ORIX CORP
Form 6-K
February 10, 2011
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

THE SECURITIES EXCHANGE Act of 1934

For the month of February, 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

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SIGNATURES

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

	ORIX Corporation
Date: February 10, 2011	By /s/ Haruyuki Urata Haruyuki Urata Director Deputy President & CFO ORIX Corporation

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CONSOLIDATED FINANCIAL INFORMATION

1. On February 10, 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 and nine months ended December 31, 2009 and 2010.

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

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

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

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

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1. Information on the Company and its Subsidiaries

(1) Consolidated Financial Highlights

	Millions of yen (except for per share amounts, ratios and employees)				
	Nine months ended December 31, 2009	Nine months ended December 31, 2010	Three months ended December 31, 2009	Three months ended December 31, 2010	Fiscal year ended March 31, 2010
Total Revenues	¥ 680,587	¥ 706,186	¥ 224,174	¥ 229,978	¥ 919,752
Income before Income Taxes and Discontinued Operations	35,894	74,567	13,894	22,398	53,898
Net Income Attributable to ORIX Corporation	27,433	50,798	7,283	16,745	37,757
ORIX Corporation Shareholders Equity			1,276,577	1,295,765	1,298,684
Total Assets			7,958,356	8,529,358	7,739,800
ORIX Corporation Shareholders Equity Per Share (yen)			11,880.10	12,054.84	12,082.56
Earnings Per Share for Net Income Attributable to ORIX Corporation					
Basic (yen)	273.70	472.60	67.77	155.78	370.52
Diluted (yen)	233.26	398.51	58.83	131.82	315.91
ORIX Corporation Shareholders Equity Ratio (%)			16.04	15.19	16.78
Cash Flows from Operating Activities	99,049	101,914			209,311
Cash Flows from Investing Activities	396,220	171,218			432,788
Cash Flows from Financing Activities	(276,376)	(294,373)			(466,924)
Cash and Cash Equivalents at End of Period			680,794	608,352	639,087
Number of Employees			18,354	17,487	17,725

Notes:
1. Pursuant to FASB Accounting Standards Codification (ASC) 205-20 (Presentation of Financial Statements Discontinued Operations), certain amounts related to discontinued operations have been reclassified retroactively.
2. Consumption tax is excluded from the stated amount of total revenues.
3. ORIX Corporation Shareholders Equity Per Share is computed by the number of outstanding shares after deduction of treasury stock.

(2) Overview of Activities

For the three months ended December 31, 2010, no significant changes were made in the Company and its subsidiaries operations.

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(3) Changes of Principal Related Companies

Changes of principal related companies for the three months ended December 31, 2010 are as follows:

Additions:

There were no additions during the three months ended December 31, 2010.

Deletions:

There were no deletions during the three months ended December 31, 2010.

(4) Number of Employees

The following shows the total number of employees in the Company and its subsidiaries as of December 31, 2010:

Number of employees
17,487

Note: (a) The above number represents individuals employed on a full-time basis.
(b) The average number of temporary employees for the three months ended December 31, 2010 was 5,672.

2. Operating Results

(1) Earnings Summary

Total revenues and profits (losses) by segment for the three months ended December 31, 2009 and 2010 are as follows:

	Millions of yen							
	Three months ended December 31, 2009		Three months ended December 31, 2010		Change (revenues)		Change (profits)	
	Segment Revenues	Segment Profits (losses)	Segment Revenues	Segment Profits	Amount	Percent (%)	Amount	Percent (%)
Corporate Financial Services	¥ 23,372	¥ (1,798)	¥ 26,089	¥ 4,469	¥ 2,717	12	¥ 6,267	
Maintenance Leasing	55,759	6,308	57,001	6,790	1,242	2	482	8
Real Estate	55,448	556	43,262	1,116	(12,186)	(22)	560	101
Investment Banking	13,888	(3,073)	13,808	4,596	(80)	(1)	7,669	
Retail	35,016	5,122	34,301	5,892	(715)	(2)	770	15
Overseas Business	47,407	7,436	44,758	8,559	(2,649)	(6)	1,123	15
Total	230,890	14,551	219,219	31,422	(11,671)	(5)	16,871	116
Difference between Segment Total and Consolidated Amounts	(6,716)	(657)	10,759	(9,024)	17,475		(8,367)	
Total Consolidated Amounts	¥ 224,174	¥ 13,894	¥ 229,978	¥ 22,398	¥ 5,804	3	¥ 8,504	61

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(2) Total Assets

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

	Millions of yen					
	December 31, 2010		March 31, 2010		Change	
	Segment Assets	Composition ratio (%)	Segment Assets	Composition ratio (%)	Amount	Percent (%)
Corporate Financial Services	¥ 1,044,672	12.2	¥ 1,178,879	15.2	¥ (134,207)	(11)
Maintenance Leasing	524,978	6.2	515,716	6.7	9,262	2
Real Estate	1,584,903	18.6	1,677,402	21.7	(92,499)	(6)
Investment Banking	476,715	5.6	472,705	6.1	4,010	1
Retail	1,657,021	19.4	1,578,758	20.4	78,263	5
Overseas Business	921,278	10.8	860,815	11.1	60,463	7
Total	6,209,567	72.8	6,284,275	81.2	(74,708)	(1)
Difference between Segment Total and Consolidated Amounts	2,319,791	27.2	1,455,525	18.8	864,266	59
Total Consolidated Amounts	¥ 8,529,358	100.0	¥ 7,739,800	100.0	¥ 789,558	10

(3) New Business Volumes

New business volumes of direct financing leases, installment loans, operating leases, investment in securities, other operating transactions for the three months ended December 31, 2009 and 2010 are as follows:

	Millions of yen			
	Three months ended December 31, 2009	Three months ended December 31, 2010	Change	
			Amount	Percent (%)
Direct Financing Leases:				
New equipment acquisitions	¥ 60,308	¥ 81,715	¥ 21,407	35
Installment Loans:				
New loans added	131,934	138,467	6,533	5
Operating Leases:				
New equipment acquisitions	38,735	88,102	49,367	127
Investment in Securities:				
New securities added	147,966	149,994	2,028	1
Other Operating Transactions:				
New assets added	8,010	4,799	(3,211)	(40)

3. Risk Factors

There were no additional Risk Factors for the three months ended December 31, 2010.

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, 2010.

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4. Material Contract

Not applicable

5. Analysis of Financial Results and Condition

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

(1) Qualitative Information Regarding Consolidated Financial Results

Economic Environment

The global economy is in the process of a moderate recovery. However, recovery is occurring at different speeds in different countries. Developing economies continue to expand steadily. Conversely, proactive monetary easing continues in advanced economies and stock prices are rising, but economic improvement is lackluster.

The U.S. economy is making a mild recovery as a result of quantitative easing and tax reductions. Corporate performance is recovering and consumer spending is improving, despite housing investment remaining low and real economic recovery still a ways away.

Emerging economies in the Asian region continue to experience stable growth. Especially in China, both domestic and overseas demand is increasing. Inflation is a concern, and the fundamental monetary policy has changed from moderately accommodative to moderate, and the policy priority has shifted to controlling inflation.

The Japanese economy continues to tread water. Unemployment continues to hover at a high rate and, with stimulus measures such as eco-car subsidies having ended, consumption is also decreasing. However, with bright signs such as continuing recovery of corporate performance and increased production, economic downturn has been avoided.

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Financial Highlights

Financial Results for the Three Months Ended December 31, 2010

Total Revenues	¥229,978 million (Up 3% year on year)
Income before Income Taxes and Discontinued Operations	¥22,398 million (Up 61% year on year)
Net Income Attributable to ORIX Corporation	¥16,745 million (Up 130% year on year)
Earnings Per Share for Net Income Attributable to ORIX Corporation	
(Basic)	¥155.78 (Up 130% year on year)
(Diluted)	¥131.82 (Up 124% year on year)
ROE (Annualized) *1	5.2% (2.3% during the same period of the previous fiscal year)
ROA (Annualized) *2	0.78% (0.37% 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.

Total Revenues

Total revenues for the three-month period ended December 31, 2010 (hereinafter the third quarter) increased 3% to ¥229,978 million compared to the three-month period ended December 31, 2009.

Revenues from direct financing leases for the third quarter increased 10% to ¥13,373 million compared to the same period of the previous fiscal year, primarily due to an increase in Investment in direct financing leases resulting from the purchase of Sun Telephone Co., Ltd. s leasing receivables and the purchase of Tsukuba Lease Co., Ltd.

Revenues from operating leases for the third quarter increased 4% to ¥71,222 million compared to the same period of the previous fiscal year. This is due to an increase in aircraft and other related operating lease assets in addition to continued robust performance of the automobile operations in the Maintenance Leasing segment.

Interest on loans and investment securities for the third quarter increased 37% to ¥39,987 million compared to the same period of the previous fiscal year, primarily due to the application of new accounting standards in this fiscal year relating to the consolidation of variable interest entities (VIEs), see Note 2 Significant Accounting and Reporting Policies and Note 7 Variable Interest Entities , which increased the amount of VIEs subject to consolidation.

Brokerage commissions and net gains on investment securities for the third quarter increased 53% to ¥2,753 million compared to the same period of the previous fiscal year. This is chiefly due to improved gains on private equity funds in Japan compared to the same period of the previous fiscal year despite a decrease in brokerage commissions in line with the deconsolidation of ORIX Securities Corporation.

Life insurance premiums and related investment income was flat year on year at ¥26,745 million for the third quarter. In the life insurance business, medical insurance sales toward retail customers remained strong.

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Real estate sales for the third quarter decreased 73% to ¥4,007 million compared to the same period of the previous fiscal year. This is due to decreased number of condominiums delivered in the condominium business, a result of restrictions on new developments in the condominium business.

Gains on sales of real estate under operating leases mainly recorded in the Real Estate segment, increased significantly to ¥1,507 million compared to ¥56 million for the same period of the previous fiscal year due to an increase in sales of real estate under operating leases that were not classified as discontinued operations.

Other operating revenues for the third quarter were flat year on year at ¥70,384 million, primarily due to an increase of revenues from the environmental business, instead of a decrease of revenues from fee income mainly in Overseas Business Segment.

Total Expenses

Total Expenses for the third quarter decreased 1% to ¥212,053 million compared to the three-month period ended December 31, 2009.

Interest expense for the third quarter increased 50% to ¥29,468 million compared to the same period of the previous fiscal year due to the application of new accounting standards (see Note 2 Significant Accounting and Reporting Policies and Note 7 Variable Interest Entities as mentioned above.)

Cost of operating leases for the third quarter remained flat year on year at ¥46,785 million.

Life insurance costs for the third quarter were flat year on year at ¥20,877 million.

Cost of real estate sales for the third quarter decreased 50% to ¥7,140 million compared to the same period of the previous fiscal year. This is due to a decrease in number of condominiums delivered, in the same way as real estate sales .

Other operating expenses for the third quarter increased 6% to ¥40,608 million, primarily due to an increase of expenses from the environmental business.

Selling, general and administrative expenses for the third quarter decreased 4% to ¥54,377 million compared to the same period of the previous fiscal year, mainly due to the deconsolidation of ORIX Securities Corporation.

Provision for doubtful receivables and probable loan losses for the third quarter decreased 45% to ¥5,172 million compared to the same period of the previous fiscal year. This decrease is mainly due to a decrease in provisions for installment loans to real estate-related companies.

At the end of the third quarter, installment loans to real estate-related companies (excluding non-recourse loans issued by SPCs) accounted for ¥373,955 million, or 18% of all outstanding domestic installment loans. Installment loans to real estate-related companies are secured in most cases with real estate collateral. Of this amount, loans individually evaluated for impairment decreased to ¥107,368 million as of December 31, 2010 from ¥152,455 million as of March 31, 2010, and the valuation allowance for this amount decreased to ¥39,301 million from ¥53,122 million as of March 31, 2010.

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Write-downs of long-lived assets for the third quarter decreased 42% to ¥1,849 million compared to same period of the previous fiscal year. This is mainly due to write-downs of real estate under operating leases in the Real Estate segment.

Write-downs of securities for the third quarter increased 44% to ¥6,047 million compared to the same period of the previous fiscal year. This is mainly due to valuation losses recognized for non-marketable securities and specified bonds.

As a result of the foregoing changes, operating profit for the third quarter increased 91% to ¥17,925 million compared to the same period of the previous fiscal year.

Net Income Attributable to ORIX Corporation

Net Income Attributable to ORIX Corporation increased 130% to ¥16,745 million compared to the third quarter of the previous fiscal year.

Equity in net income of affiliates for the third quarter decreased 31% to ¥3,249 million compared to the same period of the previous fiscal year.

Gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net was a gain of ¥1,224 million compared to a loss of ¥224 million during the same period of the previous fiscal year. This is mainly due to the gain on sales of share of real estate joint venture that was recorded in the Real Estate segment during the third quarter.

As a result of the foregoing changes, income before income taxes was ¥22,398 million in the third quarter, a 61% increase compared to the same period of the previous fiscal year.

Discontinued operations, net of applicable tax effect in the third quarter was ¥3,536 million, up from ¥1,246 million during the same period of the previous fiscal year. This is chiefly due to a gain on the sale of a subsidiary that was recorded from the sale of QB Net Co., Ltd. in the Investment Banking segment.

As a result of the foregoing changes, net income attributable to ORIX Corporation for the third quarter increased 130% to ¥16,745 million compared to the same period of the previous fiscal year.

Segment Information

All segments maintained profitability and increased net income during the third quarter.

Beginning this fiscal year, the Company changed the measure of segments related to certain VIEs which are consolidated in accordance with the above-mentioned new accounting standards as a result of the Company s management changing its internal performance assessment measures to manage its segments.

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In addition, in line with a change of management classification, Internet Research Institute, Inc. and ORIX s Information and Communication Technology Department, which were previously included in the Corporate Financial Services segment, have been included in the Investment Banking segment and the Maintenance Leasing segment, respectively, since the first consolidated period. In addition, the real estate finance business, previously included in the Investment Banking segment, has been included in the Real Estate segment beginning in the third consolidated period.

Due to these changes, the reclassified figures are shown for the three months period ended December 31, 2009 and as of March 31, 2010 (See Note 19, Segment Information).

Segment information for the third quarter 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 for the third quarter increased 12% to ¥26,089 million compared to the same period of the previous fiscal year. This is due to increased investment in direct financing leases resulting from the purchase of Sun Telephone Co., Ltd. s leasing receivables and the purchase of Tsukuba Lease Co., Ltd. and increased revenues from the environmental business, which were 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 restrictions on new loan executions implemented during the previous fiscal year.

Segment expenses decreased compared to the same period of the previous fiscal year, resulting from a significant decrease in provision for doubtful receivables and probable loan losses. As a result of restrictions on new transactions and stricter collateral requirements, the new occurrence of non-performing loans has been decreasing since the fourth quarter of the fiscal year ended March 31, 2009. In addition, provision for doubtful receivables and probable loan losses have decreased due to the effects of economic recovery as corporate earnings improve.

As a result, segment profits for the third quarter were ¥4,469 million compared to a loss of ¥1,798 million during the same period of the previous fiscal year.

Segment assets decreased 11% to ¥1,044,672 million compared to March 31, 2010, due to a decline in the balance of installment loans offsetting an increase in investment in direct financing leases from the purchase of leasing receivables and new, small-sized leasing transactions.

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 the absence of a full-fledged recovery of domestic capital expenditure and the otherwise bleak business environment outlook, the Maintenance Leasing segment revenues have remained stable through the provision of high value-added services while responding to such demands as corporations needs to reduce costs.

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Segment revenues for the third quarter remained robust at ¥57,001 million, a 2% increase compared to the same period of the previous fiscal year due to solid revenues from the sales of used automobiles and automobile maintenance despite decreases in the average balance of investment in direct financing and operating leases compared to the same period of the previous fiscal year.

Segment expenses increased for the third quarter compared to the same period of the previous fiscal year, due to increases in selling, general and administrative expenses and write-downs of securities, despite a decrease in depreciation expense as a result of a year on year decrease in the average balance of operating lease assets and a decrease in interest expense.

As a result, segment profits for the third quarter increased 8% to ¥6,790 million compared to the same period of the previous fiscal year.

Segment assets increased 2% to ¥524,978 million compared to March 31, 2010 due to an increase in operating lease assets.

Real Estate Segment

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

The real estate finance business, which was previously included in the Investment Banking segment, has been transferred to the Real Estate segment beginning in the third consolidated period to consolidate management with the Real Estate Headquarters for improved operational efficiency.

The condominium market has been on a recovery trend with the contract completion rate surpassing the key benchmark of 70% in both the Tokyo Metropolitan and Kinki areas despite a decrease in the monthly number of units supplied in the Kinki area. The number of condominiums delivered decreased to 131 units during the third quarter from 372 units during the same period of the previous fiscal year due to restrictions on new developments implemented prior to the Lehman Shock.

In the office building market, the vacancy rate for large buildings in urban areas has remained flat and the decline in rental rates is slowing. However, it cannot be said that the market is at the bottom as there are no signs of improved demand. However, the inflow of funds to the real estate market is improving, and sales of leased real estate are slowly increasing. 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 based on real demand.

The real estate operating business consists of various facilities such as hotels, Japanese inns, golf courses and training facilities, and has stable revenues.

Segment revenues decreased 22% to ¥43,262 million compared to the same period of the previous fiscal year due to a decrease in the number of condominiums delivered and a decrease in the average balance of installment loans and investment in securities (including specified bonds), despite an increase in operating lease revenues resulting from a focus on leasing. As a result of a similar decline in segment expenses, segment profits increased 101% to ¥1,116 million compared to the same period of the previous fiscal year.

Segment assets decreased 6% to ¥1,584,903 million compared to March 31, 2010 due to decreases in real estate under operating leases, installment loans and investment in securities (including specified bonds).

Investment Banking Segment

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

There are signs of domestic economic recovery and there is activity in the cross-border merger and acquisition marketplace. Additionally, investment in non-performing loans needs to be addressed according to the changes in domestic and international financial regulations.

Segment revenues for the third quarter were flat year on year at ¥13,808 million, due to an increase in installment loan revenues from the loan servicing (asset recovery) business.

Regarding segment expenses, selling, general and administrative expenses decreased compared to the same period of the previous fiscal year due to the effects of the sale of a subsidiary during the previous fiscal year offsetting an increase in write-downs of securities.

In addition to the foregoing, a gain on the sale of a subsidiary was recorded from the sale of QB Net Co., Ltd., resulting in a segment profit of ¥4,596 million compared to a loss of ¥3,073 million during the same period of the previous fiscal year.

Segment assets remained flat at ¥476,715 million compared to March 31, 2010.

Retail Segment

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

In the life insurance business, insurance-related investment income remained robust and insurance-related gains improved due to an increase in contracts for new products.

Installment loans at the trust and banking business increased, and both revenues and profits are increasing. Also, Internet-based deposits are increasing steadily, and assets have surpassed ¥1 trillion.

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Segment revenues and expenses from the card loan and online securities brokerage business are recognized as segment profits under equity in net income of affiliates due to the share transfer and share exchange of the card loan and online securities brokerage businesses, respectively, during the previous fiscal year. Furthermore, a gain on the sale of a subsidiary was recognized for the card loan business during the second consolidated period of the previous fiscal year.

As a result, segment revenues for the third quarter decreased 2% to ¥34,301 million compared to the same period of the previous fiscal year. However, segment profits increased 15% to ¥5,892 million compared to the same period of the previous fiscal year due to decreased segment expenses, mainly from lower selling, general and administrative expenses and a decrease of provision for doubtful receivables and probable loan losses.

Segment assets increased 5% to ¥1,657,021 million compared to March 31, 2010 as a result of an increase in investment securities and an increase in installment loans in the trust and banking business.

Overseas Business Segment

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

In the U.S. there have been signs of economic recovery despite causes for concern such as a stagnant housing market and high unemployment. Conversely, high growth in the Asian region is expected to continue.

Segment revenues for the third quarter decreased 6% to ¥44,758 million compared to the same period of the previous fiscal year due to decreases in gains on investment securities and revenues from operating leases and fee income offsetting gains recorded for the sales of loans held by Red Capital Group in the U.S.

Regarding segment expenses for the third quarter, cost of operating leases, interest expense, as well as provision for doubtful receivables and probable loan losses and write-downs of securities in the U.S. decreased. As a result, segment profits increased 15% to ¥8,559 million compared to the same period of the previous fiscal year.

Despite the effect of the appreciated yen, segment assets increased 7% to ¥921,278 million compared to March 31, 2010 due to increase in investment securities from the purchase of municipal bonds in the U.S., aircraft operating lease assets and private equity investments centered on Asian countries.

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Financial Results for the Nine Months Ended December 31, 2010

Total Revenues	¥706,186 million (Up 4% year on year)
Income before Income Taxes and Discontinued Operations	¥74,567 million (Up 108% year on year)
Net Income Attributable to ORIX Corporation	¥50,798 million (Up 85% year on year)
Earnings Per Share for Net Income Attributable to ORIX Corporation	
(Basic)	¥472.60 (Up 73% year on year)
(Diluted)	¥398.51 (Up 71% year on year)
ROE (Annualized) *1	5.2% (3.0% during the same period of the previous fiscal year)
ROA (Annualized) *2	0.83% (0.45% 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.

