ORIX CORP
Form 6-K
November 10, 2016
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

THE SECURITIES EXCHANGE Act of 1934

For the month of November 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)

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

Form 20-F x Form 40-F ¨

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

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

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Table of Document(s) Submitted

1. This is an English translation of ORIX Corporation s quarterly financial report (*shihanki houkokusho*) as filed with the Kanto Financial Bureau in Japan on November 10, 2016, which includes unaudited consolidated financial information prepared in accordance with generally accepted accounting principles in the United States as of March 31, 2016 and September 30, 2016 and for the three and six months ended September 30, 2015 and 2016.

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SIGNATURES

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

	ORIX Corporation
Date: November 10, 2016	By /s/ Kazuo Kojima Kazuo Kojima Director Deputy President and Chief Financial Officer ORIX Corporation

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CONSOLIDATED FINANCIAL INFORMATION

Notes to Translation

1. The following is an English translation of ORIX Corporation s quarterly financial report (*shihanki houkokusho*) as filed with the Kanto Financial Bureau in Japan on November 10, 2016, which includes unaudited consolidated financial information prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) as of March 31, 2016 and September 30, 2016 and for the three and six months ended September 30, 2015 and 2016.

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.

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

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1. Information on the Company and its Subsidiaries

(1) Consolidated Financial Highlights

	Millions of yen (except for per share amounts and ratios)		
	Six months ended September 30, 2015	Six months ended September 30, 2016	Fiscal year ended March 31, 2016
Total revenues	¥ 1,170,194	¥ 1,221,125	¥ 2,369,202
Income before income taxes	250,745	219,235	391,302
Net income attributable to ORIX Corporation shareholders	161,298	142,150	260,169
Comprehensive Income attributable to ORIX Corporation shareholders	141,697	86,686	223,574
ORIX Corporation shareholders equity	2,249,232	2,364,960	2,310,431
Total assets	11,076,457	10,782,692	10,992,918
Earnings per share for net income attributable to ORIX Corporation shareholders			
Basic (yen)	123.23	108.57	198.73
Diluted (yen)	123.11	108.47	198.52
ORIX Corporation shareholders equity ratio (%)	20.3	21.9	21.0
Cash flows from operating activities	218,586	330,969	510,562
Cash flows from investing activities	(68,205)	20,168	(552,529)
Cash flows from financing activities	(26,861)	(101,729)	(48,001)
Cash and cash equivalents at end of period	949,121	961,830	730,420

	Millions of yen (except for per share amounts)	
	Three months ended September 30, 2015	Three months ended September 30, 2016
Total revenues	¥ 564,070	¥ 633,180
Net income attributable to ORIX Corporation shareholders	79,788	65,381
Earnings per share for net income attributable to ORIX Corporation shareholders		
Basic (yen)	60.95	49.94

Notes: 1. Consumption tax is excluded from the stated amount of total revenues.

2. Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 (Simplifying the Presentation of Debt Issuance Costs ASC 835-30 (Interest Imputation of Interest)) on April 1, 2016.

(2) Overview of Activities

During the six months ended September 30, 2016, 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, 2016 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.

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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

While the economy of the United States has been recovering moderately and the economy of Europe remains at flat area, the economies of emerging and resource-rich countries have bottomed out and the world economy as a whole has been unstable. Against the backdrop of monetary easing measures in several countries, interest rates remain low worldwide. In addition, there are political and geopolitical tensions in certain regions that need to be monitored carefully.

The Japanese economy remains at a standstill due primarily to low corporate earnings caused in part by the appreciation of the yen and weakening personal consumption.

Financial Highlights

Financial Results for the Six Months Ended September 30, 2016

Total revenues	¥1,221,125 million (Up 4% year on year)
Total expenses	¥1,054,776 million (Up 7% year on year)
Income before income taxes	¥219,235 million (Down 13% year on year)
Net income attributable to ORIX Corporation Shareholders	¥142,150 million (Down 12% year on year)
Earnings per share for net income attributable to ORIX Corporation Shareholders	
(Basic)	¥108.57 (Down 12% year on year)
(Diluted)	¥108.47 (Down 12% year on year)
ROE (Annualized) *1	12.2% (14.7% during the same period in the previous fiscal year)
ROA (Annualized) *2	2.61% (2.87% during the same period in the previous fiscal year)

Note: Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 (Simplifying the Presentation of Debt Issuance Costs ASC 835-30 (Interest Imputation of Interest)) on April 1, 2016.

*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 six months ended September 30, 2016 increased 4% to ¥1,221,125 million compared to ¥1,170,194 million during the same period of the previous fiscal year. Life insurance premiums and related investment income increased mainly due to increases in insurance premiums and investment income in ORIX Life Insurance Corporation (hereinafter, ORIX Life Insurance), and an improvement in investment income from assets under variable annuity and variable life insurance contracts originally held by Hartford Life Insurance K.K. (hereinafter, HLIKK) compared to the same period of the previous fiscal year during which the investment income decreased with deterioration of market environment. HLIKK was merged into ORIX Life Insurance on July 1, 2015. In addition, sales of goods and real estate increased due primarily to revenues generated by subsidiaries in the principal investment business. On the other hand, gains on investment securities and dividends decreased due to a decrease in gains on investment securities. In addition, services income decreased due to the partial divestment of Houlihan Lokey Inc. (hereinafter, Houlihan Lokey) shares in connection with its initial public offering in the United States and its becoming an equity method affiliate in the previous fiscal year.

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Total expenses increased 7% to ¥1,054,776 million compared to ¥987,714 million during the same period of the previous fiscal year. Life insurance costs increased due to a provision of liability reserve in line with the aforementioned improvement in investment income from assets under variable annuity and variable life insurance contracts. Costs of goods and real estate sold increased in line with the aforementioned revenue increase. On the other hand, selling, general and administrative expenses decreased compared to the same period of the previous fiscal year in line with Houlihan Lokey becoming an equity method affiliate in the previous fiscal year as mentioned above.

Gains on sales of subsidiaries and affiliates and liquidation losses, net decreased compared to the same period of the previous fiscal year due to a gain from the aforementioned partial divestment of Houlihan Lokey shares and its becoming an equity method affiliate in the previous fiscal year.

As a result of the foregoing, income before income taxes for the six months ended September 30, 2016 decreased 13% to ¥219,235 million compared to ¥250,745 million during the same period of the previous fiscal year, and net income attributable to ORIX Corporation shareholders decreased 12% to ¥142,150 million compared to ¥161,298 million during the same period of the previous fiscal year.

