

ORIX CORP
Form 6-K
February 12, 2016
[Table of Contents](#)

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

**Pursuant to Rule 13a-16 or 15d-16 OF
THE SECURITIES EXCHANGE Act of 1934**

For the month of February 2016.

Commission File Number: 001-14856

ORIX Corporation

(Translation of Registrant's Name into English)

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

Tokyo, JAPAN

(Address of Principal Executive Offices)

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

Form 20-F ☒ Form 40-F ☐

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

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

Table of Contents

Table of Document(s) Submitted

1. This is an English translation of ORIX Corporation's quarterly financial report (*shihanki houkokusho*) as filed with the Kanto Financial Bureau in Japan on February 12, 2016, which includes unaudited consolidated financial information prepared in accordance with generally accepted accounting principles in the United States for the three and nine months ended December 31, 2014 and 2015.

Table of Contents

SIGNATURES

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

ORIX Corporation

Date: February 12, 2016

By /s/ Kazuo Kojima
Kazuo Kojima
Director
Deputy President and Chief Financial Officer
ORIX Corporation

Table of Contents

CONSOLIDATED FINANCIAL INFORMATION

Notes to Translation

1. The following is an English translation of ORIX Corporation's quarterly financial report (*shihanki houkokusho*) as filed with the Kanto Financial Bureau in Japan on February 12, 2016, which includes unaudited consolidated financial information prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) for the three and nine months ended December 31, 2014 and 2015.
2. Significant differences between U.S. GAAP and generally accepted accounting principles in Japan (Japanese GAAP) are stated in Note 1 Overview of Accounting Principles Utilized of the notes to Consolidated Financial Statements.

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

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

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

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

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

	Millions of yen (except for per share amounts and ratios)		
	As of and for the nine months ended December 31, 2014	As of and for the nine months ended December 31, 2015	As of and for the fiscal year ended March 31, 2015
Total revenues	¥ 1,572,040	¥ 1,797,080	¥ 2,174,283
Income before income taxes and discontinued operations	278,277	334,672	344,017
Net income attributable to ORIX Corporation shareholders	185,405	215,364	234,948
Comprehensive Income attributable to ORIX Corporation shareholders	219,552	194,568	265,187
ORIX Corporation shareholders' equity	2,105,640	2,273,448	2,152,198
Total assets	11,380,467	11,064,619	11,443,628
Earnings per share for net income attributable to ORIX Corporation shareholders			
Basic (yen)	141.61	164.52	179.47
Diluted (yen)	141.40	164.35	179.21
ORIX Corporation shareholders' equity ratio (%)	18.5	20.5	18.8
Cash flows from operating activities	167,095	357,265	257,611
Cash flows from investing activities	(242,316)	(302,503)	(467,801)
Cash flows from financing activities	17,067	(70,272)	213,432
Cash and cash equivalents at end of period	771,158	809,600	827,518

	Millions of yen (except for per share amounts)	
	Three months ended December 31, 2014	Three months ended December 31, 2015
Total revenues	¥ 616,405	¥ 626,886
Net income attributable to ORIX Corporation shareholders	44,106	54,066
Earnings per share for net income attributable to ORIX Corporation shareholders		
Basic (yen)	33.71	41.30

Notes: 1. Prior-year amounts have been adjusted retrospectively to eliminate a lag period that previously existed between DAIKYO INCORPORATED (hereinafter, "DAIKYO") and the Company in fiscal 2015.

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

(2) Overview of Activities

During the nine months ended December 31, 2015, no significant changes were made in the Company and its subsidiaries' operations. Additionally, there were no changes of principal subsidiaries and affiliates.

2. Risk Factors

Investing in the Company's securities involves risks. You should carefully consider the information described herein as well as the risks described under "Risk Factors" in our Form 20-F for the fiscal year ended March 31, 2015 and the other information in that annual report, including, but not limited to, the Company's consolidated financial statements and related notes and Item 11. Quantitative and Qualitative Disclosures about Market Risk. The Company's business activities, financial condition and results of operations and the trading prices of the Company's securities could be adversely affected by any of those factors or other factors.

3. Material Contracts

Not applicable.

Table of Contents**4. Analysis of Financial Results and Condition**

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

(1) Qualitative Information Regarding Consolidated Financial Results**Economic Environment**

The world economy has been suppressed with low level of growth due primarily to falling primary commodity prices such as price of crude oil and fluctuations in financial markets. Moderate economic growth is expected among developed countries. Meanwhile, economic growth in emerging and developing countries is expected to be weak and economic unevenness among such countries continues to widen. In addition, political and geopolitical tensions in certain regions need to be monitored carefully.

The Japanese economy, despite a positive corporate earning environment, remains at a standstill and its economic outlook looks increasingly unclear due primarily to economic slowdown in emerging countries.

Financial Highlights**Financial Results for the Nine Months Ended December 31, 2015**

Total revenues	¥1,797,080 million (Up 14% year on year)
Total expenses	¥1,544,464 million (Up 13% year on year)
Income before income taxes and discontinued operations	¥334,672 million (Up 20% year on year)
Net income attributable to ORIX Corporation Shareholders	¥215,364 million (Up 16% year on year)
Earnings per share for net income attributable to ORIX Corporation Shareholders (Basic)	¥164.52 (Up 16% year on year)
(Diluted)	¥164.35 (Up 16% year on year)
ROE (Annualized) *1	13.0% (12.3% during the same period in the previous fiscal year)
ROA (Annualized) *2	2.55% (2.42% during the same period in the previous fiscal year)

*1 ROE is the ratio of Net Income Attributable to ORIX Corporation Shareholders for the period to average ORIX Corporation Shareholders' Equity.

*2 ROA is the ratio of Net Income Attributable to ORIX Corporation Shareholders for the period to average Total Assets.

Total revenues for the nine months ended December 31, 2015 increased 14% to ¥1,797,080 million compared to ¥1,572,040 million during the same period of the previous fiscal year. Finance revenues increased due primarily to an

increase in the average balance of installment loans. In addition, sales of goods and real estate increased due primarily to revenues generated by subsidiaries acquired during the previous fiscal year. Meanwhile, life insurance premiums and related investment income decreased compared to the same period of the previous fiscal year due to a significant decrease in investment income from variable annuity and variable life insurance contracts held by Hartford Life Insurance K.K. (hereinafter, HLIKK), in line with a significant market improvement during the previous fiscal year. HLIKK was merged into ORIX Life Insurance Corporation on July 1, 2015

Total expenses increased 13% to ¥1,544,464 million compared to ¥1,364,148 million during the same period of the previous fiscal year. Costs of goods and real estate sold increased in line with the aforementioned revenue increases. Selling, general and administrative expenses also increased due to an increase in the number of consolidated subsidiaries. On the other hand, life insurance costs decreased due to a reversal of liability reserve in line with the aforementioned decrease in investment income from variable annuity and variable life insurance contracts.

Equity in net income of affiliates increased due primarily to an increase in the income from real estate joint ventures in Japan. Gains on sales of subsidiaries and affiliates and liquidation losses, net increased compared to the same period of the previous fiscal year due primarily to the recognition of a gain on partial divestment of shares of Houlihan Lokey, Inc. (hereinafter, HL), in connection with its initial public offering in the United States, becoming an equity method affiliate.

Table of Contents

As a result of the foregoing, income before income taxes and discontinued operations for the nine months ended December 31, 2015 increased 20% to ¥334,672 million compared to ¥278,277 million during the same period of the previous fiscal year, and net income attributable to ORIX Corporation shareholders increased 16% to ¥215,364 million compared to ¥185,405 million during the same period of the previous fiscal year.

Segment Information

Total revenues and profits by segment for the nine months ended December 31, 2014 and 2015 are as follows:

	Millions of yen							
	Nine months ended December 31, 2014		Nine months ended December 31, 2015		Change (revenues)		Change (profits)	
	Segment Revenues	Segment Profits	Segment Revenues	Segment Profits	Amount	Percent (%)	Amount	Percent (%)
Corporate Financial Services	¥ 61,069	¥ 18,661	¥ 81,475	¥ 33,841	¥ 20,406	33	¥ 15,180	81
Maintenance								
Leasing	198,246	31,578	204,743	33,691	6,497	3	2,113	7
Real Estate	147,208	22,481	154,691	44,374	7,483	5	21,893	97
Investment and Operation	429,687	23,007	751,084	46,672	321,397	75	23,665	103
Retail	335,252	96,570	208,751	48,835	(126,501)	(38)	(47,735)	(49)
Overseas Business	406,545	84,786	399,856	116,001	(6,689)	(2)	31,215	37
Total	1,578,007	277,083	1,800,600	323,414	222,593	14	46,331	17
Difference between Segment Total and Consolidated Amounts	(5,967)	1,194	(3,520)	11,258	2,447		10,064	843
Total Consolidated Amounts	¥ 1,572,040	¥ 278,277	¥ 1,797,080	¥ 334,672	¥ 225,040	14	¥ 56,395	20

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

March 31, 2015		December 31, 2015		Change Percent (%)
Segment Assets	Composition ratio (%)	Segment Assets	Composition ratio (%)	
Amount				

Corporate Financial Services	¥ 1,132,468	9.9	¥ 1,058,719	9.6	¥ (73,749)	(7)
Maintenance Leasing	662,851	5.8	717,811	6.5	54,960	8
Real Estate	835,386	7.3	744,869	6.7	(90,517)	(11)
Investment and Operation	660,014	5.8	628,939	5.7	(31,075)	(5)
Retail	3,700,635	32.3	3,511,492	31.7	(189,143)	(5)
Overseas Business	2,178,895	19.0	2,279,558	20.6	100,663	5
Total	9,170,249	80.1	8,941,388	80.8	(228,861)	(2)
Difference between Segment Total and Consolidated Amounts	2,273,379	19.9	2,123,231	19.2	(150,148)	(7)
Total Consolidated Amounts	¥ 11,443,628	100.0	¥ 11,064,619	100.0	¥ (379,009)	(3)

Total segment profits for the nine month ended December 31, 2015 increased 17% to ¥323,414 million compared to ¥277,083 million during the same period of the previous fiscal year. While profits from Retail segment decreased compared to the same period of the previous fiscal year, Overseas Business, Investment and Operation, Real Estate, and Corporate Financial Services segments contributed the most to the increase in total segment profits, and Maintenance Leasing segment continued to show strong performance.

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

Table of Contents

Segment information for the nine months ended December 31, 2015 is as follows:

Corporate Financial Services Segment: Lending, leasing and fee business

The Japanese economy, despite a positive corporate earning environment, remains at a standstill and its economic outlook is becoming increasingly unclear due primarily to economic slowdown in emerging countries. Loans extended by financial institutions continue to increase and interest rates on loans remain at low levels.

Segment revenues increased 33% to ¥81,475 million compared to ¥61,069 million during the same period of the previous fiscal year due to increases in sales of goods and services income resulting primarily from revenue generated by Yayoi Co., Ltd. (hereinafter, Yayoi), which we acquired on December 22, 2014, and robust fee business generated from domestic small and medium-sized enterprise customers. In addition, recognition of gains on sales of investment securities increased, offsetting a decrease in finance revenues in line with the decreased average investment in direct financing leases and installment loan balances.

