ORIX CORP
Form 424B3
April 20, 2010
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The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(3)

Registration Number 333-160410

SUBJECT TO COMPLETION, DATED APRIL 19, 2010

PRELIMINARY PROSPECTUS SUPPLEMENT

(To prospectus dated July 2, 2009)

ORIX CORPORATION

US$

% Notes Due 2015

We will pay interest on the notes on and of each year, beginning on , 2010. The notes will mature on , 2015. The notes will not be redeemable prior to maturity, except as set forth under Description of Notes Optional Tax Redemption in this prospectus supplement, and will not be subject to any sinking fund.

The notes will be issued only in registered form in minimum denominations of US$2,000 and integral multiples of US$1,000 in excess thereof. The notes are not and will not be listed on any securities exchange.

Investing in the notes involves risks. You should carefully consider the risk factors set forth in the section entitled Risk Factors in Item 3 of our most recent annual report on Form 20-F filed with the U.S. Securities and Exchange Commission and in the Risk Factors section beginning on page S-17 of this prospectus supplement before making any decision to invest in the notes.

	Per Note	Total

Public offering price[(1)]	%	$
Underwriting discount	%	$
Proceeds, before expenses, to ORIX[(1)]	%	$

(1) Plus accrued interest from April , 2010 if settlement occurs after that date.

Neither the U.S. Securities and Exchange Commission, or the SEC, nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the related prospectus. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form through the book-entry delivery system of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, société anonyme, and Euroclear Bank S.A./N.V., on or about April , 2010.

BofA Merrill Lynch **Morgan Stanley** **UBS Investment Bank**

The date of this prospectus supplement is April , 2010.

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus is in two parts. The first part is this prospectus supplement, which describes the specific terms of the offering of the notes and also adds to, updates and changes information contained in the base prospectus and the documents incorporated by reference in this prospectus. The second part is the accompanying prospectus dated July 2, 2009, which we refer to as the accompanying prospectus. The accompanying prospectus contains a description of the senior debt securities and gives more general information, some of which may not apply to the notes. If the description of the notes in this prospectus supplement differs from the description in the accompanying prospectus, the description in this prospectus supplement supersedes the description in the accompanying prospectus.

You should rely only on the information contained or incorporated by reference into this prospectus supplement and the accompanying prospectus. Incorporated by reference means that we can disclose important information to you by referring you to another document filed separately with the SEC. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of each of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless the context otherwise requires, references in this prospectus supplement to ORIX refer to ORIX Corporation and to we, us, our, ORIX Group and similar terms refer to ORIX Corporation and its subsidiaries, taken as a whole. We use the word you to refer to prospective investors in the notes.

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. Unless otherwise stated or the context otherwise requires, all amounts in such financial statements are expressed in Japanese yen.

In this prospectus supplement, when we refer to dollars, US$ and $, we mean U.S. dollars, and, when we refer to yen and ¥, we mean Japane yen. This prospectus contains a translation of some Japanese yen amounts into U.S. dollars solely for your convenience.

Certain monetary amounts, ratios and percentage data included in this prospectus supplement have been subject to rounding adjustments for the convenience of the reader. Accordingly, figures shown as totals in certain tables may not be equal to the arithmetic sums of the figures which precede them.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement contains statements that constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Words such as believe, will, should, expect, intend, anticipate, estimate and similar expressions, among others, forward-looking statements. Forward-looking statements, which include statements contained in Item 5. Operating and Financial Review and Prospects and Item 11. Quantitative and Qualitative Disclosure About Market Risk of our annual report on Form 20-F for the fiscal year ended March 31, 2009 as well as statements contained in our report on Form 6-K filed on February 12, 2010, are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those set forth in such statements.

We have identified some of the risks inherent in forward-looking statements in Item 3. Key Information Risk Factors of our most recent annual report on Form 20-F and in the Risk Factors section of this prospectus supplement. Other factors could also adversely affect our results or the accuracy of forward-looking statements in this prospectus, and you should not consider the factors discussed here or in Item 3. Key Information Risk Factors of our most recent annual report on Form 20-F to be a complete set of all potential risks or uncertainties.

The forward-looking statements made in this prospectus supplement speak only as of the date of this prospectus supplement. We expressly disclaim any obligation or undertaking to release any update or revision to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights key information described in greater detail elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. You should read carefully the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference before making an investment decision.