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Segment Information

Total revenues and profits by segment for the six months ended September 30, 2015 and 2016 are as follows:

	Millions of yen							
	Six months ended September 30, 2015		Six months ended September 30, 2016		Change (revenues)		Change (profits)	
	Segment Revenues	Segment Profits	Segment Revenues	Segment Profits	Amount	Percent (%)	Amount	Percent (%)
Corporate Financial Services	¥ 52,712	¥ 21,564	¥ 51,995	¥ 19,874	¥ (717)	(1)	¥ (1,690)	(8)
Maintenance Leasing	135,924	23,117	134,820	19,655	(1,104)	(1)	(3,462)	(15)
Real Estate	109,047	33,717	104,084	35,447	(4,963)	(5)	1,730	5
Investment and Operation	493,525	36,450	539,042	52,041	45,517	9	15,591	43
Retail	102,401	32,062	151,095	35,507	48,694	48	3,445	11
Overseas Business	277,843	97,881	240,643	51,510	(37,200)	(13)	(46,371)	(47)
Total	1,171,452	244,791	1,221,679	214,034	50,227	4	(30,757)	(13)
Difference between Segment Total and Consolidated Amounts	(1,258)	5,954	(554)	5,201	704		(753)	(13)
Total Consolidated Amounts	¥ 1,170,194	¥ 250,745	¥ 1,221,125	¥ 219,235	¥ 50,931	4	¥ (31,510)	(13)

Total assets by segment as of March 31, 2016 and September 30, 2016 are as follows:

	Millions of yen					
	March 31, 2016		September 30, 2016		Change	
	Segment Assets	Composition ratio (%)	Segment Assets	Composition ratio (%)	Amount	Percent (%)
Corporate Financial Services	¥ 1,049,867	9.6	¥ 1,034,377	9.6	¥ (15,490)	(1)
Maintenance Leasing	731,329	6.7	724,168	6.7	(7,161)	(1)
Real Estate	739,592	6.7	705,062	6.6	(34,530)	(5)
Investment and Operation	704,156	6.4	695,780	6.5	(8,376)	(1)
Retail	3,462,772	31.5	3,325,370	30.8	(137,402)	(4)
Overseas Business	2,284,733	20.7	2,051,463	19.0	(233,270)	(10)
Total	8,972,449	81.6	8,536,220	79.2	(436,229)	(5)
Difference between Segment Total and Consolidated Amounts	2,020,469	18.4	2,246,472	20.8	226,003	11
Total Consolidated Amounts	¥ 10,992,918	100.0	¥ 10,782,692	100.0	¥ (210,226)	(2)

Note: Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 (Simplifying the Presentation of Debt Issuance Costs ASC 835-30 (Interest Imputation of Interest)) on April 1, 2016.

Total segment profits for the six months ended September 30, 2016 decreased 13% to ¥214,034 million compared to ¥244,791 million during the same period of the previous fiscal year. While segment profits increased significantly in the Investment and Operation segment and secondarily in the Real Estate and Retail segments, segment profits for each of the other segments decreased.

Segment information for the six months ended September 30, 2016 is as follows:

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Corporate Financial Services Segment: Lending, leasing and fee business

The Japanese economy remains at a standstill due to low corporate earnings caused in part by the appreciation of the yen and weakening personal consumption. The balance of outstanding loans at financial institutions continues to increase and interest rates on loans remain low levels.

Segment revenues decreased 1% to ¥51,995 million compared to ¥52,712 million during the same period of the previous fiscal year due to a decrease in gains on investment securities, and a decrease in finance revenues in line with the decreased average investment, despite an increase in services income resulting primarily from revenue generated by Yayoi Co., Ltd. and stable fee business to domestic small-and medium-sized enterprise customers.

Segment expenses increased due primarily to an increase in selling, general and administrative expenses compared to the same period of the previous fiscal year. As a result, segment profits decreased 8% to ¥19,874 million compared to ¥21,564 million during the same period of the previous fiscal year.

Segment assets decreased 1% to ¥1,034,377 million compared to the end of the previous fiscal year due primarily to decreases in installment loans and investment in securities.

	Six months ended September 30, 2015	Six months ended September 30, 2016	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Finance revenues	¥ 16,845	¥ 15,538	¥ (1,307)	(8)
Operating leases	12,357	12,210	(147)	(1)
Services income	17,400	20,070	2,670	15
Sales of goods and real estate, and other	6,110	4,177	(1,933)	(32)
Total Segment Revenues	52,712	51,995	(717)	(1)
Segment Expenses:				
Interest expense	3,685	3,125	(560)	(15)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	(847)	353	1,200	
Other than the above	28,677	30,406	1,729	6
Total Segment Expenses	31,515	33,884	2,369	8
Segment Operating Income	21,197	18,111	(3,086)	(15)
Equity in Net income of Affiliates, and others	367	1,763	1,396	380
Segment Profits	¥ 21,564	¥ 19,874	¥ (1,690)	(8)

	As of March 31, 2016	As of September 30, 2016	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 431,603	¥ 430,795	¥ (808)	(0)
Installment loans	411,824	401,421	(10,403)	(3)
Investment in operating leases	28,695	29,722	1,027	4
Investment in securities	36,542	31,583	(4,959)	(14)

Property under facility operations	11,294	12,199	905	8
Inventories	53	46	(7)	(13)
Advances for investment in operating leases	1,737	1,888	151	9
Investment in affiliates	22,755	22,528	(227)	(1)
Advances for property under facility operations	304	124	(180)	(59)
Goodwill and other intangible assets acquired in business combinations	105,060	104,071	(989)	(1)
Total Segment Assets	¥ 1,049,867	¥ 1,034,377	¥ (15,490)	(1)

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

While demand in corporate capital investment is gradually increasing, concerns about decreasing profitability and uncertainty in the economic outlook interfere with new investment. The volume of new auto leases in Japan decreased slightly compared to the previous fiscal year.

Segment revenues decreased 1% to ¥134,820 million from ¥135,924 million during the same period of the previous fiscal year due to less gains on sales in operating leases revenues, despite an increase in rental revenues, which are also included in operating leases revenues.

Segment expenses increased due primarily to increases in costs of operating leases in line with increased average investment asset balance in the auto-business and selling, general and administrative expenses. Segment profits decreased 15% to ¥19,655 million compared to ¥23,117 million during the same period of the previous fiscal year.

Segment assets decreased 1% to ¥724,168 million compared to the end of the previous fiscal year primarily due to a decrease in leasing assets in line with the securitization, despite an increase in new auto-leases in the auto-business.

	Six months ended September 30, 2015	Six months ended September 30, 2016	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Finance revenues	¥ 6,253	¥ 6,378	¥ 125	2
Operating leases	94,426	93,312	(1,114)	(1)
Services income	33,184	33,250	66	0
Sales of goods and real estate, and other	2,061	1,880	(181)	(9)
Total Segment Revenues	135,924	134,820	(1,104)	(1)
Segment Expenses:				
Interest expense	1,750	1,710	(40)	(2)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	(89)	169	258	
Other than the above	111,172	113,311	2,139	2
Total Segment Expenses	112,833	115,190	2,357	2
Segment Operating Income	23,091	19,630	(3,461)	(15)
Equity in Net income of Affiliates, and others	26	25	(1)	(4)
Segment Profits	¥ 23,117	¥ 19,655	¥(3,462)	(15)

	As of March 31, 2016	As of September 30, 2016	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 245,257	¥ 254,634	¥ 9,377	4
Investment in operating leases	481,031	464,640	(16,391)	(3)
Investment in securities	1,214	1,174	(40)	(3)
Property under facility operations	718	710	(8)	(1)
Inventories	374	466	92	25

Advances for investment in operating leases	314	294	(20)	(6)
Investment in affiliates	1,996	1,826	(170)	(9)
Goodwill and other intangible assets acquired in business combinations	425	424	(1)	(0)
Total Segment Assets	¥ 731,329	¥ 724,168	¥ (7,161)	(1)

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

The real estate market has remained active due primarily to the quantitative easing policies implemented by the Bank of Japan, including the adoption of negative interest rates. Land prices remain high and vacancy rates in the Japanese office building market continue to show improvements especially in the Greater Tokyo Area. Furthermore, we are seeing increases in the occupancy rates and average daily rates of hotels and Japanese inns. Meanwhile, we are also seeing a trend where by sales prices of condominiums are no longer raising.