Total Revenues

Revenues for the nine-month period ended December 31, 2010 (hereinafter the third consolidated period) increased 4% to ¥706,186 million compared to ¥680,587 million during the same period of the previous fiscal year. The application of new accounting standards starting in this fiscal year relating to the consolidation of variable interest entities (VIEs) (see Note 2 Significant Accounting and Reporting Policies and Note 7 Variable Interest Entities) has resulted in an increase of VIEs subject to consolidation, and accordingly, an increase in interest on loans and investment securities compared to the same period of the previous fiscal year. Meanwhile, real estate sales decreased compared to the same period of the previous fiscal year due to fewer units delivered in the condominium business.

Total Expenses

Expenses were flat year on year at ¥642,419 million for the third consolidated period. Interest expense increased compared to the same period of the previous fiscal year in line with the application of the above-mentioned new accounting standards related to VIEs. However, compared to the same period of the previous fiscal year, provision for doubtful receivables and probable loan losses significantly decreased. Also, costs of real estate sales decreased due to the above-mentioned decrease in the number of condominiums delivered, and selling, general and administrative expenses decreased as a result of the deconsolidation of ORIX Credit Corporation and ORIX Securities Corporation.

Net income attributable to ORIX Corporation

Equity in net income of affiliates significantly increased to ¥9,237 million for the third consolidated period mainly due to contributions from equity-method affiliates in the Asian region, compared to a loss recorded during the same period of the previous fiscal year resulting from an affiliate filing for protection under the Corporate Rehabilitation Law. Gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net, decreased due to the absence of a gain on the sale of ORIX Credit Corporation that was recorded in the same period of the previous fiscal year.

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As a result of the foregoing, income before income taxes and discontinued operations increased 108% to ¥74,567 million compared to ¥35,894 million during the same period of the previous fiscal year, and net income attributable to ORIX Corporation rose 85% to ¥50,798 million from ¥27,433 million during the same period of the previous fiscal year.

Segment Information

All segments maintained profitability during the third consolidated period. In addition, with the exception of the Real Estate segment, profits increased for all segments compared to the same period of the previous fiscal year.

Beginning this fiscal year, the Company changed the measure of related to certain VIEs which are consolidated in accordance with the above-mentioned new accounting standards as a result of the Company s management changing its internal performance assessment measures to manage its segments.

In addition, in line with a change of management classification, Internet Research Institute, Inc. and ORIX s Information and Communication Technology Department, which were previously included in the Corporate Financial Services segment, have been included in the Investment Banking segment and the Maintenance Leasing segment, respectively, since the first consolidated period. In addition, the real estate finance business, previously included in the Investment Banking segment, has been included in the Real Estate segment beginning in the third consolidated period.

Due to these changes, the reclassified figures are shown for the nine months ended December 31, 2009 and as of March 31, 2010 (See Note 19 Segment Information).

Segment information for the third consolidated period is as follows:

Corporate Financial Services Segment

Segment revenues increased 4% to ¥76,561 million compared to ¥73,596 million during the same period of the previous fiscal year. This is due to increased investment in direct financing leases resulting from the purchase of Sun Telephone Co., Ltd. s leasing receivables and the purchase of Tsukuba Lease Co., Ltd. and increased revenues from the environmental business, which were 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 restrictions on new loan executions implemented during the previous fiscal year.

Segment expenses decreased compared to the same period of the previous fiscal year, resulting from a significant decrease in provisions for doubtful receivables and probable loan losses. As a result of restrictions on new transactions and stricter collateral requirements, the new occurrence of non-performing loans has been decreasing since the fourth quarter of the fiscal year ended March 31, 2009. In addition, provisions for doubtful receivables and probable loan losses have decreased due to the effects of economic recovery as corporate earnings improve.

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As a result, segment profits were ¥8,778 million compared to a loss of ¥11,813 million during the same period of the previous fiscal year.

Segment assets decreased 11% to ¥1,044,672 million compared to March 31, 2010, due to a decline in the balance of installment loans offsetting an increase in investment in direct financing leases from the purchase of leasing receivables mentioned above, and new, small-sized leasing transactions.

Maintenance Leasing Segment

Despite the absence of a full-fledged recovery of domestic capital expenditure and the otherwise bleak business environment outlook, the Maintenance Leasing segment revenues have remained stable through the provision of high value-added services while responding to such demands as corporations needs to reduce costs.

Segment revenues remained robust at ¥169,512 million compared to ¥169,980 million during the same period of the previous fiscal year due to solid revenues from the sales of used automobiles and automobile maintenance despite decreases in the average balance of investment in direct finance and operating leases compared to the same period of the previous fiscal year.

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

As a result, segment profits increased 16% to ¥20,831 million compared to ¥17,924 million during the same period of the previous fiscal year.

Segment assets increased 2% to ¥524,978 million compared to March 31, 2010 due to an increase in operating lease assets.

Real Estate Segment

The real estate finance business, which was previously included in the Investment Banking segment, has been transferred to the Real Estate segment beginning in the third consolidated period to consolidate management with the Real Estate Headquarters for improved operational efficiency.

The condominium market has been on a recovery trend with the contract completion rate surpassing the key benchmark of 70% in both the Tokyo Metropolitan and Kinki areas despite a decrease in the monthly number of units supplied in the Kinki area. The number of condominiums delivered decreased to 568 units during the third consolidated period from 1,098 units during the same period of the previous fiscal year due to restrictions on new developments implemented prior to the Lehman Shock.

In the office building market, the vacancy rate for large buildings in urban areas has remained flat and the decline in rental rates is slowing. However, it cannot be said that the market is at the bottom as there are no signs of improved demand. However, the inflow of funds to the real estate market is improving, and sales of leased real estate are slowly increasing. 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 based on real demand.

The real estate operating business consists of various facilities such as hotels, Japanese inns, golf courses and training facilities, and has stable revenues.

Segment revenues decreased 13% to ¥142,769 million compared to ¥163,526 million during the same period of the previous fiscal year due to a decrease in the number of condominiums delivered, a decrease in the average balance of installment loans and investment in securities (including specified bonds) and the absence of a gain on the sale of a large building that was recorded during the same period of the previous fiscal year, despite an increase in operating lease revenues resulting from a focus on leasing. Although segment expenses similarly declined, segment profits decreased 68% to ¥3,508 million compared to ¥11,118 million during the same period of the previous fiscal year.

Segment assets decreased 6% to ¥1,584,903 million compared to March 31, 2010 due to decreases in real estate under operating leases, installment loans and investment in securities (including specified bonds).

As a result of the above-mentioned transfer in the third consolidated period, ¥522,597 million in segment assets and a segment loss of ¥675 million from the real estate finance business have been included in this segment.

Investment Banking Segment

There are signs of domestic economic recovery and there is activity in the cross-border merger and acquisition marketplace. Additionally, investment in non-performing loans needs to be addressed according to the changes in domestic and international financial regulations.

Segment revenues increased 3% to ¥49,347 million compared to ¥48,046 million during the same period of the previous fiscal year, due to an increase in installment loan revenues from the loan servicing (asset recovery) business.

Regarding segment expenses, selling, general and administrative expenses decreased compared to the same period of the previous fiscal year due to the effects of the sale of a subsidiary during the previous fiscal year offsetting an increase in write-downs of securities.

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

In addition to the foregoing, a gain on the sale of a subsidiary was recorded from the sale of QB Net Co., Ltd., resulting in a segment profit of ¥10,885 million compared to a loss of ¥16,699 million during the same period of the previous fiscal year.

Segment assets remained flat at ¥476,715 million compared to March 31, 2010.

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Retail Segment

In the life insurance business, insurance-related investment income remained robust and insurance-related gains are also showing favorable growth due to an increase in contracts for new products.

Installment loans at the trust and banking business increased, and both revenues and profits are increasing. Also, Internet-based deposits are increasing steadily, and assets have surpassed ¥1 trillion.

Segment revenues and expenses from the card loan and online securities brokerage business are recognized as segment profits under equity in net income of affiliates due to the share transfer and share exchange of the card loan and online securities brokerage businesses, respectively, during the previous fiscal year. Furthermore, a gain on the sale of a subsidiary was recognized for the card loan business during the second consolidated period of the previous fiscal year.

As a result, segment revenues decreased 6% to ¥109,538 million compared to ¥116,702 million during the same period of the previous fiscal year. However, segment profits increased 6% to ¥21,067 million compared to ¥19,942 million during the same period of the previous fiscal year due to decreased segment expenses, mainly from lower selling, general and administrative expenses and a decline in provision for doubtful receivables and probable loan losses.

Segment assets increased 5% to ¥1,657,021 million compared to March 31, 2010 as a result of an increase in investment securities and an increase in installment loans in the trust and banking business.

Overseas Business Segment

In the U.S. there have been signs of economic recovery despite causes for concern such as a stagnant housing market and high unemployment. Conversely, high growth in the Asian region is expected to continue.

Segment revenues decreased 5% to ¥128,655 million compared to ¥135,446 million during the same period of the previous fiscal year due to decreases in gains on investment securities and revenues from operating and direct financing leases offsetting gains recorded for the sales of municipal bonds and loans held by Red Capital Group in the U.S.

Regarding segment expenses, cost of operating leases, interest expense, as well as provisions for doubtful receivables and probable loan losses and write-downs of securities in the U.S. decreased. As a result, segment profits increased 7% to ¥31,037 million compared to ¥28,925 million during the same period of the previous fiscal year.

Despite the effect of the appreciated yen, segment assets increased 7% to ¥921,278 million compared to March 31, 2010 due to increase in investment securities from the purchase of municipal bonds in the U.S., aircraft operating lease assets and private equity investments centered on Asian countries.

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(2) Financial Condition

	As of December 31, 2010	As of March 31, 2010	Change Amount	Change Percent (%)
Total Assets (millions of yen)	8,529,358	7,739,800	789,558	10%
(Segment Assets)	6,209,567	6,284,275	(74,708)	(1%)
Total Liabilities (millions of yen)	7,190,348	6,395,244	795,104	12%
(Long- and Short-term Debt)	5,064,555	4,409,835	654,720	15%
(Deposits)	1,025,393	853,269	172,124	20%
Shareholders Equity* (millions of yen)	1,295,765	1,298,684	(2,919)	(0%)
Shareholders Equity Per Share* (yen)	12,054.84	12,082.56	(27.72)	(0%)

* Shareholders Equity refers to ORIX Corporation Shareholders Equity.

Total assets increased 10% to ¥8,529,358 million compared to ¥7,739,800 million on March 31, 2010. Primarily due to the application of new accounting standards in this fiscal year relating to the consolidation of VIEs (see Note 2 Significant Accounting and Reporting Policies and Note 7 Variable Interest Entities), which significantly increased the amount of installment loans and investment in direct financing leases as compared to March 31, 2010. Segment assets decreased 1% to ¥6,209,567 million compared to March 31, 2010.

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

Shareholders equity was flat compared to March 31, 2010 at ¥1,295,765 million.

(3) Liquidity and Capital Resources

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

ORIX Group s funding from short-and long-term debt and deposits on a consolidated basis was ¥6,090 billion as of December 31, 2010.

Funding was mainly comprised of borrowings from financial institutions and direct fund procurement from capital markets. Borrowings were procured from a diverse range of financial institutions including major banks, regional banks, foreign banks, life and casualty insurance companies. The number of financial institutions from which we procured borrowings exceeded 200 as of December 31, 2010. Procurement from the capital markets was composed of the issuance of the Company straight bonds, commercial paper (CP), medium-term notes issued by the Company and overseas subsidiaries, the securitization of operating assets (ABS/CMBS), and through unsecured convertible bonds with stock acquisition rights.

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Due to application of new accounting standards relating to the consolidation of VIEs in April 1, 2010, total debt increased by ¥877 billion as of December 31, 2010.

In response to market risks, we have been implementing various measures to maintain financial stability, such as decreasing interest bearing debt to improve our debt-to-equity ratio, and increasing the average length of debt as well as retaining excess liquidity through cash and deposits to decrease short-term liquidity risk. The sum of available amount of the committed credit facilities and cash and cash equivalent, time deposit was ¥1,044 billion as of December 31, 2010.

In the efforts to maintain diversified capital resource and stable funding position, the Company issued $750 million of U.S. dollar dominated senior notes in a SEC registered offering and ¥330 billion aggregate principal amount of domestic straight bonds during the nine months ended December 31, 2010. In addition, the Company has issued $400 million of U.S. dollar dominated senior notes and ¥60 billion aggregate principal amount of domestic straight bonds in January 2011. As such, we will continue to strengthen our financial condition, while maintaining an appropriate balance of funding structure.

Debt

(a) Short-term debt

	Millions of yen	
	December 31, 2010	March 31, 2010
Borrowings from financial institutions	¥ 289,921	¥ 271,234
Commercial paper	193,284	282,781
Medium-term notes		19,550
Total	¥ 483,205	¥ 573,565

The above table includes the following liabilities of consolidated VIEs as of December 31, 2010 for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries.

Short-term debt: ¥2,141 million

(b) Long-term debt

	Millions of yen	
	December 31, 2010	March 31, 2010
Borrowings from financial institutions	¥ 2,111,250	¥ 2,314,377
Bonds	1,340,855	1,215,359
Medium-term notes	83,725	104,310
Payable under securitized lease and loan receivables and other	1,045,520	202,224
Total	¥ 4,581,350	¥ 3,836,270

The above table includes the following liabilities of consolidated VIEs as of December 31, 2010 for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries.

Borrowings from financial institutions: ¥131,483 million

Bonds: ¥3,300 million

Payable under securitized lease and loan receivables and other: ¥1,046 billion

Long-term debt increased by ¥877 billion as of December 31, 2010 due to the application of new accounting standards in this fiscal year relating to the consolidation of VIEs.

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(c) Deposits

	Millions of yen	
	December 31, 2010	March 31, 2010
Deposits	¥ 1,025,393	¥ 853,269

Apart from the short- and long-term debt noted above, ORIX Trust and Banking Corporation, ORIX Savings Bank, and ORIX Asia Limited accept deposits. The balance of deposits as of December 31, 2010 was ¥1,025,393 million, an increase of 20 % or ¥172,124 million from March 31, 2010.

(4) Summary of Cash Flows

Cash and cash equivalents decreased by ¥140,657 million to ¥608,352 million in the third quarter compared to September 30, 2010.

Cash flows from operating activities used ¥12,993 million in the third quarter, having used ¥1,924 million during the same period of the previous fiscal year, resulting from an increase in increase in trading securities, in addition to the adjustment of net income such as depreciation and amortization, provision for doubtful receivables and probable loan losses and equity in net income (loss) of affiliates (excluding interest on loans), despite an increase in quarterly net income compared to the same period of the previous fiscal year.

Cash flows from investing activities provided ¥34,252 million in the third quarter, having provided ¥43,869 million during the same period of the previous fiscal year, due to an increase in purchases of lease equipment and installment loans made to customers.

Cash flows from financing activities used ¥159,799 million in the third quarter, having provided ¥42,754 million during the same period of the previous fiscal year, due to the repayment of borrowing exceeding the amount of funding raised.

(5) Challenges to be addressed

There were no significant changes for the three months ended December 31, 2010.

(6) Research and Development Activity

There were no significant changes for the three months ended December 31, 2010.

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6. Overview of Facilities

(1) Facilities for Rent

(a) New equipment acquisitions

In association with the operating lease business, the Company and its subsidiaries own facilities for rent. New equipment acquisitions were ¥88,102 million for the three months ended December 31, 2010.

(b) Details of facilities for rent

Details of facilities for rent at December 31, 2010 are as follows:

	Millions of yen	Composition ratio
Transportation equipment	¥ 611,259	37.8%
Measuring and information-related equipment	173,877	10.8
Real estate	810,284	50.2
Other	19,572	1.2
Subtotal	1,614,992	100.0%
Accumulated depreciation	(397,188)	
Net	1,217,804	
Accrued rental receivables	17,163	
Total	¥ 1,234,967	

For the three months ended December 31, 2010, the Company and its subsidiaries wrote down certain facilities for rent to their fair value under the provisions of ASC 360-10 (Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets). For further information on the write-downs, see Note 13 Write-Downs of Long-Lived Assets .

(c) Plans for acquisition and disposal of facilities

For the three months ended December 31, 2010, there were no significant changes in plans for acquisition and disposal of facilities.

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

(a) Overview of facilities not for rent

The Company and its subsidiaries own the following facilities:

Head-office buildings

Facilities for management such as golf courses and training facilities

(b) Status of main facilities not for rent

i) The Company

For the three months ended December 31, 2010, there were no significant changes of major facilities.

ii) Subsidiaries in Japan

For the three months ended December 31, 2010, there were no significant changes of major facilities.

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iii) Overseas subsidiaries

For the three months ended December 31, 2010, there were no significant changes of major facilities.

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

For the three months ended December 31, 2010, there were no significant changes in plans for acquisition and disposal of facilities not for rent.

7. Company Stock Information

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

The information of the number of outstanding shares, the amount of common stock and additional paid-in capital for the three months ended December 31, 2010 is as follows:

In thousands		Millions of yen			
Number of outstanding shares		Common stock		Additional paid-in capital	
Increase, net	December 31, 2010	Increase, net	December 31, 2010	Increase, net	December 31, 2010
2	110,234	7	¥ 143,953	7	¥ 171,132

Note: *1 Additional paid-in capital represented as shown above is based on Japanese GAAP.

*2 The exercise of stock acquisition rights and the conversion of convertible bond increased common stock and additional paid-in capital.

(2) Condition of Major Shareholders

(a) On the list of shareholders as of December 31, 2010, The Nomura Trust and Banking Co., Ltd. (Trust Account) became a major shareholder.

Name Address	Number of shares held (in thousands)	Percentage of total shares issued
The Nomura Trust and Banking Co., Ltd. (Trust Account) 2-2-2 Otemachi, Chiyoda-ku, Tokyo, Japan	1,414	1.28%

(b) Nomura Securities Co., Ltd., NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd. jointly filed an amended report as required under Japanese regulations on November 8, 2010 that shows their share holdings of the Company as of October 29, 2010. The reported number of shares held is not able to be confirmed substantially against the list of shareholders as of December 31, 2010.

Name	Number of shares held (in thousands)	Percentage of total shares in issued
Nomura Securities Co., Ltd. *1	45	0.04%
NOMURA INTERNATIONAL PLC *2	6,452	5.56

Nomura Asset Management Co., Ltd. *3	4,387	3.98
Total	10,885	9.34%

*1, 2, 3 The number of shares and percentage of total shares in issued held by Nomura Securities Co., Ltd., NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd. include the potential shares.

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(c) JPMorgan Asset Management (Japan) Limited., JPMorgan Asset Management (UK) Limited, J.P. Morgan Whitefriars Inc. and J.P. Morgan Securities Ltd. jointly filed an amended report as required under Japanese regulations on November 19, 2010 that shows their share holdings of the Company as of November 15, 2010. The reported number of shares held is not able to be confirmed substantially against the list of shareholders as of December 31, 2010.

Name	Number of shares held (in thousands)	Percentage of total shares in issued
JPMorgan Asset Management (Japan) Limited.	2,771	2.51%
JPMorgan Asset Management (UK) Limited *4	1,042	0.94
J.P. Morgan Whitefriars Inc. *5	889	0.81
J.P. Morgan Securities Ltd. *6	980	0.89
Total	5,682	5.11%

*4, 5, 6 The number of shares and percentage of total shares in issued held by JP Morgan Asset Management (UK) Limited, J.P. Morgan Whitefriars Inc. and J.P. Morgan Securities Ltd. include the potential shares.

(d) AllianceBernstein L.P. and AllianceBernstein Japan Ltd. jointly filed an amended report as required under Japanese regulations on December 6, 2010 that shows their share holdings of the Company as of November 30, 2010. The reported number of shares held is not able to be confirmed substantially against the list of shareholders as of December 31, 2010.

Name	Number of shares held (in thousands)	Percentage of total shares in issued
AllianceBernstein L.P.	7,250	6.58%
AllianceBernstein Japan Ltd.	1,392	1.26
Total	8,643	7.84%

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(e) FIL Investments (Japan) Limited and FMR LLC jointly filed an amended report as required under Japanese regulations on December 14, 2010 that shows their share holdings of the Company as of December 7, 2010. The reported number of shares held is not able to be confirmed substantially against the list of shareholders as of December 31, 2010.