ORIX CORPORATION

Overview

ORIX Corporation is a joint stock corporation (*kabushiki kaisha*) formed under Japanese law. Founded in 1964 in Osaka, Japan as Orient Leasing Co., Ltd., we have grown over the succeeding decades from a leasing base to become one of Japan s leading financial service companies, providing a broad range of commercial and consumer finance products and services to Japanese and overseas customers. Our primary business segments are:

Corporate Financial Services. Through a nationwide network of 80 offices, we provide capital through loans and leasing for capital investment and other needs to our core customer base of domestic small and medium enterprises, or SMEs. This segment also serves as a central point of contact for our entire corporate group in responding to the needs of other segments, including business succession and overseas business development.

Maintenance Leasing. Our maintenance leasing segment consists of automobile leasing and rental operations as well as our equipment rental business. Our automobile operations started by offering to corporate clients leases that included maintenance services, and today we provide a complete range of specialized vehicle management outsourcing services. We also offer a wide range of services to address the vehicle needs of both corporate and individual clients. Our equipment rental operations cover a broad range of services, including rental of IT-related equipment and precision measuring equipment, technical support, calibration, and asset management.

Real Estate. Our real estate segment encompasses a broad range of activities including the development and leasing of properties such as office buildings and logistics facilities; the development of residential condominiums; the operation of hotels, golf courses and training facilities; the development and operation of residential properties, such as senior housing; and the asset management and administration of Japanese real estate investment trusts (REITs).

Investment Banking. This segment consists principally of our real estate-related finance business and our investment banking business, including the following operations: venture capital business; real estate-related finance business, including non-recourse loans; loan servicing business that invests in non-performing loans and engages in commercial mortgage-backed securities (CMBS) management and collection; principal investment business; securitization business; and mergers and acquisitions and financial advisory business.

Retail. In this segment we primarily serve our individual customers. Our operations include: our trust and banking services through ORIX Trust and Banking; our card loan business, which is managed through an alliance with Sumitomo Mitsui Banking Corporation started in 2009; our life insurance business through which we offer a variety of insurance products through representative and mail-order sales; and our securities business which centers on Internet securities brokerage which is managed through an alliance with Monex Group formed in early 2010.

Overseas Business. In the United States, we are engaged in investment and financing operations, such as corporate finance, investments in CMBS and other marketable securities, and in investment banking operations, including advisory services in the areas of merger and acquisitions, corporate

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financial restructuring and enterprise valuation. In Asia, Oceania, the Middle East and Europe, we focus on leasing, lending and other financial services that are closely tied to the local communities.

We had total revenues of ¥1,054,500 million and net income attributable to ORIX Corporation of ¥21,924 million for the fiscal year ended March 31, 2009 and total revenues of ¥692,024 million and net income attributable to ORIX Corporation of ¥27,433 million for the nine months ended December 31, 2009. Our total assets at March 31, 2009 were ¥8,369,736 million and at December 31, 2009 were ¥7,958,356 million. Net income attributable to ORIX Corporation as a percentage of average total assets based on period-end balances was 0.25% for the fiscal year ended March 31, 2009 and 0.45% for the nine months ended December 31, 2009 on a consolidated annualized basis.

Company Information

Our head office is located at Mita NN Building, 4-1-23 Shiba, Minato-ku, Tokyo 108-0014, Japan. Our telephone number is +81-3-5419-5112. Our website is found at www.orix.co.jp. The information on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus.

RECENT DEVELOPMENTS

Overview

During the fiscal year ended March 31, 2010, we continued to focus on adapting to the drastic changes in our operating environment brought about by the global financial crisis. At the same time, we began to position ourselves for strong performance in the next growth cycle. We believe that we have made significant progress toward improving our financial and operational stability. Specific initiatives and achievements to date include:

Enhanced financial stability: During the fiscal year ended March 31, 2010, we continued to implement various measures to stabilize our financial condition including (i) reducing our debt-to-equity ratio, (ii) improving our liquidity position and (iii) diversifying our funding structure.

De-leveraging. Our debt-to-equity ratio, measured as total non-deposit interest-bearing debt (*i.e*., short-term debt plus long-term debt, excluding deposits) divided by total ORIX Corporation shareholders equity, has decreased from a decade-high of 9.1x as of March 31, 2000 to 4.6x as of March 31, 2008 and 4.5x as of March 31, 2009. As of December 31, 2009, our debt-to-equity ratio was 3.7x. Significant contributors to this improvement included asset reductions, including a reduction of real estate related assets and the completion of a global equity offering in July 2009.