Segment revenues decreased 5% to ¥104,084 million compared to ¥109,047 million during the same period of the previous fiscal year primarily due to a decrease in financial revenues compared to the same period of the previous fiscal year during which the sale of large scale rental properties was recognized in finance revenues and also due to a decrease in sales of real estate, despite an increase in gains on sales of rental properties, which are included in operating leases revenues.

Segment expenses decreased compared to the same period of the previous fiscal year primarily due to decreases in costs of operating leases in line with a decrease in assets and the cost of sales of real estate.

As a result of the foregoing, segment profits increased 5% to ¥35,447 million compared to ¥33,717 million during the same period of the previous fiscal year.

Segment assets decreased 5% to ¥705,062 million compared to the end of the previous fiscal year primarily due to a decrease in investment in operating leases, which resulted from sales of rental properties.

	Six months ended September 30, 2015	Six months ended September 30, 2016	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Finance revenues	¥ 5,491	¥ 830	¥ (4,661)	(85)
Operating leases	36,736	43,294	6,558	18
Services income	57,482	55,889	(1,593)	(3)
Sales of goods and real estate, and other	9,338	4,071	(5,267)	(56)
Total Segment Revenues	109,047	104,084	(4,963)	(5)
Segment Expenses:				
Interest expense	2,603	1,676	(927)	(36)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	817	630	(187)	(23)
Other than the above	73,157	67,767	(5,390)	(7)
Total Segment Expenses	76,577	70,073	(6,504)	(8)
Segment Operating Income	32,470	34,011	1,541	5
Equity in Net income of Affiliates, and others	1,247	1,436	189	15
Segment Profits	¥ 33,717	¥ 35,447	¥ 1,730	5

	As of March 31, 2016	As of September 30, 2016	Change Amount	Change Percent (%)

	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 21,541	¥ 24,433	¥ 2,892	13
Installment loans	5,821	5,576	(245)	(4)
Investment in operating leases	375,050	348,364	(26,686)	(7)
Investment in securities	5,861	3,882	(1,979)	(34)
Property under facility operations	177,510	179,889	2,379	1
Inventories	3,597	3,117	(480)	(13)
Advances for investment in operating leases	38,486	22,454	(16,032)	(42)
Investment in affiliates	91,010	91,023	13	0
Advances for property under facility operations	8,829	14,558	5,729	65
Goodwill and other intangible assets acquired in business combinations	11,887	11,766	(121)	(1)
Total Segment Assets	¥ 739,592	¥ 705,062	¥ (34,530)	(5)

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

While the Japanese 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 the capital markets, overseas markets for mergers and acquisitions (hereinafter M&A) have been sluggish, but the number of out bound cross-border M&A transactions by Japanese companies has increased.

Segment revenues increased 9% to ¥539,042 million compared to ¥493,525 million during the same period of the previous fiscal year due to increases in sales of goods and services income generated by subsidiaries in the principal investment business and environment and energy-related business.

Segment expenses increased compared to the same period of the previous fiscal year due to an increase in expenses in line with the aforementioned revenues expansion and recognition of write-downs of securities.

As a result of the foregoing and the recognition of gains on sales of shares of subsidiaries and affiliates and the recognition of a bargain purchase gain from the acquisition of a subsidiary, segment profits increased 43% to ¥52,041 million compared to ¥36,450 million during the same period of the previous fiscal year.

Segment assets decreased 1% to ¥695,780 million compared to the end of the previous fiscal year primarily due to a decrease in investment in affiliates, despite increases in inventories and property under facility operations in the environment and energy-related business.

	Six months ended September 30, 2015	Six months ended September 30, 2016	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Finance revenues	¥ 6,507	¥ 5,304	¥ (1,203)	(18)
Gains on investment securities and dividends	9,705	6,216	(3,489)	(36)
Sales of goods and real estate	338,282	377,408	39,126	12
Services income	134,056	145,581	11,525	9
Operating leases, and other	4,975	4,533	(442)	(9)
Total Segment Revenues	493,525	539,042	45,517	9
Segment Expenses:				
Interest expense	1,792	2,481	689	38
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	(644)	5,478	6,122	
Other than the above	464,672	514,137	49,465	11
Total Segment Expenses	465,820	522,096	56,276	12
Segment Operating Income	27,705	16,946	(10,759)	(39)
Equity in Net income of Affiliates, and others	8,745	35,095	26,350	301
Segment Profits	¥ 36,450	¥ 52,041	¥ 15,591	43

	As of March 31,	As of September 30, 2016	Change Amount	Change Percent (%)

	2016			
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 21,133	¥ 24,807	¥ 3,674	17
Installment loans	75,996	64,762	(11,234)	(15)
Investment in operating leases	24,378	25,206	828	3
Investment in securities	71,705	59,868	(11,837)	(17)
Property under facility operations	130,568	161,357	30,789	24
Inventories	98,016	112,976	14,960	15
Advances for investment in operating leases	404	1,117	713	176
Investment in affiliates	108,237	65,330	(42,907)	(40)
Advances for property under facility operations	38,628	37,335	(1,293)	(3)
Goodwill and other intangible assets acquired in business combinations	135,091	143,022	7,931	6
Total Segment Assets	¥ 704,156	¥ 695,780	¥ (8,376)	(1)

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Retail Segment: Life insurance, banking and card loan business

The life insurance business in Japan is currently affected by macroeconomic factors such as domestic population decline, we are seeing increasing numbers of companies develop new products in response to the rising demand for medical insurance. On the other hand, we are seeing suspensions of the sales of certain products and an increase in insurance premiums on new contracts due to the Bank of Japan s adoption of negative interest rate policy. In the consumer finance sector, banks and other lenders are expanding their assets to further secure new revenue streams, and competition in the lending business continues to intensify in the current low interest rate environment.

Segment revenues increased 48% to ¥151,095 million compared to ¥102,401 million during the same period of the previous fiscal year due to increases in insurance premiums and investment income in ORIX Life Insurance, and an improvement in investment income from assets under variable annuity and variable life insurance contracts originally held by HLIKK compared to the same period of the previous fiscal year during which the investment income decreased with deterioration of market environment.