Name	Number of shares held (in thousands)	Percentage of total shares in issued
FIL Investments (Japan) Limited	5,746	5.21%
FMR LLC	9,600	8.71
Total	15,347	13.92%

8. Information of the Directors and the Executive Officers

After filing Form 20-F for the fiscal year ended March 31, 2010, to the filing date of this Form 6-K, the personnel changes of the directors and the executive officers are as follows;

(1) Information of Executive officer

(a) Newly appointed Executive officer

Name	Title	Areas of duties	Title	Term	Shareholdings (in thousands)	Ingoing day
Eiji Mitani	Corporate Senior Vice President	Deputy Head of Domestic Sales Administrative Headquarters: Head of Kinki Sales Group Osaka Deputy Representative	September 23, 1953	*1	1	January 1, 2011
Hideto Nishitani	Executive officer	Deputy President, ORIX USA Corporation	March 2, 1960	*1	1	January 1, 2011

*Note: 1. The term will be continued until the conclusion of the first board of directors meeting after the conclusion of the meeting of shareholders for the fiscal year ended March 31, 2011.

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(b) Ex- Executive officer

Name	Title	Areas of duties	The day of retirement
Yuki Oshima	Executive Officer	Chairman, ORIX USA Corporation	December 31, 2010
Hiroshi Yasuda	Executive Officer	Deputy Head of Real Estate Headquarters	December 31, 2010
Katsunobu Kamei	Executive Officer	Domestic Sales Administrative Headquarters: Head of Kinki Sales, Group Osaka Deputy Representative	December 31, 2010
Kenichi Miyauchi	Executive Officer	Deputy Head of Risk Management Headquarters	December 31, 2010

(2) Changes of Position

Name	New Position	Ex-Position	The day of changes
Makoto Inoue	Director	Director	January 1, 2011
	Representative Executive Officer	Deputy President	
	President and Chief Operating Officer	Investment Banking Head of Global Business & Alternative Investment Headquarters	
	Director	Director	October 1, 2010
	Deputy President	Deputy President	
	Investment Banking Head of Global Business & Alternative Investment Headquarters	Head of Global Business & Alternative Investment Headquarters	
Haruyuki Urata	Director	Director	January 1, 2011
	Representative Executive Officer	Deputy President and Chief Financial Officer	
	Deputy President and Chief Financial Officer	Corporate Planning Department	
	Corporate Planning Department	Corporate Communications Department	
	Corporate Communications Department	Financial Control Headquarters	
	Financial Control Headquarters		
Yukio Yanase	Director	Director	January 1, 2011
	Vice Chairman	Representative Executive Officer	
		President and Chief Operating Officer	
Hiroaki Nishina	Director	Deputy President	October 1, 2010
	Deputy President	Group Corporate Sales Administrative Headquarters	

Group Corporate Sales Administrative Headquarters	Investment Banking Headquarters
Group Osaka Representative	Group Osaka Representative

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Name	New Position	Ex-Position	The day of changes
Mitsuo Nishiumi	Corporate Senior Vice President	Corporate Senior Vice President	January 1, 2011
	Head of Investment Banking Headquarters	Head of Investment Banking Headquarters	
		Head of Securitization and Capital Markets Office	
Katsutoshi Kadowaki	Corporate Senior Vice President	Executive Officer	January 1, 2011
	Deputy Head of Domestic Sales Administrative Headquarters: Head of District Sales	Domestic Sales Administrative Headquarters: Head of District Sales	
Hideo Ichida	Executive Officer	Executive Officer	January 1, 2011
	Head of Global Business & Alternative Investment Headquarters	Deputy Head of Global Business & Alternative Investment Headquarters	
Hiroshi Yasuda	Executive Officer	Executive Officer	October 1, 2010
	Deputy Head of Real Estate Headquarters	Deputy Head of Investment Banking Headquarters	

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9. Financial Information

(1) Condensed Consolidated Balance Sheets (Unaudited)

	Millions of yen	
Assets	**December 31, 2010**	**March 31, 2010**
Cash and Cash Equivalents	¥ 608,352	¥ 639,087
Restricted Cash	118,467	77,486
Time Deposits	1,987	548
Investment in Direct Financing Leases	844,972	756,481
Installment Loans	3,078,909	2,464,251
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses	(165,708)	(157,523)
Investment in Operating Leases	1,234,967	1,213,223
Investment in Securities	1,125,650	1,104,158
Other Operating Assets	237,340	186,396
Investment in Affiliates	396,689	409,711
Other Receivables	200,813	210,521
Inventories	141,842	153,256
Prepaid Expenses	49,003	45,420
Office Facilities	103,331	96,831
Other Assets	552,744	539,954
Total Assets	¥ 8,529,358	¥ 7,739,800

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
	December 31, 2010
Cash and Cash Equivalents	¥ 13,205
Investment in Direct Financing Leases (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	245,524
Installment Loans (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	872,737
Investment in Operating Leases	187,875
Investment in Securities	28,437
Investment in Affiliates	16,759
Others	123,608
	¥ 1,488,145

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Liabilities and Equity	Millions of yen December 31, 2010	March 31, 2010
Liabilities:		
Short-Term Debt	¥ 483,205	¥ 573,565
Deposits	1,025,393	853,269
Trade Notes, Accounts Payable and Other Liabilities	305,810	311,113
Accrued Expenses	106,908	101,917
Policy Liabilities	395,971	409,957
Current and Deferred Income Taxes	166,678	183,674
Security Deposits	125,033	125,479
Long-Term Debt	4,581,350	3,836,270
Total Liabilities	7,190,348	6,395,244
Redeemable Noncontrolling Interests	22,046	28,095
Commitments and Contingent Liabilities		
Equity:		
Common Stock	143,953	143,939
Additional Paid-in Capital	179,154	178,661
Retained Earnings	1,124,573	1,104,779
Accumulated Other Comprehensive Income (Loss)	(102,696)	(79,459)
Treasury Stock, at Cost	(49,219)	(49,236)
ORIX Corporation Shareholders' Equity	1,295,765	1,298,684
Noncontrolling Interests	21,199	17,777
Total Equity	1,316,964	1,316,461
Total Liabilities and Equity	¥ 8,529,358	¥ 7,739,800

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:

	Millions of yen December 31, 2010
Short-Term Debt	¥ 2,141
Trade Notes, Accounts Payable and Other Liabilities	12,275
Security Deposits	7,208
Long-Term Debt	1,180,303
Others	8,594
	¥ 1,210,521

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(2) Condensed Consolidated Statements of Income (Unaudited)

	Millions of yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Revenues:		
Direct financing leases	¥ 37,694	¥ 38,188
Operating leases	205,658	212,074
Interest on loans and investment securities	102,967	127,680
Brokerage commissions and net gains on investment securities	12,315	14,014
Life insurance premiums and related investment income	83,965	86,393
Real estate sales	35,613	23,426
Gains on sales of real estate under operating leases	2,310	1,945
Other operating revenues	200,065	202,466
Total revenues	680,587	706,186
Expenses:		
Interest expense	62,876	94,057
Costs of operating leases	143,640	141,445
Life insurance costs	67,183	65,649
Costs of real estate sales	34,872	25,768
Other operating expenses	111,681	120,075
Selling, general and administrative expenses	166,795	153,059
Provision for doubtful receivables and probable loan losses	48,813	18,898
Write-downs of long-lived assets	3,464	5,586
Write-downs of securities	10,279	18,015
Foreign currency transaction loss (gain), net	1,336	(133)
Total expenses	650,939	642,419
Operating Income	29,648	63,767
Equity in Net Income of Affiliates	177	9,237
Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, Net	6,069	1,563
Income before Income Taxes and Discontinued Operations	35,894	74,567
Provision for Income Taxes	14,898	28,497
Income from Continuing Operations	20,996	46,070
Discontinued Operations:		
Income from discontinued operations, net	13,700	11,190
Provision for income taxes	(4,855)	(4,676)
Discontinued operations, net of applicable tax effect	8,845	6,514
Net Income	29,841	52,584
Net Income Attributable to the Noncontrolling Interests	566	185

Net Income Attributable to the Redeemable Noncontrolling Interests	1,842	1,601
Net Income Attributable to ORIX Corporation	¥ 27,433	¥ 50,798

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	Millions of yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Income attributable to ORIX Corporation:		
Income from continuing operations	¥ 18,687	¥ 44,321
Discontinued operations	8,746	6,477
Net income attributable to ORIX Corporation	27,433	50,798

	Yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Amounts per Share of Common Stock for Income attributable to ORIX Corporation:		
Basic:		
Income from continuing operations	¥ 186.44	¥ 412.34
Discontinued operations	87.26	60.26
Net income attributable to ORIX Corporation	273.70	472.60
Diluted:		
Income from continuing operations	¥ 161.46	¥ 349.43
Discontinued operations	71.80	49.08
Net income attributable to ORIX Corporation	233.26	398.51

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	Millions of yen	
	Three months ended December 31, 2009	Three months ended December 31, 2010
Revenues:		
Direct financing leases	¥ 12,186	¥ 13,373
Operating leases	68,795	71,222
Interest on loans and investment securities	29,142	39,987
Brokerage commissions and net gains on investment securities	1,805	2,753
Life insurance premiums and related investment income	26,776	26,745
Real estate sales	14,606	4,007
Gains on sales of real estate under operating leases	56	1,507
Other operating revenues	70,808	70,384
Total revenues	224,174	229,978
Expenses:		
Interest expense	19,674	29,468
Costs of operating leases	47,379	46,785
Life insurance costs	20,743	20,877
Costs of real estate sales	14,178	7,140
Other operating expenses	38,254	40,608
Selling, general and administrative expenses	56,858	54,377
Provision for doubtful receivables and probable loan losses	9,339	5,172
Write-downs of long-lived assets	3,166	1,849
Write-downs of securities	4,194	6,047
Foreign currency transaction loss (gain), net	986	(270)
Total expenses	214,771	212,053
Operating Income	9,403	17,925
Equity in Net Income of Affiliates	4,715	3,249
Gains (Losses) on Sales of Subsidiaries and Affiliates and Liquidation Losses, net	(224)	1,224
Income before Income Taxes and Discontinued Operations	13,894	22,398
Provision for Income Taxes	5,787	8,468
Income from Continuing Operations	8,107	13,930
Discontinued Operations:		
Income from discontinued operations, net	2,052	5,993
Provision for income taxes	(806)	(2,457)
Discontinued operations, net of applicable tax effect	1,246	3,536
Net Income	9,353	17,466
Net Income Attributable to the Noncontrolling Interests	1,307	20
Net Income Attributable to the Redeemable Noncontrolling Interests	763	701
Net Income Attributable to ORIX Corporation	¥ 7,283	¥ 16,745

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	Millions of yen	
	Three months ended December 31, 2009	Three months ended December 31, 2010
Income attributable to ORIX Corporation:		
Income from continuing operations	¥ 6,132	¥ 13,209
Discontinued operations	1,151	3,536
Net income attributable to ORIX Corporation	7,283	16,745

	Yen	
	Three months ended December 31, 2009	Three months ended December 31, 2010
Amounts per Share of Common Stock for Income attributable to ORIX Corporation:		
Basic:		
Income from continuing operations	¥ 57.06	¥ 122.89
Discontinued operations	10.71	32.89
Net income attributable to ORIX Corporation	67.77	155.78
Diluted:		
Income from continuing operations	¥ 49.93	¥ 104.52
Discontinued operations	8.90	27.30
Net income attributable to ORIX Corporation	58.83	131.82

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

	Millions of yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Net Income	¥ 29,841	¥ 52,584
Other comprehensive income (loss), net of tax:		
Net change of unrealized gains (losses) on investment in securities	12,834	5,405
Net change of defined benefit pension plans	605	150
Net change of foreign currency translation adjustments	(12,939)	(29,251)
Net change of unrealized gains (losses) on derivative instruments	(1,548)	(129)
Total other comprehensive income (loss)	(1,048)	(23,825)
Comprehensive Income	28,793	28,759
Comprehensive Income (Loss) Attributable to the Noncontrolling Interests	(377)	(676)
Comprehensive Income (Loss) Attributable to the Redeemable Noncontrolling Interests	148	(1,528)
Comprehensive Income Attributable to ORIX Corporation	¥ 29,022	¥ 30,963

	Millions of yen	
	Three months ended December 31, 2009	Three months ended December 31, 2010
Net Income	¥ 9,353	¥ 17,466
Other comprehensive income (loss), net of tax:		
Net change of unrealized gains (losses) on investment in securities	(234)	4,916
Net change of defined benefit pension plans	112	(1)
Net change of foreign currency translation adjustments	5,064	(5,748)
Net change of unrealized gains (losses) on derivative instruments	(482)	(640)
Total other comprehensive income (loss)	4,460	(1,473)
Comprehensive Income	13,813	15,993
Comprehensive Income (Loss) Attributable to the Noncontrolling Interests	1,311	(141)
Comprehensive Income Attributable to the Redeemable Noncontrolling Interests	1,323	45
Comprehensive Income Attributable to ORIX Corporation	¥ 11,179	¥ 16,089

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

Nine months ended December 31, 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							3,820	3,820
Transaction with noncontrolling interests		197		4		201	(1,963)	(1,762)
Comprehensive income (loss)								
Net income			50,798			50,798	185	50,983
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment in securities				5,347		5,347	58	5,405
Net change of defined benefit pension plans				150		150	0	150
Net change of foreign currency translation adjustments				(25,189)		(25,189)	(933)	(26,122)
Net change of unrealized gains (losses) on derivative instruments				(143)		(143)	14	(129)
Total other comprehensive income (loss)						(19,835)	(861)	(20,696)
Comprehensive income (loss)						30,963	(676)	30,287
Cash dividends			(8,061)			(8,061)	(1,992)	(10,053)
Conversion of convertible bond	3	3				6		6
Exercise of stock options	11	11				22		22
Compensation cost of stock options		142				142		142
Acquisition of treasury stock					(1)	(1)		(1)
Other, net		140	(448)		18	(290)		(290)
Ending balance	¥ 143,953	¥ 179,154	¥ 1,124,573	¥ (102,696)	¥ (49,219)	¥ 1,295,765	¥ 21,199	¥ 1,316,964

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Nine months ended December 31, 2009

	Millions of yen							
	ORIX Corporation Shareholders Equity							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total ORIX Corporation Shareholders Equity	Noncontrolling Interests	Total Equity
Beginning Balance	¥ 102,216	¥ 136,313	¥ 1,071,919	¥ (92,384)	¥ (50,534)	¥ 1,167,530	¥ 18,067	¥ 1,185,597
Issuance of common stock	41,677	41,347				83,024		83,024
Contribution to subsidiaries							2,069	2,069
Transaction with noncontrolling interests		12		(387)		(375)	142	(233)
Adjustments to apply Contracts in entity s own equity			1,758			1,758		1,758
Comprehensive income (loss)								
Net income			27,433			27,433	566	27,999
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment in securities				12,832		12,832	2	12,834
Net change of defined benefit pension plans				612		612	(7)	605
Net change of foreign currency translation adjustments				(10,318)		(10,318)	(927)	(11,245)
Net change of unrealized gains (losses) on derivative instruments				(1,537)		(1,537)	(11)	(1,548)
Total other comprehensive income (loss)						1,589	(943)	646
Comprehensive income (loss)						29,022	(377)	28,645
Cash dividends			(6,261)			(6,261)	(836)	(7,097)
Conversion of convertible bond	6	6				12		12
Compensation cost of stock options		511				511		511
Acquisition of treasury stock					(2)	(2)		(2)
Disposal of treasury stock			(531)		821	290		290
Other, net		736	177		155	1,068		1,068
Ending balance	¥ 143,899	¥ 178,925	¥ 1,094,495	¥ (91,182)	¥ (49,560)	¥ 1,276,577	¥ 19,065	¥ 1,295,642

*

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

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

	Millions of yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Cash Flows from Operating Activities:		
Net income	¥ 29,841	¥ 52,584
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	126,945	126,181
Provision for doubtful receivables and probable loan losses	48,813	18,898
Decrease in policy liabilities	(33,403)	(13,986)
Equity in net (income) loss of affiliates (excluding interest on loans)	1,027	(7,622)
Gains on sales of subsidiaries and affiliates and liquidation losses, net	(6,069)	(1,563)
Gains on sales of available-for-sale securities	(5,128)	(4,876)
Gains on sales of real estate under operating leases	(2,310)	(1,945)
Gains on sales of operating lease assets other than real estate	(5,632)	(7,300)
Write-downs of long-lived assets	3,464	5,586
Write-downs of securities	10,279	18,015
Decrease (increase) in restricted cash	931	(8,601)
Increase in trading securities	(29,363)	(34,354)
Decrease (increase) in inventories	24,866	(1,850)
Decrease (increase) in other receivables	(1,223)	6,400
Decrease in trade notes, accounts payable and other liabilities	(58,750)	(13,589)
Other, net	(5,239)	(30,064)
Net cash provided by operating activities	99,049	101,914

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	Millions of yen Nine months ended December 31, 2009	Millions of yen Nine months ended December 31, 2010
Cash Flows from Investing Activities:		
Purchases of lease equipment	(276,722)	(412,727)
Principal payments received under direct financing leases	257,496	284,104
Net proceeds from securitization of lease receivables, loan receivables and securities	18,183	
Installment loans made to customers	(445,595)	(529,732)
Principal collected on installment loans	703,797	819,086
Proceeds from sales of operating lease assets	90,951	108,763
Investment in affiliates, net	(11,044)	12,707
Proceeds from sales of investment in affiliates	12,530	1,283
Purchases of available-for-sale securities	(286,432)	(584,736)
Proceeds from sales of available-for-sale securities	143,984	266,074
Proceeds from redemption of available-for-sale securities	101,671	247,404
Purchases of held-to-maturity securities	(43,748)	
Purchases of other securities	(10,384)	(27,965)
Proceeds from sales of other securities	19,646	18,883
Purchases of other operating assets	(3,234)	(9,546)
Acquisitions of subsidiaries, net of cash acquired	(10,218)	(21,545)
Sales of subsidiaries, net of cash disposed	126,721	9,107
Other, net	8,618	(9,942)
Net cash provided by investing activities	396,220	171,218
Cash Flows from Financing Activities:		
Net decrease in debt with maturities of three months or less	(54,548)	(53,915)
Proceeds from debt with maturities longer than three months	734,902	1,128,316
Repayment of debt with maturities longer than three months	(1,195,556)	(1,469,807)
Net increase in deposits due to customers	139,477	126,241
Issuance of common stock	83,024	22
Cash dividends paid to ORIX Corporation shareholders	(6,261)	(8,061)
Cash dividends paid to redeemable noncontrolling interests		(5,961)
Net increase (decrease) in call money	21,600	(8,000)
Other, net	986	(3,208)
Net cash used in financing activities	(276,376)	(294,373)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,932	(9,494)
Net Increase (Decease) in Cash and Cash Equivalents	220,825	(30,735)
Cash and Cash Equivalents at Beginning of Year	459,969	639,087
Cash and Cash Equivalents at End of Period	¥ 680,794	¥ 608,352

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

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Notes to Consolidated Financial Statements

1. Overview of Accounting Principles Utilized

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

These statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to present a fair statement of our results of operations, financial position and cash flows. The results reported in these condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. 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, 2010 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 for by 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 are tested at least annually for impairment.

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

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(e) Accounting for pension plans

Under U.S. GAAP, the Company and its subsidiaries apply ASC 715 (Compensation- Retirement Benefits) and record pension costs based on the amounts determined using actuarial methods. The net actuarial 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. Prior periods consolidated financial statements are not reclassified.

(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) Comprehensive income

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

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

(i) 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 that 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 that retains 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. On the other hand, in a transaction that results in the loss of control, only the realized gain or loss related to the portion of ownership interest sold is recognized in income but the gain or loss on the remeasurement to fair value of the interest retained is not recognized.

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(j) 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.

(k) 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 (see Note2 (ae)), 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 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 to be not 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.

2. Significant Accounting and Reporting Policies

(a) Principles of consolidation

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

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

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

(b) Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company has identified ten areas where it believes assumptions and estimates are particularly critical to the financial statements. These are the selection of valuation techniques and determination of assumptions used in fair value measurements (see Note 3), the determination and periodic reassessment of the unguaranteed residual value for direct financing leases and operating leases (see (d)), the determination and reassessment of insurance policy liabilities and deferred policy acquisition costs (see (e)), the determination of the allowance for doubtful receivables on direct financing leases and probable loan losses (see (f)), the determination of impairment of long-lived assets (see (g)), the determination of impairment of investment in securities (see (h)), the determination of valuation allowance for deferred tax assets and the evaluation of tax positions (see (i)), assessment and measurement of effectiveness in hedging relationship using derivative financial instruments (see (k)), the determination of benefit obligation and net periodic pension cost (see (l)) and the determination of impairment of goodwill and intangible assets not subject to amortization (see (w)).

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(c) Foreign currencies translation

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

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

(d) Recognition of revenues

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

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

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

(1) Recognition of revenues for direct financing leases

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

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(2) Recognition of revenues for operating leases

Revenues from operating leases are recognized on a straight-line basis over the contract terms. Investment in operating leases is stated at cost less accumulated depreciation, which was ¥397,188 million and ¥399,747 million at December 31, 2010 and March 31, 2010, respectively. Operating lease assets are depreciated over their estimated useful lives mainly on a straight-line basis. Depreciation costs are included in costs of operating leases. Gains or losses arising from dispositions of operating lease assets, except real estate operating leases, are included in operating lease revenues. With respect to some sales of real estate under operating leases such as commercial buildings, the Company or its subsidiaries may retain an interest in some cash flows from the real estate in the form of management or operation of the real estate. Where the Company or its subsidiaries have significant continuing involvement in the operations from the real estate under operating leases which have been disposed of, the gains or losses arising from such disposition are separately disclosed as gains on sales of real estate under operating leases, whereas if the Company or its subsidiaries have no significant continuing involvement in the operations from such disposed real estate, the gains or losses are reported as income from discontinued operations, net.