Liquidity. We continued to focus on improving our liquidity position to establish a buffer against uncertain market environments. We implemented various measures to retain excess liquidity through increasing cash and available commitment lines to decrease short-term liquidity risks. As of December 31, 2009, our aggregate balance of cash and cash equivalents, time deposits and available amount of committed credit facilities was ¥1,045 billion as compared to ¥731 billion as of March 31, 2009 and ¥801 billion as of March 31, 2008. We also decreased the amount of our interest-bearing debt (including deposits) from ¥6,263 billion as of March 31, 2008 to ¥5,920 billion as of March 31, 2009 and ¥5,475 billion as of December 31, 2009. In particular, we reduced our outstanding commercial paper from ¥662 billion as of March 31, 2008 to ¥316 billion as of December 31, 2009. In July 2009, we raised approximately ¥83 billion through the issuance of new shares, which we used for new investments and reduction of debt. Since November 2009, we have raised approximately ¥215 billion through seven issuances of domestic corporate bonds including two issuances for ¥40 billion completed in April 2010.

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Funding Structure. Diversification of our funding structure has led to a stable average cost of funding (excluding deposits) over the past two years. Our funding consists mainly of borrowings from financial institutions and funding from capital markets. We borrow from a diverse range of financial institutions, including major banks, regional banks, foreign banks and life and casualty insurance companies, consisting of over 200 institutions. Funding from the capital markets includes the issuance of straight bonds, commercial paper, medium-term notes issued by us and three overseas subsidiaries, the securitization of operating assets and unsecured convertible bonds.

Balance sheet management: Prior to the onset of the global financial crisis, we shifted management focus to financial stability and reduction of risk. During the course of the crisis, along with de-leveraging, we accelerated asset reductions, particularly real estate-related financial assets where we experienced significant deteriorations in the real estate-related loan portfolios of our Corporate Financial Services segment. Total assets decreased to ¥8,370 billion and ¥7,958 billion as of March 31, 2009 and December 31, 2009 respectively from a peak of ¥8,995 billion as of March 31, 2008. To control asset quality in our real estate-related portfolio, we focused on maximizing recovery on non-performing loans and reduced the amount of new loans extended to real estate companies during the financial crisis. Although provisions for doubtful receivables and probable loan losses were ¥50 billion and ¥49 billion for the nine months ended December 31, 2008 and 2009, respectively, the incidence of non-performing loans in the Corporate Financial Services segment has declined during the fiscal year ended March 31, 2010, since peaking in the third quarter of the fiscal year ended March 31, 2009.

Enhanced risk management: We have significant exposures to real estate, mostly in Japan, through: loans to real estate companies by our Corporate Financial Services segment; holdings of non-recourse loans and specified bonds by our Investment Banking segment; and properties owned by our Real Estate segment, which we continuously reduced during the fiscal year ended March 31, 2010. As of December 31, 2009, we had ¥2,368 billion in such real estate-related assets, a significant decrease from ¥2,603 billion as of March 31, 2009, which is mainly attributed to reductions in debt-related assets. We are taking advantage of our breadth of expertise to manage these diverse exposures and optimize both sales and leasing strategies.

Operational realignment: Another significant crisis management measure has been operational realignment, particularly the pursuit of business alliances with banks and other financial institutions. We expect that our strategy of pursuing business alliances and operational collaboration with a wide range of financial institutions will help us to further expand our expertise by capitalizing on the specialist capabilities of our business partners. We believe this strategy is imperative for us in our next stage of corporate development. Significant alliances in the fiscal year ended March 31, 2010 include the following:

In January 2010, we formed a capital alliance with the Monex Group, a leading provider of Internet financial services in Japan, pursuant to which we combined our respective securities subsidiaries through a share exchange transaction to leverage anticipated operational synergies, including complementary client bases and systems cost savings, in response to an increasingly competitive online securities brokerage business environment. Through the share exchange, Monex Group Inc., or Monex, acquired a 100% stake of ORIX Securities Corporation, or OSC, and we acquired a 22.5% stake of Monex, making Monex an equity method affiliate. As a result of this transaction, we expect to recognize a capital gain of approximately ¥9 billion during the three months ended March 31, 2010.