While segment expenses increased compared to the same period of the previous fiscal year due primarily to an increase in selling, general and administrative expenses following the consolidation of Yayoi, segment profits increased 81% to ¥33,841 million compared to ¥18,661 million during the same period of the previous fiscal year.

Segment assets decreased 7% to ¥1,058,719 million compared to the end of the previous fiscal year due primarily to decreases in investment in direct financing leases, installment loans, and investment in securities.

	Nine months ended December 31, 2014		Nine months ended December 31, 2015		Change	
					Amount	Percent (%)
(Millions of yen, except percentage data)						
Segment Revenues:						
Finance revenues	¥	26,991	¥	26,070	¥ (921)	(3)
Operating leases		18,443		19,168	725	4
Services income		13,575		25,832	12,257	90
Gains on investment securities and dividends, and other		2,060		10,405	8,345	405
Total Segment Revenues		61,069		81,475	20,406	33
Segment Expenses:						
Interest expense		6,456		5,515	(941)	(15)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities		603		(1,208)	(1,811)	
Other than the above		35,744		43,870	8,126	23
Total Segment Expenses		42,803		48,177	5,374	13
Segment Operating Income		18,266		33,298	15,032	82

Equity in Net income (Loss) of Affiliates, and others	395	543	148	37
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Segment Profits	¥	18,661	¥	33,841	¥	15,180	81
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	As of March 31, 2015		As of December 31, 2015		Change	
					Amount	Percent (%)
					(Millions of yen, except percentage data)	
Investment in direct financing leases	¥	461,704	¥	427,451	¥ (34,253)	(7)
Installment loans		461,277		422,750	(38,527)	(8)
Investment in operating leases		30,329		29,638	(691)	(2)
Investment in securities		45,415		39,038	(6,377)	(14)
Property under facility operations		5,930		11,448	5,518	93
Inventories		55		66	11	20
Advances for investment in operating leases		202		1,652	1,450	718
Investment in affiliates		20,875		22,170	1,295	6
Advances for property under facility operations		772		80	(692)	(90)
Goodwill and other intangible assets acquired in business combinations		105,909		104,426	(1,483)	(1)
Total Segment Assets	¥	1,132,468	¥	1,058,719	¥ (73,749)	(7)

Table of Contents

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

In line with an increase in capital investment resulted from improved corporate earnings, revenue has been growing by providing high value added services targeting demands in capital investment and cost reduction. Japanese automobile leasing industry has been experiencing the same level of the number of new auto leases in the nine months ended December 31, 2015 as the same period of the previous fiscal year.

Segment revenues increased 3% to ¥204,743 million from ¥198,246 million during the same period of the previous fiscal year due primarily to increases in operating leases revenues and finance revenues resulting from the steady expansion of assets in the automobile business and in services income derived from value-added services such as maintenance.

Despite an increase in segment expenses due primarily to increases in the costs of operating leases, services expense, and selling, general and administrative expenses, which were in line with revenue growth, segment profits increased 7% to ¥33,691 million compared to ¥31,578 million during the same period of the previous fiscal year.

Segment assets increased 8% to ¥717,811 million compared to the end of the previous fiscal year due primarily to a steady increase in leasing assets mainly in the automobile business.

	Nine months ended December 31, 2014		Nine months ended December 31, 2015		Change	
					Amount	Percent (%)
					(Millions of yen, except percentage data)	
Segment Revenues:						
Finance revenues	¥	7,951	¥	8,938	¥ 987	12
Operating leases		140,393		141,987	1,594	1
Services income		46,966		50,768	3,802	8
Sales of goods and real estate, and other		2,936		3,050	114	4
Total Segment Revenues		198,246		204,743	6,497	3
Segment Expenses:						
Interest expense		2,813		2,646	(167)	(6)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities		151		(9)	(160)	
Other than the above		163,676		168,446	4,770	3
Total Segment Expenses		166,640		171,083	4,443	3
Segment Operating Income		31,606		33,660	2,054	6
		(28)		31	59	

Equity in Net income (Loss) of
Affiliates, and others

Segment Profits	¥	31,578	¥	33,691	¥	2,113	7
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	As of March 31, 2015		As of December 31, 2015		Change	
			(Millions of yen, except percentage data)		Amount	Percent (%)
Investment in direct financing leases	¥	184,907	¥	229,519	¥ 44,612	24
Investment in operating leases		473,035		483,198	10,163	2
Investment in securities		1,130		1,221	91	8
Property under facility operations		576		664	88	15
Inventories		463		414	(49)	(11)
Advances for investment in operating leases		241		261	20	8
Investment in affiliates		2,074		2,109	35	2
Goodwill and other intangible assets acquired in business combinations		425		425	0	0
Total Segment Assets	¥	662,851	¥	717,811	¥ 54,960	8

Table of Contents

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

Office rents and vacancy rates in the Japanese office building market continue to show signs of improvement led by the Tokyo area. J-REITs and foreign investors remain active in property acquisitions. Furthermore, due to an increase in the number of tourists from abroad, we are also seeing increases in the occupancy rates and average daily rates of hotels and Japanese inns.

Segment revenues increased 5% to ¥154,691 million compared to ¥147,208 million during the same period of the previous fiscal year due primarily to an increase in services income from the facility operation business and an increase in gains on sale of real estate in the residential development business, despite a decrease in rental revenues, which are included in operating leases revenues, in line with a decrease in the balance of real estate assets.

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

As a result of the foregoing and an increase in equity in net income of affiliates from real estate joint ventures, segment profits increased 97% to ¥44,374 million compared to ¥22,481 million during the same period of the previous fiscal year.

Segment assets decreased 11% to ¥744,869 million compared to the end of the previous fiscal year due primarily to a decrease in investment in operating leases, which resulted from sales of rental properties, and a decrease in installment loans and investment in securities.

	Nine months ended December 31, 2014		Nine months ended December 31, 2015		Change	
					Amount	Percent (%)
(Millions of yen, except percentage data)						
Segment Revenues:						
Finance revenues	¥	3,171	¥	6,113	¥ 2,942	93
Operating leases		55,851		50,124	(5,727)	(10)
Services income		81,563		86,733	5,170	6
Sales of goods and real estate, and other		6,623		11,721	5,098	77
Total Segment Revenues		147,208		154,691	7,483	5
Segment Expenses:						
Interest expense		5,479		3,674	(1,805)	(33)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities		14,687		4,298	(10,389)	(71)
Other than the above		107,844		107,463	(381)	(0)

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Total Segment Expenses	128,010	115,435	(12,575)	(10)
Segment Operating Income	19,198	39,256	20,058	104
Equity in Net income (Loss) of Affiliates, and others	3,283	5,118	1,835	56
Segment Profits	¥ 22,481	¥ 44,374	¥ 21,893	97

	As of March 31, 2015		As of December 31, 2015		Change	
					Amount	Percent (%)
					(Millions of yen, except percentage data)	
Investment in direct financing leases	¥	22,277	¥	21,139	¥ (1,138)	(5)
Installment loans		22,811		5,068	(17,743)	(78)
Investment in operating leases		423,825		375,461	(48,364)	(11)
Investment in securities		21,718		9,439	(12,279)	(57)
Property under facility operations		172,207		181,328	9,121	5
Inventories		12,484		3,862	(8,622)	(69)
Advances for investment in operating leases		44,666		36,457	(8,209)	(18)
Investment in affiliates		91,275		92,506	1,231	1
Advances for property under facility operations		12,055		7,676	(4,379)	(36)
Goodwill and other intangible assets acquired in business combinations		12,068		11,933	(135)	(1)
Total Segment Assets	¥	835,386	¥	744,869	¥ (90,517)	(11)

Table of Contents

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

In the Japanese environment and energy-related business, even though the government is reassessing its renewable energy purchase program, the significance of renewable energy in the mid-to-long term is on the rise with investment targets expanding beyond solar power generation projects to include wind and geothermal power generation projects. In addition, as illustrated by the increase in the number of domestic initial public offerings, the capital markets environment continues to be favorable.

Segment revenues increased 75% to ¥751,084 million compared to ¥429,687 million during the same period of the previous fiscal year due primarily to significant increase in sales of goods and real estate contributed by subsidiaries acquired during the previous fiscal year, an increase in the number of condominiums sold by DAIKYO and an increase in the amount of services income from environment and energy-related business.

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

As a result of the foregoing and the recognition of gains on sales of shares of subsidiaries, segment profits increased 103% to ¥46,672 million compared to ¥23,007 million during the same period of the previous fiscal year.

Segment assets decreased 5% to ¥628,939 million compared to the end of the previous fiscal year due primarily to decreases in installment loans, investment in securities, other intangible assets and inventories, despite an increase in property under facility operations in the environment and energy-related business.

	Nine months ended December 31, 2014		Nine months ended December 31, 2015		Change	
					Amount	Percent (%)
(Millions of yen, except percentage data)						
Segment Revenues:						
Finance revenues	¥	11,587	¥	10,396	¥ (1,191)	(10)
Gains on investment securities and dividends		6,864		10,115	3,251	47
Sales of goods and real estate		220,728		527,625	306,897	139
Services income		183,583		195,800	12,217	7
Operating leases, and other		6,925		7,148	223	3
Total Segment Revenues		429,687		751,084	321,397	75
Segment Expenses:						
Interest expense		2,660		2,598	(62)	(2)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities		765		(346)	(1,111)	
Other than the above		407,686		714,048	306,362	75

Total Segment Expenses	411,111	716,300	305,189	74
Segment Operating Income	18,576	34,784	16,208	87
Equity in Net income (Loss) of Affiliates, and others	4,431	11,888	7,457	168
Segment Profits	¥ 23,007	¥ 46,672	¥ 23,665	103

	As of March 31, 2015		As of December 31, 2015		Change Amount	Percent (%)
	(Millions of yen, except percentage data)					
Investment in direct financing leases	¥	15,092	¥	19,131	¥ 4,039	27
Installment loans		93,196		79,177	(14,019)	(15)
Investment in operating leases		23,388		23,616	228	1
Investment in securities		112,896		76,724	(36,172)	(32)
Property under facility operations		90,895		116,772	25,877	28
Inventories		116,549		103,888	(12,661)	(11)
Advances for investment in operating leases		16		4	(12)	(75)
Investment in affiliates		51,108		59,302	8,194	16
Advances for property under facility operations		30,861		34,008	3,147	10
Goodwill and other intangible assets acquired in business combinations		126,013		116,317	(9,696)	(8)
Total Segment Assets	¥	660,014	¥	628,939	¥ (31,075)	(5)

Table of Contents**Retail Segment:** Life insurance, banking and card loan business

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

Segment revenues decreased 38% to ¥208,751 million compared to ¥335,252 million during the same period of the previous fiscal year due to recognition of a gain on sale of shares of Monex Group Inc. in the three months ended June 30, 2014, and a significant decrease in investment income from variable annuity and variable life insurance contracts held by HLIKK due to a significant market improvement during the previous fiscal year, offsetting an increase in finance revenues in the banking business.

Segment expenses decreased compared to the same period of the previous fiscal year due primarily to a reversal of liability reserve for the aforementioned decrease in investment income of HLIKK.

As a result of the foregoing and the recognition of a bargain purchase gain resulted from the acquisition of HLIKK in the three months ended September 30, 2014, segment profits decreased 49% to ¥48,835 million compared to ¥96,570 million during the same period of the previous fiscal year.

