ORIX CORP
Form 6-K
August 11, 2011
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 2011.

ORIX Corporation

(Translation of Registrant s Name into English)

Mita NN Bldg., 4-1-23 Shiba, Minato-Ku,

Tokyo, JAPAN

(Address of Principal Executive Offices)

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

Form 20-F x Form 40-F ¨

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes ¨ No x

Table of Contents

Table of Documents Filed

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 11, 2011	By /s/ Haruyuki Urata Haruyuki Urata Director Deputy President & CFO ORIX Corporation

Table of Contents

CONSOLIDATED FINANCIAL INFORMATION

1. On August 11, 2011, ORIX Corporation (the Company) filed its quarterly financial report (*shihanki houkokusho*) with the Kanto Financial Bureau in Japan. This document is an English translation of 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, 2010 and 2011.

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, the Company and its subsidiaries have complied with U.S. GAAP, except as modified to account for stock splits in accordance with the usual practice in Japan.

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

These documents contain 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 on page 11 in these documents.

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

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, 2010	Three months ended June 30, 2011	Fiscal year ended March 31, 2011
Total revenues	¥ 229,547	¥ 243,855	¥ 969,268
Income before income taxes and discontinued operations	24,494	39,185	93,488
Net income attributable to ORIX Corporation	16,450	23,653	67,275
Comprehensive Income Attributable to ORIX Corporation	2,052	17,230	53,956
ORIX Corporation shareholders equity	1,266,795	1,327,983	1,319,341
Total assets	8,704,169	8,420,141	8,581,582
Earnings per Share for net income attributable to ORIX Corporation			
Basic (yen)	153.05	220.03	625.88
Diluted (yen)	129.27	183.67	527.75
ORIX Corporation shareholders equity ratio (%)	14.55	15.77	15.37

Cash flows from operating activities	(14,241)	45,017	212,380
Cash flows from investing activities	73,143	59,454	251,598
Cash flows from financing activities	(83,530)	(140,076)	(363,590)
Cash and cash equivalents at end of period	609,110	694,774	732,127

Notes: 1. Pursuant to FASB Accounting Standards Codification (ASC) 205-20 (Presentation of Financial Statements Discontinued Operations), certain amounts in fiscal year ended March 31, 2011 related to the operations of subsidiaries, business units, and certain properties, which have been sold or are to be disposed of by sale without significant continuing involvement as of June 30, 2011 have been reclassified retroactively.

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

(2) Overview of Activities

For the three months ended June 30, 2011, no significant changes were made in the Company and its subsidiaries operations. Additionally, there are no changes of principal related companies.

2. Risk Factors

There were no additional Risk Factors for the three months ended June 30, 2011.

In addition, there were not significant changes to the description under Risk Factors in the Form 20-F for the fiscal year ended March 31, 2011.

3. Material Contract

There is no corresponding item.

4. Analysis of Financial Results and Condition

The following discussion provides management s explanation of factors and events that have significantly affected our financial condition and results of operations. Also included is management s assessment of factors and trends which are anticipated to have a material effect on our financial condition and results of operations in the future. However, please be advised that financial conditions and results of operations in the future may also be affected by factors other than those discussed here. These factors and trends regarding the future were assessed as of the issue date of the quarterly financial report (*shihanki houkokusho*).

(1) Qualitative Information Regarding Consolidated Financial Results

Economic Environment

The global economy continues to show moderate recovery. However, the pace has slowed due in part to delayed economic recovery and fiscal concerns in advanced economies and tightened monetary policies in Asian nations.

In the United States, housing investment and employment statistics remain weak, giving rise to a sense of slowdown among a weakening business sentiment in the corporate sector and an end to quantitative easing.

In Europe, central countries such as Germany are recovering. However, a strong feeling of uncertainty remains as concerns about the fiscal stability of surrounding countries linger. Despite Greece managing to temporarily overcome a fiscal crisis with the approval of fiscal austerity measures, the issue has yet to be resolved.

Emerging economies in Asia continue to experience stable growth, yet the specter of inflation remains simmering beneath the surface. The central banks of each country are tightening monetary policy to match the pace of growth, and a slight slowdown in growth is anticipated as a result.

The Japanese economy continues to tread water despite recovery from effects of the Great East Japan Earthquake. There continues to be political confusion and concern about a backlog of legislation. However, the supply chain and corporate activities are recovering.

Table of Contents

Financial Highlights

Financial Results for the Three Months Ended June 30, 2011

Total revenues	¥243,855 million (Up 6% year on year)
Income before income taxes and discontinued operations	¥39,185 million (Up 60% year on year)
Net income attributable to ORIX Corporation	¥23,653 million (Up 44% year on year)
Earnings per share for net income attributable to ORIX Corporation	
(Basic)	¥220.03 (Up 44% year on year)
(Diluted)	¥183.67 (Up 42% year on year)
ROE (Annualized) *1	7.1% (5.1% during the same period of the previous fiscal year)
ROA (Annualized) *2	1.11% (0.80% during the same period of the previous fiscal year)

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

Revenues for the three-month period ended June 30, 2011 (hereinafter the first consolidated period) increased 6% to ¥243,855 million compared to ¥229,547 million during the same period of the previous fiscal year. Interest on loans and investment securities decreased compared to the same period of the previous fiscal year in line with a decrease in the average balance of installment loans. However, compared to the previous fiscal year, operating lease revenues increased mainly due to an increase in gains on sales of automobiles in the Maintenance Leasing segment and an increase in aircraft operating lease revenues in the Overseas Business segment, and real estate sales increased due to an increase in the number of condominiums delivered.