In July 2009, we transferred 51% of our share ownership in ORIX Credit Corporation, or OCC, a domestic subsidiary that operates a card loan business, to Sumitomo Mitsui Banking Corporation, or SMBC, and OCC became an affiliate accounted for by the equity method. This alliance will allow OCC to respond to intensified competition in the domestic consumer finance industry by drawing on each partner s expertise while improving OCC s loan origination and funding capabilities. As a result of the sale, we recognized a gain of ¥7 billion (comprised of a gain on sale of the interest transferred to SMBC and a gain on remeasurement to fair value of the interest retained by us) during the three months ended September 30, 2009.

Results of Operations for the Nine Months Ended December 31, 2009 and Outlook for the Fiscal Year Ended March 31, 2010

Revenues for the nine months ended December 31, 2009 decreased 12% to ¥692,024 million compared to ¥784,153 million for the same period of the previous fiscal year. Brokerage commissions and net gains (losses) on investment securities returned to profitability due to improvements in domestic and international financial markets, particularly the U.S. equity and bond markets. However, revenues from direct financing leases and interest on loans and investment securities decreased. Especially, interest on loans decreased due to a reduction in the balance of installment loans caused by our stringent selection of new transactions and enhanced collections, a reduction in real estate-related finance and the change in status of OCC from a consolidated subsidiary to an equity method affiliate in July 2009. Gains on sales of real estate under operating leases declined compared to the same period of the previous fiscal year due to a decrease in sales of real estate under operating leases as a result of stagnation in the real estate market.

Expenses for the nine months ended December 31, 2009 decreased 10% to ¥660,573 million compared to ¥732,764 million for the same period of the previous fiscal year due to a decrease in costs of real estate sales resulting from a decline in write-downs and a decrease in the number of condominiums sold, a decrease in interest expense resulting from a decrease in interest-bearing liabilities, and a decrease in selling, general and administrative expenses due to cost reduction programs.

Equity in net income (loss) of affiliates increased to ¥177 million for the nine months ended December 31, 2009, up from a loss of ¥32,240 million during the same period of the previous fiscal year due to contributions from overseas equity method affiliates, despite a loss recorded in the first quarter of this fiscal year in connection with JOINT CORPORATION filing for protection under the Corporate Rehabilitation Law. The loss recorded in the same period of the previous fiscal year was due to the write-downs for equity in net income (loss) of affiliates caused by losses stemming from the deteriorated financial conditions and decreases in share prices of equity-method affiliates in Japan.

As a result of foregoing, income before income taxes and discontinued operations for the nine months ended December 31, 2009 increased 164% to ¥37,697 million compared to ¥14,270 million during the same period of the previous fiscal year, and net income attributable to ORIX Corporation rose 106% to ¥27,433 million from ¥13,323 million for the same respective periods.

Better than expected performance in our overseas segment associated with recoveries in the capital markets in the United States and Asia played a large role in our performance during the nine months ended December 31, 2009, and as a result, we were able to raise our initial forecast of approximately ¥30 billion in net income attributable to ORIX Corporation for the year ended March 31, 2010 to approximately ¥36 billion. Our audited financial statements for the year ended March 31, 2010 have not yet been completed and our results remain subject to change or revision. The above statements reflect our current expectations and constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. As such, our forecasts remain subject to a variety of risks and uncertainties that could cause our actual results to differ materially.

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Segment Information

During the nine months ended December 31, 2009, our Corporate Financial Services segment recorded increased losses; our Maintenance Leasing and Real Estate segments saw decreases in profits; our Investment Banking segment saw a decrease in losses; and our Retail and Overseas Business segments recorded increases in profits, each compared to the same period of the previous fiscal year.

Segment information for the nine months ended December 31, 2009 is as follows.

	For the nine months ended December 31,	
	2008	2009
	(In millions of yen)	
Segment revenues[(1)]		
Corporate Financial Services	¥ 104,584	¥ 85,477
Maintenance Leasing	176,464	167,558
Real Estate	200,209	145,079
Investment Banking	68,977	59,405
Retail	138,688	117,128
Overseas Business	125,529	135,446
Total segment revenues	814,451	710,093
Difference between Segment Total and Consolidated Amounts	(30,298)	(18,069)
Total consolidated revenue	¥ 784,153	¥ 692,024

(1) Results of discontinued operations are included in segment revenues of each segment.