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

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

Interest payments received on impaired loans 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 impairment.

Non-accrual policy Past-due financing receivables are receivables 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 or 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 and historical loss experience, delinquencies and accruals. Accrued but uncollected interest is reclassified to investment in installment loans or direct financing leases in the accompanying consolidated balance sheets and becomes subject to the allowance for doubtful receivables and probable loan loss process. Cash repayments received on non-accrual loans are applied first against past due interest and then any surpluses are applied to principal in view of the conditions of the contract and obligors. The Company and its subsidiaries return to accrual status on installment loans and direct financing loans when it is certain that the Company and its subsidiaries can collect amounts due on installment loans and direct financing leases due to continual payments from the debtors.

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

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

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(e) Insurance premiums and expenses

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

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

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

Amortization charged to income for the nine months ended December 31, 2009 and 2010 amounted to ¥8,317 million and ¥7,015 million, respectively.

Amortization charged to income for the three months ended December 31, 2009 and 2010 amounted to ¥2,364 million and ¥2,098 million, respectively.

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

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

Developing the allowance for doubtful receivables on direct financing leases and probable loan losses is subject to numerous estimates and judgments. In evaluating the adequacy of the allowance, management considers various factors, including nature and characteristics of the obligors, current economic conditions and trends, prior charge-off experience, current delinquencies and delinquency trends, future cash flows expected to be received from the direct financing leases and loans and value of underlying collateral and guarantees. A valuation allowance for impaired 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. 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 segmenting by debtors industries and purpose of the loans, and the Company and its subsidiaries develop the allowance for doubtful receivables on direct financing leases and probable loan considering the prior charge-off experience and current economic conditions.

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

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(g) Impairment of long-lived assets

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

(h) Investment in securities

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

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

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

Other securities are recorded at cost or carrying value that reflects equity income and loss based on the investor s share.

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

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

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

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(i) Income taxes

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

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

The effective income tax rates including discontinued operations are 39.8% and 38.7% for the nine months ended December 31, 2009 and 2010, respectively. These rates are 41.3% and 38.5% for the three months ended December 31, 2009 and 2010, respectively. The Company and its subsidiaries in Japan are subject to a National Corporate tax of 30%, an Inhabitant tax of approximately 6% and a deductible Enterprise tax of approximately 8%, which in the aggregate resulted in a statutory income tax rate of approximately 40.9%. The effective income tax rate is different from the statutory tax rate primarily because of certain non-deductible expenses for tax purposes, a change in valuation allowance and the effect of lower income tax rates on foreign subsidiaries and a life insurance subsidiary in Japan.

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

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(j) Securitized assets

The Company and its subsidiaries have securitized and sold to investors certain lease receivables, loan receivables and investment in securities. In the securitization process, the assets to be securitized (the assets) are sold to trusts and special-purpose entities that issue asset-backed beneficial interests and securities to the investors. Until the end of the previous fiscal year, certain trusts and special-purpose entities that met the conditions of a qualifying special-purpose entity (QSPEs) were not consolidated under the previous consolidation guidance for variable interest entities (VIEs) and the Company and its subsidiaries had accounted for those securitization transactions in which the financial assets were transferred to QSPEs as a sale when control over the transferred assets was surrendered. When the Company and its subsidiaries sold the assets in a securitization transaction, the carrying value of the assets was allocated to the portion sold and the portion that continues to be held, based on relative fair values. The Company and its subsidiaries recognize gains or losses for the difference between the net proceeds received and the allocated carrying value of the assets sold. Any gain or loss from a securitization transaction is recorded as revenue of direct financing leases, interest on loans and investment securities, or brokerage commissions and net gains on investment securities. Interests that continue to be held include senior interests, subordinated interests and cash reserve account. Interests that continue to be held are initially recorded at allocated carrying value of the assets based on their respective fair values and are periodically reviewed for impairment. For an interest that continues to be held for which the fair value is less than the amortized cost basis amounts, we estimate the present value of cash flows expected to be collected from the interest and compare it with the amortized cost basis of the interest to determine whether a credit loss exists. If, based on current information and events, we determine a credit loss exists for that interest, an other-than-temporary impairment is considered to have occurred. We write down that interest to fair value with the credit loss component of the impairment recognized in earnings and the noncredit component recorded in other comprehensive income (loss), unless we intend to sell that interest or more likely than not will be required to sell that interest before recovery of its amortized cost basis less any current-period credit loss, in which case the entire impairment loss would be charged to earnings. Fair values of interests that continue to be held are estimated by determining the present value of future expected cash flows based on management s estimates of key assumptions, including expected credit loss rate, discount rate and prepayment rate.

From April 1, 2010, the Company and its subsidiaries have adopted Accounting Standards Update 2009-16 (ASC 860 (Transfers and Servicing)) and 2009-17 (ASC 810 (Consolidation)), which have removed the exemption from consolidation previously given to QSPEs and any SPEs for securitizing financial assets have become subject to the consolidation rule for VIEs (see (ae)). As a result, trusts or SPEs used in securitization transactions of which the Company and its subsidiaries are the primary beneficiary, which were previously considered to be QSPEs, have been consolidated, and the transfers of the financial assets to those consolidated trusts and SPEs are not accounted for as sales. Assets held by consolidated trusts or consolidated SPEs continue to be accounted for as direct financing lease receivables, loan receivable and investment securities, as they were before the transfer, and asset-backed beneficial interests and securities issued to the investors are accounted for as debt. In case the Company and its subsidiaries have transferred financial assets to a transferee which is not subject to consolidation, the Company and its subsidiaries account for the transfer as a sale when control over the transferred assets is surrendered.

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(k) Derivative financial instruments

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

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

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

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

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

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

(l) Pension plans

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

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

(m) Stock-based compensation

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

(n) Stock splits

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

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

In the United States, stock splits in comparable circumstances are considered to be stock dividends and are accounted for by transferring from retained earnings to common stock and additional paid-in capital amounts equal to the fair market value of the shares issued. Common stock is increased by the par value of the shares and additional paid-in capital is increased by the excess of the market value over par value of the shares issued. Had such stock splits made prior to October 1, 2001 been accounted for in this manner, additional paid-in capital as of December 31, 2010 would have increased by approximately ¥24,674 million, with a corresponding decrease in retained earnings. Total ORIX Corporation shareholders equity would remain unchanged. A stock split on May 19, 2000 was excluded from the above amounts because the stock split was not considered to be a stock dividend under U.S.GAAP.

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(o) Cash and cash equivalents

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

(p) Restricted cash

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

(q) Installment loans

Certain loans, which the Company and its subsidiaries have the intent and ability to sell to outside parties in the foreseeable future, are considered held-for-sale and are carried at the lower of cost or market value determined on an individual basis. These loans held for sale are included in installment loans and the outstanding balances of these loans as of December 31, 2010 are ¥4,433 million but there were no such loans as of March 31, 2010.

(r) Other operating assets

Other operating assets consist primarily of operating facilities (including golf courses, hotels, training facilities and senior housing), which are stated at cost less accumulated depreciation, and depreciation is calculated mainly on a straight-line basis over the estimated useful lives of the assets. Accumulated depreciation was ¥36,119 million and ¥31,650 million as of December 31, 2010 and March 31, 2010, respectively.

(s) Other receivables

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

(t) Inventories

Inventories consist primarily of advance and/or progress payments for development of residential condominiums for sale and completed residential condominiums (including completed residential condominiums waiting to be delivered to buyers under the contracts for sale). Advance and/or progress payments for development of residential condominiums for sale are carried at cost less any impairment losses and finished goods (including completed residential condominiums) are stated at the lower of cost or market. As of December 31, 2010 and March 31, 2010, advance and/or progress payments were ¥127,326 million and ¥115,285 million, respectively, and finished goods were ¥14,516 million and ¥37,971 million, respectively.

For the nine months ended December 31, 2009 and 2010, a certain subsidiary recorded ¥835 million and ¥2,998 million of write-downs principally for advance and/or progress payments for development of residential condominiums for sale, resulting from an increase in development costs. The amount of write-downs for the three months ended December 31, 2009 and 2010 were ¥760 million and ¥2,548 million, respectively. These write-downs were recorded in costs of real estate sales and included in the Real Estate segment.

(u) Office facilities

Office facilities are stated at cost less accumulated depreciation. Depreciation is calculated on a declining-balance basis or straight-line basis over the estimated useful lives of the assets. Accumulated depreciation was ¥38,824 million and ¥37,319 million as of December 31, 2010 and March 31, 2010, respectively.

(v) Other assets

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

(w) Goodwill and other intangible assets

The Company and its subsidiaries have followed ASC 805 (Business Combinations) and ASC 350 (Intangibles Goodwill and Other). ASC 805 requires that all business combinations be accounted for using the acquisition method. ASC 805 also requires that intangible assets acquired in a business combination be recognized apart from goodwill if the intangible assets meet one of two criteria either the contractual-legal criterion or the separability criterion.

ASC 350 establishes how intangible assets (other than those acquired in a business combination) should be accounted for upon acquisition. It also addresses how goodwill and other intangible assets should be accounted for subsequent to their acquisition. Both goodwill and intangible assets that have indefinite useful lives are not amortized but tested at least annually for impairment. The Company and its subsidiaries test the goodwill either at the operating segment level or one level below the operating segments. Intangible assets with finite lives are amortized over their useful lives and tested for impairment in accordance with ASC 360-10 (Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets).

The amount of goodwill is ¥72,162 million and ¥71,074 million as of December 31, 2010 and March 31, 2010, respectively.

(x) Trade notes, accounts payable and other liabilities

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

(y) Capitalization of interest costs

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

(z) Advertising

The costs of advertising are expensed as incurred.

(aa) Discontinued operations

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

(ab) Earnings per share

Basic earnings per share is computed by dividing income from continuing operations attributable to ORIX Corporation and net income attributable to ORIX Corporation by the weighted average number of shares of common stock outstanding in each period and diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Earnings per share is adjusted for any stock splits and stock dividends retroactively.

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

(ac) Redeemable noncontrolling interests

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

(ad) Issuance of stock by an affiliate

When an affiliate issues stocks to unrelated third parties, the Company and its subsidiaries' ownership interest in the affiliate decreases. In the event that the price per share is more or less than the Company and its subsidiaries' average carrying amount per share, the Company and its subsidiaries 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.

(ae) New accounting pronouncements

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

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

- The power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance
- The obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity.

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

These Updates are effective as of the beginning of the fiscal year that begins after November 15, 2009, for interim periods within that fiscal year, and for fiscal years and interim periods thereafter. The Company and its subsidiaries adopted these Updates on April 1, 2010. The effects of adopting these Updates on the Company and its subsidiaries financial conditions at the initial adoption date was an increase of ¥1,147 billion on total assets, an increase of ¥1,169 billion on total liabilities and a decrease of ¥22 billion on retained earnings, net of tax, respectively, in the consolidated balance sheets. For more information, see Note 7 Variable Interest Entities .

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

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

- That has all the attributes of an investment company or
- For which it is industry practice to apply measurement principles for financial reporting purposes that are consistent with those followed by investment companies.

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

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In July 2010, Accounting Standards Update 2010-20 (Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit losses ASC 310 (Receivables)) was issued. This Update enhances disclosures about the credit quality of financing receivables and the allowance for credit losses, by requiring an entity to provide disaggregated information by portfolio segment or class of financial receivables, credit quality indicators, past due information, and information about modifications of its financing receivables, and other information. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010 and the Company and its subsidiaries adopted these disclosure requirements for the period ended December 31, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The adoption of this Update has and will have no effect on the Company and its subsidiaries results of operations or financial position. The Company and its subsidiaries adopted Accounting Standards Update 2011-01 (Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No.2010-20 ASC 310 (Receivables)). This Update delays the effective date of the disclosures about troubled debt restructurings in Update 2010-20.

In October 2010, Accounting Standards Update 2010-26 (Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts ASC 944 (Financial Services Insurance)) was issued.

This Update modifies the current definition of the types of costs relating to the acquisition of new and renewal insurance contracts that can be deferred as deferred acquisition costs, and specifies that only certain costs related directly to the successful acquisition of new or renewal insurance contracts should be deferred. In accordance with the amendment in this Update, the advertising cost which does not meet certain capitalization criteria, and the cost relating to unsuccessful contract acquisition should be charged to expense as incurred.

The Update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. Retrospective application to all prior periods presented upon the date of adoption, and early adoption are permitted. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries results of operations and financial position.

In December 2010, Accounting Standards Update 2010-28 (When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts ASC 350 (Goodwill and Other)) was issued.

This Update modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For these reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. Any resulting goodwill impairment should be recorded as a cumulative effect adjustment to beginning retained earnings in the period of adoption. Any goodwill impairments of occurring after the initial adoption of the Update should be included in earnings.

The Update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2010. Early adoption is not permitted.

The adoption will not have a material effect on the Company and its subsidiaries consolidated results of operations or financial position.

In December 2010, Accounting Standards Update 2010-29 (Disclosure of Supplementary Pro Forma Information for Business Combinations ASC 805 (Business Combinations)) was issued.

This Update specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only.

The Update is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted.

The adoption of this Update on disclosure requirements will have no effect on the Company and its subsidiaries results of operations or financial position.

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3. Fair Value Measurements

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

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

Level 1 Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities

that the reporting entity has the ability to access at the measurement date.

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

Level 3 Unobservable inputs for the assets or liabilities.

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

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

December 31, 2010

	Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	**Quoted Prices in Active Markets for Identical assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial Assets:				
Trading securities	¥ 75,720	¥ 330	¥ 75,390	¥
Available-for-sale securities	848,545	132,840	415,667	300,038
Japanese and foreign government bond securities	188,483	69,980	118,503	
Japanese prefectural and foreign municipal bond securities	28,129		28,129	
Corporate debt securities	253,531		250,883	2,648
Specified bonds issued by SPEs in Japan	209,259			209,259
CMBS and RMBS in the U.S., and other asset-backed securities	91,309		3,178	88,131
Equity securities	77,834	62,860	14,974	
Other securities	11,158		11,158	
Investment funds	11,158		11,158	
Derivative assets	30,396	1,841	27,439	1,116
Interest rate swap agreements	2,834		2,834	
Options held/written, caps held, and other	1,307		269	1,038
Futures, foreign exchange contracts	7,626	1,841	5,785	
Foreign currency swap agreements	18,533		18,533	
Credit derivatives held/written	96		18	78
	¥ 965,819	¥ 135,011	¥ 529,654	¥ 301,154
Financial Liabilities:				
Derivative liabilities	¥ 37,687	¥ 1,015	¥ 36,640	¥ 32
Interest rate swap agreements	1,766		1,766	
Options held/written, caps held, and other	564		564	

Futures, foreign exchange contracts	2,512	1,015	1,497	
Foreign currency swap agreements	32,813		32,813	
Credit derivatives written	32			32
	¥ 37,687	¥ 1,015	¥ 36,640	¥ 32

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March 31, 2010

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

Changes in economic conditions or valuation methodologies may require the transfer of assets and liabilities required to be carried at fair value from one fair value level to another. In such instances, the Company and its subsidiaries recognize the transfer at the beginning of the reporting period. The Company and its subsidiaries evaluate the significance of transfers between levels based upon size of the transfer relative to total assets, total liabilities or net income. For the nine months ended December 31, 2010, there were no significant transfers in or out of Level 1 or 2.

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The following table presents the reconciliation for financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended December 31, 2009 and 2010:

Nine months ended December 31, 2009

	Millions of yen							
		Gains or losses (realized/ unrealized)						
	Balance at March 31, 2009	Included in earnings *1	Included in other comprehensive income	Total	Purchase, sales, and settlements	Transfers in and/ or out of Level 3 (net) *2	Balance at December 31, 2009	Change in unrealized gains or losses included in earnings for assets still held at December 31, 2009 *1
Trading securities	¥ 166	¥	¥ (13)	¥ (13)	¥ 59	¥	¥ 212	¥
Available-for-sale securities	447,859	(4,675)	(6,137)	(10,812)	(40,056)	854	397,845	(3,733)
Corporate debt securities	10,176	(622)	302	(320)	(1,843)	854	8,867	(622)
Specified bonds issued by SPEs in Japan	300,765	1,052	(1,381)	(329)	(46,982)		253,454	(103)
CMBS and RMBS in the U.S., and other asset-backed securities	136,918	(5,105)	(5,058)	(10,163)	8,769		135,524	(3,008)
Investment in affiliates	6,954	(6,954)		(6,954)				
Derivative assets	760	(233)		(233)			527	(233)
Options held/written, caps held	438	(438)		(438)				(438)
Credit derivatives held/written	322	205		205			527	205

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Nine months ended December 31, 2010

	Millions of yen							
		Gains or losses (realized/ unrealized)						
	Balance at March 31, 2010	Included in earnings *1	Included in other comprehensive income	Total	Purchase, sales, and settlements	Transfers in and/ or out of Level 3 (net) *2	Balance at December 31, 2010	Change in unrealized gains or losses included in earnings for assets still held at December 31, 2010 *1
Trading securities	¥ 53	¥ (26)	¥ (2)	¥ (28)	¥ (25)	¥	¥	¥
Available-for-sale securities	401,804	(7,705)	(3,192)	(10,897)	(47,333)	(43,536)	300,038	(7,733)
Corporate debt securities	6,841	10	(66)	(56)	(2,080)	(2,057)	2,648	(23)
Specified bonds issued by SPEs in Japan	246,305	(4,993)	1,491	(3,502)	(41,473)	7,929	209,259	(5,031)
CMBS and RMBS in the U.S., and other asset-backed securities	148,658	(2,722)	(4,617)	(7,339)	(3,780)	(49,408)	88,131	(2,679)
Derivative assets	528	(2,071)		(2,071)		2,659	1,116	(2,071)
Options held/written, caps held, and other		(1,621)		(1,621)		2,659	1,038	(1,621)
Credit derivatives held/written	528	(450)		(450)			78	(450)

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

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

The following table presents the reconciliation for financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended December 31, 2009 and 2010:

Three months ended December 31, 2009

	Millions of yen							
		Gains or losses (realized/ unrealized)						
	Balance at September 30, 2009	Included in earnings *1	Included in other comprehensive income	Total	Purchase, sales, and settlements	Transfers in and/ or out of Level 3 (net) *2	Balance at December 31, 2009	Change in unrealized gains or losses included in earnings for assets still held at December 31, 2009 *1
Trading securities	¥ 208	¥	¥ 2	¥ 2	¥ 2	¥	¥ 212	¥
Available-for-sale securities	400,935	(2,061)	2,932	871	(3,993)	32	397,845	(1,846)
Corporate debt securities	9,195	(475)	532	57	(417)	32	8,867	(562)
Specified bonds issued by SPEs in Japan	259,427	1,260	(30)	1,230	(7,203)		253,454	(1)
CMBS and RMBS in the U.S., and other asset-backed securities	132,313	(2,846)	2,430	(416)	3,627		135,524	(1,283)
Derivative assets	429	98		98			527	98
Credit derivatives held/written	429	98		98			527	98

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Three months ended December 31, 2010

	Millions of yen							
		Gains or losses (realized/ unrealized)						
	Balance at September 30, 2010	Included in earnings *1	Included in other comprehensive income	Total	Purchase, sales, and settlements	Transfers in and/ or out of Level 3 (net) *2	Balance at December 31, 2010	Change in unrealized gains or losses included in earnings for assets still held at December 31, 2010 *1
Trading securities	¥ 24	¥	¥ 1	¥ 1	¥ (25)	¥	¥	¥
Available-for-sale securities	308,955	(922)	(1,971)	(2,893)	(6,024)		300,038	(889)
Corporate debt securities	3,147	(22)	(4)	(26)	(473)		2,648	(23)
Specified bonds issued by SPEs in Japan	213,852	(183)	(148)	(331)	(4,262)		209,259	(215)
CMBS and RMBS in the U.S., and other asset-backed securities	91,956	(717)	(1,819)	(2,536)	(1,289)		88,131	(651)
Derivative assets	3,288	(2,172)		(2,172)			1,116	(2,172)
Options held/written, caps held, other	2,720	(1,682)		(1,682)			1,038	(1,682)
Credit derivatives held/written	568	(490)		(490)			78	(490)

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

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

From April 1, 2010, the Company and its subsidiaries adopted Accounting Standards Update 2009-16 (ASC 860 (Transfers and Servicing)), and Accounting Standards Update 2009-17 (ASC 810 (Consolidation)). As a result, there was an increase of ¥9,225 million in the Level 3 specified bonds issued by SPEs in Japan because these bonds are held by variable interest entities that have become subject to consolidation. On the other hand, there were decreases of ¥49,408 million and ¥1,296 million in the Level 3 CMBS and RMBS in the U.S., and other asset-backed securities and the Level 3 specified bonds issued by SPEs in Japan, respectively, that are held by the Company and its subsidiaries, because these securities were issued by newly consolidated variable interest entities and accordingly have been eliminated in consolidation.