Total expenses increased 2% to ¥210,749 million compared to ¥207,267 million during the same period of the previous fiscal year. As mentioned above, costs of real estate sales increased due to an increase in the number of units delivered. However, both interest expense and provision for doubtful receivables and probable loan losses decreased compared to the same period of the previous fiscal year due to a decrease in the balance of liabilities and a decrease in the amount of non-performing loans, respectively. In addition, write-downs of securities decreased mainly due to the absence of write-downs recorded for non-marketable securities during the same period of the previous fiscal year.

Equity in net income of affiliates increased compared to the same period of the previous fiscal year primarily due to increased profits from a domestic equity-method affiliate.

As a result of the foregoing, income before income taxes and discontinued operations increased 60% to ¥39,185 million compared to ¥24,494 million during the same period of the previous year, and net income attributable to ORIX Corporation rose 44% to ¥23,653 million from ¥16,450 million during the same period of the previous fiscal year.

Segment Information

Total revenues and profits by segment for the three months ended June 30, 2010 and 2011 are as follows:

	Millions of yen							
	Three months ended June 30, 2010		Three months ended June 30, 2011		Change (revenues)		Change (profits)	
	Segment Revenues	Segment Profits	Segment Revenues	Segment Profits	Amount	Percent (%)	Amount	Percent (%)
Corporate Financial Services	¥ 23,946	¥ 1,713	¥ 24,964	¥ 3,136	¥ 1,018	4	¥ 1,423	83
Maintenance Leasing	56,777	6,753	57,779	8,036	1,002	2	1,283	19
Real Estate	47,941	1,138	50,084	1,121	2,143	4	(17)	(1)
Investment Banking	18,368	3,442	9,032	5,085	(9,336)	(51)	1,643	48
Retail	35,582	8,105	39,797	9,867	4,215	12	1,762	22
Overseas Business	43,123	11,435	50,060	14,851	6,937	16	3,416	30
Total	225,737	32,586	231,716	42,096	5,979	3	9,510	29

Difference between Segment Total and Consolidated Amounts	3,810	(8,092)	12,139	(2,911)	8,329	219	5,181	
Total Consolidated Amounts	¥ 229,547	¥ 24,494	¥ 243,855	¥ 39,185	¥ 14,308	6	¥ 14,691	60

Table of Contents

Total assets by segment as of June 30, 2011 and March 31, 2011 are as follows:

	Millions of yen					
	March 31, 2011		June 30, 2011		Change	
	Segment Assets	Composition ratio (%)	Segment Assets	Composition ratio (%)	Amount	Percent (%)
Corporate Financial Services	¥ 1,006,107	11.7	¥ 937,197	11.1	¥ (68,910)	(7)
Maintenance Leasing	502,738	5.9	509,514	6.1	6,776	1
Real Estate	1,539,814	17.9	1,512,306	18.0	(27,508)	(2)
Investment Banking	468,231	5.5	467,938	5.6	(293)	(0)
Retail	1,653,704	19.3	1,652,210	19.5	(1,494)	(0)
Overseas Business	972,224	11.3	961,493	11.4	(10,731)	(1)
Total	6,142,818	71.6	6,040,658	71.7	(102,160)	(2)
Difference between Segment Total and Consolidated Amounts	2,438,764	28.4	2,379,483	28.3	(59,281)	(2)
Total Consolidated Amounts	¥ 8,581,582	100.0	¥ 8,420,141	100.0	¥ (161,441)	(2)

All segments were profitable during the first consolidated period, and segment profit increased compared to the same period of the previous fiscal year for all segments except the Real Estate segment, for which profits were flat year on year.

Segment information for the first consolidated period is as follows:

Corporate Financial Services Segment

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

Segment revenues increased 4% to ¥24,964 million compared to ¥23,946 million during the same period of the previous fiscal year due to robust direct financing lease revenues and increased revenues from environment-related businesses, despite being partially offset by a decrease in installment loan revenues in line with a decrease in the average balance of installment loans as a result of selective new loan executions continuing from the previous fiscal year.

Segment expenses were flat compared to the same period of the previous fiscal year, resulting from decreases in expenses such as interest expense and provision for doubtful receivables and probable loan losses offsetting increases in expenses in the environment-related business. Provision for doubtful receivables and probable loan losses have decreased due to economic recovery of corporate production activities and gradual improvement in the real estate market in addition to the limited impact of the Great East Japan Earthquake.