	For the nine months ended December 31,	
	2008	2009
	(In millions of yen)	
Segment profits[(1)]:		
Corporate Financial Services	¥ (2,058)	¥ (10,591)
Maintenance Leasing	21,904	16,726
Real Estate	40,848	10,915
Investment Banking	(47,301)	(16,520)
Retail	11,271	19,942
Overseas Business	11,913	28,925
Total segment profits	36,577	49,397
Difference between Segment Total and Consolidated Amounts	(22,307)	(11,700)
Total consolidated income before income taxes and discontinued operations	¥ 14,270	¥ 37,697

(1) We evaluate the performance of our segments based on income before income taxes and discontinued operations, adjusted for results of discontinued operations and net income attributable to the noncontrolling interests before applicable tax effect. Tax expenses are not included in segment profits.

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	As of March 31, 2009	As of December 31, 2009
	(In millions of yen)	
Segment assets:		
Corporate Financial Services	¥ 1,583,571	¥ 1,312,109
Maintenance Leasing	648,314	574,640
Real Estate	1,175,437	1,121,841
Investment Banking	1,321,491	1,246,423
Retail	1,554,006	1,485,195
Overseas Business	949,852	875,109
Total segment assets	7,232,671	6,615,317
Difference between Segment Total and Consolidated Amounts	1,137,065	1,343,039
Total consolidated assets	¥ 8,369,736	¥ 7,958,356

Corporate Financial Services Segment

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

Segment revenues decreased 18% to ¥85,477 million during the nine months ended December 31, 2009 compared to ¥104,584 million in the same period of the previous fiscal year. The average balances of investment in direct financing leases and installment loans decreased 25% compared to the same period of the previous fiscal year resulting from the stringent selection of new transactions and enhanced collections in advance.

Segment expenses decreased during the nine months ended December 31, 2009 compared to the same period of the previous fiscal year resulting from a decline in interest expense and selling, general and administrative expenses. Provisions for doubtful receivables and probable loan losses remained at a similarly high level as compared to the same period for the previous fiscal year due to additional provisions resulting from disposition and revaluation of collateral. However, the trend in new occurrences of non-performing assets has declined significantly since peaking in the third quarter of the fiscal year ended March 31, 2009. The amount of loans that were newly classified as impaired loans in our Corporate Financial Services segment for the nine months ended December 31, 2009 declined to ¥54.0 billion as compared to ¥235.5 billion for the same period of the previous fiscal year.

As a result, the segment recorded a loss of ¥10,591 million during the nine months ended December 31, 2009 compared to a loss of ¥2,058 million in the same period of the previous fiscal year.

Segment assets decreased 17% to ¥1,312,109 million as of December 31, 2009 compared to March 31, 2009 due to a decline in the balances of direct financing leases and installment loans.

Maintenance Leasing Segment

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

Segment revenues were down 5% to ¥167,558 million during the nine months ended December 31, 2009 compared to ¥176,464 million during the same period of the previous fiscal year. Although demand from corporate clients in the automobile leasing business has decreased as part of broader cost reduction efforts and enterprises are decreasing capital expenditures in the rental business, the Maintenance Leasing segment has maintained relatively stable revenues by capitalizing on our position as the industry leader in terms of market share and providing high value-added services.

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Selling, general and administrative expenses were down as a result of cost reduction programs. However, the decrease in segment expenses was limited due to increased depreciation. The increase in depreciation was caused by a decrease in residual auto value estimates, reflecting the sluggish secondary auto market.

As a result, segment profits decreased 24% to ¥16,726 million during the nine months ended December 31, 2009 compared to ¥21,904 million in the same period of the previous fiscal year.

Segment assets were down 11% to ¥574,640 million as of December 31, 2009 compared to March 31, 2009 due to a decrease in new transactions from weakening demand and the sales of low performing assets.

Real Estate Segment

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

The market for office buildings is still facing high vacancy rates with a downward trend in average rental prices. Activity among mid- to large-sized properties remains stagnant. Under these circumstances, gains on sales of real estate under operating leases decreased despite a gain on the sale of a large property recorded in the second quarter of the fiscal year ended March 31, 2010. In addition, revenues and expenses from property management services declined as a result of the sale of ORIX Facilities Corporation in March 2009.