Segment expenses increased compared to the same period of the previous fiscal year due to a provision of liability reserve in line with the aforementioned improvement in investment income from assets under variable annuity and variable life insurance contracts.

As a result of the foregoing, segment profits increased 11% to ¥35,507 million compared to ¥32,062 million during the same period of the previous fiscal year.

Segment assets decreased 4% to ¥3,325,370 million compared to the end of the previous fiscal year due primarily to a large decrease in investment in securities held by HLIKK, offsetting an increase in installment loans in the banking business.

	Six months ended September 30, 2015	Six months ended September 30, 2016	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Finance revenues	¥ 27,172	¥ 28,900	¥ 1,728	6
Life insurance premiums and related investment income	71,171	116,430	45,259	64
Services income, and other	4,058	5,765	1,707	42
Total Segment Revenues	102,401	151,095	48,694	48
Segment Expenses:				
Interest expense	2,369	2,105	(264)	(11)
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	3,508	4,953	1,445	41
Other than the above	65,257	108,531	43,274	66
Total Segment Expenses	71,134	115,589	44,455	62
Segment Operating Income	31,267	35,506	4,239	14
Equity in Net income of Affiliates, and others	795	1	(794)	(100)
Segment Profits	¥ 32,062	¥ 35,507	¥ 3,445	11

	As of March 31, 2016	As of September 30, 2016	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Investment in direct financing leases	¥ 1,198	¥ 783	¥ (415)	(35)

Installment loans	1,496,407	1,609,114	112,707	8
Investment in operating leases	52,359	51,934	(425)	(1)
Investment in securities	1,893,631	1,645,240	(248,391)	(13)
Investment in affiliates	911	850	(61)	(7)
Goodwill and other intangible assets acquired in business combinations	18,266	17,449	(817)	(4)
Total Segment Assets	¥ 3,462,772	¥ 3,325,370	¥ (137,402)	(4)

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

While the economy of the United States has been recovering moderately and the economy of Europe remains at flat area, the economies of emerging and resource-rich countries have bottomed out and the world economy as a whole has been unstable. Against the backdrop of monetary easing measures in several countries, interest rates remain low worldwide. In addition, there are political and geopolitical tensions in certain regions that need to be monitored carefully.

Segment revenues decreased 13% to ¥240,643 million compared to ¥277,843 million during the same period of the previous fiscal year due to decreases in gains on investment securities and services income resulting primarily from the deconsolidation of Houlihan Lokey as well as the recent appreciation of the yen, despite an increase in sales of goods in the Americas.

Segment expenses decreased compared to the same period of the previous fiscal year primarily due to the deconsolidation of Houlihan Lokey and the recent appreciation of the yen.

As a result of the foregoing and due to the recognition of a gain on the partial divestment of Houlihan Lokey shares during the same period of previous fiscal year, segment profits decreased 47% to ¥51,510 million compared to ¥97,881 million during the same period of the previous fiscal year.

Segment assets decreased 10% to ¥2,051,463 million compared to the end of the previous fiscal year due to a decrease in investment in operating leases of aircraft-related operations and yen appreciation.

	Six months ended September 30, 2015	Six months ended September 30, 2016	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			
Segment Revenues:				
Finance revenues	¥ 36,212	¥ 37,926	¥ 1,714	5
Gains on investment securities and dividends	15,670	5,595	(10,075)	(64)
Operating leases	43,994	43,528	(466)	(1)
Services income	137,987	105,872	(32,115)	(23)
Sales of goods and real estate, and other	43,980	47,722	3,742	9
Total Segment Revenues	277,843	240,643	(37,200)	(13)
Segment Expenses:				
Interest expense	15,718	17,217	1,499	10
Provision for doubtful receivables and probable loan losses and write-downs of long-lived assets and securities	4,866	2,947	(1,919)	(39)
Other than the above	206,882	176,972	(29,910)	(14)
Total Segment Expenses	227,466	197,136	(30,330)	(13)
Segment Operating Income	50,377	43,507	(6,870)	(14)
Equity in Net income of Affiliates, and others	47,504	8,003	(39,501)	(83)
Segment Profits	¥ 97,881	¥ 51,510	¥ (46,371)	(47)

	As of March 31, 2016	As of September 30, 2016	Change Amount	Change Percent (%)
	(Millions of yen, except percentage data)			

Investment in direct financing leases	¥ 351,010	¥ 311,438	¥ (39,572)	(11)
Installment loans	407,870	358,455	(49,415)	(12)
Investment in operating leases	375,401	325,088	(50,313)	(13)
Investment in securities	383,227	355,261	(27,966)	(7)
Property under facility operations	23,762	21,540	(2,222)	(9)
Inventories	37,782	33,068	(4,714)	(12)
Advances for investment in operating leases	5,302	6,545	1,243	23
Investment in affiliates	305,674	276,690	(28,984)	(9)
Advances for property under facility operations	39	46	7	18
Goodwill and other intangible assets acquired in business combinations	394,666	363,332	(31,334)	(8)
Total Segment Assets	¥ 2,284,733	¥ 2,051,463	¥ (233,270)	(10)

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(2) Financial Condition

	As of March 31, 2016	As of September 30, 2016	Change Amount	Change Percent (%)
	(Millions of yen except per share, ratios and percentages)			
Total assets	¥ 10,992,918	¥ 10,782,692	¥ (210,226)	(2)
(Segment assets)	8,972,449	8,536,220	(436,229)	(5)
Total liabilities	8,512,632	8,251,453	(261,179)	(3)
(Short- and long-term debt)	4,286,542	4,013,914	(272,628)	(6)
(Deposits)	1,398,472	1,490,216	91,744	7
ORIX Corporation shareholders equity	2,310,431	2,364,960	54,529	2
ORIX Corporation shareholders equity per share (yen)*1	1,764.34	1,807.08	42.74	2
ORIX Corporation shareholders equity ratio*2	21.0%	21.9%		
D/E ratio (Debt-to-equity ratio) (Short-and long-term debt (excluding deposits) / ORIX Corporation shareholders equity)	1.9x	1.7x		

Note: Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 (Simplifying the Presentation of Debt Issuance Costs ASC 835-30 (Interest Imputation of Interest)) on April 1, 2016.

*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.

Total assets decreased 2% to ¥10,782,692 million compared to ¥10,992,918 million as of March 31, 2016. In addition to the recent appreciation of the yen, investment in operating leases decreased primarily due to sales of aircraft in the Overseas Business segment and sales of real estate in Japan, and investment in securities decreased primarily due to sales of assets held by HLIKK. In addition, investment in affiliates decreased primarily due to sales of shares of affiliates in the Investment and Operation segment. Segment assets decreased 5% to ¥8,536,220 million compared to March 31, 2016.

We manage the balance of interest-bearing liabilities at an appropriate level taking into account the condition of assets and liquidity on-hand as well as the domestic and overseas financial environment. As a result, long- and short-term debt decreased and deposits increased compared to March 31, 2016. In addition, policy liabilities and policy account balances decreased due to the surrender of variable annuity and variable life insurance contracts held by HLIKK.