As a result, segment profits increased 83% to ¥3,136 million compared to ¥1,713 million during the same period of the previous fiscal year.

Segment assets decreased 7% compared to March 31, 2011 to ¥937,197 million due to a decline in the balance of direct financing leases and installment loans.

Maintenance Leasing Segment

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

Despite limited recovery of domestic capital expenditure and an otherwise bleak business environment outlook, Maintenance Leasing segment revenues have remained stable due to the ability to provide customers with high value-added services while meeting corporate customers cost reduction needs.

Segment revenues remained robust, increasing 2% to ¥57,779 million compared to ¥56,777 million during the same period of the previous fiscal year due to solid revenues from operating leases including the sales of used automobiles despite a decrease in the average balance of investment in direct financing leases compared to the same period of the previous fiscal year.

Segment expenses decreased compared to the same period of the previous fiscal year, resulting from decreases in interest expense and provision for doubtful receivables and probable loan losses.

Table of Contents

As a result, segment profits increased 19% to ¥8,036 million compared to ¥6,753 million during the same period of the previous fiscal year.

Segment assets remained flat compared to March 31, 2011 at ¥509,514 million as a result of stable trends in operating lease assets and direct financing lease investment.

Real Estate Segment

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

A post-earthquake drop in sales was feared in the residential condominium market, but a calm is returning to the market as evidenced by contract completion rates surpassing the key benchmark level of 70% in the Tokyo and Osaka metropolitan areas. Under these conditions, the number of condominiums delivered increased to 343 units compared to 118 units during the same period of the previous fiscal year.

The office building market was negatively affected by the Great East Japan Earthquake, and is still in an adjustment phase. However, investors such as J-REITs and overseas investors are starting to consider the acquisition of new properties. Under this environment, the real estate investment business is pursuing a policy of turning over assets while carefully monitoring the market and making appropriate asset sales.

The real estate operating business, which consists of various businesses such as hotels, Japanese inns, golf courses and training facilities, has stable revenues despite a small portion of facilities having halted operation due to the Great East Japan Earthquake.

Segment revenues increased 4% to ¥50,084 million compared to ¥47,941 million during the same period of the previous fiscal year due to increased operating lease revenue from an increase in buildings under operation and an increase in the number of condominiums delivered, offset by a decrease in gains on sales of real estate under operating leases compared to the same period of the previous fiscal year.

Segment expenses increased compared to the same period of the previous fiscal year due to an increase in the costs of real estate sales resulting from an increase in the number of condominiums delivered offsetting decreases in write-downs of securities and interest expense.

As a result, segment profits were flat compared to the same period of the previous fiscal year at ¥1,121 million.

Segment assets decreased 2% compared to March 31, 2011 to ¥1,512,306 million due to decreases in installment loans and investment in securities.

Investment Banking Segment

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

The domestic IPO market has been stagnant since the Lehman Shock, but there continues to be steady corporate realignment activities such as mergers, acquisitions and de-listings.

Segment revenues decreased 51% to ¥9,032 million compared to ¥18,368 million during the same period of the previous fiscal year in line with decreased revenues as a result of the sale of consolidated subsidiaries and large collections in the servicing business recorded in the first consolidated period of the previous fiscal year although collections and fee revenues remained robust excluding such one-off events.

Similarly, segment expenses decreased compared to the same period of the previous fiscal year due to the effects of the sale of a consolidated subsidiary during the previous fiscal year in addition to decreases in write-downs of securities and provision for doubtful receivables and probable loan losses.

Segment profits increased 48% to ¥5,085 million compared to ¥3,442 million during the same period of the previous fiscal year due to the foregoing in addition to increased profits from equity-method affiliates.

Segment assets remained flat compared to March 31, 2011 at ¥467,938 million.

Table of Contents

Retail Segment

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

In the life insurance business, insurance-related investment income improved compared to the same period of the previous fiscal year and insurance-related gains and increases in the number of policies in force for new products grew steadily.

Both corporate lending and individual home loans steadily increased in the banking business, and both revenues and profits increased.

As a result of the foregoing, segment revenues increased 12% to ¥39,797 million compared to ¥35,582 million during the same period of the previous fiscal year. Likewise, segment profits increased 22% to ¥9,867 million compared to ¥8,105 million during the same period of the previous fiscal year despite an increase in segment expenses.

Segment assets remained flat compared to March 31, 2011 at ¥1,652,210 million due to an increase in installment loans being offset by decreases in investment in securities and investment in affiliates.

Overseas Business Segment

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

The moderate recovery experienced in the United States may be slowing down as housing investment and employment data continue to raise concern and quantitative easing measures are concluded. Meanwhile, there is the possibility of a short-term adjustment phase as steps are taken to tighten monetary policy in Asia, which is continuing to see strong economic performance, in response to concerns of inflation.

Segment revenues increased 16% to ¥50,060 million compared to ¥43,123 million during the same period of the previous fiscal year due to aircraft operating leases and revenue contributions from Red Capital (a loan servicing company) and Mariner Investment (a fund management company) in the United States as well as gains on investment securities in the United States.