During the financial crisis, we ceased acquisitions of land and new condominium developments. Profits from the condominium development business have decreased due to a decline in the number of condominiums delivered, although write-downs decreased significantly compared to the corresponding period in the prior fiscal year. We have resumed new condominium development since the second half of the fiscal year ended March 31, 2010, with thorough market research in an environment characterized by reduced inventories, declining construction costs and fewer competitors.

As a result, segment revenues were down 28% to ¥145,079 million during the nine months ended December 31, 2009 compared to ¥200,209 million in the same period of the previous fiscal year and segment expenses declined due to a decrease in the number of condominiums sold. Segment profits dropped 73% to ¥10,915 million compared to ¥40,848 million in the same period of the previous fiscal year.

Segment assets declined 5% to ¥1,121,841 million as of December 31, 2009 compared to March 31, 2009 resulting from the decrease in inventories related to the condominium development business.

Investment Banking Segment

This segment consists of real estate finance, commercial real estate asset securitization, loan servicing (asset recovery), principal investment, M&A advisory, and venture capital.

Due to the continued stagnation of the entire real estate-related finance market, non-recourse loans which are mainly made for large scale real estate projects and the CMBS market remain sluggish.

Segment revenues decreased 14% to ¥59,405 million during the nine months ended December 31, 2009 compared to ¥68,977 million in the same period of the previous fiscal year. This is mainly due to a 26% decrease in the average balances of installment loans and investment in securities (including specified bonds issued by SPEs) compared to the same period of the previous fiscal year resulting from a focus on collections and a reduction of new business transactions in the real estate finance business reflecting the above-mentioned business environment.

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Provisions for doubtful receivables and probable loan losses were ¥8 billion mainly due to an increase in provisions for non-recourse loans compared to the same period of the previous fiscal year. Total segment expenses were down due to a decrease in interest expense and selling, general and administrative expenses.

Equity in net income (loss) of affiliates was a loss due to JOINT CORPORATION s filing for protection under the Corporate Rehabilitation Law in the first quarter of this fiscal year. However, equity in net income (loss) of affiliates has returned to profitability in the third quarter, showing smooth recovery in performance, with the amount of losses decreasing compared to the same period of the previous fiscal year when significant write-downs were recorded.

As a result, the segment recorded a loss of ¥16,520 million during the nine months ended December 31, 2009 compared to a loss of ¥47,301 million in the same period of the previous fiscal year, and the amount of loss has continued to decrease each quarter since the third quarter of the fiscal year ended March 31, 2009.

Segment assets were down 6% to ¥1,246,423 million as of December 31, 2009 compared to March 31, 2009 due to a decrease in the balances of installment loans and investment in securities. Real estate collateral has been acquired in some cases from non-performing loans, especially non-recourse loans, to maximize recovery by capitalizing on ORIX s real estate expertise.

Retail Segment

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

Profits rose in the trust and banking business compared to the same period of the previous fiscal year due to an increase in revenues from installment loans and a decrease in provisions for doubtful receivables and probable loan losses. In order to target future growth, the trust and banking business has diversified its loan portfolio by strengthening its corporate finance operations to complement its mortgage loans to individuals, and has steadily increased its deposit base.

In the life insurance business, insurance-related gains improved due to increased contracts for new products while related investment income improved as a result of improvements in the financial markets compared to the same period of the previous fiscal year.

In the securities brokerage, which is mainly online brokerage, brokerage commissions were down compared to the same period of the previous fiscal year as a result of intensifying competition to reduce commissions.

In the card loan business, a 51% interest in OCC was transferred to Sumitomo Mitsui Banking Corporation on July 1, 2009. As a result of the sale, a gain of ¥7 billion was recorded (comprised of a gain on sale of the interest transferred to SMBC and a gain on remeasurement to fair value of the interest retained by us).

As a result, segment revenues decreased 16% to ¥117,128 million during the nine months ended December 31, 2009 compared to ¥138,688 million in the same period of the previous fiscal year. However, segment profits are on a stable trend, having increased 77% to ¥19,942 million compared to ¥11,271 million during the same period of the previous fiscal year due to decreased segment expenses, mainly lower life insurance costs and provisions for doubtful receivables and probable loan losses.

Segment assets were down 4% to ¥1,485,195 million as of December 31, 2009 compared to March 31, 2009 due to a significant decrease in the balance of installment loans from the card loan business, although investment in affiliates and securities increased.