Segment assets decreased 5% to ¥3,511,492 million compared to the end of the previous fiscal year due to a substantial decrease in investment in securities held by HLIKK, offsetting an increase in installment loans in the banking business.

	Nine months ended December 31, 2014		Nine months ended December 31, 2015		Change	
					Amount	Percent (%)
(Millions of yen, except percentage data)						
Segment Revenues:						
Finance revenues	¥	39,589	¥	41,184	¥ 1,595	4
Life insurance premiums and related investment income		276,231		161,565	(114,666)	(42)
Services income and other		19,432		6,002	(13,430)	(69)
Total Segment Revenues		335,252		208,751	(126,501)	(38)
Segment Expenses:						
Interest expense		4,351		3,526	(825)	(19)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities		2,819		5,714	2,895	103
Other than the above		268,056		151,473	(116,583)	(43)
Total Segment Expenses		275,226		160,713	(114,513)	(42)

Segment Operating Income	60,026	48,038	(11,988)	(20)
Equity in Net income (Loss) of Affiliates, and others	36,544	797	(35,747)	(98)
Segment Profits	¥ 96,570	¥ 48,835	¥ (47,735)	(49)

	As of March 31, 2015	As of December 31, 2015	Change Amount	Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 2,740	¥ 1,506	¥ (1,234)	(45)
Installment loans	1,376,710	1,454,319	77,609	6
Investment in operating leases	50,587	49,462	(1,125)	(2)
Investment in securities	2,246,912	1,986,764	(260,148)	(12)
Investment in affiliates	3,785	766	(3,019)	(80)
Goodwill and other intangible assets acquired in business combinations	19,901	18,675	(1,226)	(6)
Total Segment Assets	¥ 3,700,635	¥ 3,511,492	¥ (189,143)	(5)

Table of Contents

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

The world economy has been suppressed with low level of growth due to primarily to falling primary commodity prices such as price of crude oil and fluctuations in financial markets. Moderate economic growth is expected among developed countries. Meanwhile, economic growth in emerging and developing countries is expected to be weak and economic unevenness among such countries continues to widen.

Segment revenues decreased 2% to ¥399,856 million compared to ¥406,545 million during the same period of the previous fiscal year due to the deconsolidation of HL, despite increases in finance revenues in the Americas and gains on sales of investment securities and operating leases revenues in Asia.

Segment expenses were flat compared to the same period of the previous fiscal year due to the deconsolidation of HL, despite an increase in costs of operating leases.

Segment profits increased 37% to ¥116,001 million compared to ¥84,786 million in the same period of the previous fiscal year due primarily to the recognition of a gain on partial divestment of HL shares in connection with its initial public offering in the United States.

Segment assets increased 5% to ¥2,279,558 million compared to the end of the previous fiscal year due primarily to an increase in investment in operating leases by aircraft-related operations and an increase in installment loans in the Americas and Asia.

	Nine months ended December 31, 2014		Nine months ended December 31, 2015		Change Amount Percent (%)		
	(Millions of yen, except percentage data)						
Segment Revenues:							
Finance revenues	¥	46,497	¥	55,885	¥	9,388	20
Gains on investment securities and dividends		14,030		13,805		(225)	(2)
Operating leases		60,032		67,321		7,289	12
Services income		235,271		198,603		(36,668)	(16)
Sales of goods and real estate, and other		50,715		64,242		13,527	27
Total Segment Revenues		406,545		399,856		(6,689)	(2)
Segment Expenses:							
Interest expense		22,400		24,186		1,786	8
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities		9,118		6,679		(2,439)	(27)
Other than the above		303,647		305,354		1,707	1

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Total Segment Expenses	335,165	336,219	1,054	0
Segment Operating Income	71,380	63,637	(7,743)	(11)
Equity in Net income (Loss) of Affiliates, and others	13,406	52,364	38,958	291
Segment Profits	¥ 84,786	¥ 116,001	¥ 31,215	37

	As of March 31, 2015		As of December 31, 2015		Change	
					Amount	Percent (%)
					(Millions of yen, except percentage data)	
Investment in direct financing leases	¥	386,567	¥	364,114	¥ (22,453)	(6)
Installment loans		344,108		388,672	44,564	13
Investment in operating leases		278,665		359,661	80,996	29
Investment in securities		404,322		380,158	(24,164)	(6)
Property under facility operations		26,867		26,441	(426)	(2)
Inventories		35,925		38,633	2,708	8
Advances for investment in operating leases		4,434		5,987	1,553	35
Investment in affiliates		209,027		303,910	94,883	45
Advances for property under facility operations		0		127	127	
Goodwill and other intangible assets acquired in business combinations		488,980		411,855	(77,125)	(16)
Total Segment Assets	¥	2,178,895	¥	2,279,558	¥ 100,663	5

Table of Contents**(2) Financial Condition**

	As of March 31, 2015	As of December 31, 2015	Change Amount	Percent (%)
	(Millions of yen except per share, ratios and percentages)			
Total assets	¥ 11,443,628	¥ 11,064,619	¥ (379,009)	(3)
(Segment assets)	9,170,249	8,941,388	(228,861)	(2)
Total liabilities	9,058,656	8,604,702	(453,954)	(5)
(Short- and long-term debt)	4,417,730	4,342,767	(74,963)	(2)
(Deposits)	1,287,380	1,385,662	98,282	8
ORIX Corporation shareholders' equity	2,152,198	2,273,448	121,250	6
ORIX Corporation shareholders' equity per share (yen)*1	1,644.60	1,736.43	91.83	6
ORIX Corporation shareholders' equity ratio*2	18.8%	20.5%		
Adjusted ORIX Corporation shareholders' equity ratio*3	19.3%	21.1%		
D/E ratio (Debt-to-equity ratio) (Short-and long-term debt (excluding deposits) / ORIX Corporation shareholders' equity)	2.1x	1.9x		
Adjusted D/E ratio*3	1.9x	1.8x		

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

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

*3 Adjusted ORIX Corporation shareholders' equity ratio and Adjusted D/E ratio are non-GAAP financial measures presented on an adjusted basis which excludes the effect of consolidating certain variable interest entities (VIEs) on our assets or liabilities and reverses the cumulative effect on our retained earnings of such consolidation, which resulted from applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010. For a discussion of these and other non-GAAP financial measures, including a quantitative reconciliation to the most directly comparable GAAP financial measures, please see 5. Non-GAAP Financial Measures.

Total assets decreased 3% to ¥11,064,619 million compared to ¥11,443,628 million at the end of the previous fiscal year. Installment loans increased due primarily to an increase in banking business in Japan and corporate lending in the Americas. In addition, investment in operating leases increased due primarily to purchases of aircrafts in the Overseas Business segment. Meanwhile, investment in securities decreased due primarily to surrender of variable annuity and variable life insurance contracts held by HLIKK. Segment assets decreased 2% to ¥8,941,388 million compared to the end of the previous fiscal year.

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

Shareholders' equity increased 6% to ¥2,273,448 million compared to the end of the previous fiscal year due primarily to an increase in retained earnings.

Table of Contents**(3) Liquidity and Capital Resources**

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

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

Our funding was comprised of borrowings from financial institutions, direct fund procurement from capital markets, and deposits. ORIX Group's total funding including that from short- and long-term debt and deposits on a consolidated basis was ¥5,728,429 million as of December 31, 2015.

Borrowings were procured from a diverse range of financial institutions including major banks, regional banks, foreign banks and life and casualty insurance companies. The number of financial institutions from which we procured borrowings exceeded 200 as of December 31, 2015. Procurement from the capital markets was composed of bonds, medium-term notes, commercial paper, payables under securitized leases, loan receivables and other assets (including asset backed securities). ORIX Group accepts deposits for funding purposes, with the majority of deposits attributable to ORIX Bank Corporation.

In an effort to promote longer liability maturities and diversify our funding sources, during the nine months ended December 31, 2015, we issued ¥35,000 million of five-year domestic straight bonds to retail investors in Japan, and also US\$300 million, Thai baht 2,000 million and Korean won 110,000 million of straight bonds outside Japan. We intend to continue to strengthen our financial condition, while maintaining an appropriate funding mix.

Short-term and long-term debt and deposits**(a) Short-term debt**

	Millions of yen	
	March 31, 2015	December 31, 2015
Borrowings from financial institutions	¥ 195,164	¥ 203,588
Commercial paper	89,621	73,679
Total short-term debt	¥ 284,785	¥ 277,267

Short-term debt as of December 31, 2015 was ¥277,267 million, which accounted for 6% of the total amount of short and long-term debt (excluding deposits) as compared to 6% as of March 31, 2015.

While the amount of short-term debt as of December 31, 2015 was ¥277,267 million, the sum of cash and cash equivalents and the unused amount of committed credit facilities as of December 31, 2015 was ¥1,223,192 million.

(b) Long-term debt

	Millions of yen	
	March 31, 2015	December 31, 2015
Borrowings from financial institutions	¥ 2,687,434	¥ 2,681,769
Bonds	1,118,766	1,011,826
Medium-term notes	35,110	65,850
Payables under securitized lease, loan receivables and other assets	291,635	306,055
Total long-term debt	¥ 4,132,945	¥ 4,065,500

Table of Contents

The balance of long-term debt as of December 31, 2015 was ¥4,065,500 million, which accounted for 94% of the total amount of short and long-term debt (excluding deposits) as compared to 94% as of March 31, 2015. On an adjusted basis, our ratio of long-term debt to total debt (excluding deposits) was 93% as of December 31, 2015 as compared to 93% as of March 31, 2015. This ratio is a non-GAAP financial measure presented on an adjusted basis that excludes payables under securitized leases, loan receivables and other assets. For a discussion of this and other non-GAAP financial measures including reconciliations to the most directly comparable financial measures presented in accordance with GAAP, see 5. Non-GAAP Financial Measures.

(c) Deposits

	Millions of yen	
	March 31, 2015	December 31, 2015
Deposits	¥ 1,287,380	¥ 1,385,622

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

(4) Summary of Cash Flows

Cash and cash equivalents as of December 31, 2015 decreased by ¥17,918 million to ¥809,600 million compared to March 31, 2015.

Cash flows provided by operating activities were ¥357,265 million in the nine months ended December 31, 2015, up from ¥167,095 million during the same period of the previous fiscal year, primarily resulting from an increase in net income, and a larger decrease in trading securities compared to the same period of the previous fiscal year.

Cash flows used in investing activities were ¥302,503 million in the nine months ended December 31, 2015, up from ¥242,316 million during the same period of the previous fiscal year. This change was primarily due to an increase in purchases of lease equipment, but partially offset by a decrease in investment in affiliates compared to the same period of the previous fiscal year.

Cash flows used in financing activities were ¥70,272 million in the nine months ended December 31, 2015 compared to the cash inflows of ¥17,067 million during the same period of the previous fiscal year. This change was primarily due to a net decrease in debt with maturities of three months or less compared to a net increase during the same period of the previous fiscal year, and an increase in cash dividends paid to ORIX Corporation shareholders, but partially offset by a larger net increase in deposits due to customers compared to the same period of the previous fiscal year.

(5) Challenges to be addressed

There were no significant changes for the nine months ended December 31, 2015.

