elected are classified as Level 3 because the subsidiary measures the fair value using discounted cash flow methodologies based on inputs that are unobservable in the market.

Goodwill

The Company and its subsidiaries mainly use discounted cash flow methodologies and the business enterprise value multiples methodologies to measure the fair value of goodwill. The fair value of goodwill is classified as Level 3 because unobservable inputs are used in the methodologies.

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, 2015 and June 30, 2015.

	March 31, 2015				
	Millions of yen				
		Fair value	Valuation technique(s)	Significant unobservable inputs	Range (Weighted average)
Assets:					
Available-for-sale securities					
Specified bonds issued by SPEs in Japan	¥	2,543	Discounted cash flows	Discount rate	0.9% - 3.6% (2.2%)
		4,737	Appraisals/Broker quotes		
CMBS and RMBS in the Americas		22,658	Discounted cash flows	Discount rate	13.6% - 32.4% (18.2%)
				Probability of default	0.0% - 22.0% (7.2%)
Other asset-backed securities and debt securities		7,583	Discounted cash flows	Discount rate	1.2% - 32.4% (13.2%)
				Probability of default	0.8% - 1.3% (1.0%)
		58,669	Appraisals/Broker quotes		
Equity securities		861	Discounted cash flows	Discount rate	6.2% (6.2%)
Other securities					
Investment funds		8,723	Internal cash flows	Discount rate	12.0% - 28.0% (15.8%)
Derivative assets					
Options held/written and other		7,982	Discounted cash flows	Discount rate	10.0% - 15.0% (11.8%)
		3,888	Appraisals/Broker quotes		
Other assets					
Reinsurance recoverables		36,038	Discounted cash flows	Discount rate	(0.1)% - 0.8% (0.2%)
				Mortality rate	0.0% - 100.0% (1.3%)
				Lapse rate	1.5% - 54.0% (20.8%)
				Annuitization rate (guaranteed minimum annuity benefit)	0.0% - 100.0% (100.0%)
Total	¥	153,682			
Liabilities:					
Accounts payable					
Contingent consideration	¥	5,533	Monte Carlo simulation	Discount rate	13.9% (13.9%)
Policy liabilities and Policy Account Balances					

Valuable annuity and variable life insurance contracts	1,254,483	Discounted cash flows	Discount rate	(0.1)% - 0.8% (0.2%)
			Mortality rate	0.0% - 100.0% (1.3%)
			Lapse rate	1.5% - 54.0% (20.8%)
			Annuitization rate (guaranteed minimum annuity benefit)	0.0% - 100.0% (100.0%)
Total	¥ 1,260,016			

Table of Contents

	June 30, 2015				
	Millions of yen				
	Fair value		Valuation technique(s)	Significant unobservable inputs	Range (Weighted average)
Assets:					
Available-for-sale securities					
Specified bonds issued by SPEs in Japan	¥	1,270	Discounted cash flows	Discount rate	0.9% (0.9%)
		4,677	Appraisals/Broker quotes		
CMBS and RMBS in the Americas		24,772	Discounted cash flows	Discount rate	13.6% - 32.4% (17.9%)
				Probability of default	0.0% - 39.1% (9.1%)
Other asset-backed securities and debt securities		6,501	Discounted cash flows	Discount rate	1.2% - 32.4% (12.3%)
				Probability of default	0.7% - 1.2% (1.0%)
		58,805	Appraisals/Broker quotes		
Other securities					
Investment funds		9,208	Internal cash flows	Discount rate	12.0% - 28.0% (15.8%)
Derivative assets					
Options held/written and other		4,293	Discounted cash flows	Discount rate	10.0% - 15.0% (12.1%)
		2,949	Appraisals/Broker quotes		
Other assets					
Reinsurance recoverables		33,221	Discounted cash flows	Discount rate	(0.1)% - 0.8% (0.2%)
				Mortality rate	0.0% - 100.0% (1.0%)
				Lapse rate	1.5% - 54.0% (21.5%)
				Annuitization rate (guaranteed minimum annuity benefit)	0.0% - 100.0% (100.0%)
Total	¥	145,696			
Liabilities:					
Accounts payable					
Contingent consideration	¥	2,989	Monte Carlo simulation	Discount rate	13.9% (13.9%)
Policy liabilities and Policy Account Balances					
Valuable annuity and variable life insurance contracts		1,101,566	Discounted cash flows	Discount rate	(0.1)% - 0.8% (0.2%)
				Mortality rate	0.0% - 100.0% (1.0%)
				Lapse rate	1.5% - 54.0% (21.5%)
				Annuitization rate (guaranteed minimum	0.0% - 100.0%

		annuity benefit)	(100.0%)
Total	¥ 1,104,555		

50

Table of Contents

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, 2015 and June 30, 2015.

	March 31, 2015			
	Millions of yen			
	Fair value	Valuation technique(s)	Significant unobservable inputs	Range (Weighted average)
Assets:				
Real estate collateral-dependent loans (net of allowance for probable loan losses)	¥ 21,537	Discounted cash flows	Discount rate	5.8% - 12.0% (9.5%)
		Direct capitalization	Capitalization rate	5.5% - 16.5% (10.4%)
Investment in operating leases and property under facility operations	25,732	Discounted cash flows	Discount rate	4.1% - 15.0% (5.1%)
	41,768	Appraisals		
Land and buildings undeveloped or under construction	8,084	Discounted cash flows	Discount rate	5.3% - 10.1% (9.2%)
Certain investment in affiliates	1,220	Discounted cash flows	Discount rate	9.8% (9.8%)
Goodwill	2,435	Discounted cash flows Business enterprise value multiples		
	¥ 100,776			

	June 30, 2015			
	Millions of yen			
	Fair value	Valuation technique(s)	Significant unobservable inputs	Range (Weighted average)
Assets:				
Real estate collateral-dependent loans (net of allowance for probable loan losses)	19,398	Discounted cash flows	Discount rate	5.8% - 10.9% (9.0%)
		Direct capitalization	Capitalization rate	5.5% - 16.5% (10.4%)
Investment in operating leases and property under facility operations	379	Discounted cash flows	Discount rate	10.0% (10.0%)
	4,770	Appraisals		
	¥ 24,547			

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.

Table of Contents

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

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.

4. Acquisitions and divestitures

(1) Robeco Groep N.V. acquisition

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 Company will be required to pay contingent consideration depending on the future performance of a certain section of asset management business for each of Robeco s fiscal years until the fiscal year ending in December 2015. The estimated fair value of such contingent consideration was ¥5,176 million, which is included in the total consideration transferred. The estimated fair value of the contingent consideration was ¥5,533 million and ¥2,989 million as of March 31, 2015 and June 30, 2015, respectively. The changes in its fair value during the three months ended June 30, 2014 and 2015 were ¥413 million and ¥2,544 million, respectively. The changes in the fair value are included in other (income) and expense, net in the Company s condensed consolidated statements of income. The Company believes that the change in such consideration is not expected to be significant.

(2) Hartford Life Insurance K.K. acquisition

On July 1, 2014, the Company s wholly owned subsidiary, ORIX Life Insurance Corporation (hereinafter, ORIX Life Insurance), acquired the entire outstanding shares of Hartford Life Insurance K.K. (Head office: Minato-ku, Tokyo, Japan, Business description: Life insurance business and reinsurance business, hereinafter, HLIKK), a subsidiary of The Hartford Financial Services Group, Inc. in accordance with the share purchase agreement executed between the Company and Hartford Life, Inc. (Head office: Simsburry, Connecticut, U.S.A.), a subsidiary of The Hartford Financial Services Group, Inc. as of April 28, 2014 in order to enhance its capital strength and improve the soundness of its management, in view of accelerating its growth. As a result, HLIKK has become a consolidated subsidiary of the Company. HLIKK has discontinued selling insurance products since June 2009.

In addition, on July 1, 2015, HLIKK was merged into ORIX Life Insurance.

The total amount of acquisition consideration was ¥98,355 million, of which amount, ¥97,676 million was paid in cash on July 1, 2014. In addition, an additional consideration of ¥679 million was paid in cash on December 3, 2014, as a result of the acquisition price adjustment calculated based on HLIKK s net assets as of June 30, 2014 pursuant to the share purchase agreement.

Transaction costs of ¥1,441 million are included in selling, general and administrative expenses in the Company s consolidated statements of income for prior periods.

The Company allocated the acquisition consideration to HLIKK s respective assets acquired and liabilities assumed, and recorded the identified assets and liabilities based on their fair values at the acquisition date by the acquisition method of accounting in accordance with ASC 805 (Business Combinations).

Table of Contents

The Company finalized the purchase price allocation during the three months ended June 30, 2015. As a result, the following table provides fair value amounts allocated to assets acquired and liabilities assumed of HILKK.

In connection with this acquisition, the Company recognized the identifiable assets acquired and the liabilities assumed at their fair value, and recognized an excess of the fair value of the net assets acquired over the fair value of the consideration transferred as a bargain purchase gain of ¥36,082 million for the previous fiscal year, which is separately reported in the consolidated statements of income during the three months ended September 30, 2014.

	Millions of yen Fair value amounts of assets, liabilities	
Cash and Cash Equivalents	¥	69,244
Installment Loans		282
Investment in Securities		1,847,536
Trade Notes, Accounts and Other Receivable		66,340
Office Facilities		351
Other Assets		319,244
Total Assets		2,302,997
Short-Term Debt		25,000
Trade Notes, Accounts and Other Payable		3,979
Policy Liabilities and Policy Account Balances		2,125,257
Current and Deferred Income Taxes		8,413
Other Liabilities		5,911
Total Liabilities		2,168,560
Net		134,437
Fair values of Consideration transferred		98,355
Bargain purchase gain	¥	36,082

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, 2013, the beginning of the year ended March 31, 2014:

	Millions of yen Three months ended June 30, 2014	
Total revenues	¥	471,856
Income from Continuing Operations		71,957

There were no total revenues and income from continuing operations of HLIKK after acquisition included in the Company s consolidated statement of income for the three months ended June 30, 2014.

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 Company elected the fair value option to account for variable annuity insurance contracts at the acquisition date; however, it cannot reasonably calculate their fair values prior to the acquisition date as if the fair value option were retrospectively applied. Thus, the unaudited supplemental pro forma financial information is prepared in accordance with ASC 944 (Financial Services Insurance) without applying the fair value option accounting.

Table of Contents

(3) Other acquisitions

During fiscal 2015, the Company and its subsidiaries acquired entities other than HLIKK which were individually immaterial business combinations but were considered collectively material. The total cost of the acquisitions consideration was ¥102,621 million which was paid mainly in cash.

The Company allocates the acquisition consideration to the entities respective assets acquired and liabilities assumed, and records the identified 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 fair value of noncontrolling interest is estimated based on the acquisition consideration taking into account an appraisal value using a binominal option pricing model.

The following table provides preliminary fair value amounts allocated to assets acquired and liabilities assumed of the acquired entities. The amount of goodwill and intangible assets other than goodwill could possibly be adjusted because certain of the acquisitions were made near the fiscal year-end and the purchase price allocations have not completed yet. However, the final purchase price allocations are not expected to differ materially from the current valuation.