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

December 31, 2010

	Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Unlisted securities	¥ 3,780	¥	¥	¥ 3,780
Real estate collateral-dependent loans (net of allowance for probable loan losses)	122,777			122,777
Investment in operating leases	13,994			13,994
Land and buildings undeveloped or under construction	2,809			2,809
Certain investment in affiliates	2,143			2,143

	¥ 145,503	¥	¥	¥ 145,503

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March 31, 2010

	Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Unlisted securities	¥ 10,138	¥	¥	¥ 10,138
Real estate collateral-dependent loans (net of allowance for probable loan losses)	105,948			105,948
Investment in operating leases	21,174			21,174
Land and buildings undeveloped or under construction	33,978			33,978
Certain investment in affiliates	502		502	
	¥ 171,740	¥	¥ 502	¥ 171,238

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

Real estate collateral-dependent loans

The valuation allowance for large balance non-homogeneous loans is individually evaluated based on the present value of expected future cash flows, the loan s observable market price or the fair value of the collateral securing the loans if the loans are collateral-dependent. According to ASC 820-10 (Fair Value Measurements and Disclosures), a 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. Real estate collateral-dependent loans whose fair values are estimated using an appraisal of the underlying collateral based on techniques other than recent transactions involving sales of similar assets are classified as Level 3 because such techniques involve unobservable inputs.

Investment in operating leases, 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 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. The Company and its subsidiaries classified the assets as Level 3 because such techniques involve unobservable inputs.

Trading securities, Available-for-sale securities and Investment in affiliates

If active market prices are available, a 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, a fair value measurement is based on observable inputs other than quoted prices included within Level 1, such as prices for similar asset and accordingly, these securities are classified as Level 2. If market prices are not available, then fair value is estimated by using valuation models including discounted cash flow methodology and commonly used option-pricing models. Such securities are classified as Level 3, as the valuation models are based on inputs that are unobservable in the market.

The Company and its subsidiaries classified CMBS and RMBS in the United States, as level 3 due to a certain market being inactive. In determining whether a market is active or inactive, the Company and its subsidiaries evaluate various factors such as the lack of recent transactions, price quotations that are not based on current information or vary substantially over time or among market makers, a significant increase in implied risk premium, a wide bid-ask spread, significant decline in new issuances, little or no public information (e.g. a principal-to-principal market) and other factors. With respect to the CMBS and RMBS in the United States, the Company and its subsidiaries judged that the market was inactive because there were few recent transactions and because brokers quotes or pricing evaluation from independent pricing service vendors for these securities were not available. As a result, the Company and its subsidiaries established internally developed pricing models (Level 3 inputs) using valuation techniques such as present value techniques 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.

The Company and its subsidiaries classified the Specified bonds as Level 3 because the Company and its subsidiaries measure their fair value using unobservable inputs. Since the Specified bonds do not trade in an open market, no relevant observable market data is available. Accordingly the Company and its subsidiaries use a discounted cash flow model that incorporates significant unobservable inputs as further discussed below to measure their fair value. When evaluating the specified bonds issued by SPEs, 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 are estimated based on contractual principal and interest repayment schedules on each of the specified bond issued by the SPEs. 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 a discounted cash flow methodology) 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 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 declines when the fair value of the collateral real estate declines and the discount rate rises.

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Investment funds

The fair value is based on the net asset value if the investments meet certain requirements that the investees have all of the attributes specified in ASC 946-10 and the investees calculate the net asset value. These investments are classified as Level 2, because they are not redeemable at the net asset value per share at the measurement date but they are redeemable at the net asset value per share in the near term after the measurement date.

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 methodology. 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.

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

The Company and its subsidiaries adopted Accounting Standards Update 2010-20 (Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses ASC 310 (Receivables)) issued in July 2010. This Update enhances disclosures about the credit quality of financing receivables and the allowance for credit losses, and 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

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.

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The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010.

The Company and its subsidiaries adopted Accounting Standards Update 2011-01 (Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No.2010-20 ASC 310 (Receivables)). This Update delays the effective date of the disclosures about troubled debt restructurings in Update 2010-20.

The following table provides information about the allowance for credit losses as of December 31, 2010:

	December 31, 2010 Millions of yen					
	Loans					
		Corporate				
	Consumer	Non-recourse loans	Other	Purchased loans *	Direct financing leases	Total
Allowance for Credit Losses:						
Ending Balance	¥ 17,772	¥ 31,711	¥ 80,532	¥ 14,464	¥ 21,229	¥ 165,708
Individually Evaluated for Impairment	3,189	24,449	65,703	13,601		106,942
Not Individually Evaluated for Impairment	14,583	7,262	14,829	863	21,229	58,766
Financing receivables:						
Ending Balance	¥ 840,951	¥ 1,013,078	¥ 1,104,858	¥ 115,589	¥ 844,972	¥ 3,919,448
Individually Evaluated for Impairment	8,711	113,080	212,624	30,154		364,569
Not Individually Evaluated for Impairment	832,240	899,998	892,234	85,435	844,972	3,554,879

* 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).

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

- nature and characteristics 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 develop individually 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 segmenting by debtors industries and purpose of the loans, and the Company and its subsidiaries develop the allowance for credit losses considering the prior charge-off experience and 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, an amount of the allowance for credit losses is changed by the variation of individual debtors creditworthiness and value of underlying collateral and guarantees. For loans to corporate other borrowers and direct financing leases, an 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 the prospects for collection from debtors to become minimal. Particularly for non-recourse loans for which cash flow from real estate is the source of repayment, that collection is mainly real estate collateral-dependent, and the real estate value of underlying collateral may decline due to the impaired liquidity of the real estate market, the rise in vacancy rate of rental properties and fall in rents. These risks change the amount of the allowance for credit losses. For purchased loans, that collection may decline due to the decline in the real estate value of underlying collateral and debtors creditworthiness. Thus, these risks 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 considering debtors creditworthiness and the liquidation status of collateral.

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The following table provides information about the impaired loans as of December 31, 2010:

	Class	December 31, 2010 Millions of Yen Loans Individually Evaluated for Impairment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded *1:		¥ 96,366	¥ 96,291	¥
Consumer borrowers	Housing loans	2,325	2,304	
	Other			
Corporate borrowers		94,041	93,987	
Non-recourse loans	Japan	39,923	39,909	
	U.S	6,001	6,001	
Other	Real estate companies	10,627	10,619	
	Entertainment companies	17,825	17,810	
	Other	19,665	19,648	
Purchased loans				
With an allowance recorded *2:		268,203	267,240	106,942
Consumer borrowers	Housing loans	6,386	6,381	3,189
	Other			
Corporate borrowers		231,663	230,705	90,152
Non-recourse loans	Japan	13,050	13,006	4,598
	U.S	54,106	53,853	19,851
Other	Real estate companies	97,680	97,320	39,337
	Entertainment companies	11,925	11,875	4,275
	Other	54,902	54,651	22,091
Purchased loans		30,154	30,154	13,601
Total:		¥ 364,569	¥ 363,531	¥ 106,942
Consumer borrowers		8,711	8,685	3,189
Corporate borrowers		325,704	324,692	90,152
Non-recourse loans		113,080	112,769	24,449
Other		212,624	211,923	65,703
Purchased loans		30,154	30,154	13,601

*1 With no related allowance recorded represents impaired loans with no allowance for credit losses as all amounts due are considered to be collectible.

*2 With an allowance recorded represents impaired loans with the allowance for credit losses as all amounts due or a part of the amounts due are not considered to be collectible.

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

The Company and its subsidiaries consider that loans to consumer borrowers, including housing loans and other, are impaired when terms of these loans are modified in 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 impairment.

In common with all classes, a valuation allowance for impaired 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. 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 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 discount cash flow methodology. Non- recourse loans in the U.S. consisted mainly of commercial mortgage loans of the newly consolidated VIEs pledged, due to the application of new accounting standards in this fiscal year relating to the consolidation of VIEs, see Note 2 Significant Accounting and Reporting Policies and Note 7 Variable Interest Entities . For impaired loans of purchased loans, the Company and its subsidiaries develop the allowance for credit losses as a difference between the book values and the estimated collectible amount.

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The following table provides information about the credit quality indicators as of December 31, 2010:

		December 31, 2010 Millions of yen				
				Non-performing		
	Class	Performing	Loans individually evaluated for impairment	90+ days past-due loans not individually evaluated for impairment	Subtotal	Total
Consumer borrowers	Housing loans	¥ 806,852	¥ 8,711	¥ 10,626	¥ 19,337	¥ 826,189
	Other	14,760		2	2	14,762
Corporate borrowers		1,792,232	325,704		325,704	2,117,936
Non-recourse loans	Japan	278,461	52,973		52,973	331,434
	U.S	621,537	60,107		60,107	681,644
Other	Real estate companies	292,263	108,307		108,307	400,570
	Entertainment companies	117,504	29,750		29,750	147,254
	Other	482,467	74,567		74,567	557,034
Purchased loans		85,435	30,154		30,154	115,589
Direct financing leases	Japan	648,915		18,585	18,585	667,500
	Overseas	172,589		4,883	4,883	177,472
Total		¥ 3,520,783	¥ 364,569	¥ 34,096	¥ 398,665	¥ 3,919,448

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 include financing receivables for debtors who have filed for insolvency proceedings, whose bank transactions are suspended, whose bills are dishonored, and whose businesses have deteriorated or past-due 90 days or more, and performing assets include all other financing receivables.

The Company and its subsidiaries consider smaller balance homogeneous loans, including housing loans which are not restructured and direct financing leases of non-performing asset 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 provisions for a non-performing asset, the Company and its subsidiaries monitor at least on a quarterly basis the quality of any underlying collateral, the status of management of the debtors and other important factors, and report to management and develop additional provisions as necessary.

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The following table provides information about the non-accrual and past-due financing receivables as of December 31, 2010:

		December 31, 2010 Millions of yen				
		Past-Due Financing Receivables				
	Class	30-89 Days Past-Due	Greater than 90 Days	Total Past Due	Total Financing Receivables	Non-Accrual
Consumer borrowers	Housing loans	¥ 3,237	¥ 15,995	¥ 19,232	¥ 826,189	¥ 15,995
	Other		2	2	14,762	2
Corporate borrowers		131,358	162,352	293,710	2,117,936	162,352
Non-recourse loans	Japan	35,841	12,519	48,360	331,434	12,519
	U.S	69,831	34,186	104,017	681,644	34,186
Other	Real estate companies	8,761	67,692	76,453	400,570	67,692
	Entertainment companies	554	5,191	5,745	147,254	5,191
	Other	16,371	42,764	59,135	557,034	42,764
Direct financing leases	Japan	3,238	18,585	21,823	667,500	18,585
	Overseas	2,378	4,883	7,261	177,472	4,883
Total		¥ 140,211	¥ 201,817	¥ 342,028	¥ 3,803,859	¥ 201,817

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 or 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 and historical loss experience, delinquencies and accruals.

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 on installment loans and direct financing loans when it is certain that the Company and its subsidiaries can collect amounts due on installment loans and direct financing leases due to continual payments from the debtors.

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5. Investment in Securities

Investment in securities at December 31, 2010 and March 31, 2010 consists of the following:

	Millions of yen	
	December 31, 2010	March 31, 2010
Trading securities	¥ 75,720	¥ 49,596
Available-for-sale securities	848,545	845,234
Held-to-maturity securities	43,704	43,732
Other securities	157,681	165,596
	¥ 1,125,650	¥ 1,104,158

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.

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The amortized cost basis amounts, gross unrealized holding gains, gross unrealized holding losses and fair values of available-for-sale securities and held-to-maturity securities in each major security type at December 31, 2010 and March 31, 2010 are as follows:

December 31, 2010

	Millions of yen			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:				
Japanese and foreign government bond securities	¥ 187,553	¥ 984	¥ (54)	¥ 188,483
Japanese prefectural and foreign municipal bond securities	27,953	208	(32)	28,129
Corporate debt securities	252,040	1,974	(483)	253,531
Specified bonds issued by SPEs in Japan	211,198	123	(2,062)	209,259
CMBS and RMBS in the U.S., and other asset-backed securities	93,493	3,073	(5,257)	91,309
Equity securities	60,839	21,947	(4,952)	77,834
	833,076	28,309	(12,840)	848,545
Held-to-maturity:				
Japanese government bond securities	43,704	1,792		45,496
	¥ 876,780	¥ 30,101	¥ (12,840)	¥ 894,041

March 31, 2010

	Millions of yen			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:				
Japanese and foreign government bond securities	¥ 146,007	¥ 624	¥ (178)	¥ 146,453
Japanese prefectural and foreign municipal bond securities	19,238	69	(60)	19,247
Corporate debt securities	199,937	910	(1,556)	199,291
Specified bonds issued by SPEs in Japan	249,696	303	(3,694)	246,305
CMBS and RMBS in the U.S., and other asset-backed securities	146,820	10,759	(8,221)	149,358
Equity securities	71,491	16,734	(3,645)	84,580
	833,189	29,399	(17,354)	845,234
Held-to-maturity:				
Japanese government bond securities	43,732		(715)	43,017
	¥ 876,921	¥ 29,399	¥ (18,069)	¥ 888,251

According to ASC 320-10-35-34 (Investments Debt and Equity Securities Recognition of Other-Than-Temporary Impairments), non-credit components of other-than-temporary impairments of ¥392 million and ¥1,638 million were included in the unrealized losses of CMBS and RMBS in the U.S., and other asset-backed securities at December 31, 2010 and March 31, 2010, respectively.

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The following table provides 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 December 31, 2010 and March 31, 2010, respectively.

December 31, 2010

	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	¥ 112,882	¥ (54)	¥	¥	¥ 112,882	¥ (54)
Japanese prefectural and foreign municipal bond securities	14,192	(32)			14,192	(32)
Corporate debt securities	127,565	(454)	4,368	(29)	131,933	(483)
Specified bonds issued by SPEs in Japan	14,593	(861)	58,426	(1,201)	73,019	(2,062)
CMBS and RMBS in the U.S., and other asset-backed securities	10,037	(1,399)	27,337	(3,858)	37,374	(5,257)
Equity securities	15,819	(4,067)	3,970	(885)	19,789	(4,952)
	¥ 295,088	¥ (6,867)	¥ 94,101	¥ (5,973)	¥ 389,189	¥ (12,840)

March 31, 2010

	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	¥ 81,432	¥ (99)	¥ 4,768	¥ (79)	¥ 86,200	¥ (178)
Japanese prefectural and foreign municipal bond securities	12,480	(60)			12,480	(60)
Corporate debt securities	88,305	(484)	26,100	(1,072)	114,405	(1,556)
Specified bonds issued by SPEs in Japan	30,189	(1,041)	83,024	(2,653)	113,213	(3,694)
CMBS and RMBS in the U.S., and other asset-backed securities	17,578	(2,141)	65,070	(6,080)	82,648	(8,221)
Equity securities	17,875	(2,739)	4,822	(906)	22,697	(3,645)
	247,859	(6,564)	183,784	(10,790)	431,643	(17,354)
Held-to-maturity:						
Japanese government bond securities	43,017	(715)			43,017	(715)
	¥ 290,876	¥ (7,279)	¥ 183,784	¥ (10,790)	¥ 474,660	¥ (18,069)

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368 and 411 investment securities were in an unrealized loss position as of December 31, 2010 and March 31, 2010, 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.

For debt securities, in the case of the fair value being below the amortized cost, the Company and its subsidiaries consider that an other-than-temporary impairment has occurred if (1) the Company and its subsidiaries intend to sell the debt security; (2) it is more likely than not that the Company and its subsidiaries will be required to sell the debt security before recovery of its amortized cost basis, or (3) the Company and its subsidiaries do not expect to recover the entire amortized cost of the security (that is, a credit loss exists). In assessing whether a credit loss exists, the Company and its subsidiaries compare the present value of the expected cash flows to the security s amortized cost basis at the balance sheet date.

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

The unrealized loss associated with specified bonds is primarily due to changes in the market interest rate and risk premium because of deterioration in the domestic real estate market and the credit crunch in the capital and financial markets. Considering all available information to assess the collectibility of those investments (such as performance and value of the underlying real estate, and seniority of the bonds), the Company and its subsidiaries believe that the Company and its subsidiaries are able to recover the entire amortized cost basis of those investments. Because the Company and its subsidiaries do not intend to sell the investments and it is not more likely than not that the Company and its subsidiaries will be required to sell the investments before recovery of their amortized cost basis, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired at December 31, 2010.

The unrealized loss associated with CMBS and RMBS is primarily caused by changes in credit spreads and interest rates. In order to determine whether a credit loss exists, the Company and its subsidiaries estimate the present value of anticipated cash flows, discounted at the current yield to accrete the security. The cash flows are estimated based on a number of assumptions such as default rate and prepayment speed, as well as seniority of the security. Then, a credit loss is assessed by comparing the present value of the expected cash flows to the security s amortized cost basis. Based on that assessment, the Company and its subsidiaries expect to recover the entire amortized cost basis. Because the Company and its subsidiaries do not intend to sell the investments and it is not more likely than not that the Company and its subsidiaries will be required to sell the investments before recovery of their amortized cost basis, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired at December 31, 2010.

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For equity securities with unrealized losses, the Company and its subsidiaries consider various factors to determine whether the decline is other-than-temporary, including the length of time and the extent to which the fair value has been less than the carrying value and the issuer s specific economic conditions as well as the ability and intent to hold these securities for a period of time sufficient to recover the securities carrying amounts. Based on our ongoing monitoring process, the Company and its subsidiaries do not consider these investments to be other-than-temporarily impaired at December 31, 2010.

The total other-than-temporary impairment with an offset for the amount of the total other-than-temporary impairment recognized in other comprehensive income (loss) for nine months ended December 31, 2009 and 2010 are as follows:

	Millions of yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Total other-than-temporary impairment losses	¥ 12,357	¥ 18,221
Portion of loss recognized in other comprehensive income (before taxes)	(2,078)	(206)
Net impairment losses recognized in earnings	¥ 10,279	¥ 18,015

The total other-than-temporary impairment with an offset for the amount of the total other-than-temporary impairment recognized in other comprehensive income (loss) for three months ended December 31, 2009 and 2010 are as follows:

	Millions of yen	
	Three months ended December 31, 2009	Three months ended December 31, 2010
Total other-than-temporary impairment losses	¥ 5,215	¥ 6,162
Portion of loss recognized in other comprehensive income (before taxes)	(1,021)	(115)
Net impairment losses recognized in earnings	¥ 4,194	¥ 6,047

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

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Roll-forwards of the amount related to credit losses on other-than-temporarily impaired debt securities recognized in earnings for nine months ended December 31, 2009 and 2010 are as follows:

	Millions of yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Beginning before reduction	¥ 906	¥ 5,016
Reduction to the beginning balance *		(1,810)
Beginning after reduction	906	3,206
Addition during the period:		
Credit loss for which an other-than-temporary impairment was not previously recognized	3,594	6,689
Credit loss for which an other-than-temporary impairment was previously recognized	255	296
Reduction during the period:		
For securities sold		(89)
Due to change in intent to sell or requirement to sell		(1,005)
Ending	¥ 4,755	¥ 9,097

* Cumulative effects of adopting Accounting Standards Update 2009-16 (ASC860 (Transfers and Servicing) (FASB Statement No. 166 (Accounting for Transfers of Financial Assets an amendment of FASB Statement No.140)), and Accounting Standards Update 2009-17 (ASC810 (Consolidation) (FASB Statement No. 167 (Amendment of FASB Interpretation No.46(R) , ASC810-10 (Consolidation Variable Interest Entities))) have been deducted from the beginning balance.

Roll-forwards of the amount related to credit losses on other-than-temporarily impaired debt securities recognized in earnings for three months ended December 31, 2009 and 2010 are as follows:

	Millions of yen	
	Three months ended December 31, 2009	Three months ended December 31, 2010
Beginning	¥ 2,072	¥ 9,209
Addition:		
Credit loss for which an other-than-temporary impairment was not previously recognized	2,534	817
Credit loss for which an other-than-temporary impairment was previously recognized	149	76
Reduction during the period:		
Due to change in intent to sell or requirement to sell		(1,005)
Ending	¥ 4,755	¥ 9,097

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The aggregate carrying amount of other securities accounted for under the cost method totaled ¥68,380 million and ¥72,347 million at December 31, 2010 and March 31, 2010, respectively. Investments with an aggregated cost of ¥64,600 million and ¥62,208 million were not evaluated for impairment because the Company and its subsidiaries did not identify any events or changes in circumstances that might have had significant adverse effect on the fair value of these investments and it was not practicable to estimate the fair value of the investments.