(6) Research and Development Activity

There were no significant changes in research and development activity for the nine months ended December 31, 2015.

(7) Major facilities

For a building (Roppongi, Minato-ku, Tokyo), which was presented as office building as of March 31, 2015, the type of the facility as of December 31, 2015 is changed to operating lease property.

Except for this, there were no significant changes in major facilities for the nine months ended December 31, 2015.

Table of Contents**5. Non-GAAP Financial Measures**

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

Our management believes these non-GAAP financial measures provide investors with additional meaningful comparisons between our financial condition as of December 31, 2015, as compared to prior periods. Effective April 1, 2010, we adopted ASU 2009-16 and ASU 2009-17, which changed the circumstances under which we are required to consolidate certain VIEs. Our adoption of these accounting standards caused a significant increase in our consolidated assets and liabilities and a decrease in our retained earnings without affecting the net cash flow and economic effects of our investments in such consolidated VIEs. Accordingly, our management believes that providing certain financial measures that exclude the impact of consolidating certain VIEs on our assets and liabilities as a supplement to financial information calculated in accordance with U.S. GAAP enhances understanding of the overall picture of our current financial position and enables investors to evaluate our historical financial and business trends without the large balance sheet fluctuation caused by our adoption of these accounting standards.

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

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

		2015	
		As of March 31, (Millions of yen, except percentage data)	As of December 31, (Millions of yen, except percentage data)
Total assets	(a)	¥ 11,443,628	¥ 11,064,619
Deduct: Payables under securitized leases, loan receivables and other assets*		291,635	306,055
Adjusted total assets	(b)	11,151,993	10,758,564
Short-term debt	(c)	284,785	277,267
Long-term debt	(d)	4,132,945	4,065,500
Deduct: Payables under securitized leases, loan receivables and other assets*		291,635	306,055
Adjusted long-term debt	(e)	3,841,310	3,759,445
Long- and short-term debt (excluding deposits)	(f)=(c)+(d)	4,417,730	4,342,767
Adjusted short- and long-term debt (excluding deposits)	(g)=(c)+(e)	4,126,095	4,036,712
ORIX Corporation shareholders' equity	(h)	2,152,198	2,273,448
		(3,060)	(588)

Deduct: The cumulative effect on retained earnings of applying the accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010

Adjusted ORIX Corporation shareholders equity	(i)	2,155,258	2,274,036
ORIX Corporation shareholders equity ratio	(h)/(a)	18.8%	20.5%
Adjusted ORIX Corporation shareholders equity ratio	(i)/(b)	19.3%	21.1%
D/E ratio	(f)/(h)	2.1x	1.9x
Adjusted D/E ratio	(g)/(i)	1.9x	1.8x
Long-term debt ratio	(d)/(f)	94%	94%
Adjusted long-term debt ratio	(e)/(g)	93%	93%

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

Table of Contents**6. Company Stock Information**

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

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

The number of issued shares, the amount of common stock and additional paid-in capital for the three months ended December 31, 2015 is as follows:

In thousands		Millions of yen			
Number of issued shares		Common stock		Additional paid-in capital	
Increase, net	December 31, 2015	Increase, net	December 31, 2015	Increase, net	December 31, 2015
9	1,324,058	¥ 10	¥ 220,469	¥ 10	¥ 247,648

(2) List of Major Shareholders

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

7. Directors and Executive Officers

Between the filing date of Form 20-F for the fiscal year ended March 31, 2015 and December 31, 2015, the personnel changes of the directors and the executive officers are as follows:

(1) Departures

Name	Title	Areas of duties	The day of retirement
Eiji Mitani	Corporate Senior Vice President	Kinki Sales Headquarters Group Kansai Deputy Representative	December 31, 2015
Shigeki Seki	Executive Officer	Human Resources and Corporate Administration Headquarters	December 31, 2015
Tsukasa Kimura	Executive Officer	Energy and Eco Services Business Headquarters	December 31, 2015
Ryuhei Sakamoto	Executive Officer	Treasury Headquarters	December 31, 2015
Masatoshi Kemmochi	Group Senior Vice President	Airport Operation Project Office Vice Chairman, ORIX Real Estate Corporation	December 31, 2015

Table of Contents

(2) Change of Position

Name	New Position	Ex-Position	The day of change
Satoru Katahira	Corporate Senior Vice President, Head of OQL Business and Sales Promotion Headquarters Responsible for IT Planning Office Responsible for Public Sector Project Management Department President, ORIX Business Center Okinawa Corporation	Corporate Senior Vice President, Head of OQL Business and Regional Business Headquarters Head of Sales Promotion Headquarters Responsible for IT Planning Office President, ORIX Business Center Okinawa Corporation	October 1, 2015
Yoshiyuki Yamaya	Director, Representative Executive Officer, Deputy President Responsible for Retail Segment Responsible for Retail Business Planning Office Responsible for Concession Business Development Department Responsible for Airport Operation Project Office President, ORIX Credit Corporation	Director, Representative Executive Officer, Deputy President Responsible for Retail Segment Responsible for Retail Business Planning Office Responsible for Concession Business Development Department President, ORIX Credit Corporation	November 12, 2015
Ryuhei Sakamoto	Executive Officer, Deputy Head of Treasury Headquarters Responsible for Airport Operation Project Office	Executive Officer, Deputy Head of Treasury Headquarters	November 12, 2015

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

	Millions of yen	
	March 31, 2015	December 31, 2015
Assets		
Cash and Cash Equivalents	¥ 827,518	¥ 809,600
Restricted Cash	85,561	83,402
Investment in Direct Financing Leases	1,216,454	1,207,133
Installment Loans	2,478,054	2,567,316
(The amounts of ¥15,361 million as of March 31, 2015 and ¥11,781 million as of December 31, 2015 are measured at fair value by electing the fair value option under ASC 825.)		
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses	(72,326)	(60,172)
Investment in Operating Leases	1,296,220	1,339,430
Investment in Securities	2,846,257	2,443,474
(The amounts of ¥16,891 million as of March 31, 2015 and ¥23,056 million as of December 31, 2015 are measured at fair value by electing the fair value option under ASC 825.)		
Property under Facility Operations	278,100	318,125
Investment in Affiliates	378,087	480,791
Trade Notes, Accounts and Other Receivable	348,404	272,115
Inventories	165,540	146,948
Office Facilities	131,556	120,722
Other Assets	1,464,203	1,335,735
(The amounts of ¥36,038 million as of March 31, 2015 and ¥32,334 million as of December 31, 2015 are measured at fair value by electing the fair value option under ASC 825.)		
Total Assets	¥ 11,443,628	¥ 11,064,619

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

	Millions of yen	
	March 31, 2015	December 31, 2015
Cash and Cash Equivalents	¥ 5,242	¥ 4,395
Investment in Direct Financing Leases (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	153,951	144,539
Installment Loans (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	171,163	213,275
Investment in Operating Leases	252,234	241,928

Property under Facility Operations	39,153	49,395
Investment in Affiliates	11,905	65,124
Other	93,983	83,449
	¥ 727,631	¥ 802,105

Table of Contents

	Millions of yen	
	March 31, 2015	December 31, 2015
Liabilities and Equity		
Liabilities:		
Short-Term Debt	¥ 284,785	¥ 277,267
Deposits	1,287,380	1,385,662
Trade Notes, Accounts and Other Payable	335,936	245,993
Policy Liabilities and Policy Account Balances	2,073,650	1,723,609
(The amounts of ¥1,254,483 million as of March 31, 2015 and ¥867,632 million as of December 31, 2015 are measured at fair value by electing the fair value option under ASC 825.)		
Current and Deferred Income Taxes	345,514	377,123
Long-Term Debt	4,132,945	4,065,500
Other Liabilities	598,446	529,548
Total Liabilities	9,058,656	8,604,702
Redeemable Noncontrolling Interests	66,901	18,159
Commitments and Contingent Liabilities		
Equity:		
Common Stock	220,056	220,469
Additional Paid-in Capital	255,595	255,782
Retained Earnings	1,672,585	1,813,704
Accumulated Other Comprehensive Income	30,373	9,577
Treasury Stock, at Cost	(26,411)	(26,084)
ORIX Corporation Shareholders' Equity	2,152,198	2,273,448
Noncontrolling Interests	165,873	168,310
Total Equity	2,318,071	2,441,758
Total Liabilities and Equity	¥ 11,443,628	¥ 11,064,619

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

	Millions of yen	
	March 31, 2015	December 31, 2015
Trade Notes, Accounts and Other Payable	¥ 2,100	¥ 1,596
Long-Term Debt	454,216	485,941
Other	7,792	7,191

¥ 464,108 ¥ 494,728

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

	Millions of yen	
	Nine months ended	Nine months ended
	December 31,	December 31, 2015
	2014	
Revenues:		
Finance revenues	¥ 139,332	¥ 152,614
Gains on investment securities and dividends	37,965	33,017
Operating leases	279,348	284,396
Life insurance premiums and related investment income	276,112	160,735
Sales of goods and real estate	280,188	609,783
Services income	559,095	556,535
 Total revenues	 1,572,040	 1,797,080
Expenses:		
Interest expense	54,844	54,025
Costs of operating leases	177,960	183,695
Life insurance costs	225,299	101,206
Costs of goods and real estate sold	250,807	546,915
Services expense	311,830	328,264
Other (income) and expense, net	8,408	(1,033)
Selling, general and administrative expenses	306,883	316,953
Provision for doubtful receivables and probable loan losses	6,289	5,940
Write-downs of long-lived assets	15,512	4,547
Write-downs of securities	6,316	3,952
 Total expenses	 1,364,148	 1,544,464
 Operating Income	 207,892	 252,616
Equity in Net Income of Affiliates	14,077	25,044
Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, Net	20,226	57,012
Bargain Purchase Gain	36,082	0
 Income before Income Taxes and Discontinued Operations	 278,277	 334,672
Provision for Income Taxes	84,283	111,489
 Income from Continuing Operations	 193,994	 223,183
Discontinued Operations:		
Income from discontinued operations, net	463	0
Provision for income taxes	(166)	0
 Discontinued operations, net of applicable tax effect	 297	 0

Net Income		194,291		223,183
Net Income Attributable to the Noncontrolling Interests		5,542		7,009
Net Income Attributable to the Redeemable Noncontrolling Interests		3,344		810
Net Income Attributable to ORIX Corporation Shareholders	¥	185,405	¥	215,364

- Notes: 1. Prior-year amounts have been adjusted for the retrospective elimination of a lag period that previously existed between DAIKYO and ORIX in fiscal 2015. For further information, see Note 1 Significant Accounting and Reporting Policies (ah) Elimination of a lag period.
2. Pursuant to ASC 205-20 (Presentation of Financial Statements Discontinued Operations), the results of operations which meet the criteria for discontinued operations are reported as a separate component of income, and those related amounts that had been previously reported are reclassified.

