

ORIX CORP
Form 6-K
October 26, 2018
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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 October 2018

ORIX Corporation

(Translation of Registrant's Name into English)

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

Tokyo, JAPAN

(Address of Principal Executive Offices)

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

Form 20-F Form 40-F

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

Yes No

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1. <u>English press release entitled, "Announcement of Commencement of Tender Offer for Shares of DAIKYO INCORPORATED (Securities Code: 8840)"</u> .	

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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: October 26, 2018

By /s/ Hitomaro Yano
Hitomaro Yano
Director,
Executive Officer
ORIX Corporation

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Announcement of Commencement of Tender Offer for Shares of DAIKYO INCORPORATED

(Securities Code: 8840)

TOKYO, Japan - October 26, 2018 - ORIX Corporation (**ORIX**) announced today that it decided to acquire shares of common stock in DAIKYO INCORPORATED (First Section of the Tokyo Stock Exchange, Inc. (the **TSE**), Securities Code: 8840; the **Target Company**) (such shares, the **Target Company Common Shares**) through a tender offer (the **Tender Offer**) with details as described below.

1. Purpose of the Tender Offer

(1) Outline of the Tender Offer

As of today, the Offeror directly holds 53,749,006 Target Company Common Shares listed on the First Section of the TSE as well as 1,000,000 Preferred Shares (Note 1) (ownership ratio (Note 2): 67.92% (Note 3)), and holds a total of 53,766,527 Target Company Common Shares, including those indirectly held by the Offeror through its wholly-owned subsidiary ORIX Management Information Center Corporation (**ORIX MIC**) (Note 4) (17,521 shares; ownership ratio: 0.02%), as well as the 1,000,000 Preferred Shares (ownership ratio: 67.95%), making the Target Company a consolidated subsidiary of the Offeror. The Offeror has recently decided to conduct the Tender Offer as part of the transaction intended to make the Target Company a wholly-owned subsidiary of the Offeror by acquiring all Target Company Common Shares (excluding those held by the Offeror and the treasury shares held by the Target Company; the same applies hereinafter) (the **Transaction**).

Note 1: While the Target Company has issued Class 1 Preferred Shares (1,000,000 shares) (the **Preferred Shares**) in addition to the Target Company Common Shares, the Preferred Shares are not subject to the Tender Offer since all of the issued Preferred Shares are held by the Offeror (Note 5). The Preferred Shares have no rights to vote at the general meeting of shareholders but have rights to demand delivery of Target Company Common Shares in exchange for acquisition of Preferred Shares (the **Rights to Demand Acquisition**).