Regarding segment expenses, costs of operating leases, interest expense and selling, general and administrative expenses increased.

As a result, segment profits increased 30% to ¥14,851 million compared to ¥11,435 million during the same period of the previous fiscal year.

Segment assets have remained flat compared to March 31, 2011 at ¥961,493 million due to the effects of the appreciated yen and sales of municipal bonds and loans in the United States, offsetting increases from new investments in a water business company in China and a life insurance company in South Korea.

Table of Contents

(2) Financial Condition

	As of March 31, 2011	As of June 30, 2011	Change Amount	Percent (%)
Total assets (millions of yen)	8,581,582	8,420,141	(161,441)	(2%)
(Segment assets)	6,142,818	6,040,658	(102,160)	(2%)
Total liabilities (millions of yen)	7,206,652	7,016,711	(189,941)	(3%)
(Long- and short-term debt)	5,009,901	4,888,732	(121,169)	(2%)
(Deposits)	1,065,175	1,024,457	(40,718)	(4%)
ORIX Corporation shareholders equity (millions of yen)	1,319,341	1,327,983	8,642	1%
ORIX Corporation shareholders equity ratio	15.4%	15.8%	0.4%	
Adjusted ORIX Corporation shareholders equity ratio*	17.7%	18.1%	0.4%	
D/E ratio	3.8x	3.7x	(0.1)	
Adjusted D/E ratio*	3.0x	2.9x	(0.1)	

* Adjusted ORIX Corporation shareholders equity ratio and adjusted D/E ratio are non-GAAP financial measures presented on an adjusted basis which excludes the consolidation of certain assets or liabilities attributable to consolidated VIEs and reserves the cumulative effect on our retained earnings of applying the new accounting standards for the consolidation of VIE s under ASU 2009-16 and ASU 2009-17, effective April 1, 2010. For a discussion of this and other non-GAAP financial measures, including a quantitative reconciliation to the most directly compared GAAP financial measures, see 5. NON-GAAP FINANCIAL MEASURES.

Total assets decreased 2% to ¥8,420,141 million from ¥8,581,582 million on March 31, 2011. Investment in operating leases increased due to the completion of large properties under operating leases. However, installment loans decreased as a result of selective new loan executions continuing from the previous fiscal year. Also, investment in securities decreased due to a decrease in specified bonds in Japan which offset increases resulting from new transactions overseas. Segment assets decreased 2% compared to March 31, 2011 to ¥6,040,658 million.

The balance of interest bearing liabilities is controlled at an appropriate level depending on the situation of assets, cash flow and liquidity on-hand in addition to the domestic and overseas financial environment. As a result, long- and short-term debt and deposits decreased compared to March 31, 2011.

ORIX Corporation Shareholders equity increased 1% compared to March 31, 2011 to ¥1,327,983 million 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. In setting funding strategies we prioritize funding stability and maintaining adequate liquidity to minimize the effects of volatility in financial markets. In preparing our management plan, we adapt asset structure and size in light of expected cash flows, asset liquidity and our own liquidity situation. In actual implementation, we adjust our funding plans at times in accordance to changes in external environments and funding necessities based on our business activities, and maintain flexible funding activities.

To help ensure adequate stability and reduce liquidity risk in actual funding activities, we have sought to diversify our funding resources, promote longer liability maturities, stagger interest and principal repayment dates, and maintain committed credit facilities from a stable base of financial institutions.

Funding was comprised of borrowings from financial institutions, direct fund procurement from capital markets, and deposit. ORIX Group s total funding including those from short-and long-term debt and deposits on a consolidated basis was ¥5,913,189 million as of June 30, 2011.

Borrowings were procured from a diverse range of financial institutions including major banks, regional banks, foreign banks, life and casualty insurance companies. The number of financial institutions from which we procured borrowings exceeded 200 as of June 30, 2011. Procurement from the capital markets was composed of bonds including unsecured convertible bonds, commercial paper, medium-term notes issued by the Company and overseas subsidiaries, payables under securitized leases, and loan receivables and investment in securities. Three SEC-registered domestic and oversea subsidiaries accept deposits for funding purposes, with the majority of deposits are attributable to ORIX Trust and Banking Corporation.

In the efforts to maintain diversified capital resource and stable funding position, the Company issued $400 million of U.S. dollar dominated senior notes, and ¥60,000 million aggregate principal amount of domestic straight bonds during the three months ended June 30, 2011. We will continue to strengthen our financial condition, while maintaining an appropriate balance of funding structure.

Table of Contents

Debt

(a) Short-term debt

	March 31, 2011	March 31, 2011
	Millions of yen	
	March 31, 2011	**June 30, 2011**
Borrowings from financial institutions	¥ 297,835	¥ 262,289
Commercial paper	180,798	171,324
Total	¥ 478,633	¥ 433,613

Short-term debt as of June 30, 2011 was ¥433,613 million, accounting for 9% of the total amount of short and long-term debt (excluding deposits) as compared to 10% as of March 31, 2011.