Table of Contents

Millions of yen			
	Nine months ended		
	December 31,		Nine months ended
	2014		December 31, 2015
Income attributable to ORIX Corporation shareholders:			
Income from continuing operations	¥	185,108	¥ 215,364
Discontinued operations		297	0
Net income attributable to ORIX Corporation shareholders	¥	185,405	¥ 215,364
Yen			
	Nine months ended		
	December 31,		Nine months ended
	2014		December 31, 2015
Amounts per Share of Common Stock for Income attributable to ORIX Corporation shareholders:			
Basic:			
Income from continuing operations	¥	141.38	¥ 164.52
Discontinued operations		0.23	0
Net income attributable to ORIX Corporation shareholders	¥	141.61	¥ 164.52
Diluted:			
Income from continuing operations	¥	141.17	¥ 164.35
Discontinued operations		0.23	0
Net income attributable to ORIX Corporation shareholders	¥	141.40	¥ 164.35

Table of Contents

	Millions of yen	
	Three months ended December 31, 2014	Three months ended December 31, 2015
Revenues:		
Finance revenues	¥ 48,149	¥ 51,370
Gains on investment securities and dividends	6,643	1,700
Operating leases	97,454	93,066
Life insurance premiums and related investment income	138,173	90,243
Sales of goods and real estate	122,012	214,357
Services income	203,974	176,150
Total revenues	616,405	626,886
Expenses:		
Interest expense	18,119	18,167
Costs of operating leases	60,189	61,255
Life insurance costs	116,702	69,406
Costs of goods and real estate sold	109,405	195,454
Services expense	105,351	110,384
Other (income) and expense, net	6,401	(5,588)
Selling, general and administrative expenses	109,809	100,609
Provision for doubtful receivables and probable loan losses	4,314	2,992
Write-downs of long-lived assets	8,630	3,601
Write-downs of securities	4,562	470
Total expenses	543,482	556,750
Operating Income	72,923	70,136
Equity in Net Income of Affiliates	3,852	13,188
Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, Net	369	603
Income before Income Taxes and Discontinued Operations	77,144	83,927
Provision for Income Taxes	29,269	28,853
Income from Continuing Operations	47,875	55,074
Discontinued Operations:		
Income from discontinued operations, net	0	0
Provision for income taxes	0	0
Discontinued operations, net of applicable tax effect	0	0
Net Income	47,875	55,074
Net Income Attributable to the Noncontrolling Interests	2,453	1,463
	1,316	(455)

Net Income (Loss) Attributable to the Redeemable Noncontrolling Interests

Net Income Attributable to ORIX Corporation Shareholders	¥	44,106	¥	54,066
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- Notes: 1. Prior-year amounts have been adjusted for the retrospective elimination of a lag period that previously existed between DAIKYO and ORIX in fiscal 2015. For further information, see Note 1 Significant Accounting and Reporting Policies (ah) Elimination of a lag period.
2. Pursuant to ASC 205-20 (Presentation of Financial Statements Discontinued Operations), the results of operations which meet the criteria for discontinued operations are reported as a separate component of income, and those related amounts that had been previously reported are reclassified.

Table of Contents

	Millions of yen			
	Three months ended December 31, 2014		Three months ended December 31, 2015	
Income attributable to ORIX Corporation shareholders:				
Income from continuing operations	¥	44,106	¥	54,066
Discontinued operations		0		0
Net income attributable to ORIX Corporation shareholders	¥	44,106	¥	54,066
	Yen			
	Three months ended December 31, 2014		Three months ended December 31, 2015	
Amounts per Share of Common Stock for Income attributable to ORIX Corporation shareholders:				
Basic:				
Income from continuing operations	¥	33.71	¥	41.30
Discontinued operations		0		0
Net income attributable to ORIX Corporation shareholders	¥	33.71	¥	41.30
Diluted:				
Income from continuing operations	¥	33.67	¥	41.25
Discontinued operations		0		0
Net income attributable to ORIX Corporation shareholders	¥	33.67	¥	41.25

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

	Millions of yen	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net Income	¥ 194,291	¥ 223,183
Other comprehensive income (loss), net of tax:		
Net change of unrealized gains (losses) on investment in securities	6,606	(14,215)
Net change of defined benefit pension plans	(13,275)	(113)
Net change of foreign currency translation adjustments	55,811	(4,708)
Net change of unrealized losses on derivative instruments	(890)	(623)
Total other comprehensive income (loss)	48,252	(19,659)
Comprehensive Income	242,543	203,524
Comprehensive Income Attributable to the Noncontrolling Interests	10,266	6,882
Comprehensive Income Attributable to the Redeemable Noncontrolling Interests	12,725	2,074
Comprehensive Income Attributable to ORIX Corporation Shareholders	¥ 219,552	¥ 194,568

	Millions of yen	
	Three months ended December 31, 2014	Three months ended December 31, 2015
Net Income	¥ 47,875	¥ 55,074
Other comprehensive income (loss), net of tax:		
Net change of unrealized gains (losses) on investment in securities	9,376	(401)
Net change of defined benefit pension plans	(13,509)	348
Net change of foreign currency translation adjustments	40,587	(1,568)
Net change of unrealized losses on derivative instruments	(828)	(635)
Total other comprehensive income (loss)	35,626	(2,256)
Comprehensive Income	83,501	52,818
Comprehensive Income Attributable to the Noncontrolling Interests	6,604	296
	7,273	(349)

Comprehensive Income (Loss) Attributable to the Redeemable
Noncontrolling Interests

Comprehensive Income Attributable to ORIX Corporation Shareholders	¥ 69,624	¥	52,871
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Table of Contents**(4) Condensed Consolidated Statements of Changes in Equity (Unaudited)**

Nine months ended December 31, 2014

	Millions of yen							
	ORIX Corporation Shareholders Equity				Total		Noncontrolling	
	Common	Additional	Retained	Accumulated	Treasury	ORIX	Interests	Total
	Stock	Paid-in	Earnings	Other Comprehensive	Stock	Corporation		Equity
		Capital		Income (Loss)		Shareholders		
						Equity		
Beginning Balance	¥ 219,546	¥ 255,449	¥ 1,468,172	¥ 38	¥ (23,859)	¥ 1,919,346	¥ 177,019	¥ 2,096,365
Contribution to subsidiaries						0	25,297	25,297
Transaction with noncontrolling interests		(504)		96		(408)	(13,226)	(13,634)
Comprehensive income, net of tax:								
Net income			185,405			185,405	5,542	190,947
Other comprehensive income (loss)								
Net change of unrealized gains on investment in securities				5,628		5,628	978	6,606
Net change of defined benefit pension plans				(12,078)		(12,078)	(1,197)	(13,275)
Net change of foreign currency translation adjustments				41,424		41,424	5,006	46,430
Net change of unrealized losses on derivative instruments				(827)		(827)	(63)	(890)

Total other comprehensive income						34,147	4,724	38,871
Total comprehensive income						219,552	10,266	229,818
Cash dividends			(30,117)			(30,117)	(3,262)	(33,379)
Exercise of stock options	505	491				996	0	996
Acquisition of treasury stock				(3,423)		(3,423)	0	(3,423)
Disposal of treasury stock		(625)	(142)	767		0	0	0
Other, net		(2)	(304)			(306)	0	(306)
Ending Balance	¥ 220,051	¥ 254,809	¥ 1,623,014	¥ 34,281	¥ (26,515)	¥ 2,105,640	¥ 196,094	¥ 2,301,734

Nine months ended December 31, 2015

Millions of yen								
ORIX Corporation Shareholders Equity								
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total ORIX Corporation Shareholders Equity	Noncontrolling Interests	Total Equity
Beginning Balance	¥ 220,056	¥ 255,595	¥ 1,672,585	¥ 30,373	¥ (26,411)	¥ 2,152,198	¥ 165,873	¥ 2,318,071
Contribution to subsidiaries						0	6,719	6,719
Transaction with noncontrolling interests		(193)				(193)	(6,902)	(7,095)
Comprehensive income, net of tax:								
Net income			215,364			215,364	7,009	222,373
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment				(14,243)		(14,243)	28	(14,215)

in securities								
Net change of defined benefit pension plans			(158)		(158)	45		(113)
Net change of foreign currency translation adjustments			(5,804)		(5,804)	(168)		(5,972)
Net change of unrealized losses on derivative instruments			(591)		(591)	(32)		(623)
Total other comprehensive income (loss)					(20,796)	(127)		(20,923)
Total comprehensive income					194,568	6,882		201,450
Cash dividends			(76,034)		(76,034)	(4,262)		(80,296)
Exercise of stock options	413	409			822	0		822
Acquisition of treasury stock			(2)		(2)	0		(2)
Disposal of treasury stock		(185)	(31)	329	113	0		113
Other, net		156	1,820		1,976	0		1,976
Ending Balance	¥ 220,469	¥ 255,782	¥ 1,813,704	¥ 9,577	¥ (26,084)	¥ 2,273,448	¥ 168,310	¥ 2,441,758

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

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

	Millions of yen	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Cash Flows from Operating Activities:		
Net income	¥ 194,291	¥ 223,183
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	169,692	181,206
Provision for doubtful receivables and probable loan losses	6,289	5,940
Equity in net income of affiliates (excluding interest on loans)	(13,864)	(24,024)
Gains on sales of subsidiaries and affiliates and liquidation losses, net	(20,226)	(57,012)
Bargain Purchase Gain	(36,082)	0
Gains on sales of available-for-sale securities	(22,874)	(31,524)
Gains on sales of operating lease assets	(33,073)	(32,717)
Write-downs of long-lived assets	15,512	4,547
Write-downs of securities	6,316	3,952
Decrease (increase) in restricted cash	(11,754)	8,800
Decrease in trading securities	272,277	387,164
Decrease (increase) in inventories	(20,692)	15,524
Decrease (increase) in trade notes, accounts and other receivable	513	(6,510)
Decrease in trade notes, accounts and other payable	(2,309)	(59,336)
Decrease in policy liabilities and policy account balances	(323,396)	(350,041)
Other, net	(13,525)	88,113
 Net cash provided by operating activities	 167,095	 357,265
Cash Flows from Investing Activities:		
Purchases of lease equipment	(636,638)	(696,943)
Principal payments received under direct financing leases	346,703	372,679
Installment loans made to customers	(813,837)	(808,708)
Principal collected on installment loans	727,476	710,848
Proceeds from sales of operating lease assets	200,948	181,309
Investment in affiliates, net	(75,721)	(19,502)
Proceeds from sales of investment in affiliates	13,601	15,773
Purchases of available-for-sale securities	(717,401)	(745,150)
Proceeds from sales of available-for-sale securities	438,854	415,389
Proceeds from redemption of available-for-sale securities	326,571	313,052
Purchases of held-to-maturity securities	(396)	(395)
Purchases of other securities	(22,882)	(14,799)
Proceeds from sales of other securities	32,050	34,460
Purchases of property under facility operations	(43,607)	(65,468)
Acquisitions of subsidiaries, net of cash acquired	(70,499)	(22,096)

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Sales of subsidiaries, net of cash disposed	47,600	37,576
Other, net	4,862	(10,528)
Net cash used in investing activities	(242,316)	(302,503)
Cash Flows from Financing Activities:		
Net increase (decrease) in debt with maturities of three months or less	11,634	(60,045)
Proceeds from debt with maturities longer than three months	902,183	910,123
Repayment of debt with maturities longer than three months	(904,570)	(944,805)
Net increase in deposits due to customers	43,613	98,285
Cash dividends paid to ORIX Corporation shareholders	(30,117)	(76,034)
Contribution from noncontrolling interests	3,816	4,672
Cash dividends paid to redeemable noncontrolling interests	(1,622)	(11,272)
Net increase in call money	1,500	17,000
Other, net	(9,370)	(8,196)
Net cash provided by (used in) financing activities	17,067	(70,272)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	11,273	(2,408)
Net decrease in Cash and Cash Equivalents	(46,881)	(17,918)
Cash and Cash Equivalents at Beginning of Period	818,039	827,518
Cash and Cash Equivalents at End of Period	¥ 771,158	¥ 809,600

Table of Contents

Notes to Consolidated Financial Statements

1. Overview of Accounting Principles Utilized

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

These statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to present a fair statement of our results of operations, financial position and cash flows. The results reported in these condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our March 31, 2015 consolidated financial statements on Form 20-F.