	Millions of yen Provisional fair value amounts of assets, liabilities and noncontrolling interests	
Cash and Cash Equivalents	¥	32,234
Property under Facility Operations		9,289
Trade Notes, Accounts and Other Receivable		37,359
Inventories		21,249
Office Facilities		3,250
Other Assets		158,370
Other		1,359
Total Assets		263,110
Short-Term Debt		4,140
Trade Notes, Accounts and Other Payable		33,963
Current and Deferred Income Taxes		24,457
Long-Term Debt		45,739
Other Liabilities		26,165
Total Liabilities		134,464
Noncontrolling interests		26,025
Aggregate fair value of considerations transferred	¥	102,621

Goodwill with a preliminary value of ¥79,872 million and other intangible assets of ¥60,839 million that were identified in connection with the acquisitions are included in other assets in the Company s consolidated balance sheet as of June, 30, 2015. The goodwill is calculated as the excess of considerations transferred and the fair value of noncontrolling interest over the net assets recognized at fair value. The goodwill represents the future growth of the ORIX Group from new revenue streams arising from the consolidation of the entities 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 the acquisitions are included in the Corporate Financial Services segment, the Investment and Operation segment and the Overseas Business segment.

The following unaudited supplemental pro forma financial information presents the combined results of operations of the Company and its subsidiaries as though the acquisitions had occurred as of April 1, 2014, the beginning of the year ended March, 31 2015:

		Millions of yen Three months ended June 30, 2014
Total revenues	¥	515,115
Income from Continuing Operations		71,919

54

Table of Contents

Total revenues and income from continuing operations of newly consolidated subsidiaries included in the Company s condensed consolidated statements of loss for the three months ended June 30, 2014 are ¥69 million and ¥7 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.

There were no material acquisitions during the three months ended June 30, 2015.

(4) Divestitures

The Company and its subsidiaries sold to third parties all of the shares of certain consolidated subsidiaries, which were included in Investment and Operation segment, during the three months ended June 30, 2015. As a result of the sales, the Company and its subsidiaries recognized a gain of ¥8,739 million in gains on sales of subsidiaries and affiliates and liquidation losses, net in the consolidated statement of income for the three months ended June 30, 2015.

Table of Contents

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

The Company and its subsidiaries apply ASC 310 (Receivables), which 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 our 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 our 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, 2015, for the three months ended June 30, 2014 and 2015:

	Three months ended June 30, 2014 Millions of yen					
	Loans				Direct financing leases	Total
	Consumer	Corporate Non-recourse loans	Corporate Other	Purchased loans *1		
Allowance for credit losses :						
Beginning balance	¥ 13,473	¥ 9,047	¥ 32,744	¥ 14,148	¥ 15,384	¥ 84,796
Provision (Reversal)	1,504	(257)	(1,085)	(299)	380	243
Charge-offs	(1,407)	(50)	(793)	(1,093)	(529)	(3,872)
Recoveries	39	0	368	196	11	614
Other *2	6	(117)	(59)	10	(45)	(205)
Ending balance	¥ 13,615	¥ 8,623	¥ 31,175	¥ 12,962	¥ 15,201	¥ 81,576
Individually evaluated for impairment	3,172	8,118	22,742	11,013	0	45,045
Not individually evaluated for impairment	10,443	505	8,433	1,949	15,201	36,531
Financing receivables :						
Ending balance	¥ 1,251,891	¥ 151,843	¥ 880,161	¥ 49,876	¥ 1,090,648	¥ 3,424,419
Individually evaluated for impairment	11,653	22,317	68,762	20,817	0	123,549
Not individually evaluated for impairment	1,240,238	129,526	811,399	29,059	1,090,648	3,300,870

56

Table of Contents

	March 31, 2015 Millions of yen					
	Loans					
		Corporate			Direct financing leases	
	Consumer	Non-recourse loans	Other	Purchased loans *1		Total
Allowance for credit losses :						
Ending balance	¥ 12,585	¥ 8,148	¥ 25,672	¥ 10,717	¥ 15,204	¥ 72,326
Individually evaluated for impairment	2,606	7,751	15,541	8,481	0	34,379
Not Individually Evaluated for Impairment	9,979	397	10,131	2,236	15,204	37,947
Financing receivables :						
Ending balance	¥ 1,330,353	¥ 124,768	¥ 965,028	¥ 42,292	¥ 1,216,454	¥ 3,678,895
Individually evaluated for impairment	11,993	22,032	51,793	15,216	0	101,034
Not individually evaluated for impairment	1,318,360	102,736	913,235	27,076	1,216,454	3,577,861

	Three months ended June 30, 2015 Millions of yen					
	Loans					
		Corporate			Direct financing leases	
	Consumer	Non-recourse loans	Other	Purchased loans *1		Total
Allowance for credit losses :						
Beginning balance	¥ 12,585	¥ 8,148	¥ 25,672	¥ 10,717	¥ 15,204	¥ 72,326
Provision (Reversal)	1,375	(230)	(105)	(542)	113	611
Charge-offs	(1,657)	(102)	(1,473)	(442)	(670)	(4,344)
Recoveries	347	0	133	0	12	492
Other *2	1	153	159	(13)	57	357
Ending balance	¥ 12,651	¥ 7,969	¥ 24,386	¥ 9,720	¥ 14,716	¥ 69,442
Individually evaluated for impairment	2,638	7,598	14,287	7,633	0	32,156
Not individually evaluated for impairment	10,013	371	10,099	2,087	14,716	37,286
Financing receivables :						
Ending balance	¥ 1,354,099	¥ 110,929	¥ 956,311	¥ 35,544	¥ 1,207,545	¥ 3,664,428
Individually evaluated for impairment	12,240	20,310	43,581	13,840	0	89,971
Not individually evaluated for impairment	1,341,859	90,619	912,730	21,704	1,207,545	3,574,457

*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.

*3 Loans held for sale are not included in the table preceding pages.

57

Table of Contents

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.

Table of Contents

The following table provides information about the impaired loans as of March 31, 2015 and June 30, 2015:

		March 31, 2015		
		Millions of Yen		
Portfolio segment	**Class**	**Loans Individually Evaluated for Impairment**	**Unpaid Principal Balance**	**Related Allowance**
With no related allowance recorded *1:		¥ 18,404	¥ 18,359	¥ 0
Consumer borrowers		450	407	0
	Housing loans	450	407	0
	Card loans	0	0	0
	Other	0	0	0
Corporate borrowers		17,954	17,952	0
Non-recourse loans	Japan	4,975	4,975	0
	The Americas	0	0	0
Other	Real estate companies	5,167	5,167	0
	Entertainment companies	892	892	0
	Other	6,920	6,918	0
Purchased loans		0	0	0
With an allowance recorded *2:		82,630	79,418	34,379
Consumer borrowers		11,543	9,737	2,606
	Housing loans	4,907	3,118	1,689
	Card loans	3,741	3,731	566
	Other	2,895	2,888	351
Corporate borrowers		55,871	54,465	23,292
Non-recourse loans	Japan	310	310	64
	The Americas	16,747	16,747	7,687
Other	Real estate companies	15,940	15,708	5,099
	Entertainment companies	3,580	3,548	1,429
	Other	19,294	18,152	9,013
Purchased loans		15,216	15,216	8,481
Total:		¥ 101,034	¥ 97,777	¥ 34,379
Consumer borrowers		11,993	10,144	2,606
	Housing loans	5,357	3,525	1,689
	Card loans	3,741	3,731	566
	Other	2,895	2,888	351
Corporate borrowers		73,825	72,417	23,292
Non-recourse loans	Japan	5,285	5,285	64
	The Americas	16,747	16,747	7,687
Other	Real estate companies	21,107	20,875	5,099
	Entertainment companies	4,472	4,440	1,429

	Other	26,214	25,070	9,013
Purchased loans		15,216	15,216	8,481

Table of Contents

		June 30, 2015		
		Millions of yen		
Portfolio segment	Class	Loans Individually Evaluated for Impairment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded *1:		¥ 14,088	¥ 14,063	¥ 0
Consumer borrowers		562	542	0
	Housing loans	562	542	0
	Card loans	0	0	0
	Other	0	0	0
Corporate borrowers		13,526	13,521	0
Non-recourse loans	Japan	4,776	4,776	0
	The Americas	0	0	0
Other	Real estate companies	2,214	2,214	0
	Entertainment companies	728	728	0
	Other	5,808	5,803	0
Purchased loans		0	0	0
With an allowance recorded *2:		75,883	74,112	32,156
Consumer borrowers		11,678	10,715	2,638
	Housing loans	4,482	3,535	1,598
	Card loans	3,895	3,886	615
	Other	3,301	3,294	425
Corporate borrowers		50,365	49,557	21,885
Non-recourse loans	Japan	306	306	64
	The Americas	15,228	15,227	7,534
Other	Real estate companies	14,236	14,106	4,975
	Entertainment companies	3,188	3,157	1,211
	Other	17,407	16,761	8,101
Purchased loans		13,840	13,840	7,633
Total:		¥ 89,971	¥ 88,175	¥ 32,156
Consumer borrowers		12,240	11,257	2,638
	Housing loans	5,044	4,077	1,598
	Card loans	3,895	3,886	615
	Other	3,301	3,294	425
Corporate borrowers		63,891	63,078	21,885
Non-recourse loans	Japan	5,082	5,082	64
	The Americas	15,228	15,227	7,534
Other	Real estate companies	16,450	16,320	4,975
	Entertainment companies	3,916	3,885	1,211
	Other	23,215	22,564	8,101
Purchased loans		13,840	13,840	7,633

*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.

Table of Contents

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.