The Company and its subsidiaries have adopted Accounting Standards Update 2009-12 (Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) ASC 820 (Fair Value Measurements and Disclosures)). Under ASC 820, the information about fund investments that the Company and its subsidiaries hold at December 31, 2010 and March 31, 2010 are as follows:

December 31, 2010

Type of fund investment	Fair value (Millions of yen)		Redemption frequency (If currently eligible)	Redemption notice period
Hedge fund *	¥	11,158	Monthly Quarterly	10days 45days
Total	¥	11,158		

March 31, 2010

Type of fund investment	Fair value (Millions of yen)		Redemption frequency (If currently eligible)	Redemption notice period
Hedge fund *	¥	14,692	Monthly Quarterly	10days 45days
Total	¥	14,692		

* This category includes several hedge funds that seek for profits using investment strategies such as managed futures, global macro and relative value. The fair value of the investments in this category is calculated based on the net asset value of the investees.

Included in interest on loans and investment securities in the consolidated statements of income is interest income on investment securities of ¥14,730 million and ¥13,022 million, for the nine months ended December 31, 2009 and 2010, respectively. Included in interest on loans and investment securities in the consolidated statements of income is interest income on investment securities of ¥4,997 million and ¥4,183 million, for the three months ended December 31, 2009 and 2010, respectively.

6. Securitization Transactions

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

In the securitization process, these financial assets are transferred to various vehicles (the SPEs), such as trusts and special-purpose companies that issue beneficial interests of the securitization trusts and securities backed by the financial assets to investors. The cash flows collected from these assets transferred to the SPEs are then used to repay these asset-backed beneficial interests and securities. As the transferred assets are isolated from the Company and its subsidiaries, the investors and the SPEs have no recourse to other assets of the Company and its subsidiaries in cases where the debtors or the issuers of the transferred financial assets fail to perform under the original terms of those financial assets. The Company and its subsidiaries often retain interests in the SPEs in the form of the beneficial interest of the securitization trusts. Those interests that continue to be held include interests in the transferred assets and are often subordinate to other tranche(s) of the securitization. Those beneficial interests that continue to be held by the Company and its subsidiaries are subject to credit risk, interest rate risk and prepayment risk on the securitized financial assets. With regards to these subordinated interests that the Company and its subsidiaries retain, they are subordinated to the senior investments and are exposed to different credit and prepayment risks, since they first absorb the risk of the decline in the cash flows from the financial assets transferred to the SPEs for defaults and prepayment of the transferred assets. If there is any excess cash remaining in the SPEs after payment to investors in the securitization of the contractual rate of returns, most of such excess cash is distributed to the Company and its subsidiaries for payments of the subordinated interests. Until March 31, 2010, the Company and its subsidiaries did not consolidate qualified special-purpose entities (QSPEs) meeting certain requirements and the Company and its subsidiaries accounted for the transfer of financial assets to QSPEs as a sale when control over the financial assets was surrendered.

From April 1, 2010, the Company and its subsidiaries apply Accounting Standards Update 2009-16 (ASC860 (Transfers and Servicing)). This Update removes the concept of a QSPE and removes the exception from applying ASC 810-10 (Consolidation Variable Interest Entities) to variable interest entities that are QSPEs. This Update also modifies the financial-components approach used in former ASC 860 (Transfers and Servicing) and limits the circumstances in which a transferor derecognizes a portion or component of a financial asset. As a result, many SPEs for securitization which had not been consolidated because they met QSPE criteria have been consolidated in accordance with Accounting Standards Update 2009-17 ((ASC810 (Consolidation)). For further information, see Note 7 Variable Interest Entities .

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During nine months and three months ended December 31, 2009, certain information with respect to these transactions accounted for as sales is as follows. During nine months and three months ended December 31, 2010, there was no securitization transaction accounted for as sales.

	Millions of yen Nine months ended December 31, 2009
Direct financing leases:	
Balance sold	¥ 18,088
Gains (losses) on sales	95
Interests that continue to be held	20,289

	Millions of yen Three months ended December 31, 2009
Direct financing leases:	
Balance sold	¥ 9,806
Gains (losses) on sales	202
Interests that continue to be held	3,060

Regarding securitizations of direct financing lease receivables for the nine months and three months ended December 31, 2009, revenues from interests that continue to be held of ¥3,725 million and ¥1,133 million, respectively, are included in revenues from direct financing leases in the consolidated statements of income. Regarding securitizations of installment loans, revenues from interests that continue to be held of ¥1,192 million and ¥395 million for the nine months and three months ended December 31, 2009, respectively, are included in interest on loans and investment securities in the consolidated statements of income. Regarding securitizations of investment in securities, revenues from interests that continue to be held of ¥1,905 million and ¥555 million for the nine months and three months ended December 31, 2009, respectively, are included in interest on loans and investment securities in the consolidated statements of income.

As of December 31, 2010 and March 31, 2010, there were no significant servicing assets and liabilities related to the Company and its subsidiaries securitization transactions.

Economic assumptions used in measuring the interests that continue to be held related to securitization transactions completed during nine months ended December 31, 2009 are as follows. There are no interests that continue to be held related to securitization transactions completed during the nine months ended December 31, 2010.

	Nine months ended December 31, 2009 Direct financing leases
Expected credit loss	1.51-1.55%
Discount rate	2.33-4.26%
Annual prepayment rate	6.24-6.59%

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Interests that continue to be held from securitization transactions are recorded in the consolidated balance sheets at March 31, 2010. Key economic assumptions used in measuring the fair value of them, and the impacts of 10% and 20% adverse changes to the assumptions on the fair value are as follows:

	March 31, 2010			
		Installment loans		
	Direct financing leases	Commercial mortgage loans	Mortgage loans for individuals	Investment in securities
Expected credit loss	0.29%-1.62%	0.72%-14.00%	0.74%-1.18%	1.22%-14.00%
Discount rate	1.17%-21.25%	0.22%-9.88%	1.39%-6.33%	0.22%-18.49%
Annual prepayment rate	1.52%-6.66%	2.86%-42.93%	1.56%-5.64%	7.56%-42.93%

	Millions of yen			
		Installment loans		
	Direct financing leases	Commercial mortgage loans	Mortgage loans for individuals	Investment in securities
Fair value of interests that continue to be held	¥ 76,136	¥ 2,830	¥ 25,930	¥ 23,258
Book value of the interests that continue to be held	67,028	2,859	22,568	23,601
Weighted average life (in years)	2.0-3.4	0.7	13.9-24.5	0.6-4.2
Expected credit loss:				
+10%	376	35	47	50
+20%	756	70	94	143
Discount rate:				
+10%	605	6	402	311
+20%	1,198	12	793	608
Prepayment rate:				
+10%	57	16	173	2
+20%	117	32	341	4

These sensitivities are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in the above table, the effect of a variation in a particular assumption on the fair value of the interest that continue to be held is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

Certain cash flows received from/paid to SPEs for all securitization activities for the nine months and three months ended December 31, 2009, are summarized as follows:

	Millions of yen Nine months ended December 31, 2009
Proceeds from new securitizations	¥ 18,183
Servicing fees received	293
Cash flows received on interests that continue to be held	22,016
Repurchases of ineligible assets	(14,535)

	Millions of yen Three months ended December 31, 2009
Proceeds from new securitizations	¥ 10,008
Servicing fees received	95
Cash flows received on interests that continue to be held	8,814
Repurchases of ineligible assets	(4,241)

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Quantitative information about delinquencies, net credit losses, and components of financial assets sold on securitization and other assets managed together as of December 31, 2010 and March 31, 2010 are as follows:

December 31, 2010

	Total principal amount of receivables	Millions of yen Principal amount of receivables more than 90 days past-due and impaired loans	Net credit losses
Types of assets:			
Direct financing leases	¥ 849,146	¥ 23,468	¥ 5,676
Installment loans	3,078,909	375,197	31,259
Total assets managed or sold on securitization	3,928,055	¥ 398,665	¥ 36,935
Less: assets sold on securitization	(4,174)		
Assets held in portfolio	¥ 3,923,881		

March 31, 2010

	Total principal amount of receivables	Millions of yen Principal amount of receivables more than 90 days past-due and impaired loans	Net credit losses
Types of assets:			
Direct financing leases	¥ 883,452	¥ 25,682	¥ 8,744
Installment loans	2,575,568	360,464	49,053
Total assets managed or sold on securitization	3,459,020	¥ 386,146	¥ 57,797
Less: assets sold on securitization	(238,288)		
Assets held in portfolio	¥ 3,220,732		

The total assets of direct financing leases and installment loans sold on securitization, as of December 31, 2010 and March 31, 2010 are ¥15,369 million and ¥257,654 million, respectively but the assets of ¥11,195 million and ¥19,366 million, respectively, of which the Company and certain subsidiaries' only continuing involvement is the servicing, are not included in the table above.

The total assets of investment securities sold on securitization, as of March 31, 2010, is ¥31,123 million which is not included in the table above. There were no investment securities sold on securitization, as of December 31, 2010.

7. 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.

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These SPEs are not always controlled by voting rights, and there are cases where voting rights do not exist for those SPEs. ASC 810-10 (Consolidation Variable Interest Entities) addresses consolidation by business enterprises of SPEs within the scope of the ASC Section. 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, or (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 the ASC Section are called variable interest entities (VIEs).

Until March 31, 2010, in accordance with ASC 810-10 before amendment, the Company and its subsidiaries were required to consolidate a VIE as the primary beneficiary if the Company and its subsidiaries had a variable interest to absorb a majority of the VIE s expected loss or receive a majority of the VIE s expected residual returns or meet both of these conditions by using quantitative analysis.

Also, until March 31, 2010, if SPEs met the criteria for QSPE status in accordance with ASC 860 (Transfer and Servicing) and ASC 810-10 before amendment, the Company and its subsidiaries excluded the QSPE from scope of consolidation.

In June 2009, FASB Statement No. 166 (Accounting for Transfers of Financial Assets an amendment of FASB Statement No.140), which was codified by Accounting Standards Update 2009-16 (ASC860 (Transfers and Servicing)) and FASB Statement No. 167 (Amendment of FASB Interpretation No.46(R)), which was codified by Accounting Standards Update 2009-17 (ASC 810 (Consolidation)), were issued. These Updates remove the concept of a qualifying special-purpose entity (QSPE) and remove the exception from applying ASC 810-10 to variable interest entities that are QSPE. As a result, the Company and its subsidiaries are required to perform a qualitative analysis to identify the primary beneficiary of all variable interest entities, including QSPE. The Company and its subsidiaries adopted these Updates on April 1, 2010. The effect of adopting these Updates on our financial conditions at the initial adoption date was an increase of ¥1,147 billion on total assets, and an increase of ¥1,169 billion on total liabilities, respectively, in the consolidated balance sheets. These are mainly included in (f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable, and (g) VIEs for securitization of commercial mortgage loans originated by third parties.

According to these Updates, effective from April 1, 2010, the Company and its subsidiaries are required to perform a qualitative analysis to identify the primary beneficiary of variable interest entities. An enterprise that has both of the following characteristics is considered to be the primary beneficiary who shall consolidate a variable interest entity:

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

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

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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 variable interest entity.

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 does not have the power to direct activities of the VIEs that most significantly impact the VIEs economic performance, but rather that power is shared. In that case, the Company and its subsidiaries do not consolidate such VIEs.

Information about VIEs for the Company and its subsidiaries are as follows:

1. Consolidated VIEs

December 31, 2010

	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	¥ 5,256	¥ 3,883	¥ 4,339	¥
	6,380	549	433	

(b) VIEs for acquisition of real estate and real estate development projects for customers				
(c) VIEs for acquisition of real estate for the Company and its subsidiaries real estate-related business	358,403	121,590	179,482	2,680
(d) VIEs for corporate rehabilitation support business	17,188	214	170	
(e) VIEs for investment in securities	85,516	16,489	15,924	1,555
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable	530,145	373,278	530,145	
(g) VIEs for securitization of commercial mortgage loans originated by third parties	669,550	677,955	657,112	
(h) Other VIEs	153,341	66,036	138,592	
Total	¥ 1,825,779	¥ 1,259,994	¥ 1,526,197	¥ 4,235

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March 31, 2010

Types of VIEs	Total assets (1)	Total liabilities (1)	Assets which are pledged as collateral (2)	Commitments (3)
	Millions of yen			
(a) VIEs for liquidating customer assets	¥	¥	¥	¥
(b) VIEs for acquisition of real estate and real estate development projects for customers	17,817	9,245	10,980	
(c) VIEs for acquisition of real estate for the Company and its subsidiaries real estate-related business	389,343	102,960	156,922	2,680
(d) VIEs for corporate rehabilitation support business	15,462		475	
(e) VIEs for investment in securities	23,804	9,342		1,596
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable	292,049	202,224	292,049	
(g) VIEs for securitization of commercial mortgage loans originated by third parties				
(h) Other VIEs	6,937			
Total	¥ 745,412	¥ 323,771	¥ 460,426	¥ 4,276

Note: (1) The assets of many VIEs are used only to repay the liabilities of the VIEs, and the creditors of the liabilities of the VIEs have no recourse to other assets of the Company and its subsidiaries.

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

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

2. Non-consolidated VIEs

December 31, 2010

Types of VIEs	Total assets	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 (4)
	Millions of yen			
(a) VIEs for liquidating customer assets	¥ 72,543	¥ 2,419	¥ 8,254	¥ 10,673
(b) VIEs for acquisition of real estate and real estate development projects for customers	963,401	144,991	55,946	228,617
(c) VIEs for acquisition of real estate for the Company and its subsidiaries real estate-related business				
(d) VIEs for corporate rehabilitation support business				
(e) VIEs for investment in securities	738,412		17,735	32,677
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable				
	622,794	7,000	19,167	28,114

(g) VIEs for securitization of commercial mortgage loans originated by third parties				
(h) Other VIEs	99,989	688	4,521	5,209
Total	¥ 2,497,139	¥ 155,098	¥ 105,623	¥ 305,290

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March 31, 2010 (5)

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 (4)
(a) VIEs for liquidating customer assets	¥ 80,585	¥ 2,540	¥ 10,075	¥ 12,615
(b) VIEs for acquisition of real estate and real estate development projects for customers	622,872	17,323	41,858	106,469
(c) VIEs for acquisition of real estate for the Company and its subsidiaries real estate-related business				
(d) VIEs for corporate rehabilitation support business				
(e) VIEs for investment in securities				
(f) VIEs for securitizing financial assets such as direct financing lease receivable and loan receivable				
(g) VIEs for securitization of commercial mortgage loans originated by third parties				
(h) Other VIEs				
Total	¥ 703,457	¥ 19,863	¥ 51,933	¥ 119,084

Note: (4) 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.

(5) Until March 31, 2010, the Company and its subsidiaries had made disclosures according to ASC810-10 before amendment.

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(a) VIEs for liquidating customer assets

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

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

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 operating assets in the consolidated balance sheets.

(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 some of those VIEs because the Company or its subsidiary effectively controls the VIEs by acting as the asset manager of the VIEs. Assets of the consolidated VIEs are mainly included in investment in cash and cash equivalents, operating leases and other operating assets in the consolidated balance sheets. Liabilities of those consolidated VIEs are mainly included in short-term debt in the consolidated balance sheets.

With respect to the variable interests of non-consolidated VIEs, which the Company and its subsidiaries have, specified bonds are included in investment securities, non-recourse loans are included in installment loans, and investments are mainly included in other operating assets and investment in securities in the consolidated balance sheets. The Company and its subsidiaries have commitment agreements by which the Company and its subsidiaries might 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.

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 acquire real estate and establish VIEs to borrow non-recourse loans from financial institutions and simplify the administration activities necessary for the real estate. The Company and its subsidiaries have consolidated 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.

For the nine months ended December 31, 2010 and fiscal year ended March 31, 2010, the Company and its subsidiaries contributed additional funding to certain non-consolidated VIEs to support their repayment, since those VIEs had difficulty repaying debt and accounts payable. The amount of those additional fundings during the nine months ended December 31, 2010, the three months ended December 31, 2010 and fiscal year ended March 31, 2010 was ¥3,388 million, ¥2,518 million and ¥5,148 million respectively. As a result, the Company and its subsidiaries performed the reassessment and consolidated those VIEs.

Assets of the consolidated VIEs are mainly included in investment in operating leases, cash and cash equivalents, and other assets in the consolidated balance sheets. Liabilities of those consolidated VIEs are mainly included in long-term debt in the consolidated balance sheets. The Company has commitment agreements by which the Company might be required to make an additional investment in certain such consolidated VIEs.

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(d) VIEs for corporate rehabilitation support business

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

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

Assets of the consolidated VIEs are mainly included in installment loans in the consolidated balance sheets. Liabilities of those consolidated VIEs are mainly included in trade notes, accounts payable and other liabilities in the consolidated balance sheets.

(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 mainly by 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 investment with the design of the VIEs and/or other means.

Assets of the consolidated VIEs are mainly included in investment in securities, other receivables, and investment in affiliates in the consolidated balance sheets. Liabilities of those consolidated VIEs are mainly included in short-term debt and long-term debt in the consolidated balance sheets. The Company has commitment agreement by which the Company might 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. The Company has commitment agreement by which the Company might be required to make additional investment in certain such non-consolidated VIEs.

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

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

Assets of the consolidated VIEs are mainly included in investment in direct financing leases and installment loans in the consolidated balance sheets. Liabilities of those consolidated VIEs are mainly included in long-term debt in the consolidated balance sheets.

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

The Company s subsidiaries hold the subordinated portion of CMBS originated by third parties. In addition to holding the subordinated portion, the subsidiaries take a role as a special-servicer of the securitization transaction. As the special servicer, the subsidiaries have a right to dispose of real estate collateral related to the securitized commercial mortgage loans.

The subsidiaries consolidate these VIEs because the subsidiaries have the power to direct the activities of the VIEs that most significantly impact the entities economic performance through the 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.

Assets of the consolidated VIEs are mainly included in installment loans in the consolidated balance sheets. Liabilities of those consolidated VIEs are mainly included in long-term debt in the consolidated balance sheets.

Variable interests of non-consolidated VIEs, which the Company and its subsidiaries have, are included in investment in securities.

(h) Other VIEs

The Company and its subsidiaries are involved with other types of VIEs for various purposes. Consolidated and non-consolidated VIEs of this category are mainly kumiai structures as explained in the following paragraph. In addition, a subsidiary has consolidated VIE which is not included in the categories (a) through (g) above, because the subsidiary hold 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 purchase and leasing activities of the kumiai structure, and all related gains or losses are recorded on the financial statements of 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 consolidated statements of income.

In some case, the Company and its subsidiaries make investments to 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. For the other case, the Company and its subsidiaries are not considered to be the primary beneficiary of the VIEs or kumiais because the Company and its subsidiaries did not make significant investments or guarantee or otherwise have any significant financial commitments or exposure with respect to the kumiai or its related SPE.

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8. Investment in Affiliates

Investment in affiliates at December 31, 2010 and March 31, 2010 consists of the following:

	Millions of yen	
	December 31, 2010	March 31, 2010
Shares	¥ 324,587	¥ 293,488
Loans	72,102	116,223
	¥ 396,689	¥ 409,711

Combined and condensed information relating to the affiliates for the nine months ended December 31, 2009 and 2010 are as follows (result of operation of the affiliates reflect only the period since the Company and its subsidiaries made the investment and on a lag basis):

	Millions of yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Operations:		
Total revenues	¥ 777,747	¥ 548,781
Income before income taxes	97,677	53,692
Net income	47,191	36,054
Financial position:		
Total assets	¥ 4,226,862	¥ 4,208,631
Total liabilities	3,279,836	3,116,168
Shareholders equity	947,026	1,092,463

During the nine months ended December 31, 2009, a loss of ¥6,954 million was recorded in equity in net income (loss) of affiliates in the consolidated statement of income, for a change in fair value of an investment that is measured at fair value by the election of fair value option under ASC 825-10 (Financial Instruments The Fair Value Option). In addition, the Company and its subsidiaries sold the investment and recognized a loss of ¥2,724 million in gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net, in the consolidated statement of income for the nine months ended December 31, 2009.

The Company and its subsidiaries have chosen to apply the fair value option to this investment in an affiliate, which is a relatively short-term investment listed in the stock market, in order to reflect the economic value of the investment in our financial statements. We manage this investment at fair value, and we believe that the recognition of earnings based on the changes in fair value of the listed stock as an estimated exit price for this investment is more relevant than applying the equity method to this investment. As a result, there is no related balance for which the fair value option is applied in the consolidated balance sheet as of December 31, 2010.