Shareholders equity increased 2% to ¥2,364,960 million compared to March 31, 2016 primarily due to an increase in retained earnings, despite a decrease in foreign currency translation adjustments included in accumulated other comprehensive income in line with the appreciation of the yen.

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(3) Liquidity and Capital Resources

We require capital resources for working capital, 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 resistant to sudden negative events 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. When implementing our management plan, we adjust our funding based on changes in the external environment and our needs in light of our business activities, and endeavor to maintain flexibility in our funding activities. We endeavor to diversify our funding sources, promote longer liability maturities, disperse interest and principal repayment dates, maintain sufficient liquidity, optimize the balance of liabilities and equity and reinforce our funding stability.

Our funding is 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 ¥5,504,130 million as of September 30, 2016. Borrowings are 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 September 30, 2016. Procurement from the capital markets is 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 six months ended September 30, 2016, we issued US$, Korean won, Indian rupee, and Malaysian ringgit denominated straight bonds and medium-term notes outside Japan. We procured financing through a subordinated syndicated loan (hybrid loan) which has similar characteristics to capital. We intend to continue to strengthen our financial condition, while maintaining appropriately diverse funding.

Short-term and long-term debt and deposits

(a) Short-term debt

	Millions of yen	
	March 31, 2016	**September 30, 2016**
Borrowings from financial institutions	¥ 247,263	¥ 194,857
Commercial paper	102,361	13,959
Total short-term debt	¥ 349,624	¥ 208,816

Short-term debt as of September 30, 2016 was ¥208,816 million, which accounted for 5% of the total amount of short and long-term debt (excluding deposits) as compared to 8% as of March 31, 2016.

While the amount of short-term debt as of September 30, 2016 was ¥208,816 million, the sum of cash and cash equivalents and the unused amount of committed credit facilities as of September 30, 2016 was ¥1,318,176 million.

(b) Long-term debt

	Millions of yen	
	March 31, 2016	**September 30, 2016**
Borrowings from financial institutions	¥ 2,723,320	¥ 2,574,209
Bonds	875,575	834,324
Medium-term notes	62,491	108,220
Payables under securitized lease, loan receivables and other assets	275,532	288,345
Total long-term debt	¥ 3,936,918	¥ 3,805,098

Note: Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 (Simplifying the Presentation of Debt Issuance Costs ASC835-30 (Interest Imputation of Interest)) on April 1, 2016.

The balance of long-term debt as of September 30, 2016 was ¥3,805,098 million, which accounted for 95% of the total amount of short and long-term debt (excluding deposits) as compared to 92% as of March 31, 2016.

(c) Deposits

	Millions of yen	
	March 31, 2016	September 30, 2016
Deposits	¥ 1,398,472	¥ 1,490,216

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 September 30, 2016 increased by ¥231,410 million to ¥961,830 million compared to March 31, 2016.

Cash flows provided by operating activities were ¥330,969 million in the six months ended September 30, 2016, up from ¥218,586 million during the same period of the previous fiscal year, primarily resulting from a decrease in a previous decrease in policy liabilities and policy account balances, partially offset by a decrease in a previous decrease in trading securities as compared to the same period of the previous fiscal year.

Cash flows provided by investing activities were ¥20,168 million in the six months ended September 30, 2016 compared to the cash outflows of ¥68,205 million during the same period of the previous fiscal year. This change was primarily due to a decrease in purchases of available-for-sale securities, partially offset by a decrease in proceeds from redemption of available-for-sale securities as compared to the same period of the previous fiscal year.

Cash flows used in financing activities were ¥101,729 million in the six months ended September 30, 2016 up from ¥26,861 million during the same period of the previous fiscal year, primarily resulting from a decrease in repayment of debt with maturities longer than three months, partially offset by a decrease in proceeds from debt with maturities longer than three months and a decrease in debt with maturities of three months or less as compared to the same period of the previous fiscal year.

(5) Challenges to be addressed

There were no significant changes for the six months ended September 30, 2016.

(6) Research and Development Activity

There were no significant changes in research and development activities for the six months ended September 30, 2016.

(7) Major facilities

We have finished the construction of a solar power station in Tsu-city, Mie prefecture, Japan. The aggregate book value of the solar power station was ¥17 billion as of September 30, 2016. In addition, we have finished the construction of a building in Taito-ku, Tokyo, Japan. The aggregate book value of the building was ¥13 billion as of September 30, 2016.

Except for this, there were no significant changes in major facilities for the six months ended September 30, 2016.

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5. 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 Capital Reserve

The number of issued shares, the amount of common stock and capital reserve for the three months ended September 30, 2016 is as follows:

In thousands		Millions of yen			
Number of issued shares		Common stock		Capital reserve	
Increase, net	September 30, 2016	Increase, net	September 30, 2016	Increase, net	September 30, 2016
0	1,324,058	¥0	¥220,469	¥0	¥247,648

(2) List of Major Shareholders

The following is a list of major shareholders based on our share registry as of September 30, 2016:

Name Address	Number of shares held (in thousands)	Percentage of total shares issued
Japan Trustee Services Bank, Ltd. (Trust Account) 1-8-11, Harumi, Chuo-ku, Tokyo	117,733	8.89%
The Master Trust Bank of Japan, Ltd. (Trust Account) 2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	72,359	5.46
JP MORGAN CHASE BANK 380055 270 PARK AVENUE, NEW YORK, NY 10017, UNITED STATES OF AMERICA	61,422	4.63
Japan Trustee Services Bank, Ltd. (Trust Account 9) 1-8-11, Harumi, Chuo-ku, Tokyo	38,234	2.88
THE CHASE MANHATTAN BANK 385036 360 N. CRESCENT DRIVE BEVERLY HILLS, CA 90210 U.S.A.	32,357	2.44
STATE STREET BANK AND TRUST COMPANY ONE LINCOLN STREET, BOSTON MA USA 02111	28,423	2.14
THE BANK OF NEW YORK MELLON SA/NV 10 RUE MONTOYERSTRAAT 46, 1000 BRUSSELS, BELGIUM	22,815	1.72
CITIBANK, N.A.-NY, AS DEPOSITARY BANK FOR DEPOSITARY SHARE HOLDERS 388 GREENWICH STREET NEW YORK, NY 10013 USA	21,601	1.63
Japan Trustee Services Bank, Ltd. (Trust Account 7) 1-8-11, Harumi, Chuo-ku, Tokyo	19,129	1.44
STATE STREET BANK AND TRUST COMPANY 505225 P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A.	18,645	1.40
	432,724	32.68%

Note: The number of shares held in relation to a trust business may not be all inclusive and therefore is reported with reference to the names listed as shareholders.

6. Directors and Executive Officers

Between the filing date of Form 20-F for the fiscal year ended March 31, 2016 and September 30, 2016, there were no changes of directors and executive officers.