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

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

(a) Initial direct costs

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

Under Japanese GAAP, those initial direct costs are recognized as expenses when they are incurred.

(b) Operating leases

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

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

(c) Accounting for life insurance operations

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

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

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

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

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

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

(e) Accounting for contingent consideration in business combination

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

Table of Contents

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

(f) Accounting for pension plans

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

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

(g) Reporting on discontinued operations

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

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

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

Under U.S. GAAP, in a transaction that results in the loss of control, the gain or loss recognized in income includes the realized gain or loss related to the portion of ownership interest sold and the gain or loss on the remeasurement to fair value of the interest retained.

Under Japanese GAAP, in a transaction that results in the loss of control, only the realized gain or loss related to the portion of ownership interest sold is recognized in income and the gain or loss on the remeasurement to fair value of the interest retained is not recognized.

(i) Classification in consolidated statements of cash flows

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

(j) Securitization of financial assets

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

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

(k) Fair value option

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

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

Table of Contents

2. Significant Accounting and Reporting Policies

(a) Principles of consolidation

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

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

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

(b) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company has identified ten areas where it believes assumptions and estimates are particularly critical to the financial statements. The Company makes estimates and assumptions to the selection of valuation techniques and determination of assumptions used in fair value measurements (see Note 3), the determination and periodic reassessment of the unguaranteed residual value for direct financing leases and operating leases (see (d)), the determination and reassessment of insurance policy liabilities and deferred policy acquisition costs (see (e)), the determination of the allowance for doubtful receivables on direct financing leases and probable loan losses (see (f)), the recognition and measurement of impairment of long-lived assets (see (g)), the recognition and measurement of impairment of investment in securities (see (h)), the determination of the valuation allowance for deferred tax assets and the evaluation of tax positions (see (i)), the assessment and measurement of effectiveness in hedging relationship using derivative financial instruments (see (k)), the determination of benefit obligation and net periodic pension cost (see (l)) and the recognition and measurement of impairment of goodwill and intangible assets that have indefinite useful lives (see (w)).

(c) Foreign currencies translation

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

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

(d) 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 collectability is reasonably assured.

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

Table of Contents

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

(1) Revenues from direct financing leases

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

(2) Revenues from installment loans

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

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

(3) Non-accrual policy

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

conditions and trends.

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

Table of Contents

Operating leases Revenues from operating leases are recognized on a straight-line basis over the contract terms. Investment in operating leases is recorded at cost less accumulated depreciation, which was ¥506,801 million and ¥530,585 million as of March 31, 2015 and December 31, 2015, respectively. Operating lease assets are depreciated over their estimated useful lives mainly on a straight-line basis. Depreciation expenses are included in costs of operating leases. Gains or losses arising from dispositions of operating lease assets are included in operating lease revenues.

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

Sales of goods and real estate

(1) Sales of goods

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

(2) Real estate sales

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

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

(1) Revenues from asset management and servicing

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

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

(2) Revenues from automobile maintenance services

The Company and its subsidiaries provide automobile maintenance services to lessees. Where under terms of the lease or related maintenance agreements the Company and its subsidiaries bear the favorable or unfavorable variability of cost, revenues and expenses are recorded on a gross basis. For those arrangements in which the Company and its subsidiaries do not have substantial risks and rewards of ownership, but instead serve as an agent in collecting from lessees and remitting payments to third parties, the Company and its subsidiaries record revenues net of third-party services costs. Revenues from automobile maintenance services are recognized over the contract period in proportion to the estimated service costs to be incurred.

Table of Contents**(e) Insurance and reinsurance transactions**

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

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

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

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

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

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

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

The allowance for doubtful receivables on direct financing leases and probable loan losses is maintained at a level which, in the judgment of management, is appropriate to provide for probable losses inherent in lease and loan

portfolios. The allowance is increased by provision charged to income and is decreased by charge-offs, net of recoveries.

Table of Contents

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

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

(g) Impairment of long-lived assets

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

(h) Investment in securities

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

Available-for-sale securities are reported at fair value, and unrealized gains or losses are recorded in accumulated other comprehensive income (loss), net of applicable income taxes, except investments which are recorded at fair value with unrealized gains and losses included in income by electing the fair value option under ASC 825 (Financial Instruments).

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

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

For available-for-sale securities, the Company and its subsidiaries generally recognize losses related to equity securities for which the fair value has been significantly below the acquisition cost (or current carrying value if an adjustment has been made in the past) for more than six months. Also, the Company and its subsidiaries charge against income losses related to equity securities in situations where, even though the fair value has not remained

significantly below the carrying value for six months, the decline in the fair value of an equity security is based on the issuer's specific economic conditions and not just general declines in the related market and where it is considered unlikely that the fair value of the equity security will recover within six months.

Table of Contents

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

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

(i) Income taxes

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

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

The effective income tax rates including discontinued operations for the nine months ended December 31, 2014 and 2015 were 30.3% and 33.3%, respectively. These rates are 37.9% and 34.4% for the three months ended December 31, 2014 and 2015, respectively. For the nine months ended December 31, 2014, the Company and its subsidiaries in Japan were subject to a National Corporate tax of approximately 26%, an Inhabitant tax of approximately 5% and a deductible Enterprise tax of approximately 8%, which in the aggregate result in a statutory income tax rate of approximately 35.9%. For the nine months ended December 31, 2015, as a result of the tax reforms as discussed in the following paragraph, the National Corporation tax was reduced from approximately 26% to approximately 24% and accordingly, the statutory income tax rate was reduced to approximately 33.5%. The effective

income tax rate is different from the statutory tax rate primarily because of certain non-deductible expenses for tax purposes, non-taxable income for tax purposes, the effect of lower income tax rates on foreign subsidiaries and a life insurance subsidiary in Japan, a change in valuation allowance and the bargain purchase gain.

Table of Contents

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

The Company and its subsidiaries recognize the financial statement effects of a tax position taken or expected to be taken in a tax return when it is more likely than not, based on the technical merits, that the position will be sustained upon tax examination, including resolution of any related appeals or litigation processes, and measure the tax position that meets the recognition threshold at the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement with the taxing authority. The Company and its subsidiaries present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss carryforward, or similar tax loss or tax credit carryforward, rather than as a liability. The Company and its subsidiaries classify penalties and interest expense related to income taxes as part of provision for income taxes in the condensed consolidated statements of income.

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

(j) Securitized assets

The Company and its subsidiaries have securitized and sold to investors various financial assets such as lease receivables and loan receivables. In the securitization process, the assets to be securitized are sold to trusts or SPEs that issue asset-backed beneficial interests and securities to the investors.

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

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

prepayments and servicing costs. The internal valuation model is validated at least semiannually through third-party valuations.

(k) Derivative financial instruments

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

Table of Contents

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

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

(l) Pension plans

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

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

(m) Stock-based compensation

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

(n) Stock splits

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

accounting was in conformity with accounting principles generally accepted in Japan.

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

In the United States, stock splits in comparable circumstances are considered to be stock dividends and are accounted for by transferring from retained earnings to common stock and additional paid-in capital amounts equal to the fair market value of the shares issued. Common stock is increased by the par value of the shares and additional paid-in capital is increased by the excess of the market value over par value of the shares issued. Had such stock splits made prior to October 1, 2001 been accounted for in this manner, additional paid-in capital as of December 31, 2015 would have increased by approximately ¥24,674 million, with a corresponding decrease in retained earnings. Total ORIX Corporation shareholders' equity would remain unchanged. Stock 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.

Table of Contents

(o) Cash and cash equivalents

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

(p) Restricted cash

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

(q) Installment loans

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

Loans held for sale are included in installment loans, and the outstanding balances of these loans as of March 31, 2015 and December 31, 2015 were ¥15,613 million and ¥12,285 million, respectively. There were ¥15,361 million and ¥11,781 million of loans held for sale as of March 31, 2015 and December 31, 2015, respectively, measured at fair value by electing the fair value option.

(r) Property under facility operations

Property under facility operations consist primarily of operating facilities (including golf courses, hotels and training facilities and senior housings) and environmental assets (including mega solar), which are stated at cost less accumulated depreciation, and depreciation is calculated mainly on a straight-line basis over the estimated useful lives of the assets. Accumulated depreciation was ¥60,999 million and ¥65,240 million as of March 31, 2015 and December 31, 2015, respectively.

(s) Trade notes, accounts and other receivable

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

(t) Inventories

Inventories consist primarily of residential condominiums under development, completed residential condominiums (including those waiting to be delivered to buyers under the contract for sale), and merchandise for sale. Residential condominiums under development are carried at cost less any impairment losses, and completed residential condominiums and merchandises for sale are stated at the lower of cost or fair value less cost to sell. The cost of inventories that are unique and not interchangeable is determined on the specific identification method and the cost of other inventories is principally determined on the first-in first-out (FIFO) method. As of March 31, 2015, and

December 31, 2015, residential condominiums under development were ¥97,320 million and ¥87,124 million, respectively, and completed residential condominiums and merchandises for sale were ¥68,220 million and ¥59,824 million, respectively.

The company and its subsidiaries recorded ¥4,040 million and ¥34 million of write-downs principally on residential condominiums under development for the nine months ended December 31, 2014 and 2015, respectively, resulting from an increase in development costs and/or a decrease in expected sales price. The amounts of such write-downs for the three months ended December 31, 2014 and 2015 were ¥975 million and ¥5 million respectively. These write-downs were principally recorded in costs of goods and real estate sold and included in the Real Estate segment and the Investment and Operation segment.

(u) Office facilities

Office facilities are stated at cost less accumulated depreciation. Depreciation is calculated on a declining-balance basis or straight-line basis over the estimated useful lives of the assets. Accumulated depreciation was ¥44,443 million and ¥43,805 million as of March 31, 2015 and December 31, 2015, respectively.

Table of Contents**(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)), reinsurance recoverables in relation to reinsurance contracts (see (e)), deferred insurance policy acquisition costs which are amortized over the contract periods (see (e)), leasehold deposits, advance payments made in relation to purchases of assets to be leased and construction of real estate for operating lease, prepaid benefit cost, derivative assets and deferred tax assets.

(w) Goodwill and other intangible assets

The Company and its subsidiaries have followed ASC 805 (Business Combinations) and ASC 350 (Intangibles).