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9. Redeemable Noncontrolling Interests

Changes in redeemable noncontrolling interests for the nine months ended December 31, 2009 and 2010 are as follows:

	Millions of yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Beginning balance	¥ 25,396	¥ 28,095
Adjustment of redeemable noncontrolling interests to redemption value	(137)	448
Transaction with noncontrolling interests	434	992
Comprehensive income (loss)		
Net income	1,842	1,601
Other comprehensive income (loss)		
Net change of foreign currency translation adjustments	(1,694)	(3,129)
Total other comprehensive income (loss)	(1,694)	(3,129)
Comprehensive income (loss)	148	(1,528)
Cash dividends		(5,961)
Ending balance	¥ 25,841	¥ 22,046

10. ORIX Corporation Shareholders Equity

ORIX Corporation Shareholders Equity as of December 31, 2010 and for the nine months ended December 31, 2010 is as follows:

1. Type and number of outstanding shares, including treasury stock

Common stock, 110,234,024 shares

2. Type and number of treasury stock

Common stock, 2,744,826 shares

3. Stock acquisition rights

Liquid Yield Option Notes ™ (unsecured bond with stock acquisition rights due on June 14, 2022)	Convertible into 2,493,309 shares of common stock
Series three unsecured convertible bond	Convertible into 21,918,394 shares of common stock, exercisable after February 2, 2009
2006 Stock acquisition rights	¥1,764 million, exercisable after June 21, 2008
2007 Stock acquisition rights	¥1,777 million, exercisable after July 5, 2009
2008 Stock acquisition rights	¥816 million, exercisable after July 18, 2010

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4. **Dividends**

(1) **Dividend payments**

Resolution	The board of directors on May 20, 2010
Type of shares	Common stock
Total dividends paid	¥8,061 million
Dividend per share	¥75.00
Date of record for dividend	March 31, 2010
Effective date for dividend	June 2, 2010
Dividend resource	Retained earnings

(2) **Dividends for which the date of record is within the nine months ended in December 31, 2010, and effective date is after December 31, 2010**

There are no applicable dividends.

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine months ended December 31, 2009 and 2010, are as follows:

	Millions of yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Personnel expenses	¥ 100,808	¥ 99,955
Selling expenses	12,701	12,368
Administrative expenses	50,928	38,581
Depreciation	2,358	2,155
Total	¥ 166,795	¥ 153,059

Selling, general and administrative expenses for the three months ended December 31, 2009 and 2010 are as follows:

	Millions of yen	
	Three months ended December 31, 2009	Three months ended December 31, 2010
Personnel expenses	¥ 36,314	¥ 35,587
Selling expenses	3,327	4,341
Administrative expenses	16,494	13,718
Depreciation	723	731
Total	¥ 56,858	¥ 54,377

The amounts that had been previously reported for the nine months and the three months ended December 31, 2009 related to discontinued operations are reclassified.

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12. Pension Plans

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

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

Net pension cost of the plans for the nine months ended December 31, 2009 and 2010 consists of the following:

	Millions of yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Service cost	¥ 2,448	¥ 2,330
Interest cost	957	1,026
Expected return on plan assets	(1,312)	(1,525)
Amortization of transition obligation	(2)	(3)
Amortization of net actuarial loss	1,574	782
Amortization of prior service credit	(906)	(894)
Net periodic pension cost	¥ 2,759	¥ 1,716

Net pension cost of the plans for the three months ended December 31, 2009 and 2010 consists of the following:

	Millions of yen	
	Three months ended December 31, 2009	Three months ended December 31, 2010
Service cost	¥ 816	¥ 776
Interest cost	317	340
Expected return on plan assets	(436)	(506)
Amortization of transition obligation		(1)
Amortization of net actuarial loss	524	260
Amortization of prior service credit	(302)	(298)
Net periodic pension cost	¥ 919	¥ 571

13. Write-Downs of Long-Lived Assets

In accordance with ASC 360-10 (Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets), the Company and its subsidiaries perform tests for recoverability on assets for which events or changes in circumstances indicated that the assets might be impaired. The Company and its subsidiaries consider an asset s carrying amount as not recoverable when such carrying amount exceeds the undiscounted future cash flows estimated to result from the use and eventual disposition of the asset. The net carrying amount of assets not recoverable is reduced to fair value if lower than the carrying amount. We determine fair value based on 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.

For the nine months ended December 31, 2009 and 2010, the Company and certain subsidiaries recognized impairment losses for the difference between carrying amounts and fair values in the amount of ¥4,345 million and ¥6,384 million, respectively, which are reflected as write-downs of long-lived assets and income from discontinued operations. Of these amounts, ¥3,464 million and ¥5,586 million are reflected as write-downs of long-lived assets in the accompanying consolidated statements of income for the nine months ended December 31, 2009 and 2010, respectively.

The losses of ¥67 million in the Corporate Financial Services segment, ¥3,504 million in the Real Estate segment, ¥209 million in the Investment Banking segment and ¥565 million in the Overseas Business segment were recorded for the nine months ended December 31, 2009. The losses of ¥104 million in the Corporate Financial Services segment, ¥4,334 million in the Real Estate segment and ¥935 million in the Investment Banking segment were recorded for the nine months ended December 31, 2010.

For the three months ended December 31, 2009 and 2010, the Company and certain subsidiaries recognized impairment losses for the difference between carrying amounts and fair values in the amount of ¥3,172 million and ¥1,972 million, respectively, which are reflected as write-downs of long-lived assets and income from discontinued operations in the accompanying consolidated statements of income.

The losses of ¥2,602 million in the Real Estate segment, ¥194 million in the Investment Banking segment and ¥376 million in the Overseas Business segment were recorded for the three months ended December 31, 2009. The losses of ¥1,218 million in the Real Estate segment and ¥417 million in the Investment Banking segment were recorded for the three months ended December 31, 2010.

The details of significant write-downs are as follows.

Office Buildings For the nine months ended December 31, 2009, write-downs of ¥67 million were recorded for an office building held for sale. For the nine months ended December 31, 2010, write-downs of ¥159 million were recorded in relation to three office buildings due to a decline in cash flows of each unit, and write-down of ¥54 million was recorded for an office building held for sale. There was no impairment for office buildings for the three months ended December 31, 2009. For the three months ended December 31, 2010, write-down of ¥25 million were recorded in relation to an office building due to a decline in cash flows of each unit, and write-down of ¥54 million was recorded for an office building held for sale.

Commercial Facilities other than Office For the nine months ended December 31, 2009, write-down of ¥376 million was recorded in relation to a unit due to a decline in cash flow. For the nine months ended December 31, 2010, write-downs of ¥1,702 million were recorded in relation to seven units due to a decline in cash flows of each unit. For the three months ended December 31, 2009, write-down of ¥376 million was recorded in relation to a unit due to a decline in cash flow. For the three months ended December 31, 2010, write-downs of ¥918 million were recorded in relation to three facilities due to a decline in cash flows of each unit.

Condominiums For the nine months ended December 31, 2009, write-downs of ¥732 million were recorded mainly for 21 units held for sale. For the nine months ended December 31, 2010, write-downs of ¥1,294 million were recorded for 24 condominiums held for sale, and ¥1,328 million were recorded in relation to 15 condominiums due to a decline in cash flows of each unit. For the three months ended December 31, 2009, write-downs of ¥8 million were recorded in relation to two condominiums due to a decline in cash flows of each condominium and to a condominium held for sale. For the three months ended December 31, 2010, write-downs of ¥66 million were recorded for four condominiums held for sale, and ¥689 million were recorded in relation to seven condominiums due to a decline in cash flows of each unit.

Others For the nine months ended December 31, 2009 and 2010, ¥3,170 million and ¥1,847 million of write-downs were recorded for long-lived assets other than the above, including land and buildings undeveloped or under construction, respectively. For the three months ended December 31, 2009 and 2010, ¥2,788 million and ¥220 million of write-downs were recorded for long-lived assets other than the above, including land and buildings undeveloped or under construction, respectively.

14. Discontinued Operations

ASC 205-20 (Presentation of Financial Statements Discontinued Operations) requires that the Company and its subsidiaries reclassify the operations sold or to be disposed of by sale without significant continuing involvement in the operations to discontinued operations. Under this Codification Section, the Company and its subsidiaries report the gains on sales and the results of these operations of subsidiaries, business units, and certain properties, which have been sold or are to be disposed of by sale, as income from discontinued operations in the accompanying consolidated statements of income. Revenues and expenses generated by the operations of such subsidiaries, business units and these properties recognized for the nine months ended December 31, 2009 have also been reclassified as income from discontinued operations in the accompanying consolidated statement of income.

The Company had begun the liquidation procedure for a subsidiary in Europe since the fiscal year ended March 31, 2008, and had completed such procedure and recorded ¥14 million of liquidation gains for the three months ended June 30, 2009. In addition, one of the subsidiaries of the Company, which operated amusement parks in Japan, had been excluded from consolidation since the voting share in this entity had been diluted and a gain of ¥1,856 million was recognized for the three months ended September 30, 2009.

The Company and its subsidiary determined to terminate the PFI contract for hospital management business in one of its subsidiaries in Japan during the fiscal year ended March 31, 2010, and finished its liquidation during the three months ended December 31, 2010. As a result, a gain of ¥33 million was recognized for the three months ended December 31, 2010. In addition, the Company has sold a subsidiary, which operated hairdressing business, and a gain of ¥5,896 million was recognized for the three months ended December 31, 2010. The Company wound up a subsidiary in Japan that was established in order to enter into derivative business for the three months ended September 30, 2010. One of the subsidiaries of the Company had sold its subsidiary, which operated consulting business in medical and nursing care field, and a gain of ¥263 million was recognized for the three months ended September 30, 2010.

The Company and its subsidiaries own various real estate properties, including commercial and office buildings, for rental operations. For the nine months ended December 31, 2009 and 2010 and the three months ended December 31, 2009, the Company and its subsidiaries recognized ¥9,255 million, ¥4,993 million and ¥920 million of aggregated gains and for the three months ended December 31, 2010, the Company and its subsidiaries recognized ¥10 million of aggregated losses on sales of such real estate properties, respectively. In addition, the Company and its subsidiaries determined to dispose by sale of rental properties of ¥22,822 million and ¥31,611 million which are included in investment in operating leases at December 31, 2010 and March 31, 2010, respectively.

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Discontinued operations for the nine months ended December 31, 2009 and 2010 and the three months ended December 31, 2009 and 2010 consist of the following:

	Millions of yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Revenues	¥ 35,071	¥ 13,587
Income from discontinued operations, net *	8,845	6,514

	Millions of yen	
	Three months ended December 31, 2009	Three months ended December 31, 2010
Revenues	¥ 8,367	¥ 2,094
Income from discontinued operations, net *	1,246	3,536

* Income from discontinued operations, net includes aggregate gains on sales and liquidation of subsidiaries, business units, and rental properties. The amounts of such gains for the nine months ended December 31, 2009 and 2010 and the three months ended December 31, 2009 and 2010 are ¥11,125 million, ¥11,185 million, ¥920 million and ¥5,919 million, respectively.

15. Per Share Data

Reconciliation of the differences between basic and diluted earnings per share (EPS) in the nine months ended December 31, 2009 and 2010 and the three months ended December 31, 2009 and 2010 is as follows:

During the nine months ended December 31, 2009, the diluted EPS calculation excludes convertible bond for 2,470 thousand shares and stock options for 1,418 thousand shares, as they were antidilutive.

During the nine months ended December 31, 2010, the diluted EPS calculation excludes stock options for 1,211 thousand shares, as they were antidilutive.

During the three months ended December 31, 2009, the diluted EPS calculation excludes convertible bond for 2,493 thousand shares and stock options for 1,402 thousand shares, as they were antidilutive.

During the three months ended December 31, 2010, the diluted EPS calculation excludes convertible bond for 2,493 thousand shares and stock options for 1,122 thousand shares, as they were antidilutive.

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	Millions of yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Income attributable to ORIX Corporation from continuing operations	¥ 18,687	¥ 44,321
Effect of dilutive securities		
Expense related to convertible bond	982	1,801
Income attributable to ORIX Corporation from continuing operations for diluted EPS computation	¥ 19,669	¥ 46,122

	Millions of yen	
	Three months ended December 31, 2009	Three months ended December 31, 2010
Income attributable to ORIX Corporation from continuing operations	¥ 6,132	¥ 13,209
Effect of dilutive securities		
Expense related to convertible bond	328	328
Income attributable to ORIX Corporation from continuing operations for diluted EPS computation	¥ 6,460	¥ 13,537

	Thousands of Shares	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Weighted-average shares	100,229	107,487
Effect of dilutive securities		
Conversion of convertible bond	21,587	24,412
Exercise of stock option		92
Weighted-average shares for diluted EPS computation	121,816	131,991

	Thousands of Shares	
	Three months ended December 31, 2009	Three months ended December 31, 2010
Weighted-average shares	107,455	107,487
Effect of dilutive securities		
Conversion of convertible bond	21,920	21,919
Exercise of stock option		106
Weighted-average shares for diluted EPS computation	129,375	129,512

	Yen	
	Nine months ended December 31, 2009	Nine months ended December 31,

		2010
Earnings per share for income attributable to ORIX Corporation from continuing operations:		
Basic	¥ 186.44	¥ 412.34
Diluted	161.46	349.43

	Yen	
	Three months ended December 31, 2009	Three months ended December 31, 2010
Earnings per share for income attributable to ORIX Corporation from continuing operations:		
Basic	¥ 57.06	¥ 122.89
Diluted	49.93	104.52

ORIX Corporation shareholders equity per share as of December 31, 2010, and March 31, 2010 is as follows:

	Yen	
	December 31, 2010	March 31, 2010
	¥12,054.84	¥ 12,082.56

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16. Derivative Financial Instruments and Hedging

Risk management policy

The Company and its subsidiaries manage interest rate risk through asset-liability management. The Company and its subsidiaries use derivative financial instruments to hedge interest rate risk and avoid changes in interest rates having a significant adverse effect. 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 employ foreign currency borrowings, foreign exchange contracts, and foreign currency swap agreements to hedge risks that are associated with certain transactions and investments denominated in foreign currencies due to the potential for changes in exchange rates. Similarly, in general, overseas subsidiaries structure their liabilities to match the currency-denomination of assets in each region.

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

(a) Cash flow hedges

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

(b) Fair value hedges

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

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(c) Hedges of net investment in foreign operations

The Company uses foreign exchange contracts and borrowings or 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 certain subsidiaries engage in trading activities with various future contracts. Therefore, the Company and certain subsidiaries are at various risks such as share price fluctuation risk, interest rate risk and foreign currency exchange risk. The Company and certain 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 certain subsidiaries entered into interest rate swap agreements, foreign currency swap agreements and foreign exchange contracts for risk management purposes but not qualified for hedge accounting under ASC 815 (Derivatives and Hedging).

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

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The effect of derivative instruments on the consolidated statement of income, pre-tax, for the nine months ended December 31, 2009 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 statement of income location	Millions of yen	Consolidated statement of income location	Millions of yen
Interest rate swap agreements	¥ 818	Interest on loans and investment securities/Interest expense	¥ (40)		¥
Foreign exchange contracts	104	Foreign currency transaction loss	(31)		
Foreign currency swap agreements	(3,822)	Interest on loans and investment securities/Interest expense/Foreign currency transaction loss	(438)		

(2) Fair value hedges

	Gains (losses) recognized in income on derivative		Gains (losses) recognized in income on hedged item	
	Millions of yen	Consolidated statement of income location	Millions of yen	Consolidated statement of income location
Interest rate swap agreements	¥ 794	Other operating revenues / expenses	¥ (930)	Interest on loans and investment securities/Interest expense
Foreign exchange contracts	5,865	Foreign currency transaction loss	(5,865)	Foreign currency transaction loss
Foreign currency swap agreements	833	Other operating revenues / expenses	(833)	Foreign currency transaction loss

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(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 statement of income location	Millions of yen	Consolidated statement of income location	Millions of yen
Foreign exchange contracts	¥ 795	Gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	¥ 820		¥
Debt loan and bond in local currency	2,131				

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

	Gains (losses) recognized in income on derivative	
	Millions of yen	Consolidated statement of income location
Interest rate swap agreements	¥ 15	Other operating revenues / expenses
Foreign currency swap agreements	2,042	Other operating revenues / expenses
Futures	138	Brokerage commissions and net gains on investment securities
Foreign exchange contracts	23	Brokerage commissions and net gains on investment securities
Credit derivatives held/written	415	Other operating revenues / expenses
Options held/written, Caps held	(604)	Other operating revenues / expenses

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The effect of derivative instruments on the consolidated statements of income, pre-tax, for the nine months ended December 31, 2010 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 statement of income location	Millions of yen	Consolidated statement of income location	Millions of yen
Interest rate swap agreements	¥ 387	Interest on loans and investment securities / Interest expense	¥ (300)		¥
Foreign exchange contracts	926	Foreign currency transaction loss	127		
Foreign currency swap agreements	(1,577)	Interest on loans and investment securities / Interest expense / Foreign currency transaction loss	253		

(2) Fair value hedges and other

	Gains (losses) recognized in income on derivative and other		Gains (losses) recognized in income on hedged item	
	Millions of yen	Consolidated statement of income location	Millions of yen	Consolidated statement of income location
Interest rate swap agreements	¥ 2,551	Other operating revenues / expenses	¥ (2,735)	Interest on loans and investment securities / Interest expense
Foreign exchange contracts	11,816	Foreign currency transaction loss	(11,816)	Foreign currency transaction loss
Foreign currency swap agreements	5,531	Other operating revenues / expenses	(5,531)	Foreign currency transaction loss
Foreign exchange long-term-debt	932	Foreign currency transaction loss	(932)	Foreign currency transaction loss

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(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 statement of income location	Millions of yen	Consolidated statement of income location	Millions of yen
Foreign exchange contracts	¥ 6,193	Gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	¥ 39		¥
Debt loan and bond in local currency	5,154				

(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	¥ 30	Other operating revenues / expenses
Foreign currency swap agreements	(40)	Other operating revenues / expenses
Futures	2,289	Brokerage commissions and net gains on investment securities
Foreign exchange contracts	(4)	Brokerage commissions and net gains on investment securities
Credit derivatives held/written	(423)	Other operating revenues / expenses
Options held/written, caps held, and other	(51)	Other operating revenues / expenses

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The effect of derivative instruments on the consolidated statements of income, pre-tax, for the three months ended December 31, 2009 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 statement of income location	Millions of yen	Consolidated statement of income location	Millions of yen
Interest rate swap agreements	¥ 167	Interest on loans and investment securities/Interest expense	¥ (19)		¥
Foreign exchange contracts	(278)	Foreign currency transaction loss	(34)		
Foreign currency swap agreements	(946)	Interest on loans and investment securities/Interest expense/Foreign currency transaction loss	(346)		

(2) Fair value hedges

	Gains (losses) recognized in income on derivative		Gains (losses) recognized in income on hedged item	
	Millions of yen	Consolidated statement of income location	Millions of yen	Consolidated statement of income location
Interest rate swap agreements	¥ 308	Other operating revenues/expenses	¥ (432)	Interest on loans and investment securities/Interest expense
Foreign exchange contracts	(2,780)	Foreign currency transaction loss	2,780	Foreign currency transaction loss
Foreign currency swap agreements	(2,431)	Other operating revenues/expenses	2,431	Foreign currency transaction loss

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(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 statement of income location	Millions of yen	Consolidated statement of income location	Millions of yen
Foreign exchange contracts	¥ (1,383)	Gains (losses) on sales of subsidiaries and affiliates and liquidation losses, net	¥ 41		¥
Debt loan and bond in local currency	(1,673)				

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

	Gains (losses) recognized in income on derivative	
	Millions of yen	Consolidated statement of income location
Interest rate swap agreements	¥ 1	Other operating revenues / expenses
Foreign currency swap agreements	1,047	Other operating revenues / expenses
Futures	(58)	Brokerage commissions and net gains (losses) on investment securities
Foreign exchange contracts	3	Brokerage commissions and net gains (losses) on investment securities
Credit derivatives held/written	130	Other operating revenues / expenses
Options held/written, Caps held	(35)	Other operating revenues / expenses

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The effect of derivative instruments on the consolidated statements of income, pre-tax, for the three months ended December 31, 2010 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 statement of income location	Millions of yen	Consolidated statement of income location	Millions of yen
Interest rate swap agreements	¥ 258	Interest on loans and investment securities/Interest expense	¥ (15)		¥
Foreign exchange contracts	100	Foreign currency transaction loss	52		
Foreign currency swap agreements	(1,468)	Interest on loans and investment securities/Interest expense/ Foreign currency transaction loss	183		

(2) Fair value hedges and other

	Gains (losses) recognized in income on derivative and other		Gains (losses) recognized in income on hedged item	
	Millions of yen	Consolidated statement of income location	Millions of yen	Consolidated statement of income location
Interest rate swap agreements	¥ (1,642)	Other operating revenues / expenses	¥ 1,613	Interest on loans and investment securities/Interest expense
Foreign exchange contracts	2,952	Foreign currency transaction loss	(2,952)	Foreign currency transaction loss
Foreign currency swap agreements	601	Other operating revenues / expenses	(601)	Foreign currency transaction loss
Foreign exchange long-term-debt	932	Foreign currency transaction loss	(932)	Foreign currency transaction loss

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(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 statement of income location	Millions of yen	Consolidated statement of income location	Millions of yen
Foreign exchange contracts	¥ 1,381		¥		¥
Debt loan and bond in local currency	1,483				

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

	Gains (losses) recognized in income on derivative	
	Millions of yen	Consolidated statement of income location
Interest rate swap agreements	¥ (32)	Other operating revenues / expenses
Foreign currency swap agreements	(31)	Other operating revenues / expenses
Futures	1,646	Brokerage commissions and net gains on investment securities
Foreign exchange contracts	(164)	Brokerage commissions and net gains on investment securities
Credit derivatives held/written	(507)	Other operating revenues / expenses
Options held/written, caps held, and other	52	Other operating revenues / expenses

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Notional amounts of derivative instruments and fair values of derivative instruments in consolidated balance sheets at December 31, 2010 and March 31, 2010 are as follows.