While the amount of short term debt as of June 30, 2011 was ¥433,613 million, liquidity is maintained at adequate level: the sum of cash and cash equivalent and available amount of the committed credit facilities as of June 30, 2011 was ¥1,104,584 million.

(b) Long-term debt

	March 31, 2011	March 31, 2011
	Millions of yen	
	March 31, 2011	**June 30, 2011**
Borrowings from financial institutions	¥ 2,063,099	¥ 2,002,372
Bonds	1,361,789	1,392,554
Medium-term notes	88,190	86,344
Payable under securitized lease and loan receivables and other	1,018,190	973,849
Total	¥ 4,531,268	¥ 4,455,119

The balance of long-term debt as of June 30, 2011 was ¥4,455,119 million, which accounts for 91% of to the total amount of short and long-term debts (excluding deposits) while the ratio was 90% as of March 31, 2011. On an adjusted basis, our ratio of long-term debt to total debt (excluding deposits) was 88% as of March 31, 2011 and 89% as of June 30, 2011. This ratio is a non-GAAP financial measure presented on an adjusted basis which excludes payables under securitized leases, loan receivables and investment in securities. For a discussion of this and other non-GAAP financial measures, see 5. NON-GAAP FINANCIAL MEASURES.

(c) Deposits

	March 31, 2011	March 31, 2011
	Millions of yen	
	March 31, 2011	**June 30, 2011**
Deposits	¥ 1,065,175	¥ 1,024,457

In addition to the short-term and long-term debt noted above, ORIX Trust and Banking Corporation, ORIX Savings Bank, and ORIX Asia Limited accept deposits. The aggregate balance of deposits as of June 30, 2011 was ¥1,024,457 million, a decrease of 4% or ¥40,718 million from March 31, 2011.

(4) Summary of Cash Flows

Cash and cash equivalents decreased by ¥ 37,353 million to ¥694,774 million in the first quarter compared to March 31, 2011.

Cash flows from operating activities provided ¥ 45,017 million in the first quarter, having used ¥ 14,241 million during the same period of the previous fiscal year, resulting from an increase in quarterly net income and decrease in trading securities, in addition to the adjustment of net income such as depreciation and amortization, provision for doubtful receivables and probable loan losses and equity in net income (loss) of affiliates (excluding interest on loans) compared to the same period of the previous fiscal year.

Cash flows from investing activities provided ¥59,454 million in the first quarter, having provided ¥73,143 million during the same period of the previous fiscal year, due to decreases in proceeds from redemption of available-for-sale securities and principal collected on installment loans, and an increase in purchases of lease equipment.

Cash flows from financing activities used ¥ 140,076 million in the first quarter, having used ¥ 83,530 million during the same period of the previous fiscal year, due to a decrease in deposits.

Table of Contents

(5) Challenges to be addressed

There were no significant changes for the three months ended June 30, 2011.

(6) Research and Development Activity

There were no significant changes for the three months ended June 30, 2011.

(7) Major facilities

Significant changes in major facilities for the three months ended June 30, 2011 is as follows:

New construction

We have finished the construction of a new regional head quarters in Nishi-ku, Osaka-shi, Osaka. The new head quarters allows us to manage our Osaka operations from a single location. The total investment for the facility was ¥13.6 billion.

5. NON-GAAP FINANCIAL MEASURES

The sections in (2) Financial Condition and (3) Liquidity and Capital Resources contain certain financial measures presented on a basis not in accordance with U.S. GAAP (commonly referred to as non-GAAP financial measures), including long-term debt, ORIX Corporation Shareholders equity and total assets, as well as other measures or ratios calculated based on those measures, presented on an adjusted basis. The adjustment excludes payables under securitized leases, loan receivables and investment in securities and reverses the cumulative effect on retained earnings of applying the new accounting standards for the consolidation of VIEs, 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, 2011, 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 new 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 assets and liabilities attributable to consolidated VIEs as a supplement to financial information calculated in accordance with U.S. GAAP enhances 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 new 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.

		2011	
		As of March 31,	**As of June 30,**
		(In millions of yen, except percentage data)	
Total assets	(a)	8,581,582	8,420,141
Deduct: Payables under securitized leases, loan receivables and investment in securities in long-term debt of consolidated VIEs*		1,018,190	973,849
Adjusted total assets	(b)	7,563,392	7,446,292
Short-term debt	(c)	478,633	433,613
Long-term debt	(d)	4,531,268	4,455,119
Deduct: Payables under securitized leases, loan receivables and investment in securities in long-term debt of consolidated VIEs*		1,018,190	973,849
Adjusted long-term debt	(e)	3,513,078	3,481,270
Short- and long-term debt (excluding deposits)	(f)=(c)+(d)	5,009,901	4,888,732
Adjusted short- and long-term debt (excluding deposits)	(g)=(c)+(e)	3,991,711	3,914,883
ORIX Corporation Shareholders equity	(h)	1,319,341	1,327,983
Deduct: The cumulative effect on retained earnings of applying the new accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010		(21,947)	(21,397)
Adjusted ORIX Corporation Shareholders equity	(i)	1,341,288	1,349,380
ORIX Corporation Shareholders Equity Ratio	(h)/(a)	15.4%	15.8%
Adjusted ORIX Corporation Shareholders Equity Ratio	(i)/(b)	17.7%	18.1%
D/E ratio	(f)/(h)	3.8x	3.7x
Adjusted D/E ratio	(g)/(i)	3.0x	2.9x
Long-term debt ratio	(d)/(f)	90%	91%
Adjusted long-term debt ratio	(e)/(g)	88%	89%