Table of Contents

The following table provides information about the average recorded investments in impaired loans and interest income on impaired loans for the three months ended June 30, 2014 and 2015:

		Three months ended June 30, 2014 Millions of yen		
Portfolio segment	**Class**	**Average Recorded Investments in Impaired Loans ***	**Interest Income on Impaired Loans**	**Interest on Impaired Loans Collected in Cash**
Consumer borrowers		¥ 11,725	¥ 66	¥ 45
	Housing loans	7,019	39	28
	Card loans	3,047	16	10
	Other	1,659	11	7
Corporate borrowers		96,017	819	586
Non-recourse loans	Japan	7,214	0	0
	The Americas	16,396	159	159
Other	Real estate companies	26,463	222	162
	Entertainment companies	7,549	106	53
	Other	38,395	332	212
Purchased loans		21,946	0	0
Total		¥ 129,688	¥ 885	¥ 631

		Three months ended June 30, 2015 Millions of yen		
Portfolio segment	**Class**	**Average Recorded Investments in Impaired Loans ***	**Interest Income on Impaired Loans**	**Interest on Impaired Loans Collected in Cash**
Consumer borrowers		¥ 12,117	¥ 60	¥ 46
	Housing loans	5,201	23	21
	Card loans	3,818	20	13
	Other	3,098	17	12
Corporate borrowers		68,860	277	273
Non-recourse loans	Japan	5,184	2	2
	The Americas	15,988	96	96
Other	Real estate companies	18,779	54	54
	Entertainment companies	4,194	27	27
	Other	24,715	98	94
Purchased loans		14,528	0	0
Total		¥ 95,505	¥ 337	¥ 319

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

Table of Contents

The following table provides information about the credit quality indicators as of March 31, 2015 and June 30, 2015:

		March 31, 2015				
		Millions of yen				
			Non-Performing			
Portfolio segment	Class	Performing	Loans Individually Evaluated for Impairment	90+ Days Past-Due Loans not Individually Evaluated for Impairment	Subtotal	Total
Consumer borrowers		¥ 1,311,725	¥ 11,993	¥ 6,635	¥ 18,628	¥ 1,330,353
	Housing loans	1,050,531	5,357	3,898	9,255	1,059,786
	Card loans	238,660	3,741	824	4,565	243,225
	Other	22,534	2,895	1,913	4,808	27,342
Corporate borrowers		1,015,971	73,825	0	73,825	1,089,796
Non-recourse loans	Japan	36,250	5,285	0	5,285	41,535
	The Americas	66,486	16,747	0	16,747	83,233
Other	Real estate companies	235,493	21,107	0	21,107	256,600
	Entertainment companies	101,701	4,472	0	4,472	106,173
	Other	576,041	26,214	0	26,214	602,255
Purchased loans		27,076	15,216	0	15,216	42,292
Direct financing leases		1,201,081	0	15,373	15,373	1,216,454
	Japan	819,592	0	10,293	10,293	829,885
	Overseas	381,489	0	5,080	5,080	386,569
Total		¥ 3,555,853	¥ 101,034	¥ 22,008	¥ 123,042	¥ 3,678,895

		June 30, 2015				
		Millions of yen				
			Non-Performing			
Portfolio segment	Class	Performing	Loans Individually Evaluated for Impairment	90+ Days Past-Due Loans not Individually Evaluated for Impairment	Subtotal	Total
Consumer borrowers		¥ 1,336,223	¥ 12,240	¥ 5,636	¥ 17,876	¥ 1,354,099
	Housing loans	1,072,625	5,044	2,745	7,789	1,080,414
	Card loans	241,132	3,895	789	4,684	245,816
	Other	22,466	3,301	2,102	5,403	27,869
Corporate borrowers		1,003,349	63,891	0	63,891	1,067,240
Non-recourse loans	Japan	26,773	5,082	0	5,082	31,855
	The Americas	63,846	15,228	0	15,228	79,074
Other	Real estate companies	247,617	16,450	0	16,450	264,067
	Entertainment companies	103,581	3,916	0	3,916	107,497
	Other	561,532	23,215	0	23,215	584,747
Purchased loans		21,704	13,840	0	13,840	35,544
Direct financing leases		1,193,003	0	14,542	14,542	1,207,545
	Japan	812,859	0	9,139	9,139	821,998
	Overseas	380,144	0	5,403	5,403	385,547

Total	¥ 3,554,279	¥ 89,971	¥ 20,178	¥ 110,149	¥ 3,664,428

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 businesses have deteriorated, whose repayment is past-due 90 days or more, financing receivables modified as troubled debt restructurings, and performing assets include all other financing receivables. Regarding purchased loans, they are classified as non-performing assets when considered impaired, while all the other loans are included in the category of performing assets.

Table of Contents

Out of non-performing assets, the Company and its subsidiaries consider smaller balance homogeneous loans, including housing loans, card loans and other, 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, 2015 and June 30, 2015:

		March 31, 2015				
		Millions of yen				
		Past-Due Financing Receivables				
Portfolio segment	**Class**	**30-89 Days Past-Due**	**90 Days or More Past-Due**	**Total Past-Due**	**Total Financing Receivables**	**Non-Accrual**
Consumer borrowers		¥ 3,229	¥ 9,825	¥ 13,054	¥ 1,330,353	¥ 9,825
	Housing loans	1,672	6,503	8,175	1,059,786	6,503
	Card loans	704	1,202	1,906	243,225	1,202
	Other	853	2,120	2,973	27,342	2,120
Corporate borrowers		7,991	33,694	41,685	1,089,796	43,697
Non-recourse loans	Japan	0	4,975	4,975	41,535	4,975
	The Americas	6,639	9,846	16,485	83,233	14,716
Other	Real estate companies	37	8,366	8,403	256,600	8,730
	Entertainment companies	0	571	571	106,173	571
	Other	1,315	9,936	11,251	602,255	14,705
Direct financing leases		6,142	15,373	21,515	1,216,454	15,373
	Japan	1,877	10,293	12,170	829,885	10,293
	Overseas	4,265	5,080	9,345	386,569	5,080
Total		¥ 17,362	¥ 58,892	¥ 76,254	¥ 3,636,603	¥ 68,895

		June 30, 2015				
		Millions of yen				
		Past-Due Financing Receivables				
Portfolio segment	**Class**	**30-89 Days Past-Due**	**90 Days or More Past-Due**	**Total Past-Due**	**Total Financing Receivables**	**Non-Accrual**
Consumer borrowers		¥ 3,634	¥ 8,487	¥ 12,121	¥ 1,354,099	¥ 8,487
	Housing loans	1,661	4,963	6,624	1,080,414	4,963
	Card loans	661	1,192	1,853	245,816	1,192
	Other	1,312	2,332	3,644	27,869	2,332
Corporate borrowers		12,480	31,538	44,018	1,067,240	37,921
Non-recourse loans	Japan	0	4,776	4,776	31,855	4,776
	The Americas	8,396	8,855	17,251	79,074	13,818
Other	Real estate companies	37	8,083	8,120	264,067	8,083
	Entertainment companies	160	172	332	107,497	172
	Other	3,887	9,652	13,539	584,747	11,072
Direct financing leases		6,119	14,542	20,661	1,207,545	14,542
	Japan	1,179	9,139	10,318	821,998	9,139
	Overseas	4,940	5,403	10,343	385,547	5,403
Total		¥ 22,233	¥ 54,567	¥ 76,800	¥ 3,628,884	¥ 60,950

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.

Table of Contents

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 three months ended June 30, 2014 and 2015:

		Three months ended June 30, 2014	
		Millions of yen	
Portfolio segment	Class	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Consumer borrowers		¥ 1,214	¥ 883
	Housing loans	142	80
	Card loans	597	442
	Other	475	361
Corporate borrowers		216	205
Non-recourse loans	The Americas	145	145
Other	Other	71	60
Total		¥ 1,430	¥ 1,088

		Three months ended June 30, 2015	
		Millions of yen	
Portfolio segment	Class	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Consumer borrowers		¥ 1,427	¥ 1,059
	Housing loans	11	11
	Card loans	626	461
	Other	790	587
Corporate borrowers		147	147
Non-recourse loans	The Americas	147	147
Total		¥ 1,574	¥ 1,206

Table of Contents

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.

The following table provides information about financing receivables modified as troubled debt restructurings within the previous 12 months from June 30, 2014 for which there was a payment default during the three months ended June 30, 2014:

	Three months ended June 30, 2014	
		Millions of yen
Portfolio segment	**Class**	**Recorded Investment**
Consumer borrowers		¥ 57
	Housing loans	16
	Card loans	27
	Other	14
Corporate borrowers		166
Other	Other	166
Total		¥ 223

The following table provides information about financing receivables modified as troubled debt restructurings within the previous 12 months from June 30, 2015 for which there was a payment default during the three months ended June 30, 2015:

	Three months ended June 30, 2015	
		Millions of yen
Portfolio segment	**Class**	**Recorded Investment**
Consumer borrowers		¥ 41
	Card loans	24
	Other	17
Total		¥ 41

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.

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. The Company and its subsidiaries adopted this Update on April 1, 2015.

As of June 30, 2015, there was no amount of foreclosed residential real estate property based on this Update. The carrying amounts of installment loans in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure is ¥404 million as of June 30, 2015.

6. Investment in Securities

Investment in securities as of March 31, 2015 and June 30, 2015 consists of the following:

	Millions of yen	
	March 31, 2015	**June 30, 2015**
Trading securities *	¥ 1,190,131	¥ 1,042,956
Available-for-sale securities	1,356,840	1,243,007
Held-to-maturity securities	115,599	115,881
Other securities	183,687	181,981
Total	¥ 2,846,257	¥ 2,583,825

* The amount of assets under management of variable annuity and variable life insurance contracts included in trading securities were ¥1,165,347 million and ¥1,023,043 million as of March 31, 2015 and June 30, 2015, respectively.

Other securities consist mainly of non-marketable equity securities, preferred capital shares carried at cost and investment funds carried at an amount that reflects equity income and loss based on the investor s share. The aggregate carrying amount of other securities accounted for under the cost method totaled ¥43,718 million and ¥34,838 million as of March 31, 2015 and June 30, 2015, respectively. Investments with an aggregate cost of ¥42,838 million and ¥34,789 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 those investments and it was not practicable to estimate the fair value of the investments.

A certain subsidiary elected the fair value option under ASC 825 (Financial Instruments) for certain investments in equity securities included in available-for-sale securities, which as of March 31, 2015 and June 30, 2015, were fair valued at ¥8,168 million and ¥6,865 million, respectively.

Certain subsidiaries elected the fair value option under ASC 825 (Financial Instruments) for certain investments in a trust and investment funds included in other securities whose net asset values do not represent the fair value of investments due to the illiquid nature of these investments. The subsidiaries manage these investments on a fair value basis and the election of the fair value option enables the subsidiaries to reflect more appropriate assumptions to measure the fair value of these investments. As of March 31, 2015 and June 30, 2015, the fair values of these investments were ¥8,723 million and ¥9,208 million, respectively.

Table of Contents

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 as of March 31, 2015 and June 30, 2015 are as follows:

March 31, 2015

	Millions of yen			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:				
Japanese and foreign government bond securities	¥ 517,500	¥ 10,127	¥ (35)	¥ 527,592
Japanese prefectural and foreign municipal bond securities	155,943	5,644	(110)	161,477
Corporate debt securities	283,859	3,891	(137)	287,613
Specified bonds issued by SPEs in Japan	7,257	54	(31)	7,280
CMBS and RMBS in the Americas	67,049	3,073	(146)	69,976
Other asset-backed securities and debt securities	147,308	1,286	(624)	147,970
Equity securities	104,096	52,568	(1,732)	154,932
	1,283,012	76,643	(2,815)	1,356,840
Held-to-maturity:				
Japanese government bond securities and other	115,599	14,490	(112)	129,977
	¥ 1,398,611	¥ 91,133	¥ (2,927)	¥ 1,486,817

June 30, 2015

	Millions of yen			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:				
Japanese and foreign government bond securities	¥ 469,747	¥ 5,400	¥ (1,154)	¥ 473,993
Japanese prefectural and foreign municipal bond securities	157,147	3,103	(209)	160,041
Corporate debt securities	318,012	3,185	(185)	321,012
Specified bonds issued by SPEs in Japan	5,901	46	0	5,947
CMBS and RMBS in the Americas	73,579	2,222	(278)	75,523
Other asset-backed securities and debt securities	65,047	1,538	(547)	66,038
Equity securities	93,233	48,045	(825)	140,453
	1,182,666	63,539	(3,198)	1,243,007
Held-to-maturity:				
Japanese government bond securities and other	115,881	13,013	(715)	128,179
	¥ 1,298,547	¥ 76,552	¥ (3,913)	¥ 1,371,186