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Overseas Business Segment

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

Segment revenues were up 8% to ¥135,446 million during the nine months ended December 31, 2009 compared to ¥125,529 million in the same period of the previous fiscal year. In the United States, net gains on investment securities increased significantly as the bond and equity markets have recovered. However, revenues from installment loans were down due to decreases in the balance of installment loans and lower market interest rates. In Asia and Oceania, revenues from operating leases and direct financing leases decreased due to such factors as a 24% decline in the average balances of investments in operating leases and direct financing leases compared to the same period of the previous fiscal year.

In the United States provisions for doubtful receivables and probable loan losses increased but remained within anticipated levels. Segment expenses decreased primarily due to a decrease in the average balance of interest bearing debt, in addition to a lower market interest rate.

In Asia and Oceania, gains on sales of subsidiaries and affiliates increased compared to the same period of the fiscal year ended March 31, 2009 as a result of the initial public offering of a company in which we had an equity stake.

As a result, segment profits increased 2.4 times to ¥28,925 million during the nine months ended December 31, 2009 compared to ¥11,913 million in the same period of the previous fiscal year.

Segment assets decreased 8% to ¥875,109 million as of December 31, 2009 compared to March 31, 2009. Investment in securities increased primarily in the United States; however, there was an overall decrease in segment assets as installment loans and investments in direct financing and operating leases decreased due to the cautious stance toward new transactions and the foreign exchange effects of an appreciated yen.

Financial Condition

Total assets decreased 5% to ¥7,958,356 million as of December 31, 2009 from ¥8,369,736 million on March 31, 2009. Investment in operating leases increased due to the acquisition of real estate under operating leases and investment in securities also increased due to purchase of debt securities mainly in the Retail segment. However, installment loans and investment in direct financing leases decreased due to our stringent selection of new transactions and increased focus on collections. In addition, as a result of the change in status of OCC from consolidated subsidiary to equity method affiliate, installment loans decreased and investment in affiliates increased. Furthermore, segment assets were down 9% to ¥6,615,317 million as of December 31, 2009 compared to March 31, 2009.

Short- and long-term debt levels have decreased compared to March 31, 2009 as a result of continued reductions in interest-bearing liabilities. However, deposits have increased compared to March 31, 2009 in accordance with business expansion into corporate lending in the trust and banking business.

Total ORIX Corporation shareholders equity increased 9% to ¥1,276,577 million as of December 31, 2009 compared to March 31, 2009. The financial base was strengthened as a result of ¥83 billion of capital raised through the issuance of new shares in July 2009.

Liquidity and Capital Resources

ORIX Group requires capital resources at all times for maintaining working capital. We have put our main emphasis on ensuring stable funding and reducing our funding costs by diversifying our funding methods

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and sources. We strive for timely and flexible capital resource procurement by monitoring the funding requirements of our sales and investment operations and the balance between funding supply and our funding needs. We also monitor various market trends, including the willingness of financial institutions to lend money in the market, investment trends of investors, and so on. ORIX Group s funding from short- and long-term debt and acceptance of deposits on a consolidated basis was ¥5,475 billion as of December 31, 2009.

ORIX Group s funding consists mainly of borrowings from financial institutions and funding from capital markets. Borrowings were procured from a diverse range of financial institutions including major banks, regional banks, foreign banks and life and casualty insurance companies, consisting of over 200 institutions. Funding from the capital markets was composed of the issuance of ORIX straight bonds, commercial paper, medium-term notes issued by ORIX and three overseas subsidiaries, securitization of operating assets and unsecured convertible bonds with stock acquisition rights. The ratio of funding from capital markets to total short- and long-term debt plus deposits was 34% as of December 31, 2009.

Debt

(a) Short-term debt

	As of	
	December 31, 2009	**March 31, 2009**
	(In millions of yen)	
Borrowings from financial institutions	¥ 399,820	¥ 568,676
Commercial paper	315,664	225,991
Medium-term notes	19,550	3,500
Total	¥ 735,034	¥ 798,167

Short-term debt on December 31, 2009 was ¥735,034 million, 16% of the total amount of short- and long-term debt compared to 15% at March 31, 2009.

Cash and cash equivalent, time deposits and available amount of the committed credit facilities on December 31, 2009 totaled ¥1,044,555 million, which was more than three times the amount of outstanding commercial paper balance on December 31, 2009 of ¥315,664 million.

(b) Long-term debt

	As of
	December 31, 2009