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

Table of Contents

6. Company Stock Information

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

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

The information of the number of outstanding shares, the amount of common stock and additional paid-in capital for the three months ended June 30, 2011 is as follows:

In thousands		Millions of yen			
Number of outstanding shares		Common stock		Additional paid-in capital	
Increase, net	June 30, 2011	Increase, net	June 30, 2011	Increase, net	June 30, 2011
2	110,248	10	¥144,005	10	¥171,184

Note: *1 Common stock and additional paid-in capital have been increased by the exercise of stock acquisition rights.

(2) Condition of Major Shareholders

Not applicable (This item is exempted from disclosure in quarterly reports for the first and third quarters).

7. Information of the Directors and the Executive Officers

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

Between the filing date of Form 20-F for the fiscal year ended March 31, 2011 and June 30, 2011, there have been 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, 2011**	**June 30, 2011**
Cash and Cash Equivalents	¥ 732,127	¥ 694,774
Restricted Cash	118,065	121,265
Time Deposits	5,148	1,605
Investment in Direct Financing Leases	830,853	822,235
Installment Loans	2,983,164	2,864,767
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses	(154,150)	(146,903)
Investment in Operating Leases	1,270,295	1,326,117
Investment in Securities	1,175,381	1,163,810
Other Operating Assets	235,430	237,004
Investment in Affiliates	373,376	367,346
Other Receivables	182,013	174,631
Inventories	108,410	102,150
Prepaid Expenses	44,551	50,900
Office Facilities	102,403	115,558
Other Assets	574,516	524,882
Total Assets	¥ 8,581,582	¥ 8,420,141

Accounting Standards Update 2009-17 (ASC810-10 (Consolidation)) has been adopted since April 1, 2010. Pursuant to ASU 2009-17, the assets of consolidated variable interest entities (VIEs) that can be used only to settle obligations of those VIEs are below:

	Millions of yen	
Assets	**March 31, 2011**	**June 30, 2011**
Cash and Cash Equivalents	¥ 14,267	¥ 15,317
Investment in Direct Financing Leases (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	242,309	240,465
Installment Loans (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	830,689	784,698
Investment in Operating Leases	195,221	265,205
Investment in Securities	51,883	52,301
Investment in Affiliates	17,441	17,014
Others	121,811	97,470
	¥ 1,473,621	¥ 1,472,470

13

Table of Contents

Liabilities and Equity	Millions of yen March 31, 2011	June 30, 2011
Liabilities:		
Short-Term Debt	¥ 478,633	¥ 433,613
Deposits	1,065,175	1,024,457
Trade Notes, Accounts Payable and Other Liabilities	304,354	305,170
Accrued Expenses	118,359	97,086
Policy Liabilities	398,265	395,383
Current and Deferred Income Taxes	182,501	173,814
Security Deposits	128,097	132,069
Long-Term Debt	4,531,268	4,455,119
Total Liabilities	7,206,652	7,016,711
Redeemable Noncontrolling Interests	33,902	34,126
Commitments and Contingent Liabilities		
Equity:		
Common Stock	143,995	144,005
Additional Paid-in Capital	179,137	179,193
Retained Earnings	1,141,559	1,156,559
Accumulated Other Comprehensive Income (Loss)	(96,180)	(102,603)
Treasury Stock, at Cost	(49,170)	(49,171)
ORIX Corporation Shareholders Equity	1,319,341	1,327,983
Noncontrolling Interests	21,687	41,321
Total Equity	1,341,028	1,369,304
Total Liabilities and Equity	¥ 8,581,582	¥ 8,420,141

Accounting Standards Update 2009-17 (ASC810-10 (Consolidation)) has been adopted since April 1, 2010. Pursuant to ASU 2009-17, the liabilities of consolidated VIEs for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries are below:

Liabilities	Millions of yen March 31, 2011	June 30, 2011
Short-Term Debt	¥ 1,847	¥ 1,567
Trade Notes, Accounts Payable and Other Liabilities	9,803	13,209
Security Deposits	6,884	8,489
Long-Term Debt	1,160,042	1,131,558
Others	6,674	7,380
	¥ 1,185,250	¥ 1,162,203

Table of Contents

(2) Condensed Consolidated Statements of Income (Unaudited)