Table of Contents

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, 2015 and June 30, 2015, respectively:

March 31, 2015

	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	¥ 5,407	¥ (35)	¥ 0	¥ 0	¥ 5,407	¥ (35)
Japanese prefectural and foreign municipal bond securities	44,782	(110)	0	0	44,782	(110)
Corporate debt securities	81,108	(58)	6,363	(79)	87,471	(137)
Specified bonds issued by SPEs in Japan	0	0	1,269	(31)	1,269	(31)
CMBS and RMBS in the Americas	9,754	(31)	506	(115)	10,260	(146)
Other asset-backed securities and debt securities	10,950	(304)	8,127	(320)	19,077	(624)
Equity securities	6,640	(1,723)	585	(9)	7,225	(1,732)
	158,641	(2,261)	16,850	(554)	175,491	(2,815)
Held-to-maturity:						
Japanese government bond securities and other	4,889	(112)	0	0	4,889	(112)
	¥ 163,530	¥ (2,373)	¥ 16,850	¥ (554)	¥ 180,380	¥ (2,927)

June 30, 2015

	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	¥ 103,615	¥ (1,154)	¥ 0	¥ 0	¥ 103,615	¥ (1,154)
Japanese prefectural and foreign municipal bond securities	76,037	(207)	245	(2)	76,282	(209)
Corporate debt securities	117,365	(143)	6,581	(42)	123,946	(185)
CMBS and RMBS in the Americas	25,781	(34)	621	(244)	26,402	(278)
Other asset-backed securities and debt securities	2,813	(113)	11,586	(434)	14,399	(547)
Equity securities	10,373	(788)	1,498	(37)	11,871	(825)
	335,984	(2,439)	20,531	(759)	356,515	(3,198)
Held-to-maturity:						
Japanese government bond securities and other	19,514	(715)	0	0	19,514	(715)
	¥ 355,498	¥ (3,154)	¥ 20,531	¥ (759)	¥ 376,029	¥ (3,913)

The number of investment securities that were in an unrealized loss position as of March 31, 2015 and June 30, 2015 were 197 and 249, respectively. The gross unrealized losses on these securities are attributable to a number of factors including changes in interest rates, credit spreads and market trends.

Table of Contents

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 their collectability. The Company and its subsidiaries do not consider a debt security to be other-than-temporarily impaired 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 a debt security to be other-than-temporarily impaired if any of the above mentioned three conditions are not met.

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

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 collectability 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 as of June 30, 2015.

The unrealized loss associated with specified bonds is primarily due to changes in the estimated cash flows of the underlying real estates. Considering all available information to assess the collectability 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 as of June 30, 2015.

The unrealized loss associated with CMBS and RMBS in the Americas and other asset-backed securities 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 and no credit impairment was identified. 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 as of June 30, 2015.

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 as of June 30, 2015.

Table of Contents

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 June 30, 2014 and 2015 are as follows:

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Total other-than-temporary impairment losses	¥ 100	¥ 1,949
Portion of loss recognized in other comprehensive income (before taxes)	0	0
Net impairment losses recognized in earnings	¥ 100	¥ 1,949

Total other-than-temporary impairment losses for three months ended June 30, 2014 related to other securities. Total other-than-temporary impairment losses for three months ended June 30, 2015 related to equity securities and other securities.

Roll-forwards of the amount related to credit losses on other-than-temporarily impaired debt securities recognized in earnings for three months ended June 30, 2014 and 2015 are as follows:

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Beginning	¥ 1,991	¥ 2,633
Movement during the period	0	0
Ending	¥ 1,991	¥ 2,633

As of March 31, 2015, 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 Americas, with gross unrealized gains of ¥234 million and unrealized losses of ¥58 million, and was included in unrealized gains/losses (after taxes) of accumulated other comprehensive income, with gross unrealized gains of ¥149 million and unrealized losses of ¥37 million. As of June 30, 2015, 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 Americas, with gross unrealized gains of ¥269 million and unrealized losses of ¥82 million, and was included in unrealized gains/losses (after taxes) of accumulated other comprehensive income, with gross unrealized gains of ¥171 million and unrealized losses of ¥52 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.

Table of Contents

7. Securitization Transactions

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

In the securitization process, these financial assets are transferred to 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.

In accordance with ASC 860 (Transfers and Servicing) and ASC 810 (Consolidation), 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.

During the three months ended June 30, 2014 and 2015, there was no securitization transaction accounted for as a sale.

Quantitative information about delinquencies, impaired loans and components of financial assets sold on securitization and other assets managed together as of March 31, 2015 and June 30, 2015, and quantitative information about net credit loss for the three months ended June 30, 2014 and 2015 are as follows:

	Millions of yen			
	Total principal amount of receivables		Principal amount of receivables 90 days or more past-due and impaired loans	
	March 31, 2015	June 30, 2015	March 31, 2015	June 30, 2015
Direct financing leases	¥ 1,216,454	¥ 1,207,545	¥ 15,373	¥ 14,542
Installment loans	2,478,054	2,478,854	107,669	95,607
Assets recorded on the balance sheet	3,694,508	3,686,399	123,042	110,149
Direct financing leases sold on securitization	894	827	0	0
Total assets managed together or sold on securitization	¥ 3,695,402	¥ 3,687,226	¥ 123,042	¥ 110,149

	Millions of yen Credit loss	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Direct financing lease	¥ 518	¥ 658
Installment loans	2,740	3,194

Assets recorded on the balance sheet	3,258	3,852
Direct financing lease sold on securitization	0	0
Total assets managed together or sold on securitization	¥ 3,258	¥ 3,852

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 assets and the balances of these servicing assets as of March 31, 2015 and June 30, 2015 were ¥18,376 million and ¥18,606 million, respectively. During the three months ended June 30, 2014 and 2015, the servicing assets were increased by ¥722 million and ¥1,128 million, respectively, mainly from loans sold with servicing retained and decreased by ¥1,014 million and ¥1,245 million, respectively, mainly from amortization and decreased by ¥254 million and increased by ¥347 million, respectively, from the effects of changes in foreign exchange rates. The fair value of the servicing assets as of March 31, 2015 and June 30, 2015 were ¥27,676 million and ¥28,269 million, respectively.

Table of Contents

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 (Consolidation) addresses consolidation by business enterprises of SPEs within the scope of ASC 810. 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 are called VIEs.

According to ASC 810, 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 VIE 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

- 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.

Table of Contents

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

1. Consolidated VIEs

March 31, 2015

	Millions of yen			
Types of VIEs	**Total assets *1**	**Total liabilities *1**	**Assets which are pledged as collateral *2**	**Commitments *3**
(a) VIEs for liquidating customer assets	¥ 0	¥ 0	¥ 0	¥ 0
(b) VIEs for acquisition of real estate and real estate development projects for customers	1,036	123	0	0
(c) VIEs for acquisition of real estate for the Company and its subsidiaries real estate-related business	223,069	65,017	135,723	7,000
(d) VIEs for corporate rehabilitation support business	4,366	34	0	0
(e) VIEs for investment in securities	21,027	8,064	12,928	23,974
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable	393,502	250,402	325,236	0
(g) VIEs for securitization of commercial mortgage loans originated by third parties	36,452	43,280	36,452	0
(h) VIEs for power generation projects	84,242	31,236	30,227	173,560
(i) Other VIEs	202,708	99,545	187,065	0
Total	¥ 966,402	¥ 497,701	¥ 727,631	¥ 204,534

June 30, 2015

	Millions of yen			
Types of VIEs	**Total assets *1**	**Total liabilities *1**	**Assets which are pledged as collateral *2**	**Commitments *3**
(a) VIEs for liquidating customer assets	¥ 0	¥ 0	¥ 0	¥ 0
(b) VIEs for acquisition of real estate and real estate development projects for customers	965	0	0	0
(c) VIEs for acquisition of real estate for the Company and its subsidiaries real estate-related business	219,120	68,778	143,231	7,000
(d) VIEs for corporate rehabilitation support business	4,122	42	0	0
(e) VIEs for investment in securities	21,420	8,307	12,943	2,745
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable	501,394	328,203	415,728	0
(g) VIEs for securitization of commercial mortgage loans originated by third parties	34,578	39,074	34,578	0
(h) VIEs for power generation projects	96,759	40,240	39,300	171,368
(i) Other VIEs	192,852	95,205	181,626	0
Total	¥ 1,071,210	¥ 579,849	¥ 827,406	¥ 181,113

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

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

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

Table of Contents

2. Non-consolidated VIEs

March 31, 2015

Types of VIEs	Total assets	Millions of yen Carrying amount of the variable interests in the VIEs held by the Company and its subsidiaries Specified bonds and non-recourse loans	Investments	Maximum exposure to loss *
(a) VIEs for liquidating customer assets	¥ 32,421	¥ 0	¥ 2,091	¥ 9,551
(b) VIEs for acquisition of real estate and real estate development projects for customers	325,429	14,084	26,283	50,017
(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	3,038,819	0	28,584	55,940
(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	1,100,830	0	8,064	8,139
(h) VIEs for power generation projects	0	0	0	0
(i) Other VIEs	26,894	14	3,038	3,052
Total	¥ 4,524,393	¥ 14,098	¥ 68,060	¥ 126,699

June 30, 2015

Types of VIEs	Total assets	Millions of yen Carrying amount of the variable interests in the VIEs held by the Company and its subsidiaries Specified bonds and non-recourse loans	Investments	Maximum exposure to loss *
(a) VIEs for liquidating customer assets	¥ 32,421	¥ 0	¥ 2,091	¥ 9,551
(b) VIEs for acquisition of real estate and real estate development projects for customers	287,451	4,776	15,793	30,317
(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	2,374,629	0	31,449	80,546
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable	0	0	0	0
	1,035,149	0	8,411	8,468

(g) VIEs for securitization of commercial mortgage loans originated by third parties				
(h) VIEs for power generation projects	0	0	0	0
(i) Other VIEs	84,631	0	2,795	2,795
Total	¥ 3,814,281	¥ 4,776	¥ 60,539	¥ 131,677

* 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.

With respect to the variable interests of non-consolidated VIEs, which the Company and its subsidiaries have, non-recourse loans are included in installment loans, and investments are mainly included in other assets in the Company s condensed consolidated balance sheets. The Company has a commitment agreement by which the Company may be required to make additional investment in certain such non-consolidated VIEs.

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

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

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

In the Company s condensed consolidated balance sheets, assets of consolidated VIEs are mainly included in investment in affiliates, and liabilities of those consolidated VIEs are mainly included in other liabilities.

With respect to the variable interests of non-consolidated VIEs, which the Company and its subsidiaries have, specified bonds are included in investment in securities, non-recourse loans are included in installment loans, and investments are mainly included in investment in securities, investment in affiliates and other assets in the Company s condensed 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 the 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 the additional funding for fiscal 2015 was ¥5,628 million. There was no additional funding or acquisition of subordinated interests during the three months ended June 30, 2015.

In the Company s condensed consolidated balance sheets, assets of the consolidated VIEs are mainly included in cash and cash equivalents, restricted cash, investment in operating leases, property under facility operations, office facilities and other assets, and liabilities of those consolidated VIEs are mainly included in long-term debt. The Company has a commitment agreement by which the Company may be required to make additional investment in certain such consolidated VIEs.