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7. Financial Information

(1) Condensed Consolidated Balance Sheets (Unaudited)

		Millions of yen	
Assets		**March 31, 2016**	**September 30, 2016**
Cash and Cash Equivalents		¥ 730,420	¥ 961,830
Restricted Cash		80,979	83,917
Investment in Direct Financing Leases		1,190,136	1,154,239
Installment Loans		2,592,233	2,643,455
The amounts which are measured at fair value by electing the fair value option under ASC 825 are as follows:			
March 31, 2016	¥20,673 million		
September 30, 2016	¥23,188 million		
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses		(60,071)	(55,788)
Investment in Operating Leases		1,349,199	1,272,737
Investment in Securities		2,344,792	2,049,704
The amounts which are measured at fair value by electing the fair value option under ASC 825 are as follows:			
March 31, 2016	¥27,367 million		
September 30, 2016	¥24,466 million		
Property under Facility Operations		327,016	360,561
Investment in Affiliates		530,667	458,330
Trade Notes, Accounts and Other Receivable		294,638	262,487
Inventories		139,950	149,795
Office Facilities		120,173	120,534
Other Assets		1,352,786	1,320,891
The amounts which are measured at fair value by electing the fair value option under ASC 825 are as follows:			
March 31, 2016	¥37,855 million		
September 30, 2016	¥37,554 million		
Total Assets		¥ 10,992,918	¥ 10,782,692

Notes: 1. Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 (Simplifying the Presentation of Debt Issuance Costs ASC 835-30 (Interest Imputation of Interest)) on April 1, 2016.

2. 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, 2016	**September 30, 2016**
Cash and Cash Equivalents	¥ 4,697	¥ 6,895
Investment in Direct Financing Leases (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	134,604	121,404
Installment Loans (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	195,702	206,046
Investment in Operating Leases	227,340	212,805
Property under Facility Operations	79,697	99,170
Investment in Affiliates	65,059	63,889
Other	93,410	110,104
	¥ 800,509	¥ 820,313

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Liabilities and Equity	Millions of yen March 31, 2016	September 30, 2016
Liabilities:		
Short-Term Debt	¥ 349,624	¥ 208,816
Deposits	1,398,472	1,490,216
Trade Notes, Accounts and Other Payable	266,216	208,198
Policy Liabilities and Policy Account Balances	1,668,636	1,618,851
The amounts which are measured at fair value by electing the fair value option under ASC 825 are as follows:		
March 31, 2016 ¥795,001 million		
September 30, 2016 ¥715,434 million		
Current and Deferred Income Taxes	358,758	386,614
Long-Term Debt	3,936,918	3,805,098
Other Liabilities	534,008	533,660
Total Liabilities	8,512,632	8,251,453
Redeemable Noncontrolling Interests	7,467	6,843
Commitments and Contingent Liabilities		
Equity:		
Common Stock	220,469	220,469
Additional Paid-in Capital	257,629	257,765
Retained Earnings	1,864,241	1,975,249
Accumulated Other Comprehensive Income (Loss)	(6,222)	(61,686)
Treasury Stock, at Cost	(25,686)	(26,837)
ORIX Corporation Shareholders Equity	2,310,431	2,364,960
Noncontrolling Interests	162,388	159,436
Total Equity	2,472,819	2,524,396
Total Liabilities and Equity	¥ 10,992,918	¥ 10,782,692

Note: 1. Prior-year amounts have been adjusted for the retrospective application of Accounting Standards Update 2015-03 (Simplifying the Presentation of Debt Issuance Costs ASC 835-30 (Interest Imputation of Interest)) on April 1, 2016.

2. 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, 2016	September 30, 2016
Trade Notes, Accounts and Other Payable	¥ 1,576	¥ 2,639
Long-Term Debt	479,152	496,829
Other	11,778	15,187
	¥ 492,506	¥ 514,655

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(2) Condensed Consolidated Statements of Income (Unaudited)

	Millions of yen	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Revenues:		
Finance revenues	¥ 101,244	¥ 96,582
Gains on investment securities and dividends	31,317	15,207
Operating leases	191,330	196,072
Life insurance premiums and related investment income	70,492	115,736
Sales of goods and real estate	395,426	433,526
Services income	380,385	364,002
Total revenues	1,170,194	1,221,125
Expenses:		
Interest expense	35,858	35,348
Costs of operating leases	122,440	121,266
Life insurance costs	31,800	71,423
Costs of goods and real estate sold	351,461	390,364
Services expense	217,880	218,993
Other (income) and expense, net	4,555	(681)
Selling, general and administrative expenses	216,344	203,699
Provision for doubtful receivables and probable loan losses	2,948	6,743
Write-downs of long-lived assets	946	1,409
Write-downs of securities	3,482	6,212
Total expenses	987,714	1,054,776
Operating Income	182,480	166,349
Equity in Net Income of Affiliates	11,856	15,765
Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, net	56,409	32,834
Bargain Purchase Gain	0	4,287
Income before Income Taxes	250,745	219,235
Provision for Income Taxes	82,636	72,296
Net Income	168,109	146,939
Net Income Attributable to the Noncontrolling Interests	5,546	4,641
Net Income Attributable to the Redeemable Noncontrolling Interests	1,265	148
Net Income Attributable to ORIX Corporation Shareholders	¥ 161,298	¥ 142,150

	Yen	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Amounts per Share of Common Stock for Net Income attributable to ORIX Corporation shareholders:		
Basic:	¥ 123.23	¥ 108.57

Diluted:	¥	123.11	¥	108.47

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	Millions of yen	
	Three months ended September 30, 2015	Three months ended September 30, 2016
Revenues:		
Finance revenues	¥ 51,617	¥ 48,526
Gains on investment securities and dividends	8,384	11,201
Operating leases	95,901	91,182
Life insurance premiums and related investment income	2,178	78,964
Sales of goods and real estate	218,850	217,640
Services income	187,140	185,667
Total revenues	564,070	633,180
Expenses:		
Interest expense	17,835	17,286
Costs of operating leases	62,432	61,194
Life insurance costs	(11,256)	51,185
Costs of goods and real estate sold	196,680	197,998
Services expense	111,667	113,675
Other (income) and expense, net	6,796	718
Selling, general and administrative expenses	101,974	101,097
Provision for doubtful receivables and probable loan losses	2,337	4,049
Write-downs of long-lived assets	124	845
Write-downs of securities	1,533	6,207
Total expenses	490,122	554,254
Operating Income	73,948	78,926
Equity in Net Income of Affiliates	5,690	9,529
Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, net	47,191	12,346
Income before Income Taxes	126,829	100,801
Provision for Income Taxes	43,479	33,274
Net Income	83,350	67,527
Net Income Attributable to the Noncontrolling Interests	3,358	2,063
Net Income Attributable to the Redeemable Noncontrolling Interests	204	83
Net Income Attributable to ORIX Corporation Shareholders	¥ 79,788	¥ 65,381

	Yen	
	Three months ended September 30, 2015	Three months ended September 30, 2016
Amounts per Share of Common Stock for Net Income attributable to ORIX Corporation shareholders:		
Basic:	¥ 60.95	¥ 49.94
Diluted:	¥ 60.89	¥ 49.89