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- Note 2: Ownership ratio means the percentage owned of the total number of issued Target Company Common Shares as of September 30, 2018 (84,354,273 shares) stated in the Q2 Financial Statements (Japanese GAAP) (consolidated) for Y.E. March 2019 released today by the Target Company (the **Target Company's Financial Statements**) less the number of treasury shares held by the Target Company as of October 22, 2018 (4,686,077 shares) (79,668,196 shares) plus the number of shares calculated by converting all of the Preferred Shares to Target Company Common Shares assuming that all Rights to Demand Acquisition attached to the 1,000,000 Preferred Shares that have been issued as of today were exercised (Note 6) (1,137,656 shares) (80,805,852 shares) (rounded to two decimal places; the same applies hereinafter unless otherwise specified). While the number of treasury shares held by the Target Company as of September 30, 2018 was 4,354,872 shares, the Target Company completed the acquisition of 331,200 Target Company Common Shares on October 22, 2018 as described in the press release **Announcement of the Status and Completion of Acquisition of Treasury Shares (Acquisition of Treasury Shares in accordance with Article 37 of Our Articles of Incorporation under Article 459, Paragraph 1, Item (i) of the Companies Act)** issued by the Target Company on October 23, 2018, as well as, according to the Target Company, having acquired five Target Company Common Shares in response to demand for purchase of shares less than one unit, resulting in an increase in the number of treasury shares held by the Target Company to 4,686,077 shares as of the said date.
- Note 3: This figure has been calculated by using the following as the numerator: (i) the number of Target Company Common Shares directly held by the Offeror as of today (53,749,006 shares); plus (ii) the number of Target Company Common Shares that would be converted from all Preferred Shares if the Rights to Demand Acquisition attached to 1,000,000 issued Preferred Shares directly held by the Offeror were exercised (Note 6) (1,137,656 shares) (the same applies hereinafter unless otherwise specified).
- Note 4: ORIX MIC, a wholly-owned subsidiary of the Offeror, holds 17,521 Target Company Common Shares (ownership ratio: 0.02%). The Offeror has made no agreement or arrangement with ORIX MIC with respect to its application for the Tender Offer.
- Note 5: As described in (4) Policy for organizational restructuring after the Tender Offer (matters relating to the **Two-Step Acquisition**) below, the Offeror intends to transfer 50,000 of the Preferred Shares held by it to ORIX Asia Limited (**OAL**), a Group subsidiary of the Offeror, after execution of the Tender Offer.
- Note 6: According to the terms and conditions of issuance of the Preferred Shares, the number of Target Company Common Shares to be delivered in consideration of the Rights to Demand Acquisition is calculated by dividing: (i) the total issue price of the Preferred Shares submitted by the shareholder holding such Preferred Shares for demanding acquisition (Note 6); by (ii) the acquisition price (with any fraction less than one share in the number of Target Company Common Shares to be delivered being discarded). According to the Target Company, the acquisition price as of today is 3,516 yen, which is used as the acquisition price throughout this press release; the same applies hereinafter with respect to the number of Target Company Common Shares to be delivered in consideration of the Rights to Demand Acquisition.
- Note 7: The total issue price of all issued Preferred Shares (1,000,000 shares) is 4 billion yen. In the Tender Offer, the Offeror will purchase all share certificates, etc. offered for sale, etc. in response to the Tender Offer (**Tendered Share Certificates, Etc.**) without setting any maximum or minimum number of shares to be purchased.

Because the Offeror's purpose is to make the Target Company a wholly-owned subsidiary of the Offeror, if the Offeror is unable to acquire all of the Target Company Common Shares through the Tender Offer, the Offeror intends to follow the procedures stated in (4) Policy for organizational restructuring after the Tender Offer (matters relating to the **Two-Step Acquisition**) below to become the sole shareholder of the Target Company Common Shares.

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According to the Statement of Support for the Tender Offer for Our Shares by Our Controlling Shareholder, ORIX Corporation, and Notice of Recommendation to Tender issued by the Target Company today (the **Target Company's Press Release**), the Target Company reached the conclusion that the best choice from the viewpoint of improving the Target Company's enterprise value is to become a wholly-owned subsidiary of the Offeror through the Transaction, by taking the following factors comprehensively into consideration: (i) implementing the measures proposed by the Offeror as described in (ii) Circumstances Leading to, and Purpose of, the Offeror's Conduct of the Tender Offer under (A) Background, Purpose, and Decision-Making Process with respect to Conducting the Tender Offer of (2) Background, Purpose, and Decision-Making Process with respect to Conducting the Tender Offer, and Management Policy After the Tender Offer below through conducting the Transaction and further utilizing the Offeror's management resources would contribute to the further improvement of the Target Company's enterprise value; (ii) considering the potential effects on the Target Company's minor shareholders that would arise from the fact that implementing these measures may result in decrease in profits on a short-term basis and does not firmly guarantee achievement of profits on a mid- or long-term basis, it is not appropriate for the Target Company to implement these measures while maintaining a listed company status and to impose these risks on its minor shareholders; (iii) in light of the past status of collaboration between the Offeror and the Target Company, it is considered difficult for the Target Company to promptly implement these measures while maintaining a listed company status and to promptly realize the diversification of its real estate business; and (iv) based on the mutual complement between the Target Company and the Offeror in terms of personnel and core competencies and on the Offeror's high public recognition and creditworthiness, disadvantages that would generally arise from a company's delisting, such as effects on its employment, morale, reputation, brand, etc. as well as restrictions on the means of financing from the market, will be limited. The Target Company also judged that the price offered for the Target Company Common Shares in the Tender Offer (the **Tender Offer Price**) and other terms and conditions of the Tender Offer are appropriate, and that the Tender Offer represents an opportunity for the Target Company's shareholders to sell their Target Company Common Shares at a reasonable price and on reasonable terms. Therefore, the Target Company, at its board of directors meeting held today, adopted a resolution to express its support for the Tender Offer and to recommend that shareholders of the Target Company tender shares in response to the Tender Offer.