ASC 805 requires that all business combinations be accounted for using the acquisition method. It also requires that intangible assets acquired in a business combination be recognized apart from goodwill if the intangible assets meet one of two criteria either the contractual-legal criterion or the separability criterion. Goodwill is measured as an excess of the aggregate of consideration transferred and the fair value of noncontrolling interests over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed in the business combination measured at fair value. The Company and its subsidiaries would recognize a bargain purchase gain when the amount of recognized net assets exceeds the sum of consideration transferred and the fair value of noncontrolling interests. In a business combination achieved in stages, the Company and its subsidiaries remeasure their previously held equity interest at their acquisition-date fair value and recognize the resulting gain or loss, if any, in earnings.

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

The Company and its subsidiaries may perform a qualitative assessment to determine whether to calculate the fair value of a reporting unit under the first step of the two-step goodwill impairment test. If, after assessing the totality of events or circumstances, it is determined that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the Company and/or subsidiaries do not perform the two-step impairment test. However, if the Company and/or subsidiaries conclude otherwise, the Company and/or subsidiaries perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the fair value of the reporting unit falls below its carrying amount, then the Company and/or subsidiaries perform the second step of the goodwill impairment test by comparing implied fair value of goodwill with its carrying amount. If the carrying amount of goodwill exceeds its implied fair value, an impairment loss is recognized in an amount equal to that excess. The Company and its subsidiaries test the goodwill either at the operating segment level or one level below the operating segments. The Company and its subsidiaries perform the qualitative assessment for some goodwill but bypass the qualitative assessment and proceed directly to the first step of the two-step impairment test for other goodwill.

The Company and its subsidiaries may perform a qualitative assessment to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, the Company and/or subsidiaries conclude that it is not more likely than not that the indefinite-lived asset is impaired, then the Company and/or subsidiaries do not perform the quantitative impairment test. However, if the Company and/or subsidiaries conclude otherwise, the Company and/or subsidiaries calculate the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test. If the carrying amount of the indefinite-lived intangible

asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The Company and its subsidiaries perform the qualitative assessment for some indefinite-lived intangible assets but bypass the qualitative assessment and perform the quantitative assessment for other indefinite-lived intangible assets.

Intangible assets with finite lives are amortized over their useful lives and tested for impairment in accordance with ASC 360 (Property, Plant, and Equipment).

The amount of goodwill was ¥372,615 million and ¥319,056 million as of March 31, 2015 and December 31, 2015, respectively.

The amount of other intangible assets was ¥425,012 million and ¥388,323 million as of March 31, 2015 and December 31, 2015, respectively.

Table of Contents

(x) Trade notes, accounts and other payable

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

(y) Other Liabilities

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

(z) Capitalization of interest costs

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

(aa) Advertising

The costs of advertising are expensed as incurred.

(ab) Discontinued operations

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

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

(ac) Earnings per share

Basic earnings per share is computed by dividing income attributable to ORIX Corporation shareholders from continuing operations and net income attributable to ORIX Corporation shareholders by the weighted average number of shares of outstanding common stock in each period and diluted earnings per share, which reflects the potential dilution that could occur if securities or other contracts issuing common stock were exercised or converted into common stock.

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

Additional acquisition of the parent's ownership interest in subsidiaries and partial sale of such interest where the parent continues to retain control of 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.

(ae) Redeemable noncontrolling interests

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

Table of Contents

(af) Issuance of stock by an affiliate

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

(ag) New accounting pronouncements

In January 2014, Accounting Standards Update 2014-04 (Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure – ASC 310-40 (Receivables – Troubled Debt Restructurings by Creditors)) was issued. This Update clarifies when a creditor is considered to have received physical possession resulting from an in substance repossession or foreclosure of residential real estate property collateralizing a consumer mortgage loan. Additionally, this Update requires an entity to disclose the amount of foreclosed residential real estate property and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2014. The amendments should be applied on either a prospective basis or a modified retrospective basis. Early adoption is permitted. The Company and its subsidiaries adopted this Update on April 1, 2015. The adoption had no material effect on the Company and its subsidiaries' results of operations or financial position.

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

Identify the contract(s) with a customer

Identify the performance obligations in the contract

Determine the transaction price

Allocate the transaction price to the performance obligations in the contract

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

This Update requires an entity to disclose more information about contracts with customers than under the current disclosure requirements. The Update is effective for fiscal years, and interim periods within those years beginning after December 15, 2017. Early adoption is permitted only for the fiscal year beginning after December 15, 2016, and interim periods within the fiscal year. An entity should apply the amendments in this Update using either a

retrospective method or a cumulative-effect method. The entity using the retrospective method may elect some optional expedients to simplify a full retrospective basis. The entity using the cumulative-effect method would recognize the cumulative effect of initially applying this Update as an adjustment to the opening balance of retained earnings or net assets at the date of initial application. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position.

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

In June 2014, Accounting Standards Update 2014-12 (Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period – ASC 718 (Compensation – Stock Compensation)) was issued. This Update requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. The amendments in this Update should be applied on either a prospective basis or a modified retrospective basis. Early adoption is permitted. The adoption is not expected to have a material effect on the Company and its subsidiaries' results of operations or financial position.

Table of Contents

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

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

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

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

In January 2015, Accounting Standards Update 2015-01 (Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items ASC 225-20 (Income Statement Extraordinary and Unusual Items)) was issued.

This Update eliminates the concept of extraordinary items from U.S. GAAP, but does not change the current presentation and disclosure requirements for material events or transactions that are unusual in nature or infrequent in occurrence. This Update is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. The amendments in this Update should be applied on either a prospective basis or a retrospective basis. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. Generally, the effect of adopting this Update on the Company and its subsidiaries' results of operations will depend on future transactions.

Table of Contents

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

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

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

In September 2015, Accounting Standards Update 2015-16 (Simplifying the Accounting for Measurement-Period Adjustments ASC 805 (Business Combinations)) was issued. This Update requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This Update is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The amendments in this Update should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this Update. Early application is permitted for financial statements that have not yet been issued. Generally, the effect of adopting this Update on the Company and its subsidiaries results of operations and financial position will depend on future transactions.

In January 2016, Accounting Standards Update 2016-01 (Recognition and Measurement of Financial Assets and Financial Liabilities ASC 825-10 (Financial Instruments Overall)) was issued. This Update revises accounting related to the classification and measurement of equity investments. This Update also revises the presentation of certain fair value changes for financial liabilities measured at fair value. Additionally, this Update amends certain disclosure requirements associated with the fair value of financial instruments. This Update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early application to financial statements of

fiscal years or interim periods that have not yet been issued are permitted as of the beginning of the fiscal year of adoption. The amendments in this Update should be applied by means of cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The Company and its subsidiaries are currently evaluating the effect that adoption of this Update will have on the Company and its subsidiaries' results of operations or financial position.

(ah) Elimination of lag period

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

Table of Contents

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

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

(ai) Major items of the consolidated statements of income

The following table provides information about Finance revenues for the nine and three months ended December 31, 2014 and 2015:

	Millions of yen	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Direct financing leases	¥ 45,343	¥ 50,538
Interest on loans	83,089	89,751
Interest on investment securities	8,458	9,465
Other	2,442	2,860
Finance revenues	¥ 139,332	¥ 152,614

	Millions of yen	
	Three months ended December 31, 2014	Three months ended December 31, 2015
Direct financing leases	¥ 15,518	¥ 15,506
Interest on loans	28,638	31,458
Interest on investment securities	3,154	3,463
Other	839	943
Finance revenues	¥ 48,149	¥ 51,370

The following table provides information about Gains on sales of real estate under operating leases included in Operating leases for the nine and three months ended December 31, 2014 and 2015:

	Millions of yen	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Gains on sales of real estate under operating leases	¥ 18,826	¥ 18,405

	Millions of yen	
	Three months ended	Three months ended
	December 31,	December 31, 2015
	2014	
Gains on sales of real estate under operating leases	¥ 9,703	¥ 3,711

The following table provides information about Sales of goods and real estate and Costs of goods and real estate sold for the nine and three months ended December 31, 2014 and 2015:

	Millions of yen	
	Nine months ended	Nine months ended
	December 31,	December 31,
	2014	2015
Sales of goods	¥ 223,895	¥ 514,144
Real estate sales	56,293	95,639
Sales of goods and real estate	¥ 280,188	¥ 609,783
Costs of goods sold	¥ 194,188	¥ 465,688
Costs of real estate sales	56,619	81,227
Costs of goods and real estate sold	¥ 250,807	¥ 546,915

Table of Contents

	Millions of yen	
	Three months ended December 31, 2014	Three months ended December 31, 2015
Sales of goods	¥ 104,213	¥ 190,519
Real estate sales	17,799	23,838
Sales of goods and real estate	¥ 122,012	¥ 214,357
Costs of goods sold	¥ 91,931	¥ 175,345
Costs of real estate sales	17,474	20,109
Costs of goods and real estate sold	¥ 109,405	¥ 195,454

The following table provides information about Services income and Services expense for the nine and three months ended December 31, 2014 and 2015:

	Millions of yen	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Revenues from asset management and servicing	¥ 160,128	¥ 156,036
Revenues from automobile related business	49,870	57,989
Revenues from facilities management related business	89,044	84,954
Revenues from environment and energy related business	46,280	62,179
Revenues from real estate management and contract work	120,019	121,905
Revenues from commissions for M&A advisory services, financing advice, financial restructuring advisory services and related services	55,211	22,983
Other	38,543	50,489
Services income	¥ 559,095	¥ 556,535
Expenses from asset management and servicing	¥ 38,704	¥ 42,795
Expenses from automobile related business	32,103	35,205
Expenses from facilities management related business	75,117	70,319
Expenses from environment and energy related business	38,178	51,142
Expenses from real estate management and contract work	108,702	108,280
Other	19,026	20,523
Services expense	¥ 311,830	¥ 328,264

	Millions of yen	
	Three months ended December 31, 2014	Three months ended December 31, 2015

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Revenues from asset management and servicing	¥	68,174	¥	50,804
Revenues from automobile related business		17,500		19,904
Revenues from facilities management related business		30,907		28,532
Revenues from environment and energy related business		14,032		20,851
Revenues from real estate management and contract work		39,836		39,994
Revenues from commissions for M&A advisory services, financing advice, financial restructuring advisory services and related services		23,327		0
Other		10,198		16,065
Services income	¥	203,974	¥	176,150
Expenses from asset management and servicing	¥	13,648	¥	14,144
Expenses from automobile related business		11,334		12,453
Expenses from facilities management related business		25,648		24,265
Expenses from environment and energy related business		11,768		16,567
Expenses from real estate management and contract work		35,953		35,297
Other		7,000		7,658
Services expense	¥	105,351	¥	110,384

Table of Contents

3. Fair Value Measurements

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

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

Level 1: Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

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

Level 3: Unobservable inputs for the assets or liabilities.