(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.

76

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 condensed consolidated balance sheets, assets of the consolidated VIEs are mainly included in installment loans, and liabilities of those consolidated VIEs are mainly included in other liabilities.

(e) VIEs for investment in securities

The Company and its subsidiaries have interests in VIEs that are investment funds and mainly invest in equity and debt securities. Such VIEs are managed by 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 condensed consolidated balance sheets, assets of the consolidated VIEs are mainly included in investment in securities and investment in affiliates, and liabilities of those consolidated VIEs are mainly included in long-term debt. A subsidiary has a commitment agreement by which the subsidiary may be required to make additional investment in certain such consolidated VIEs.

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

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

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

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

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

(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 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 condensed 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.

Table of Contents

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

(h) VIEs for power generation projects

The Company and its subsidiaries may use VIEs in power generation projects. VIEs receive the funds from the Company and its subsidiaries, install solar panels by acquiring or leasing lands, and sell the generated power to electric power companies. The Company and its subsidiaries have consolidated certain VIEs because the Company and its subsidiaries have the majority of the investment shares of such VIEs and effectively control the VIEs by acting as the asset manager of the VIEs.

In the Company s condensed consolidated balance sheets, assets of the consolidated VIEs are mainly included in property under facility operations and other assets, and liabilities of those consolidated VIEs are mainly included in long-term debt. The Company has commitment agreements by which the Company may be required to make additional investment or execute loans in certain such consolidated VIEs.

(i) Other VIEs

The Company and its subsidiaries are involved with other types of VIEs for various purposes. Consolidated and non-consolidated VIEs of this category are mainly kumiai structures. In addition, a subsidiary has consolidated a VIE that is not included in the categories (a) through (h) above, because the subsidiary holds the subordinated portion of the VIE and the VIE is effectively controlled by the subsidiary.

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 undertake any significant financial commitments or exposure with respect to the kumiai or its related SPE.

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

In the Company s condensed consolidated balance sheets, assets of the consolidated VIEs are mainly included in installment loans, investment in operating leases and office facilities, and liabilities of those consolidated VIEs are mainly included in long-term debt.

With respect to the variable interests in non-consolidated VIEs, which the Company and its subsidiaries hold, investments are mainly included in installment loans in the Company s condensed consolidated balance sheets.

Table of Contents

9. Investment in Affiliates

Investment in affiliates at March 31 and June 30, 2015 consists of the following:

	Millions of yen	
	March 31, 2015	June 30, 2015
Shares	¥ 368,989	¥ 381,339
Loans	9,098	8,529
	¥ 378,087	¥ 389,868

Combined and condensed information relating to the affiliates as of and for the three months ended June 30, 2014 and 2015 are as follows (some operation data for entities reflect only the period since the Company and its subsidiaries made the investment):

	Millions of yen	
	As of and for three months ended June 30, 2014	As of and for three months ended June 30, 2015
Operations:		
Total revenues	¥ 318,074	¥ 354,745
Income before income taxes	27,938	48,755
Net income	19,890	33,815
Financial position:		
Total assets	¥ 5,823,189	¥ 7,177,413
Total liabilities	4,619,223	5,371,000
Total equity	1,203,966	1,806,413

The Company sold 71.9% of the common shares of a consolidated subsidiary, STX Energy Co., Ltd. (presently GS E&R Corp., hereinafter, STX Energy) to a third-party during the three months ended June 30, 2014. The Company retains a 25% interest in STX Energy, which became an affiliate accounted for by the equity method from the three months ended June 30, 2014. The sale of the controlling interest resulted in a gain of ¥14,883 million and the remeasurement of the retained interest to its fair value resulted in a gain of ¥1,329 million, both of which were included in earnings as gains on sales of subsidiaries and affiliates and liquidation losses, net during the three months ended June 30, 2014. The fair value of the retained interest was remeasured based on the sale proceed adjusted for a control premium.

10. Redeemable Noncontrolling Interests

Changes in redeemable noncontrolling interests for the three months ended June 30, 2014 and 2015 are as follows:

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Beginning balance	¥ 53,177	¥ 66,901
Adjustment of redeemable noncontrolling interests to redemption value	283	738
Transaction with noncontrolling interests	791	371
Comprehensive income		
Net income	987	1,061
Other comprehensive income (loss)		

Net change of foreign currency translation adjustments	(805)	1,425
Total other comprehensive income (loss)	(805)	1,425
Comprehensive income	182	2,486
Cash dividends	(1,576)	0
Ending balance	¥ 52,857	¥ 70,496

79

Table of Contents

11. Accumulated Other Comprehensive Income (Loss)

Changes in each component of accumulated other comprehensive income (loss) attributable to ORIX Corporation Shareholders for the three months ended June 30, 2014 and 2015, are as follows:

	Three months ended June 30, 2014 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, 2014	¥ 38,651	¥ (6,230)	¥ (31,949)	¥ (434)	¥ 38
Net unrealized gains on investment in securities, net of tax of ¥(2,537) million	4,793				4,793
Reclassification adjustment included in net income, net of tax of ¥5,960 million	(10,868)				(10,868)
Defined benefit pension plans, net of tax of ¥(185) million		320			320
Reclassification adjustment included in net income, net of tax of ¥30 million		(56)			(56)
Foreign currency translation adjustments, net of tax of ¥580 million			(11,057)		(11,057)
Reclassification adjustment included in net income, net of tax of ¥0 million			0		0
Net unrealized losses on derivative instruments, net of tax of ¥261 million				(1,061)	(1,061)
Reclassification adjustment included in net income, net of tax of ¥(197) million				779	779
Total other comprehensive income (loss)	(6,075)	264	(11,057)	(282)	(17,150)
Less: Other Comprehensive Income (loss) Attributable to the Noncontrolling Interest	221	121	(2,305)	(26)	(1,989)
Less: Other Comprehensive Income (loss) Attributable to the Redeemable Noncontrolling Interests	0	0	(805)	0	(805)
Balance at June 30, 2014	¥ 32,355	¥ (6,087)	¥ (39,896)	¥ (690)	¥ (14,318)

Table of Contents

	Three months ended June 30, 2015 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, 2015	¥ 50,330	¥ (19,448)	¥ 431	¥ (940)	¥ 30,373
Net unrealized gains on investment in securities, net of tax of ¥(1,645) million	4,950				4,950
Reclassification adjustment included in net income, net of tax of ¥6,898 million	(12,231)				(12,231)
Defined benefit pension plans, net of tax of ¥366 million		(982)			(982)
Reclassification adjustment included in net income, net of tax of ¥(5) million		82			82
Foreign currency translation adjustments, net of tax of ¥(487) million			10,996		10,996
Reclassification adjustment included in net income, net of tax of ¥0 million			0		0
Net unrealized losses on derivative instruments, net of tax of ¥568 million				(1,539)	(1,539)
Reclassification adjustment included in net income, net of tax of ¥(615) million				1,656	1,656
Total other comprehensive income (loss)	(7,281)	(900)	10,996	117	2,932
Less: Other Comprehensive Income (loss) Attributable to the Noncontrolling Interest	28	(55)	1,346	7	1,326
Less: Other Comprehensive Income Attributable to the Redeemable Noncontrolling Interests	0	0	1,425	0	1,425
Balance at June 30, 2015	¥ 43,021	¥ (20,293)	¥ 8,656	¥ (830)	¥ 30,554

Table of Contents

Amounts reclassified to net income from accumulated other comprehensive income (loss) in the three months ended June 30, 2014 and 2015 are as follows:

	Three months ended June 30, 2014	
Details about accumulated other comprehensive income components	**Reclassification adjustment included in net income Millions of yen**	**Consolidated statements of income caption**
Net unrealized gains (losses) on investment in securities		
Sales of investment securities	¥ 16,487	Gains on investment securities and dividends
Sales of investment securities	493	Life insurance premiums and related investment income
Amortization of investment securities	24	Finance revenues
Amortization of investment securities	(175)	Life insurance premiums and related investment income
Others	(1)	Write-downs of securities and other
	16,828	Total before tax
	(5,960)	Tax expenses or benefits
	¥ 10,868	Net of tax
Defined benefit pension plans		
Amortization of prior service credit	¥ 240	See Note 14 Pension Plans
Amortization of net actuarial loss	(140)	See Note 14 Pension Plans
Amortization of transition obligation	(14)	See Note 14 Pension Plans
	86	Total before tax
	(30)	Tax expenses or benefits
	¥ 56	Net of tax
Net unrealized gains (losses) on derivative instruments		
Interest rate swap agreements	¥ 7	Finance revenues/Interest expense
Foreign exchange contracts	19	Other (income) and expense, net
Foreign currency swap agreements	(1,002)	Finance revenues/Interest expense/Other (income) and expense, net
	(976)	Total before tax
	197	Tax expenses or benefits
	¥ (779)	Net of tax

Table of Contents

Details about accumulated other comprehensive income components	Three months ended June 30, 2015 Reclassification adjustment included in net income Millions of yen	Consolidated statements of income caption
Net unrealized gains (losses) on investment in securities		
Sales of investment securities	¥ 15,502	Gains on investment securities and dividends
Sales of investment securities	5,965	Life insurance premiums and related investment income
Amortization of investment securities	(49)	Finance revenues
Amortization of investment securities	(391)	Life insurance premiums and related investment income
Others	(1,898)	Write-downs of securities and other
	19,129	Total before tax
	(6,898)	Tax expenses or benefits
	¥ 12,231	Net of tax
Defined benefit pension plans		
Amortization of prior service credit	¥ 258	See Note 14 Pension Plans
Amortization of net actuarial loss	(332)	See Note 14 Pension Plans
Amortization of transition obligation	(13)	See Note 14 Pension Plans
	(87)	Total before tax
	5	Tax expenses or benefits
	¥ (82)	Net of tax
Net unrealized gains (losses) on derivative instruments		
Interest rate swap agreements	¥ 2	Finance revenues/Interest expense
Foreign exchange contracts	2,082	Other (income) and expense, net
Foreign currency swap agreements	(4,355)	Finance revenues/Interest expense/Other (income) and expense, net
	(2,271)	Total before tax
	615	Tax expenses or benefits
	¥ (1,656)	Net of tax

Table of Contents

12. ORIX Corporation Shareholders Equity

Information about ORIX Corporation Shareholders Equity for the three months ended June 30, 2014 and 2015 are as follows:

(1) Dividend payments

	Three months ended June 30, 2014	Three months ended June 30, 2015
Resolution	The board of directors on May 22, 2014	The board of directors on May 20, 2015
Type of shares	Common stock	Common stock
Total dividends paid	¥30,117 million	¥47,188 million
Dividend per share	¥23.00	¥36.00
Date of record for dividend	March 31, 2014	March 31, 2015
Effective date for dividend	June 3, 2014	June 3, 2015
Dividend resource	Retained earnings	Retained earnings

Total dividends paid includes ¥77 million of dividends paid to the Board Incentive Plan Trust for the three months ended June 30, 2015.

(2) There were no applicable dividends for which the date of record was in the three months ended June 30, 2014, and for which the effective date was after June 30, 2014.