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2011
Revenues:		
Direct financing leases	¥ 12,302	¥ 12,697
Operating leases	67,191	73,526
Interest on loans and investment securities	44,562	37,302
Brokerage commissions and net gains on investment securities	5,074	7,249
Life insurance premiums and related investment income	27,722	31,197
Real estate sales	5,672	11,003
Gains on sales of real estate under operating leases	110	165
Other operating revenues	66,914	70,716
Total revenues	229,547	243,855
Expenses:		
Interest expense	33,249	29,485
Costs of operating leases	45,620	47,175
Life insurance costs	20,639	22,226
Costs of real estate sales	6,175	11,076
Other operating expenses	39,770	42,258
Selling, general and administrative expenses	48,536	49,840
Provision for doubtful receivables and probable loan losses	5,973	3,518
Write-downs of long-lived assets	1,396	1,520
Write-downs of securities	6,271	3,689
Foreign currency transaction loss (gain), net	(362)	(38)
Total expenses	207,267	210,749
Operating Income	22,280	33,106
Equity in Net Income of Affiliates	1,866	6,263
Gains (losses) on Sales of Subsidiaries and Affiliates and Liquidation Losses, Net	348	(184)
Income before Income Taxes and Discontinued Operations	24,494	39,185
Provision for Income Taxes	9,900	15,461
Income from Continuing Operations	14,594	23,724
Discontinued Operations:		
Income from discontinued operations, net	4,225	1,464
Provision for income taxes	(1,952)	(596)
Discontinued operations, net of applicable tax effect	2,273	868
Net Income	16,867	24,592
Net Income (Loss) Attributable to the Noncontrolling Interests	(13)	139
Net Income Attributable to the Redeemable Noncontrolling Interests	430	800

Net Income Attributable to ORIX Corporation	¥ 16,450	¥ 23,653

15

Table of Contents

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2011
Income attributable to ORIX Corporation:		
Income from continuing operations	¥ 14,165	¥ 22,784
Discontinued operations	2,285	869
Net income attributable to ORIX Corporation	16,450	23,653

	Yen	
	Three months ended June 30, 2010	Three months ended June 30, 2011
Amounts per Share of Common Stock for Income attributable to ORIX Corporation:		
Basic:		
Income from continuing operations	¥ 131.78	¥ 211.95
Discontinued operations	21.27	8.08
Net income attributable to ORIX Corporation	153.05	220.03
Diluted:		
Income from continuing operations	¥ 111.92	¥ 177.08
Discontinued operations	17.35	6.59
Net income attributable to ORIX Corporation	129.27	183.67

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

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2011
Net Income	¥ 16,867	¥ 24,592
Other comprehensive income (loss), net of tax:		
Net change of unrealized gains (losses) on investment in securities	(2,238)	34
Net change of defined benefit pension plans	125	166
Net change of foreign currency translation adjustments	(14,947)	(7,012)
Net change of unrealized gains (losses) on derivative instruments	1,137	(735)
Total other comprehensive income (loss)	(15,923)	(7,547)
Comprehensive Income	944	17,045
Comprehensive Income (Loss) Attributable to the Noncontrolling Interests	(43)	14
Comprehensive Income (Loss) Attributable to the Redeemable Noncontrolling Interests	(1,065)	(199)
Comprehensive Income Attributable to ORIX Corporation	¥ 2,052	¥ 17,230

Table of Contents

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

Three months ended June 30, 2010

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

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

Table of Contents

Three months ended June 30, 2011

	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	¥ 143,995	¥ 179,137	¥ 1,141,559	¥ (96,180)	¥ (49,170)	¥ 1,319,341	¥ 21,687	¥ 1,341,028
Contribution to Subsidiaries							20,874	20,874
Transaction with noncontrolling interests		5				5	29	34
Comprehensive income (loss), net of tax:								
Net income			23,653			23,653	139	23,792
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment in securities				(46)		(46)	80	34
Net change of defined benefit pension plans				166		166		166
Net change of foreign currency translation adjustments				(5,812)		(5,812)	(201)	(6,013)
Net change of unrealized gains (losses) on derivative instruments				(731)		(731)	(4)	(735)
Total other comprehensive income (loss)						(6,423)	(125)	(6,548)
Total comprehensive income (loss)						17,230	14	17,244
Cash dividends			(8,599)			(8,599)	(1,283)	(9,882)
Exercise of stock options	10	10				20		20
Acquisition of treasury stock					(1)	(1)		(1)
Other, net		41	(54)			(13)		(13)
Ending balance	¥ 144,005	¥ 179,193	¥ 1,156,559	¥ (102,603)	¥ (49,171)	¥ 1,327,983	¥ 41,321	¥ 1,369,304