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

Table of Contents

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

March 31, 2015

	Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Loans held for sale*1	¥ 15,361	¥ 0	¥ 15,361	¥ 0
Trading securities	1,190,131	50,902	1,139,229	0
Available-for-sale securities	1,356,840	130,519	1,129,270	97,051
Japanese and foreign government bond securities	527,592	0	527,592	0
Japanese prefectural and foreign municipal bond securities	161,477	0	161,477	0
Corporate debt securities	287,613	0	287,613	0
Specified bonds issued by SPEs in Japan	7,280	0	0	7,280
CMBS and RMBS in the Americas	69,976	0	47,318	22,658
Other asset-backed securities and debt securities	147,970	0	81,718	66,252
Equity securities*2	154,932	130,519	23,552	861
Other securities	8,723	0	0	8,723
Investment funds*3	8,723	0	0	8,723
Derivative assets	25,123	6	13,247	11,870
Interest rate swap agreements	890	0	890	0
Options held/written and other	12,103	0	233	11,870
Futures, foreign exchange contracts	5,719	6	5,713	0
Foreign currency swap agreements	6,411	0	6,411	0
Netting*4	(2,858)	0	0	0
Net derivative assets	22,265	0	0	0
Other assets	36,038	0	0	36,038
Reinsurance recoverables*5	36,038	0	0	36,038
	¥ 2,632,216	¥ 181,427	¥ 2,297,107	¥ 153,682
Liabilities:				
Derivative liabilities	¥ 29,619	¥ 762	¥ 28,857	¥ 0
Interest rate swap agreements	1,221	0	1,221	0
Options written and other	6,177	0	6,177	0
Futures, foreign exchange contracts	12,268	762	11,506	0
Foreign currency swap agreements	9,788	0	9,788	0
Credit derivatives held	165	0	165	0

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Netting*4	(2,858)	0	0	0
Net derivative liabilities	26,761	0	0	0
Accounts Payable	5,533	0	0	5,533
Contingent consideration	5,533	0	0	5,533
Policy Liabilities and Policy Account Balances	1,254,483	0	0	1,254,483
Variable annuity and variable life insurance contracts*6	1,254,483	0	0	1,254,483
	¥ 1,289,635	¥ 762	¥ 28,857	¥ 1,260,016

Table of Contents**December 31, 2015**

	Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Loans held for sale*1	¥ 11,781	¥ 0	¥ 11,781	¥ 0
Trading securities	803,155	44,258	758,897	0
Available-for-sale securities	1,367,020	114,162	1,147,856	105,002
Japanese and foreign government bond securities	498,793	0	498,793	0
Japanese prefectural and foreign municipal bond securities	175,501	0	175,501	0
Corporate debt securities	407,171	0	407,166	5
Specified bonds issued by SPEs in Japan	5,841	0	0	5,841
CMBS and RMBS in the Americas	88,375	0	51,632	36,743
Other asset-backed securities and debt securities	63,128	0	715	62,413
Equity securities*2	128,211	114,162	14,049	0
Other securities	9,844	0	0	9,844
Investment funds*3	9,844	0	0	9,844
Derivative assets	24,574	447	19,525	4,602
Interest rate swap agreements	164	0	164	0
Options held/written and other	5,784	0	1,182	4,602
Futures, foreign exchange contracts	9,106	447	8,659	0
Foreign currency swap agreements	9,421	0	9,421	0
Credit derivative held	99	0	99	0
Netting*4	(3,445)	0	0	0
Net derivative assets	21,129	0	0	0
Other assets	32,334	0	0	32,334
Reinsurance recoverables*5	32,334	0	0	32,334
	¥ 2,248,708	¥ 158,867	¥ 1,938,059	¥ 151,782
Liabilities:				
Derivative liabilities	¥ 12,633	¥ 332	¥ 12,301	¥ 0
Interest rate swap agreements	2,698	0	2,698	0
Options written and other	1,373	0	1,373	0
Futures, foreign exchange contracts	3,603	332	3,271	0
Foreign currency swap agreements	4,925	0	4,925	0
Credit derivatives held	34	0	34	0
Netting*4	(3,445)	0	0	0
Net derivative liabilities	9,188	0	0	0

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Policy Liabilities and Policy Account Balances	867,632	0	0	867,632
Variable annuity and variable life insurance contracts*6	867,632	0	0	867,632
	¥ 880,265	¥ 332	¥ 12,301	¥ 867,632

*1 A certain subsidiary elected the fair value option under ASC 825 (Financial Instrument) on the loans held for sale originated on or after October 1, 2011. These loans are multi-family and seniors housing loans and are sold to Federal National Mortgage Association (Fannie Mae) or institutional investors. Included in Other (income) and expense, net in the consolidated statements of income were losses of ¥428 million and ¥667 million from the change in the fair value of the loans for the nine months ended December 31, 2014 and 2015, respectively. Included in Other (income) and expense, net in the consolidated statements of income were losses of ¥373 million and ¥691 million from the change in the fair value of the loans for the three months ended December 31, 2014 and 2015, respectively. No gains or losses were recognized in earnings during the nine months ended December 31, 2014 and 2015, attributable to changes in instrument-specific credit risk. The amounts of aggregate unpaid principal balance and aggregate fair value of the loans held for sale as of March 31, 2015, were ¥14,431 million and ¥15,361 million, respectively, and the amount of aggregate fair value exceeded the amount of aggregate unpaid principal balance by ¥930 million. The amounts of aggregate unpaid principal balance and aggregate fair value of the loans held for sale as of December 31, 2015, were ¥11,030 million and ¥11,781 million, respectively, and the amount of aggregate fair value exceeds the amount of aggregate unpaid principal balance by ¥751 million. As of March 31, 2015 and December 31, 2015, there were no loans that are 90 days or more past due, in non-accrual status, or both.

Table of Contents

- *2 A certain subsidiary elected the fair value option under ASC 825 (Financial Instruments) for investments in equity securities included in available-for-sale securities. Included in Gains on investment securities and dividends in the consolidated statements of income were a gain of ¥450 million and a loss of ¥161 million from the change in the fair value of those investments for the nine months ended December 31, 2014 and 2015, respectively. Included in Gains on investment securities and dividends in the consolidated statements of income were gains of ¥214 million and ¥155 million from the change in the fair value of those investments for the three months ended December 31, 2014 and 2015, respectively. The amounts of aggregate fair value elected the fair value option were ¥8,168 million and ¥13,212 million as of March 31, 2015 and December 31, 2015, respectively.
- *3 Certain subsidiaries elected the fair value option under ASC 825 (Financial Instruments) for investments in some funds. Included in Gains on investment securities and dividends in the consolidated statements of income were a gain of ¥868 million and a loss of ¥90 million from the change in the fair value of those investments for the nine months ended December 31, 2014 and 2015. Included in Gains on investment securities and dividends in the consolidated statements of income were a gain of ¥360 million and a loss of ¥74 million from the change in the fair value of those investments for the three months ended December 31, 2014 and 2015. The amounts of aggregate fair value were ¥8,723 million and ¥9,844 million as of March 31, 2015 and December 31, 2015, respectively.
- *4 It represents the amount offset under counterparty netting of derivative assets and liabilities.
- *5 Certain subsidiaries elected the fair value option under ASC 825 (Financial Instruments) for certain reinsurance contracts held. The fair value of the reinsurance contracts elected for the fair value option in other assets was ¥36,038 million and ¥32,334 million as of March 31, 2015 and December 31, 2015, respectively. For the effect of changes in the fair value of those reinsurance recoverables on earnings during the nine and three months ended December 31, 2014 and 2015, see Note 15 Life Insurance Operations.
- *6 A certain subsidiary elected the fair value option under ASC 825 (Financial Instruments) for the entire variable annuity and variable life insurance contracts held in order to match the earnings recognized for the changes in fair value of policy liabilities and policy account balances with earnings recognized for gains or losses from the investment assets managed on behalf of variable annuity and variable life policyholders, derivative contracts and the changes in fair value of reinsurance contracts. The fair value of the variable annuity and variable life insurance contracts elected for the fair value option in policy liabilities and policy account balances was ¥1,254,483 million and ¥867,632 million as of March 31, 2015 and December 31, 2015, respectively. For the effect of changes in the fair value of the variable annuity and variable life insurance contracts on earnings during the nine and three months ended December 31, 2014 and 2015, see Note 15 Life Insurance Operations.

Table of Contents

Changes in economic conditions or valuation methodologies may require the transfer of assets and liabilities from one fair value level to another. In such instances, the Company and its subsidiaries recognize the transfer at the beginning of the quarter during which the transfers occur. The Company and its subsidiaries evaluate the significance of transfers between levels based upon size of the transfer relative to total assets, total liabilities or total earnings. For the nine months ended December 31, 2014 and 2015, there were no transfers between Level 1 and Level 2.

The following table presents the reconciliation for financial assets and liabilities (net) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended December 31, 2014 and 2015:

Nine months ended December 31, 2014

	Millions of yen										Change in unrealized gains or losses included in earnings assets and liabilities at December 31, 2014
	Balance at April 1, 2014	Included in earnings *1	Gains or losses (realized/unrealized) Included in other comprehensive income *2	Total	Purchases *3	Sales	Settlements *4	Transfers in and/or out of Level 3 (net) *5	Balance at December 31, 2014		
Available-for-sale											
Equities	¥ 84,001	¥ (1,252)	¥ 8,219	¥ 6,967	¥ 42,688	¥ (1,097)	¥ (19,565)	¥ (20,438)	¥ 92,556	¥ (1,097)	
Corporate debt securities	661	9	7	16	0	(15)	(503)	0	159		
Structured bonds by SPEs in U.S. and U.S. in the Americas	6,772	4	102	106	1,700	0	(1,239)	0	7,339		
Asset-backed securities	17,833	107	2,767	2,874	21,820	(469)	(2,958)	(20,438)	18,662		
Debt securities	58,735	(1,372)	5,343	3,971	19,168	(613)	(14,865)	0	66,396	(1,097)	
Investment funds	6,317	854	1,272	2,126	5,699	(4,587)	0	0	9,555		
Other assets and liabilities	2,486	(12,638)	0	(12,638)	25,947	0	(4,093)	0	11,702	(12,638)	

ns										
written and	2,486	(12,638)	0	(12,638)	25,947	0	(4,093)	0	11,702	(12,638)
assets	0	(24,332)	0	(24,332)	69,403	0	(356)	0	44,715	(24,332)
urance										
erables *6	0	(24,332)	0	(24,332)	69,403	0	(356)	0	44,715	(24,332)
nts payable	2,833	(11,408)	0	(11,408)	0	0	(47)	0	14,194	(11,408)
ngent										
eration	2,833	(11,408)	0	(11,408)	0	0	(47)	0	14,194	(11,408)
Liabilities										
olicy										
nt Balances	0	(102,424)	0	(102,424)	1,765,443	0	(428,522)	0	1,439,345	(102,424)
ole annuity										
variable life										
nce										
cts *7	0	(102,424)	0	(102,424)	1,765,443	0	(428,522)	0	1,439,345	(102,424)

months ended December 31, 2015

Millions of yen										
Gains or losses (realized/unrealized)										Char
Included in other comprehensive income *2										in
Included in earnings *1										unreal
Balance at April 1, 2015										gains or
				Total	Purchases *3	Sales	Settlements *4	Transfers in and/or out of Level 3 (net) *5	Balance at December 31, 2015	includ
										in
										earn
										for
										asse
										and
										liabil
										stili
										held
										Decemb
										2015
able-for-sale										
ties	¥ 97,051	¥ 816	¥(3,679)	¥ (2,863)	¥ 38,690	¥(12,655)	¥ (14,352)	¥ (869)	¥ 105,002	¥
rate debt										
ties	0	1	0	1	5	(1)	0	0	5	
ied bonds										
by SPEs in	7,280	4	14	18	0	0	(1,457)	0	5,841	