There were no applicable dividends for which the date of record was in the three months ended June 30, 2015, and for which the effective date was after June 30, 2015.

13. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended June 30, 2014 and 2015 are as follows:

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Personnel expenses	¥ 58,439	¥ 69,866
Selling expenses	13,625	17,819
Administrative expenses	20,193	25,407
Depreciation of office facilities	1,008	1,278
Total	¥ 93,265	¥ 114,370

84

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 three months ended June 30, 2014 and 2015 consists of the following:

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Japanese plans:		
Service cost	¥ 1,093	¥ 1,143
Interest cost	290	263
Expected return on plan assets	(588)	(649)
Amortization of prior service credit	(232)	(232)
Amortization of net actuarial loss (gain)	125	(5)
Amortization of transition obligation	13	12
Net periodic pension cost	¥ 701	¥ 532

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Overseas plans:		
Service cost	¥ 554	¥ 969
Interest cost	574	440
Expected return on plan assets	(931)	(1,158)
Amortization of prior service credit	(8)	(26)
Amortization of net actuarial loss	15	337
Amortization of transition obligation	1	1
Net periodic pension cost	¥ 205	¥ 563

Table of Contents

15. Life Insurance Operations

Life insurance premiums and related investment income for three months ended June 30, 2014 and 2015 consist of the following:

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Life insurance premiums	¥ 38,322	¥ 49,284
Life insurance related investment income	2,106	19,030
	¥ 40,428	¥ 68,314

Life insurance premiums include reinsurance benefits, net of reinsurance premiums. Reinsurance benefits and reinsurance premiums for the three months ended June 30, 2015 amounted to ¥573 million and ¥3,195 million, respectively.

The benefits and expenses of life insurance operations included in life insurance costs in the consolidated statements of income are recognized so as to associate with earned premiums over the life of contracts. This association is accomplished by means of the provision for future policy benefits and the deferral and subsequent amortization of policy acquisition costs (principally commissions and certain other expenses relating to policy issuance and underwriting). Amortization charged to income for the three months ended June 30, 2014 and 2015 amounted to ¥2,718 million and ¥2,931 million, respectively.

For the three months ended June 30, 2015, life insurance premiums and related investment income includes net realized and unrealized gains or losses of ¥16,821 million from investment assets under management on behalf of variable annuity and variable life policyholders and, net losses of ¥3,146 million from derivative contracts entered to economically hedge a portion of the minimum guarantee risk relating to variable annuity and variable life insurance contracts, which consists of ¥1,752 million of losses from futures, ¥456 million of losses from foreign exchange contracts and ¥938 million of losses from options held. In addition, for the three months ended June 30, 2015, the changes in fair value of the variable annuity and variable life insurance contracts elected for the fair value option were ¥152,917 million, and insurance costs recognized for insurance and annuity payouts as a result of insured events were ¥154,571 million. The net of ¥1,654 million was included in life insurance costs. The Company has elected the fair value option for certain reinsurance contracts to partially offset the changes in fair value recognized in earnings of the policy liabilities and policy account balances attributable to the changes in the minimum guarantee risks of the variable annuity and variable life insurance contracts, and ¥2,817 million resulting from changes in the fair value of the reinsurance contracts was recorded in life insurance costs for the three months ended June 30, 2015. No such changes in the fair value of the variable annuity and variable life insurance contracts and the reinsurance contracts were recorded for the three months ended June 30, 2014.

Table of Contents

16. Write-Downs of Long-Lived Assets

In accordance with ASC 360 (Property, Plant, and Equipment), 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 and its subsidiaries determine the fair value using appraisals prepared by independent third party appraisers or our own staff of qualified appraisers, based on recent transactions involving sales of similar assets or other valuation techniques such as discounted cash flows methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate.

For the three months ended June 30, 2014 and 2015, the Company and certain subsidiaries recognized impairment losses for the difference between carrying amounts and fair values in the amount of ¥2,738 million and ¥822 million, respectively, which are reflected as write-downs of long-lived assets.

Losses of ¥2,416 million in the Real Estate segment and ¥322 million in the Overseas Business segment were recorded for the three months ended June 30, 2014. Losses of ¥788 million in the Real Estate segment, ¥22 million in the Investment and Operation segment and ¥12 million in the Overseas Business segment were recorded for the three months ended June 30, 2015.

The details of significant write-downs are as follows.

Office Buildings For the three months ended June 30, 2014, write-downs of ¥1,795 million was recorded in relation to one office building due to declines in estimated cash flows. For the three months ended June 30, 2015, write-down of ¥47 million was recorded for one office building held for sale, write-down of ¥12 million was recorded in relation to one office building due to declines in estimated cash flows.

Commercial Facilities other than Offices There was no impairment for commercial facilities for the three months ended June 30, 2014. For the three months ended June 30, 2015, write-down of ¥741 million was recorded in relation to two commercial facility due to declines in estimated cash flows.

Condominiums For the three months ended June 30, 2014, write-down of ¥621 million was recorded for one condominium due to a change in use. There was no impairment for condominiums for the three months ended June 30, 2015.

Land undeveloped or under construction There was no impairment for the three months ended June 30, 2014. For the three months ended June 30, 2015, write-down of ¥22 million was recorded for land undeveloped or under construction held for sale,

Others For the three months ended June 30, 2014, write-downs of ¥322 million were recorded 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. There was no impairment for the three months ended June 30, 2015.

Table of Contents

17. Discontinued Operations

In April 2014, Accounting Standards Update 2014-08 (Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ASC 205 (Presentation of Financial Statements) and ASC 360 (Property, Plant, and Equipment)) was issued. This Update requires an entity to report a disposal or a classification as held for sale of a component of an entity or a group of components of an entity in discontinued operations if it represents a strategic shift that has (or will have) a major effect on an entity s operations and financial results. The Company and its subsidiaries early adopted this Update on April 1, 2014. In accordance with this Update, the Company and its subsidiaries report a disposal of a component or a group of components of the Company and its subsidiaries in discontinued operations if the disposal represents a strategic shift which has (or will have) a major effect on the Company and its subsidiaries operations and financial results when the component or group of components is disposed by sale or classified as held for sale on or after April 1, 2014.

During the three months ended June 30, 2014 and 2015, there was no disposal or classification as held for sale of a component or a group of components which represents a strategic shift which has (or will have) a major effect on the Company and its subsidiaries operations and financial results.

Accounting Standards Update 2014-08 does not apply to a disposal or a classification as held for sale of a component or a group of components of the Company and its subsidiaries which have previously been reported in the financial statements. Accordingly, during the three months ended June 30, 2014, the Company and its subsidiaries continue to report gains on sales and the results of operations of subsidiaries and business units, which were classified as held for sale at March 31, 2014, as income from discontinued operations in the accompanying condensed consolidated statements of income in accordance with ASC 205-20 prior to the early adoption of the update.

During fiscal 2014, the Company has determined to sell the food business unit of a subsidiary, which is composed of the food service business unit and the food business unit. During the three months ended June 30, 2014, the operating income from the food business unit was ¥101 million. With respect to the food business unit of the subsidiary, the Company has completed the sale of the food business unit of a subsidiary during fiscal 2015 and there are no amounts of assets or liabilities included in the accompanying consolidated balance sheets as of March 31, 2015 and June 30, 2015.

The Company and its subsidiaries own various real estate properties, including commercial and office buildings, for rental operations. For the three months ended June 30, 2014 and 2015, the Company and its subsidiaries did not recognize any gains or losses on sales of such real estate properties reported as income from discontinued operations. With respect to the real estate properties classified as held for sale at March 31, 2015 included in the accompanying condensed consolidated balance sheets are investment in operating leases of ¥24,619 million and property under facility operations of ¥2,873 million and other assets of ¥689 million. With respect to the real estate properties classified as held for sale at June 30, 2015, included in the accompanying consolidated balance sheets are investment in operating leases of ¥44,115 million, property under facility operations of ¥3,159 million and other assets of ¥10,266 million.

Discontinued operations for the three months ended June 30, 2014 and 2015 consist of the following:

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Revenues	¥ 2,214	¥ 0
Income from discontinued operations, net *	101	0
Provision for income taxes	(36)	0
Discontinued operations, net of applicable tax effect	¥ 65	¥ 0

* Income from discontinued operations, net includes aggregate gains on sales of subsidiaries, business units and rental properties and liquidation on losses. For the three months ended June 30, 2014 and 2015, there was no such gains or losses.

Table of Contents

18. Per Share Data

Reconciliation of the differences between basic and diluted earnings per share (EPS) in the three months ended June 30, 2014 and 2015 are as follows:

During the three months ended June 30, 2014, the diluted EPS calculation excludes stock option for 6,628 thousand shares, as they were antidilutive. During the three months ended June 30, 2015, the diluted EPS calculation excludes stock options for 4,457 thousand shares, as they were antidilutive.

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Income attributable to ORIX Corporation from continuing operations	¥ 65,881	¥ 81,510

	Thousands of Shares	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Weighted-average shares	¥ 1,309,826	¥ 1,308,774
Effect of dilutive securities		
Exercise of stock options	1,805	1,243
Weighted-average shares for diluted EPS computation	¥ 1,311,631	¥ 1,310,017

	Yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Earnings per share for income attributable to ORIX Corporation shareholders from continuing operations:		
Basic	¥ 50.30	¥ 62.28
Diluted	50.23	62.22

The Company s shares held through the Board Incentive Plan Trust (2,153,800 shares) are included in the number of treasury stock shares as of the three months ended June 30, 2015.

Table of Contents

19. 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 generally structure their liabilities to match the currency-denomination of assets in each region. A certain subsidiary holds option agreements, futures and foreign exchange contracts for the purpose of economic hedges against minimum guarantee risk of variable annuity and variable life insurance contracts.

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

(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, borrowings and others 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 agreements 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 its 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 its 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). A certain subsidiary holds option agreements, futures and foreign exchange contracts for the purpose of economic hedges against minimum guarantee risk of variable annuity and variable life insurance contracts.

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.