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

	Millions of yen	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Net Income	¥ 168,109	¥ 146,939
Other comprehensive income (loss), net of tax:		
Net change of unrealized gains (losses) on investment in securities	(13,814)	(2,853)
Net change of defined benefit pension plans	(461)	1,499
Net change of foreign currency translation adjustments	(3,140)	(59,512)
Net change of unrealized gains (losses) on derivative instruments	12	(1,800)
Total other comprehensive income (loss)	(17,403)	(62,666)
Comprehensive Income	150,706	84,273
Comprehensive Income (Loss) Attributable to the Noncontrolling Interests	6,586	(1,789)
Comprehensive Income (Loss) Attributable to the Redeemable Noncontrolling Interests	2,423	(624)
Comprehensive Income Attributable to ORIX Corporation Shareholders	¥ 141,697	¥ 86,686

	Millions of yen	
	Three months ended September 30, 2015	Three months ended September 30, 2016
Net Income	¥ 83,350	¥ 67,527
Other comprehensive income (loss), net of tax:		
Net change of unrealized gains (losses) on investment in securities	(6,533)	(9,625)
Net change of defined benefit pension plans	439	202
Net change of foreign currency translation adjustments	(14,136)	(18,308)
Net change of unrealized gains (losses) on derivative instruments	(105)	132
Total other comprehensive income (loss)	(20,335)	(27,599)
Comprehensive Income	63,015	39,928
Comprehensive Income Attributable to the Noncontrolling Interests	3,072	837
Comprehensive Income (Loss) Attributable to the Redeemable Noncontrolling Interests	(63)	(38)
Comprehensive Income Attributable to ORIX Corporation Shareholders	¥ 60,006	¥ 39,129

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

Six months ended September 30, 2015

	Millions of yen							
	ORIX Corporation Shareholders Equity							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total ORIX Corporation Shareholders Equity	Noncontrolling Interests	Total Equity
Beginning Balance	¥ 220,056	¥ 255,595	¥ 1,672,585	¥ 30,373	¥ (26,411)	¥ 2,152,198	¥ 165,873	¥ 2,318,071
Contribution to subsidiaries						0	4,405	4,405
Transaction with noncontrolling interests		(242)				(242)	(2,353)	(2,595)
Comprehensive income, net of tax:								
Net income			161,298			161,298	5,546	166,844
Other comprehensive income (loss)								
Net change of unrealized losses on investment in securities				(13,800)		(13,800)	(14)	(13,814)
Net change of defined benefit pension plans				(456)		(456)	(5)	(461)
Net change of foreign currency translation adjustments				(5,355)		(5,355)	1,057	(4,298)
Net change of unrealized gains on derivative instruments				10		10	2	12
Total other comprehensive income (loss)						(19,601)	1,040	(18,561)
Total comprehensive income						141,697	6,586	148,283
Cash dividends			(47,188)			(47,188)	(3,476)	(50,664)
Exercise of stock options	402	399				801	0	801
Acquisition of treasury stock					(1)	(1)	0	(1)
Disposal of treasury stock		(185)	(31)		329	113	0	113
Other, net		48	1,806			1,854	0	1,854
Ending Balance	¥ 220,458	¥ 255,615	¥ 1,788,470	¥ 10,772	¥ (26,083)	¥ 2,249,232	¥ 171,035	¥ 2,420,267

Six months ended September 30, 2016

	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	¥ 220,469	¥ 257,629	¥ 1,864,241	¥ (6,222)	¥ (25,686)	¥ 2,310,431	¥ 162,388	¥ 2,472,819
Contribution to subsidiaries						0	1,447	1,447
Transaction with noncontrolling interests		(5)				(5)	(53)	(58)
Comprehensive income, net of tax:								
Net income			142,150			142,150	4,641	146,791

Other comprehensive income (loss)								
Net change of unrealized losses on investment in securities				(2,798)		(2,798)	(55)	(2,853)
Net change of defined benefit pension plans				1,361		1,361	138	1,499
Net change of foreign currency translation adjustments				(52,314)		(52,314)	(6,426)	(58,740)
Net change of unrealized gains (losses) on derivative instruments				(1,713)		(1,713)	(87)	(1,800)
Total other comprehensive income (loss)						(55,464)	(6,430)	(61,894)
Total comprehensive income (loss)						86,686	(1,789)	84,897
Cash dividends			(31,141)			(31,141)	(2,557)	(33,698)
Acquisition of treasury stock					(1,235)	(1,235)	0	(1,235)
Disposal of treasury stock		(56)			84	28	0	28
Other, net		197	(1)			196	0	196
Ending Balance	¥ 220,469	¥ 257,765	¥ 1,975,249	¥ (61,686)	¥ (26,837)	¥ 2,364,960	¥ 159,436	¥ 2,524,396

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

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

	Millions of yen	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash Flows from Operating Activities:		
Net income	¥ 168,109	¥ 146,939
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	120,721	124,542
Provision for doubtful receivables and probable loan losses	2,948	6,743
Equity in net income of affiliates (excluding interest on loans)	(11,625)	(14,747)
Gains on sales of subsidiaries and affiliates and liquidation losses, net	(56,409)	(32,834)
Bargain purchase gain	0	(4,287)
Gains on sales of available-for-sale securities	(27,525)	(20,924)
Gains on sales of operating lease assets	(24,403)	(32,707)
Write-downs of long-lived assets	946	1,409
Write-downs of securities	3,482	6,212
Decrease (Increase) in restricted cash	632	(438)
Decrease in trading securities	327,205	80,346
Decrease (Increase) in inventories	12,775	(11,298)
Decrease in trade notes, accounts and other receivable	6,613	2,024
Decrease in trade notes, accounts and other payable	(49,491)	(26,689)
Decrease in policy liabilities and policy account balances	(284,008)	(49,785)
Other, net	28,616	156,463
Net cash provided by operating activities	218,586	330,969
Cash Flows from Investing Activities:		
Purchases of lease equipment	(473,809)	(406,310)
Principal payments received under direct financing leases	259,650	231,169
Installment loans made to customers	(533,751)	(607,396)
Principal collected on installment loans	497,453	489,402
Proceeds from sales of operating lease assets	128,423	150,938
Investment in affiliates, net	(12,826)	1,746
Proceeds from sales of investment in affiliates	11,287	64,031
Purchases of available-for-sale securities	(536,860)	(241,535)
Proceeds from sales of available-for-sale securities	376,635	341,160
Proceeds from redemption of available-for-sale securities	212,519	73,199
Purchases of held-to-maturity securities	(253)	(306)
Purchases of other securities	(12,109)	(3,328)
Proceeds from sales of other securities	24,265	15,955
Purchases of property under facility operations	(40,953)	(43,331)
Acquisitions of subsidiaries, net of cash acquired	(1,725)	(38,809)
Sales of subsidiaries, net of cash disposed	38,648	11,796
Other, net	(4,799)	(18,213)
Net cash provided by (used in) investing activities	(68,205)	20,168
Cash Flows from Financing Activities:		
Net decrease in debt with maturities of three months or less	(33,305)	(73,944)
Proceeds from debt with maturities longer than three months	688,531	602,130
Repayment of debt with maturities longer than three months	(704,304)	(676,080)
Net increase in deposits due to customers	45,314	91,991
Cash dividends paid to ORIX Corporation shareholders	(47,188)	(31,141)