December 31, 2010

		Asset derivatives		Liability derivatives	
	Notional amount Millions of yen	Fair value Millions of yen	Consolidated balance sheets location	Fair value Millions of yen	Consolidated balance sheets location
Derivatives designated as hedging instruments and other					
Interest rate swap agreements	¥ 248,050	¥ 2,834	Other receivables	¥ 1,715	Trade notes, accounts payable and other liabilities
Futures, foreign exchange contracts	181,299	4,653	Other receivables	168	Trade notes, accounts payable and other liabilities
Foreign currency swap agreements	187,494	16,798	Other receivables	31,091	Trade notes, accounts payable and other liabilities
Foreign exchange long-term-debt	19,661				
Long-Term Debt	19,661	923	Other assets		
Trading derivatives or derivatives not designated as hedging instruments					
Interest rate swap agreements	¥ 3,976	¥		¥ 51	Trade notes, accounts payable and other liabilities
Options held/written, caps held, other	55,159	1,307	Other receivables	564	Trade notes, accounts payable and other liabilities
Futures, foreign exchange contracts	193,740	2,973	Other receivables	2,344	Trade notes, accounts payable and other liabilities
Foreign currency swap agreements	9,990	1,735	Other receivables	1,722	Trade notes, accounts payable and other liabilities
Credit derivatives Held/written	36,679	96	Other receivables	32	Trade notes, accounts payable and other liabilities

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March 31, 2010

	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					
Interest rate swap Agreements	¥ 170,193	¥ 191	Other receivables	¥ 2,862	Trade notes, accounts payable and other liabilities
Futures, foreign exchange contracts	171,681	834	Other receivables	4,968	Trade notes, accounts payable and other liabilities
Foreign currency swap Agreements	207,049	12,671	Other receivables	22,053	Trade notes, accounts payable and other liabilities
Trading derivatives or derivatives not designated as hedging instruments					
Interest rate swap Agreements	¥ 9,096	¥ 1	Other receivables	¥ 94	Trade notes, accounts payable and other liabilities
Options held/written, caps held	21,690	555	Other receivables	189	Trade notes, accounts payable and other liabilities
Futures, foreign exchange contracts	379,754	1,241	Other receivables	769	Trade notes, accounts payable and other liabilities
Foreign currency swap Agreements	10,567	1,053	Other receivables	1,000	Trade notes, accounts payable and other liabilities
Credit derivatives held/written	48,490	528	Other receivables	40	Trade notes, accounts payable and other liabilities

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 December 31, 2010.

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

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The Company and its subsidiaries have contracted credit derivatives for the purpose of trading as of December 31, 2010 and March 31, 2010. Details of credit derivatives written are as follows.

December 31, 2010

Types of derivatives	The events or circumstances that would require the seller to perform under the credit derivative	Maximum potential amount of future payment under the credit derivative Millions of yen	Approximate remaining term of the credit derivative	Fair value of the credit derivative Millions of yen
Credit default swap	In case of credit event (bankruptcy, failure to pay, restructuring) occurring in underlying reference company *1	¥ 7,000	Less than one year	¥78
Total return swap	In case of underlying reference CMBS price falling beyond certain extent *2	29,292	Less than one year	(32)

March 31, 2010

Types of derivatives	The events or circumstances that would require the seller to perform under the credit derivative	Maximum potential amount of future payment under the credit derivative Millions of yen	Approximate remaining term of the credit derivative	Fair value of the credit derivative Millions of yen
Credit default swap	In case of credit event (bankruptcy, failure to pay, restructuring) occurring in underlying reference company *1	¥ 7,000	Less than two years	¥(1)
Total return swap	In case of underlying reference CMBS price falling beyond certain extent *2	41,146	Less than two years	493

*1 Underlying reference company s credit ratings are BBB+ or better rated by rating agencies as of December 31, 2010 and March 31, 2010.

*2 Underlying reference CMBS is highest grade tranche and its credit rating is BBB or better rated by rating agencies as of December 31, 2010 and March 31, 2010. Unless such highest grade tranche of CMBS incurs a loss, the Company and its subsidiaries will not suffer a loss.

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17. Estimated Fair Value of Financial Instruments

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

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

December 31, 2010

	Millions of yen	
	Carrying amount	**Estimated fair value**
Trading instruments		
Trading securities	¥ 75,720	¥ 75,720
Futures, foreign exchange contracts:		
Assets	1,968	1,968
Liabilities	1,092	1,092
Credit derivatives held/written:		
Assets	96	96
Liabilities	32	32
Options held/written, caps held and other:		
Assets	1,307	1,307
Liabilities	564	564
Non-trading instruments		
Assets:		
Cash and cash equivalents	¥ 608,352	¥ 608,352
Restricted cash	118,467	118,467
Time deposits	1,987	1,987
Installment loans (net of allowance for probable loan losses)	2,934,430	2,954,740
Investment in securities:		
Practicable to estimate fair value	903,407	905,199
Not practicable to estimate fair value	146,523	146,523
Liabilities:		
Short-term debt	483,205	483,205
Deposits	1,025,393	1,032,600
Long-term debt	4,581,350	4,558,265
Futures, foreign exchange contracts:		
Assets	5,658	5,658
Liabilities	1,420	1,420
Foreign currency swap agreements:		
Assets	18,533	18,533
Liabilities	32,813	32,813
Interest rate swap agreements:		
Assets	2,834	2,834
Liabilities	1,766	1,766

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March 31, 2010

	Millions of yen	
	Carrying amount	Estimated fair value
Trading instruments		
Trading securities	¥ 49,596	¥ 49,596
Futures, foreign exchange contracts:		
Assets	1,198	1,198
Liabilities	766	766
Credit derivatives held/written:		
Assets	528	528
Liabilities	40	40
Options held/written, caps held:		
Assets	555	555
Liabilities	189	189
Non-trading instruments		
Assets:		
Cash and cash equivalents	¥ 639,087	¥ 639,087
Restricted cash	77,486	77,486
Time deposits	548	548
Installment loans (net of allowance for probable loan losses)	2,330,697	2,318,466
Investment in securities:		
Practicable to estimate fair value	903,658	902,943
Not practicable to estimate fair value	150,904	150,904
Liabilities:		
Short-term debt	573,565	573,565
Deposits	853,269	855,620
Long-term debt	3,836,270	3,869,238
Futures, foreign exchange contracts:		
Assets	877	877
Liabilities	4,971	4,971
Foreign currency swap agreements:		
Assets	13,724	13,724
Liabilities	23,053	23,053
Interest rate swap agreements:		
Assets	192	192
Liabilities	2,956	2,956

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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. 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 discounting future cash flows (see Note 3). For held-to-maturity securities, the estimated fair values were based on quoted market prices, if available. If a quoted market price was not available, estimated fair values were determined using quoted market prices for similar securities or the carrying amounts (where carrying amounts were believed to approximate the estimated fair values). For certain investment funds included in other securities, the fair values are estimated based on net asset value per share. With regard to other securities other than the investment funds described above, the Company and its subsidiaries have not estimated the fair value, as it is not practicable to do so. Those other securities mainly consist of non-marketable equity securities and preferred capital shares. Because there were no quoted market prices for such other securities and each security has a different nature and characteristics, reasonable estimates of fair values could not be made without incurring excessive costs.

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

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

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

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18. 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 ¥9,768 million and ¥8,308 million as of December 31, 2010 and March 31, 2010, respectively.

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

	Millions of yen	
	December 31, 2010	**March 31, 2010**
Within one year	¥ 3,482	¥ 3,870
More than one year	21,346	23,048
Total	¥ 24,828	¥ 26,918

The Company and its subsidiaries lease office space under operating lease agreements, which are primarily cancelable, and made rental payments totaling ¥7,402 million and ¥6,113 million for the nine months ended December 31, 2009 and 2010, respectively, and ¥2,324 million and ¥2,022 million for the three months ended December 31, 2009 and 2010, 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 ¥771 million and ¥643 million for the nine months ended December 31, 2009 and 2010, respectively, and ¥258 million and ¥115 million for the three months ended December 31, 2009 and 2010, respectively. As of December 31, 2010 and March 31, 2010, the amounts due are as follows:

	Millions of yen	
	December 31, 2010	**March 31, 2010**
Within one year	¥ 402	¥ 718
More than one year	156	370
Total	¥ 558	¥ 1,088

The Company and its subsidiaries have commitments to fund estimated construction costs to complete ongoing real estate development projects and other commitments, amounting in total to ¥163,105 million and ¥159,812 million as of December 31, 2010 and March 31, 2010, respectively.

The Company and its subsidiaries have agreements to commit to execute loans for consumers, and to invest in funds, as long as the agreed-upon terms are met. The total unused credit and capital amount available is ¥74,927 million and ¥88,548 million as of December 31, 2010 and March 31, 2010, respectively.

Guarantees The Company and its subsidiaries apply ASC 460-10 (Guarantees), and at the inception of a guarantee, recognize a liability in the consolidated balance sheets for the fair value of the guarantees within the scope of ASC 460-10. The following table represents the summary of potential future payments and book value recorded as guarantee liabilities of the guarantee contracts outstanding as of December 31, 2010 and March 31, 2010.

	Millions of yen			
	December 31, 2010		**March 31, 2010**	
Guarantees:	**Potential future payment**	**Book value of guarantee liabilities**	**Potential future payment**	**Book value of guarantee liabilities**
Corporate loans	¥ 298,131	¥ 2,097	¥ 321,448	¥ 2,986
Transferred loans	161,404	2,114		

Housing loans	16,942	2,315	18,798	2,644
Other	151		3	1
Total	¥ 476,628	¥ 6,526	¥ 340,249	¥ 5,631

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Guarantee of corporate loans: The Company and certain subsidiaries mainly guarantee corporate loans issued by financial institutions for customers. The Company and its subsidiaries are obliged to pay the outstanding loans when the guaranteed customers fail to pay principal and/or interest in accordance with the contract terms. In some cases, the corporate loans are secured by the guaranteed customers assets. Once the Company and its subsidiaries assume the guaranteed customers obligation, the Company and its subsidiaries obtain a right to claim the collateral assets. In other cases, certain contracts that guarantee corporate loans issued by financial institutions for customers include contracts that the amounts of performance guarantee are limited to a range of guarantee commissions. As of December 31, 2010 and March 31, 2010, total amount of such guarantees are both ¥1,217,500 million, respectively, and book value of guarantee liabilities which amount is included in the table above are ¥871 million and ¥1,001 million, respectively.

Payment or performance risk of the guarantees is considered based on the historical experience of credit events. There have been no significant changes in the payment or performance risk of the guarantees for the nine months ended December 31, 2010.

Guarantee of transferred loans: A subsidiary guarantees the performance of certain housing loans it transferred to Federal National Mortgage Association and is obliged to absorb some of the losses when losses arise from the transferred loans.

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

Other guarantees: Other guarantees include the guarantees derived from collection agency agreements. Pursuant to the agreements, 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 variable interest entities pledged as collateral for financing described in Note 7 (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 secured by the following assets as of December 31, 2010 and March 31, 2010:

	Millions of yen	
	December 31, 2010	**March 31, 2010**
Minimum lease payments, loans and investment in operating leases	¥ 97,790	¥ 117,595
Investment in securities *	51,086	309
Other operating assets	7,664	52,861
Investment in affiliates and other assets	16,470	21,390
Total	¥ 173,010	¥ 192,155

* Including investment in securities with repurchase agreements of ¥0 million and ¥179 million as of December 31, 2010 and March 31, 2010, respectively.

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As of December 31, 2010 and March 31, 2010, investment in securities of ¥37,046 million and ¥76,417 million, respectively, were primarily pledged for collateral deposits.

Under loan agreements, the Company and certain subsidiaries are required to provide collaterals pledged for short-term and long-term debt from commercial banks and certain insurance companies at anytime if requested by the lenders. To date, the Company has not received any such requests from the lenders.

19. Segment Information

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

From April 1, 2010, the Company changed the measure of segments related to certain variable interest entities (VIEs) which are consolidated in accordance with ASC 810-10 (Consolidation) since the Company s management changed its internal performance assessment measures to manage its segments.

From April 1, 2010, in line with a change of management classification, Internet Research Institute, Inc. and ORIX s Information and Communication Technology Department, which were previously included in the Corporate Financial Services segment, have been included in the Investment Banking segment and the Maintenance Leasing segment, respectively. In addition, from October 1, 2010, real estate finance business, previously included in the Investment Banking segment, has been included in the Real Estate segment.

Due to these changes, the reclassified figures are shown for the three and nine months ended December 31, 2009 and as of March 31, 2010.

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

Corporate Financial Services	:	Lending, leasing, commission business for the sale of financial products, and environment-related business
Maintenance Leasing	:	Automobile leasing and rentals, car sharing, and precision measuring equipment and IT-related equipment rentals and leasing
Real Estate	:	Development and rentals of commercial real estate, Condominium development and sales, hotel, golf course, and training facility operation, senior housing development and management, REIT asset management, and real estate investment and advisory services, real estate finance
Investment Banking	:	Loan servicing (asset recovery), principal investment, M&A advisory, venture capital and securities brokerage
Retail	:	Life insurance, trust and banking services, card loan and online securities brokerage operated by affiliates
Overseas Business	:	Leasing, lending, investment in bonds, investment banking, real estate-related operations, and ship- and aircraft-related operations

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Financial information of the segments for the nine months ended December 31, 2009 is as follows:

	Millions of yen						
	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment Banking	Retail	Overseas Business	Total
Segment revenues	¥ 73,596	¥ 169,980	¥ 163,526	¥ 48,046	¥ 116,702	¥ 135,446	¥ 707,296
Segment profits (losses)	(11,813)	17,924	11,118	(16,699)	19,942	28,925	49,397

Financial information of the segments for the nine months ended December 31, 2010 is as follows:

	Millions of yen						
	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment Banking	Retail	Overseas Business	Total
Segment revenues	¥ 76,561	¥ 169,512	¥ 142,769	¥ 49,347	¥ 109,538	¥ 128,655	¥ 676,382
Segment profits	8,778	20,831	3,508	10,885	21,067	31,037	96,106

Financial information of the segments for the three months ended December 31, 2009 is as follows:

	Millions of yen						
	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment Banking	Retail	Overseas Business	Total
Segment revenues	¥ 23,372	¥ 55,759	¥ 55,448	¥ 13,888	¥ 35,016	¥ 47,407	¥ 230,890
Segment profits (losses)	(1,798)	6,308	556	(3,073)	5,122	7,436	14,551

Financial information of the segments for the three months ended December 31, 2010 is as follows:

	Millions of yen						
	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment Banking	Retail	Overseas Business	Total
Segment revenues	¥ 26,089	¥ 57,001	¥ 43,262	¥ 13,808	¥ 34,301	¥ 44,758	¥ 219,219
Segment profits	4,469	6,790	1,116	4,596	5,892	8,559	31,422

Segment assets information as of December 31, 2010 and March 31, 2010 is as follows:

	Millions of yen						
	Corporate Financial Services	Maintenance Leasing	Real Estate	Investment Banking	Retail	Overseas Business	Total
December 31, 2010	¥ 1,044,672	¥ 524,978	¥ 1,584,903	¥ 476,715	¥ 1,657,021	¥ 921,278	¥ 6,209,567
March 31, 2010	1,178,879	515,716	1,677,402	472,705	1,578,758	860,815	6,284,275

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

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

Assets attributed to each segment are investment in direct financing leases, installment loans, investment in operating leases, investment in securities, other operating assets, inventories, advances for investment in operating leases (included in other assets) and investment in affiliates. 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.

In addition, from April 1, 2010, the Company changed the measure of segments related to certain variable interest entities (VIEs) which are consolidated in accordance with ASC 810-10 (Consolidations) since the Company s management changed its internal performance assessment measures to manage its segments.

For those consolidated VIEs used for securitization, 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 an amount of the Company and its subsidiaries net investments in the VIEs, which is different from the amount of total assets of the VIEs, and accordingly segment revenues are also measured at a net amount representing the revenues earned on the net investments in the VIEs.

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

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

	Millions of yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Segment revenues:		
Total revenues for segments	¥ 707,296	¥ 676,382
Revenue related to corporate assets	5,566	4,199
Revenue related to certain VIEs	2,796	39,192
Revenue from discontinued operations	(35,071)	(13,587)
Total consolidated revenues	¥ 680,587	¥ 706,186
Segment profit:		
Total profit for segments	¥ 49,397	¥ 96,106
Corporate interest expenses, general and administrative expenses	793	(7,852)
Corporate write-downs of securities	(887)	(615)
Corporate net gains on investment securities	153	203
Corporate other gain or loss	(2,270)	(2,293)
Gain or loss related to assets or debt of certain VIEs		(1,578)
Discontinued operations	(13,700)	(11,190)
Net income attributable to the noncontrolling interests and net income attributable to the redeemable noncontrolling interests	2,408	1,786
Total consolidated income before income taxes and discontinued operations	¥ 35,894	¥ 74,567

	Millions of yen	
	Three months ended December 31, 2009	Three months ended December 31, 2010
Segment revenues:		
Total revenues for segments	¥ 230,890	¥ 219,219
Revenue related to corporate assets	931	1,172
Revenue related to certain VIEs	720	11,681
Revenue from discontinued operations	(8,367)	(2,094)
Total consolidated revenues	¥ 224,174	¥ 229,978
Segment profit:		
Total profit for segments	¥ 14,551	¥ 31,422
Corporate interest expenses, general and administrative expenses	655	(2,756)
Corporate write-downs of securities		(615)
Corporate net gains (losses) on investment securities	(20)	
Corporate other gain or loss	(1,310)	(263)
Gain or loss related to assets or debt of certain VIEs		(118)
Discontinued operations	(2,052)	(5,993)
Net income attributable to the noncontrolling interests and net income attributable to the redeemable noncontrolling interests	2,070	721
Total consolidated income before income taxes and discontinued operations	¥ 13,894	¥ 22,398

	Millions of yen	
	March 31, 2010	December 31, 2010
Segment assets:		
Total assets for segments	¥ 6,284,275	¥ 6,209,567
Cash and cash equivalents, restricted cash and time deposits	717,121	728,806
Allowance for doubtful receivables on direct financing leases and probable loan losses	(157,523)	(165,708)
Other receivables	210,521	200,813
Other corporate assets	485,746	514,563
Certain VIEs assets	199,660	1,041,317
Total consolidated assets	¥ 7,739,800	¥ 8,529,358

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From April 1, 2010, certain VIEs assets, revenues and gains or losses related to certain VIEs are included in the reconciliation of segment totals to consolidated financial statement amounts. Due to these changes, the reclassified figures are shown for the three and nine months ended December 31, 2009 and as of March 31, 2010.

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

For the nine months ended December 31, 2009

	Millions of yen				
	Japan	The Americas *2	Other *3	Difference between Geographic Total and Consolidated Amounts	Total
Total Revenues	¥ 584,763	¥ 70,507	¥ 60,388	¥ (35,071)	¥ 680,587
Income before Income Taxes	21,200	12,674	15,720	(13,700)	35,894

For the nine months ended December 31, 2010

	Millions of yen				
	Japan	The Americas *2	Other *3	Difference between Geographic Total and Consolidated Amounts	Total
Total Revenues	¥ 557,031	¥ 103,462	¥ 59,280	¥ (13,587)	¥ 706,186
Income before Income Taxes	54,720	13,903	17,134	(11,190)	74,567

For the three months ended December 31, 2009

	Millions of yen				
	Japan	The Americas *2	Other *3	Difference between Geographic Total and Consolidated Amounts	Total
Total Revenues	¥ 186,264	¥ 26,397	¥ 19,880	¥ (8,367)	¥ 224,174
Income before Income Taxes	8,149	4,318	3,479	(2,052)	13,894

For the three months ended December 31, 2010

	Millions of yen				
	Japan	America *2	Other *3	Difference between Geographic Total and Consolidated Amounts	Total
Total Revenues	¥ 177,188	¥ 35,199	¥ 19,685	¥ (2,094)	¥ 229,978
Income before Income Taxes	19,452	4,412	4,527	(5,993)	22,398

*Note: 1. Results of discontinued operations are included in each amount attributed to each geographic area.
2. Mainly United States
3. Mainly Asia, Europe, Oceania and Middle East

ASC 280-10 (Segment Reporting) requires disclosure of revenues from external customers for each product and service as enterprise-wide information. The consolidated statements of income in which the revenues are categorized based on 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 and nine months ended December 31, 2009 and 2010.

20. Subsequent Event

There are no applicable subsequent events.