Table of Contents

The effect of derivative instruments on the consolidated statement of income, pre-tax, for the three months ended June 30, 2014 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)	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location	Millions of yen
Interest rate swap agreements	¥ (62)	Finance revenues/Interest expense	¥ 7		¥ 0
Foreign exchange contracts	279	Other (income) and expense, net	19		0
Foreign currency swap agreements	(1,539)	Finance revenues/Interest expense/ Other (income) and expense, net	(1,002)	Other (income) and expense, net	(11)

(2) Fair value hedges

	Gains (losses) recognized in income on derivative and other		Gains (losses) recognized in income on hedged item	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location
Interest rate swap agreements	¥(324)	Finance revenues/Interest expense	¥344	Finance revenues/Interest expense
Foreign exchange contracts	1,059	Other (income) and expense, net	(1,059)	Other (income) and expense, net
Foreign currency swap agreements	(1,091)	Other (income) and expense, net	1,091	Other (income) and expense, net
Foreign currency long-term debt	196	Other (income) and expense, net	(196)	Other (income) and expense, net

(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 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)

	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location	Millions of yen
Foreign exchange contracts	¥ 2,534		¥ 0		¥ 0
Borrowings and bonds in local currency	4,931		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
Futures	¥ (5)	Gains on investment securities and dividends
Foreign exchange contracts	3	Gains on investment securities and dividends
Credit derivatives held/written	(62)	Other (income) and expense, net
Options held and other	(356)	Other (income) and expense, net

91

Table of Contents

The effect of derivative instruments on the consolidated statement of income, pre-tax, for the three months ended June 30, 2015 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)	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location	Millions of yen
Interest rate swap agreements	¥ 97	Finance revenues/Interest expense	¥ 2		¥ 0
Foreign exchange contracts	(331)	Other (income) and expense, net	2,082		0
Foreign currency swap agreements	(1,873)	Finance revenues/Interest expense/ Other (income) and expense, net	(4,355)	Other (income) and expense, net	66

(2) Fair value hedges

	Gains (losses) recognized in income on derivative and other		Gains (losses) recognized in income on hedged item	
	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location
Interest rate swap agreements	¥ (187)	Finance revenues/Interest expense	¥ 187	Finance revenues/Interest expense
Foreign exchange contracts	(1,969)	Other (income) and expense, net	1,969	Other (income) and expense, net
Foreign currency swap agreements	(227)	Other (income) and expense, net	227	Other (income) and expense, net
Foreign currency long-term debt	(12)	Other (income) and expense, net	12	Other (income) and expense, net

(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 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)

	Millions of yen	Consolidated statements of income location	Millions of yen	Consolidated statements of income location	Millions of yen
Foreign exchange contracts	¥ (16,423)		¥ 0		¥ 0
Borrowings and bonds in local currency	(6,859)		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	¥ 5	Other (income) and expense, net
Futures	(1,674)	Gains on investment securities and dividends Life insurance premiums and related investment income *
Foreign exchange contracts	(382)	Gains on investment securities and dividends Life insurance premiums and related investment income *
Credit derivatives held	122	Other (income) and expense, net
Options held/written and other	(1,091)	Other (income) and expense, net Life insurance premiums and related investment income *

* Futures, foreign exchange contracts and options held/written and other in the above table include losses arising from futures, foreign exchange contracts and options held to economically hedge the minimum guarantee risk of variable annuity and variable life insurance contracts for the three months ended June 30, 2015 (see Note 15 Life Insurance Operations).

Table of Contents

Notional amounts of derivative instruments and other, fair values of derivative instruments and other before offsetting at March 31, 2015 and June 30, 2015 are as follows.

March 31, 2015

		Asset derivatives		Liability derivatives	
	Notional amount	Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
	Millions of yen	Millions of yen		Millions of yen	
Derivatives designated as hedging instruments and other:					
Interest rate swap agreements	¥ 296,464	¥ 890	Other Assets	¥ 1,094	Other Liabilities
Futures, foreign exchange contracts	581,510	5,281	Other Assets	11,016	Other Liabilities
Foreign currency swap agreements	104,058	6,411	Other Assets	9,788	Other Liabilities
Foreign currency long-term debt	258,313	0		0	
Trading derivatives or derivatives not designated as hedging instruments:					
Interest rate swap agreements	¥ 3,000	¥ 0		¥ 127	Other Liabilities
Options held/written and other *	441,586	12,103	Other Assets	6,177	Other Liabilities
Futures, foreign exchange contracts *	111,309	438	Other Assets	1,252	Other Liabilities
Credit derivatives held *	9,013	0		165	Other Liabilities

* The notional amounts of options held/written and futures and other, foreign exchange contracts in the above table include options held of ¥265,094 million, futures contracts of ¥34,586 million and foreign exchange contracts of ¥13,415 million to economically hedge the minimum guarantee risk of variable annuity and variable life insurance contracts at March 31, 2015, respectively. Asset derivatives in the above table includes fair value of the options held and foreign exchange contracts before offsetting of ¥3,888 million and ¥92 million and liability derivatives includes fair value of the futures and foreign exchange contracts before offsetting of ¥690 million and ¥60 million at March 31, 2015, respectively.

June 30, 2015

		Asset derivatives		Liability derivatives	
	Notional amount	Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
	Millions of yen	Millions of yen		Millions of yen	
Derivatives designated as hedging instruments and other:					
Interest rate swap agreements	¥ 242,924	¥ 665	Other Assets	¥ 1,060	Other Liabilities
Futures, foreign exchange contracts	741,524	3.483	Other Assets	12,483	Other Liabilities
Foreign currency swap agreements	101,369	7,962	Other Assets	9,067	Other Liabilities
Foreign currency long-term debt	221,817	0		0	

Trading derivatives or derivatives not designated as hedging instruments:					
Interest rate swap agreements	¥ 3,000	¥ 0		¥ 122	Other Liabilities
Options held/written and other *	373,809	8,476	Other Assets	3,617	Other Liabilities
Futures, foreign exchange contracts *	107,669	1,128	Other Assets	431	Other Liabilities
Credit derivatives held	12,245	107	Other Assets	149	Other Liabilities

* The notional amounts of options held/written and other and futures, foreign exchange contracts in the above table include options held of ¥211,172 million, futures contracts of ¥40,576 million and foreign exchange contracts of ¥11,527 million to economically hedge the minimum guarantee risk of variable annuity and variable life insurance contracts at June 30, 2015, respectively. Asset derivatives in the above table includes fair value of the options held, futures and foreign exchange contracts before offsetting of ¥2,949 million, ¥438 million and ¥104 million and liability derivatives includes fair value of the futures and foreign exchange contracts before offsetting of ¥30 million and ¥6 million at June 30, 2015, respectively.

Table of Contents

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 on March 31, 2015 and June 30, 2015.

20. 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, 2015 and June 30, 2015 are as follows.

March 31, 2015

	Millions of yen					
				Gross amounts not offset in the consolidated balance sheets *1		
	Gross amounts recognized	Gross amounts offset in the consolidated balance sheets	Net amounts presented in the consolidated balance sheets	Financial instruments	Collateral received/pledged	Net amount
Derivative assets	¥ 25,123	¥ (2,858)	¥ 22,265	¥ 0	¥ (3,888)	¥ 18,377
Reverse repurchase, securities borrowing, and similar arrangements *2	9,915	(9,915)	0	0	0	15
Total assets	¥ 35,038	¥ (12,773)	¥ 22,265	¥ 0	¥ (3,888)	¥ 18,377
Derivative liabilities	¥ 29,619	¥ (2,858)	¥ 26,761	¥ 0	¥ (277)	¥ 26,484
Repurchase, securities lending, and similar arrangements *2	10,590	(9,915)	675	0	0	675
Total liabilities	¥ 40,209	¥ (12,773)	¥ 27,436	¥ 0	¥ (277)	¥ 27,159

June 30, 2015

	Millions of yen					
				Gross amounts not offset in the consolidated balance sheets *1		
	Gross amounts recognized	Gross amounts offset in the consolidated balance sheets	Net amounts presented in the consolidated balance sheets	Financial instruments	Collateral received/pledged	Net amount
Derivative assets	¥ 21,821	¥ (3,951)	¥ 17,870	¥ 0	¥ (2,949)	¥ 14,921
Reverse repurchase, securities borrowing, and similar arrangements *2	7,369	(7,369)	0	0	0	0
Total assets	¥ 29,190	¥ (11,320)	¥ 17,870	¥ 0	¥ (2,949)	¥ 14,921
Derivative liabilities	¥ 26,929	¥ (3,951)	¥ 22,978	¥ 0	¥ (238)	¥ 22,740
Repurchase, securities lending, and similar arrangements *2	7,421	(7,369)	52	0	0	52

Total liabilities	¥ 34,350	¥ (11,320)	¥ 23,030	¥ 0	¥ (238)	¥ 22,792

*1 The balances related to enforceable master netting agreements or similar agreements which were not offset in the consolidated balance sheets.

*2 Reverse repurchase agreements and securities borrowing, and similar transactions are reported within other assets in the consolidated balance sheets. Repurchase agreements and securities lending, and similar transactions are reported within other liabilities in the consolidated balance sheets.

Table of Contents

21. Estimated Fair Value of Financial Instruments

The following information is provided to help readers gain an understanding of the relationship between carrying amount of financial instruments reported in the accompanying consolidated financial statements and the related market or fair value. For derivative financial instruments, see Note 3 (Fair Value Measurements).

The disclosures do not include investment in direct financing leases, investment in subsidiaries and affiliates, pension obligations and insurance contracts and reinsurance contracts except for those classified as investment contracts.

March 31, 2015

	Millions of yen				
	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Assets:					
Trading securities	¥ 1,190,131	¥ 1,190,131	¥ 50,902	¥ 1,139,229	¥ 0
Cash and cash equivalents	827,518	827,518	827,518	0	0
Restricted cash	85,561	85,561	85,561	0	0
Installment loans (net of allowance for probable loan losses)	2,420,932	2,439,904	0	231,565	2,208,339
Investment in securities:					
Practicable to estimate fair value	1,481,162	1,495,540	130,519	1,239,124	125,897
Not practicable to estimate fair value *1	174,964	174,964	0	0	0
Other Assets:					
Time deposits	13,761	13,761	0	13,761	0
Derivative assets *2	22,265	22,265	0	0	0
Reinsurance recoverables Investment contracts	115,116	116,229	0	0	116,229
Liabilities:					
Short-term debt	¥ 284,785	¥ 284,785	¥ 0	¥ 284,785	¥ 0
Deposits	1,287,380	1,288,419	0	1,288,419	0
Policy liabilities and Policy account balances Investment contracts	298,132	303,359	0	0	303,359
Long-term debt	4,132,945	4,117,259	0	1,417,687	2,699,572
Other Liabilities:					
Derivative liabilities *2	26,761	26,761	0	0	0

*1 The fair value of investment securities of ¥174,964 million was not estimated, as it was not practical.

*2 It represents the amount after offset under counterparty netting of derivative assets and liabilities. For the information of input level before netting, see Note 3 (Fair Value Measurements).

Table of Contents

June 30, 2015

	Millions of yen				
	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Assets:					
Trading securities	¥ 1,042,956	¥ 1,042,956	¥ 51,153	¥ 991,803	¥ 0
Cash and cash equivalents	887,332	887,332	887,332	0	0
Restricted cash	88,693	88,693	88,693	0	0
Installment loans (net of allowance for probable loan losses)	2,424,128	2,434,058	0	236,886	2,197,172
Investment in securities:					
Practicable to estimate fair value	1,368,096	1,380,394	119,313	1,136,334	124,747
Not practicable to estimate fair value *1	172,773	172,773	0	0	0
Other Assets:					
Time deposits	20,414	20,414	0	20,414	0
Derivative assets *2	17,870	17,870	0	0	0
Reinsurance recoverables Investment contracts	114,752	115,754	0	0	115,754
Liabilities:					
Short-term debt	¥ 282,541	¥ 282,541	¥ 0	¥ 282,541	¥ 0
Deposits	1,311,742	1,312,065	0	1,312,065	0
Policy liabilities and Policy account balances Investment contracts	306,926	310,866	0	0	310,866
Long-term debt	4,132,825	4,129,812	0	1,380,877	2,748,935
Other Liabilities:					
Derivative liabilities *2	22,978	22,978	0	0	0

*1 The fair value of investment securities of ¥172,773 million was not estimated, as it was not practical.