Contribution from noncontrolling interests	5,467	1,616
Cash dividends paid to redeemable noncontrolling interests	(11,272)	0
Net increase (decrease) in call money	32,500	(10,500)
Other, net	(2,604)	(5,801)
Net cash used in financing activities	(26,861)	(101,729)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,917)	(17,998)
Net increase in Cash and Cash Equivalents	121,603	231,410
Cash and Cash Equivalents at Beginning of Period	827,518	730,420
Cash and Cash Equivalents at End of Period	¥ 949,121	¥ 961,830

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Notes to Consolidated Financial Statements

1. Overview of Accounting Principles Utilized

In preparing the accompanying consolidated financial statements, ORIX Corporation (the Company) and its subsidiaries have complied with accounting principles generally accepted in the United States of America (U.S. GAAP), 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, 2016 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 FASB Accounting Standards Codification (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 for impairment at least annually. Additionally, if events or changes in circumstances indicate that the asset might be impaired, the Company and its subsidiaries test for impairment when such events or changes occur.

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

(e) Accounting for 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.

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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) 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.

(h) 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.

(i) 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.

(j) Fair value option

Under U.S. GAAP, an entity is permitted to carry certain eligible financial assets and liabilities at fair value and to recognize changes in that item s fair value in earnings through the election of the fair value option.

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

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2. Significant Accounting and Reporting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Investments in affiliates, where the Company has the ability to exercise significant influence by way of 20% 50% ownership or other means, are accounted for by using the equity method. Where the Company holds majority voting interests but noncontrolling shareholders have substantive participating rights to decisions that occur as part of the ordinary course of their business, the equity method is applied pursuant to 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.

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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.

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 ¥542,868 million and ¥551,186 million as of March 31, 2016 and September 30, 2016, 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 the extent to which 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.

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(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 the 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) with changes in the fair value recognized in life insurance costs.

The subsidiary provides minimum guarantees to variable annuity and variable life policyholders under which it is exposed to the risk of compensating losses incurred by the policyholders to the extent contractually required. To mitigate the risk, a portion of the minimum guarantee risk related to variable annuity and variable life insurance contracts is ceded to reinsurance companies and the remaining risk is economically hedged by entering into derivative contracts (See Note 18 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 single-premiums 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.

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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, are tested for recoverability whenever events or changes in circumstances indicate that the assets might be impaired. The assets are considered not recoverable when the undiscounted future cash flows estimated to be generated by those assets are less than the carrying amount of those assets, and 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.

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 subsidiaries 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.

(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. 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 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 for the six months ended September 30, 2015 and 2016 were 33.0% and 33.0%, respectively. These rates are 34.3% and 33.0% for the three months ended September 30, 2015 and 2016 respectively. For the six months ended September 30, 2015, the Company and its subsidiaries in Japan were subject to a National Corporate tax of approximately 24%, an Inhabitant tax of approximately 4% and a deductible Enterprise tax of approximately 6%, which in the aggregate result in a statutory income tax rate of approximately 33.5%. For the six months ended September 30, 2016, as a result of the tax reforms as discussed in the following paragraph, the Company and its subsidiaries in Japan were subject to a National Corporate tax of approximately 24%, an Inhabitant tax of approximately 4% and a deductible Enterprise tax of approximately 4%, which in the aggregate result in a statutory income tax rate of approximately 31.7%. The effective income tax rate is different from the statutory tax rate primarily because of certain nondeductible expenses for tax purposes, non-taxable income for tax purposes, changes in valuation allowance, the effect of lower income tax rates on foreign subsidiaries and a domestic life insurance subsidiary.

On March 29, 2016, the 2016 tax reform bill was passed by the National Diet of Japan. From fiscal years beginning on April 1, 2016, the national corporate tax rate and local business tax rate were reduced and the local corporate tax rate was increased. The net effect of those changes was a reduction in the combined statutory income tax rate for the fiscal year beginning on April 1, 2016 from approximately 32.9% to approximately 31.7%, and a further reduction in the combined statutory income tax rate for fiscal year beginning on April 1, 2017 to approximately 31.5%. For the fiscal years beginning on or after April 1, 2018, the combined statutory income tax rate was further reduced to approximately 31.3%. In addition, tax loss carryforward rules were amended, and the deductible amount of tax losses carried forward for the fiscal year beginning on April 1, 2016 is reduced to 60% of taxable income for the year, compared to 65% pursuant to the 2015 tax reform. From the fiscal year beginning on April 1, 2017, the deductible limit of tax losses carried forward will be increased to 55% of taxable income for the year, while the tax loss carryforward period will be reduced from ten years to nine years. From the fiscal years beginning on or after April 1, 2018, the deductible limit of tax losses carried forward will remain at 50% of taxable income for the year and the tax loss carryforward period will remain at 10 years, consistent with the 2015 tax reform.

The Company and its subsidiaries file tax returns in Japan and certain foreign tax jurisdictions and 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 tax positions that meet the recognition threshold at the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with the taxing authority. The Company and its subsidiaries present an unrecognized tax benefit as either a reduction of a deferred tax asset, a reduction of an amount refundable or a liability, based on the intended method of settlement. 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).

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 September 30, 2016 would have increased by approximately ¥24,674 million, with a corresponding decrease in retained earnings. Total ORIX Corporation shareholders equity would remain unchanged. Stock splits on May 19, 2000 were excluded from the above amounts because the stock splits were not considered to be stock dividends under U.S. GAAP.

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(o) Cash and cash equivalents

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

(p) Restricted cash

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

Loans held for sale are included in installment loans, and the outstanding balances of these loans as of March 31, 2016 and September 30, 2016 were ¥21,867 million and ¥28,773 million, respectively. There were ¥20,673 million and ¥23,188 million of loans held for sale as of March 31, 2016 and September 30, 2016, 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 ¥67,055 million and ¥74,061 million as of March 31, 2016 and September 30, 2016, 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, 2016 and September 30, 2016, residential condominiums under development were ¥81,859 million and ¥88,051 million, respectively, and completed residential condominiums and merchandises for sale were ¥58,091 million and ¥61,744 million, respectively.

The company and its subsidiaries recorded ¥29 million and ¥636 million of write-downs principally on residential condominiums and merchandise for sale for the six months ended September 30, 2015 and 2016, respectively, primarily resulting from a decrease in expected sales price. The amounts of such write-downs for the three months ended September 30, 2015 and 2016 were ¥27 million and ¥587 million respectively. These write-downs were principally recorded in costs of goods and real estate sold and included in the Corporate Financial Services 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 ¥45,310 million and ¥47,099 million as of March 31, 2016 and September 30, 2016, respectively.

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(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.