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

Table of Contents

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

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2011
Cash Flows from Operating Activities:		
Net income	¥ 16,867	¥ 24,592
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	39,112	42,001
Provision for doubtful receivables and probable loan losses	5,973	3,518
Decrease in policy liabilities	(10,992)	(2,882)
Equity in net income of affiliates (excluding interest on loans)	(1,172)	(5,863)
Gains (Losses) on sales of subsidiaries and affiliates and liquidation losses, net	(348)	184
Gains on sales of available-for-sale securities	(1,698)	(1,662)
Gains on sales of real estate under operating leases	(110)	(165)
Gains on sales of operating lease assets other than real estate	(2,116)	(3,863)
Write-downs of long-lived assets	1,396	1,520
Write-downs of securities	6,271	3,689
Increase in restricted cash	(2,570)	(3,302)
Decrease (Increase) in trading securities	(10,646)	19,785
Decrease (Increase) in inventories	(6,234)	5,586
Decrease in other receivables	6,841	7,452
Decrease in trade notes, accounts payable and other liabilities	(9,437)	(5,313)
Other, net	(45,378)	(40,260)
Net cash provided by (used in) operating activities	(14,241)	45,017

Table of Contents

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2011
Cash Flows from Investing Activities:		
Purchases of lease equipment	(126,643)	(140,133)
Principal payments received under direct financing leases	98,709	89,905
Installment loans made to customers	(143,024)	(147,284)
Principal collected on installment loans	253,320	228,216
Proceeds from sales of operating lease assets	56,886	51,315
Investment in affiliates, net	1,102	9,005
Proceeds from sales of investment in affiliates	1,283	1
Purchases of available-for-sale securities	(224,816)	(151,793)
Proceeds from sales of available-for-sale securities	94,894	96,329
Proceeds from redemption of available-for-sale securities	104,356	52,680
Purchases of other securities	(19,794)	(27,742)
Proceeds from sales of other securities	2,856	3,905
Purchases of other operating assets	(724)	(4,817)
Acquisitions of subsidiaries, net of cash acquired	(10,676)	(101)
Sales of subsidiaries, net of cash disposed		988
Other, net	(14,586)	(1,020)
Net cash provided by investing activities	73,143	59,454
Cash Flows from Financing Activities:		
Net increase (decrease) in debt with maturities of three months or less	20,460	(75,147)
Proceeds from debt with maturities longer than three months	364,555	348,538
Repayment of debt with maturities longer than three months	(497,038)	(393,181)
Net increase (decrease) in deposits due to customers	44,544	(40,637)
Cash dividends paid to ORIX Corporation shareholders	(8,061)	(8,599)
Cash dividends paid to redeemable noncontrolling interests		(43)
Contribution from noncontrolling interests		20,258
Net increase (decrease) in call money	(8,000)	10,000
Other, net	10	(1,265)
Net cash used in financing activities	(83,530)	(140,076)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(5,349)	(1,748)
Net Decrease in Cash and Cash Equivalents	(29,977)	(37,353)
Cash and Cash Equivalents at Beginning of Year	639,087	732,127
Cash and Cash Equivalents at End of Period	¥ 609,110	¥ 694,774

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

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), modified for the accounting for stock splits (see Note 2 (n)).

These statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to present a fair statement of our results of operations, financial position and cash flows. The results reported in these condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in our March 31, 2011 consolidated financial statements.

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

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

(a) Initial direct costs

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

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

(b) Operating leases

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

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

(c) Accounting for life insurance operations

Based on ASC 944 (Financial Services Insurance), certain costs associated with writing insurances, or deferred policy acquisition costs, are being deferred and amortized over the respective policy periods in proportion to anticipated premium revenue.

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

In addition, 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, the Company and its subsidiaries test for impairment of goodwill and any intangible assets that are not subject to amortization at least annually. 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 pension plans

Under U.S. GAAP, the Company and its subsidiaries apply ASC 715 (Compensation- Retirement Benefits) and record pension costs based on the amounts determined using actuarial methods. The net actuarial loss is amortized using a corridor test. The Company and its subsidiaries also recognize the funded status of pension plans, measured as the difference between the fair value of plan assets and the benefit obligation, on the consolidated balance sheets.

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

(f) Reporting on discontinued operations

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

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

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

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

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

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

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

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

(i) Classification in consolidated statements of cash flows

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

(j) Securitization of financial assets

Under U.S. GAAP, from April 1, 2010, because the exception to variable interest entities that are qualifying special-purpose entities has been removed, an enterprise is required to perform analysis to determine whether or not to consolidate these 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 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 investor or 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.

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 FASB Accounting Standards Codification (ASC) 810-10-25-2 to 14 (Consolidation The effect of Noncontrolling Rights on Consolidation). In addition, the consolidated financial statements also include variable interest entities to which the Company and its subsidiaries are primary beneficiaries pursuant to ASC 810-10 (Consolidation Variable Interest Entities).

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

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

(b) Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company has identified ten areas where it believes assumptions and estimates are particularly critical to the financial statements. These are the selection of valuation techniques and determination of assumptions used in fair value measurements (see Note 3), the determination and periodic reassessment of the unguaranteed residual value for direct financing leases and operating leases (see (d)), the determination and reassessment of insurance policy liabilities and deferred policy acquisition costs (see (e)), the determination of the allowance for doubtful receivables on direct financing leases and probable loan losses (