*2 It represents the amount after offset under counterparty netting of derivative assets and liabilities. For the information of input level before netting, see Note 3 (Fair Value Measurements).

Table of Contents

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.

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 Fair Value Measurement). For held-to-maturity securities, the estimated fair values were mainly 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. In estimating the fair value of most of the Company s and its subsidiaries derivatives, estimated future cash flows are discounted using the current interest rate.

Reinsurance recoverables and Policy liabilities and Policy account balances A subsidiary of the Company has fixed annuity contracts, variable annuity and variable life insurance contracts, and reinsurance contracts which are classified as investment contracts because they do not expose the subsidiary to mortality or morbidity risks. In estimating the fair value of those contracts, estimated future cash flows are discounted using the current interest rate.

Table of Contents

22. 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 ¥22,500 million and ¥19,718 million as of March 31, 2015 and June 30, 2015, respectively.

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

	Millions of yen	
	March 31, 2015	**June 30, 2015**
Within one year	¥ 18,774	¥ 8,568
More than one year	67,134	66,842
Total	¥ 85,908	¥ 75,410

The Company and its subsidiaries lease office space under operating lease agreements, which are primarily cancelable, and made rental payments totaling ¥3,447 million and ¥4,208 million for the three months ended June 30, 2014 and 2015, 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 ¥1,003 million and ¥1,105 million for the three months ended June 30, 2014 and 2015, respectively. As of March 31, 2015 and June 30, 2015, the amounts due are as follows:

	Millions of yen	
	March 31, 2015	**June 30, 2015**
Within one year	¥ 3,933	¥ 4,032
More than one year	6,570	6,712
Total	¥ 10,503	¥ 10,744

The Company and its subsidiaries have commitments to fund estimated construction costs to complete ongoing real estate development projects and other commitments, totaling ¥89,500 million and ¥106,523 million as of March 31, 2015 and June 30, 2015, 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 ¥370,378 million and ¥355,130 million as of March 31, 2015 and June 30, 2015, respectively.

Guarantees The Company and its subsidiaries apply ASC 460 (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. 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, 2015 and June 30, 2015:

	March 31, 2015			June 30, 2015		
	Millions of yen		Fiscal year	Millions of yen		Fiscal year
Guarantees	**Potential future payment**	**Book value of guarantee liabilities**	**Maturity of the longest contract**	**Potential future payment**	**Book value of guarantee liabilities**	**Maturity of the longest contract**
Corporate loans	¥ 439,253	¥ 4,959	2022	¥ 345,630	¥ 5,013	2023
Transferred loans	213,099	2,357	2045	215,307	2,202	2046
Consumer loans	117,153	11,773	2018	127,098	12,838	2018
Housing loans	59,743	6,422	2051	28,211	6,269	2051
Other	2,963	28	2024	1,702	28	2024
Total	¥ 832,211	¥ 25,539		¥ 717,948	¥ 26,350	

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 certain range of guarantee commissions. As of March 31, 2015 and June 30, 2015, total notional amount of the loans subject to such guarantees are ¥1,204,000 million and ¥1,309,000 million, respectively, and book value of guarantee liabilities are ¥1,016 million and ¥1,066 million, respectively. The potential future payment amounts for these guarantees are limited to a certain range of the guarantee commissions, which are less than the total notional amounts of the loans subject to these guarantees. The potential future payment amounts for the contract period are calculated from the guarantee limit which is arranged by financial institutions in advance as to contracts that the amounts of performance guarantee are unlimited to a certain range of guarantee commissions. For this reason, the potential future payment amounts for these guarantees include the amount of the guarantee which may occur in the future, which is larger than the balance of guarantee executed as of the end of fiscal year or the end of interim period. The executed guarantee balance includes defrayment by financial institutions which we bear temporarily at the time of execution, and credit risk for financial institutions until liquidation of this guarantee. Our substantial amounts of performance guarantee except credit risk for financial institutions are limited to our defrayment which is arranged by financial institutions in advance.

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

There have been no significant changes in the payment or performance risk of the guarantees for the three months ended June 30, 2015.

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 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 three months ended June 30, 2015.

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 a month or more.

99

Table of Contents

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 three months ended June 30, 2015.

Guarantee of housing loans: The Company and certain subsidiaries guarantee housing loans issued by Japanese financial institutions to third party individuals. The Company and the subsidiaries are typically obliged to pay the outstanding loans when these loans become delinquent three months or more. The 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 three months ended June 30, 2015.

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.

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, 2015 and June 30, 2015:

	Millions of yen	
	March 31, 2015	**June 30, 2015**
Minimum lease payments, loans and investment in operating leases	¥ 95,883	¥ 128,987
Investment in securities	162,239	186,994
Property under facility operations	19,308	9,758
Other assets	39,118	29,623
Total	¥ 316,548	¥ 355,362

As of March 31, 2015 and June 30, 2015, investment in securities of ¥24,698 million and ¥25,359 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 June 30, 2015.

Table of Contents

23. Segment Information

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

Previously, segment revenues were presented after adjusting inter-segment transactions. The segment revenues have been changed to include inter-segment transactions from the three months ended December 31, 2014 because the volume of inter-segment transactions has been increasing. The amounts of segment revenues in the previous periods have also been retrospectively reclassified to conform to the presentation for the three months ended June 30, 2014. However, the effect of these changes did not have a significant effect on segment revenues.

In addition, the segment information has been restated giving effect to these changes to conform to DAIKYO s current fiscal year end as described in Note 1 Significant Accounting and Reporting Policies (ah) Elimination of a lag period.

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 test and measurement instruments and IT-related equipment rentals and leasing
Real Estate	:	Real estate development, rental and financing, facility operation, REIT asset management, and real estate investment and advisory services
Investment and Operation	:	Environment and energy-related business, principal investment and loan servicing (asset recovery)
Retail	:	Life insurance, banking and card loan business
Overseas Business	:	Leasing, lending, investment in bonds, investment banking, asset management and ship- and aircraft-related operations

Financial information of the segments for the three months ended June 30, 2014 is as follows:

	Millions of yen						
	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment and Operation	Retail	Overseas Business	Total
Segment revenues	¥ 19,423	¥ 65,059	¥ 47,542	¥ 97,834	¥ 69,781	¥ 127,551	¥ 427,190
Segment profits	5,852	11,014	10,847	5,432	28,954	39,653	101,752

Financial information of the segments for the three months ended June 30, 2015 is as follows:

	Millions of yen						
	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment and Operation	Retail	Overseas Business	Total
Segment revenues	¥ 27,558	¥ 67,520	¥ 50,349	¥ 229,187	¥ 83,811	¥ 147,173	¥ 605,598
Segment profits	12,377	11,687	14,451	26,159	21,619	34,486	120,779

Segment assets information as of March 31, 2015 and June 30, 2015 is as follows:

	Millions of yen						
	Corporate	Maintenance Leasing	Real Estate	Investment	Retail	Overseas Business	Total

	Financial Services			and Operation			
March 31, 2015	¥ 1,132,468	¥ 662,851	¥ 835,386	¥ 660,014	¥ 3,700,635	¥ 2,178,895	¥ 9,170,249
June 30, 2015	1,076,103	674,964	802,454	593,145	3,562,654	2,209,357	8,918,677

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

Table of Contents

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, income from discontinued operations and the consolidation of certain variable interest entities (VIEs).Income taxes are not included in segment profits or losses because the management evaluates segments performance on a pre-tax basis. Also, net income attributable to noncontrolling interests and redeemable noncontrolling interests are not included in segment profits or losses because the management evaluates segments performance based on profits or losses (per-tax) attributable to ORIX Corporation Shareholders. On the other hand, income from discontinued operations is included in segment profits or losses because the management considers such disposal activities as part of the ordinary course of business. 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 in the accompanying consolidated statements of income, are adjusted to profit or loss before income tax, when calculating segment profits or losses. 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. 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(included in other (income) and expense, net) 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, property under facility operations, investment in affiliates, inventories, advances for investment in operating leases (included in other assets), advances for investment in property under facility operations (included in other assets) and goodwill and other intangible assets recognized as a result of business combination (included in other assets). This has resulted in the depreciation of office facilities being included in each segment s profit or loss while the carrying amounts of corresponding assets are not allocated to each segment s assets. However, the effect resulting from this allocation is not significant.

For those VIEs that are used for securitization and are consolidated in accordance with ASC 810 (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.

Table of Contents

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

	Millions of yen	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Segment revenues:		
Total revenues for segments	¥ 427,190	¥ 605,598
Revenues related to corporate assets	1,705	4,391
Revenues related to assets of certain VIEs	2,806	1,381
Revenues from inter-segment transactions	(4,152)	(5,246)
Revenues from discontinued operations	(2,214)	0
Total consolidated revenues	¥ 425,335	¥ 606,124
Segment profits:		
Total profits for segments	¥ 101,752	¥ 120,779
Corporate losses	(2,460)	(234)
Gains related to assets or liabilities of certain VIEs	3,222	122
Discontinued operations, pre-tax	(101)	0
Net income attributable to the noncontrolling interests and net income attributable to the redeemable noncontrolling interests, net of applicable tax effect	2,085	3,249
Total consolidated income before income taxes and discontinued operations	¥ 104,498	¥ 123,916

	Millions of yen	
	March 31, 2015	June 30, 2015
Segment assets:		
Total assets for segments	¥ 9,170,249	¥ 8,918,677
Cash and cash equivalents, restricted cash	913,079	976,025
Allowance for doubtful receivables on direct financing leases and probable loan losses	(72,326)	(69,442)
Trade notes, accounts and other receivable	348,404	336,049
Other corporate assets	789,636	731,078
Assets of certain VIEs	294,586	359,658
Total consolidated assets	¥ 11,443,628	¥ 11,252,045

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.

Table of Contents

For the three months ended June 30, 2014

	Millions of yen				
	Japan	The Americas *2	Other *3 *4	Difference between Geographic Total and Consolidated Amounts	Total
Total Revenues	¥ 297,344	¥ 38,124	¥ 92,081	¥ (2,214)	¥ 425,335
Income before Income Taxes *1	62,621	9,168	32,810	(101)	104,498

For the three months ended June 30, 2015

	Millions of yen				
	Japan	The Americas *2	Other *3 *4	Difference between Geographic Total and Consolidated Amounts	Total
Total Revenues	¥ 454,742	¥ 61,015	¥ 90,367	¥ 0	¥ 606,124
Income before Income Taxes *1	89,142	10,744	24,030	0	123,916

*Note: 1. Results of discontinued operations, pre-tax are included in each amount attributed to each geographic area.
2. Mainly the United States
3. Mainly Asia, Europe, Australasia and 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, Other locations include the total revenues and the income before income taxes of Robeco, respectively, for the three months ended June 30, 2014 and the three months ended June 30, 2015. The revenues of Robeco aggregated on a legal entity basis were ¥22,327 million in the Americas and ¥18,149 million in Other for the three months ended June 30, 2014, and ¥29,015 million in the Americas and ¥19,759 million in Other for the three months ended June 30, 2015.

ASC 280 (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 three months ended June 30, 2014 and 2015.

24. Subsequent Events

There are no material subsequent events.