For details of the resolution of the Target Company's board of directors meeting described above, see the Target Company's Press Release and (E) Unanimous Approval of All Disinterested Directors of the Target Company under (Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest) in (B) Background of Valuation under (4) Basis for Valuation of Price for Tender Offer in 2. Outline of the Tender Offer below.

- (2) Background, Purpose, and Decision-Making Process with respect to Conducting the Tender Offer, and Management Policy After the Tender Offer
- (A) Background, Purpose, and Decision-Making Process with respect to Conducting the Tender Offer
- (i) Background of the Tender Offer

The Offeror was founded in April 1964 and established its operating base as a pioneer in the leasing industry. The Offeror listed on the Second Section of the Osaka Stock Exchange in April 1970, on the Second Section of the TSE in April 1971, and on the Second Section of the Nagoya Stock Exchange in March 1972. In February 1973, shares in the Offeror were designated as a First Section issue in both the TSE and the Osaka Stock Exchange. Due to the subsequent integration of the TSE and the Osaka Stock Exchange, the Offeror is listed on the First Section of the TSE as of today.

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The Offeror has continued to expand its business lines by entering into new business fields, from an adjacent field to the next adjacent field, while responding to ever-diversifying customer needs and changes in the economic environment. The Offeror's current business consists of six segments, namely, Corporate Financial Services, Maintenance Leasing, Real Estate, Investment and Operation, Retail, and Overseas Business (Note 1). In particular, the Real Estate segment has, by using its entry into the bachelors' dormitory lease business in 1986 as a trigger, now expanded its business to include the real estate investment business, which involves office buildings, rental apartments, commercial facilities, logistics centers, etc., and further to include facility operation, such as the operation of inns and hotels, aquariums, golf courses, homes for senior citizens, and so on. The Real Estate segment of the Offeror Group is divided into two sections: the Offeror's Real Estate Headquarters and ORIX Real Estate Corporation. The aforementioned real estate investment business is carried on by the Offeror's Real Estate Headquarters and the aforementioned facility operation by ORIX Real Estate Corporation. As of March 31, 2018, the Offeror's group consists of 831 consolidated subsidiaries (including, among others, variable interest entities and SPEs [i.e., entities established for a specific project]), including the Target Company, and 190 affiliates accounted for under the equity method (hereinafter the Offeror and its consolidated subsidiaries and its affiliates accounted for under the equity method are collectively referred to as the **Offeror Group**). The Offeror's corporate philosophy is constantly anticipating market needs and working to contribute to society by developing leading financial services on a global scale and striving to offer innovative products that create new value for customers.

In May 2015, the Offeror set a policy to focus on profit growth, capital efficiency, and financial soundness on a mid-term basis, followed by efforts to realize further growth as a global corporation, aiming to achieve a net income attributable to ORIX Corporation shareholders target of 300 billion yen for the fiscal period ending March 2018 as a management indicator, to maintain ROE as an indicator of capital efficiency at or above 11%, and to maintain the credit rating of A in terms of financial soundness. The Group's united efforts to achieve these goals resulted in a net income attributable to ORIX Corporation shareholders of 313.1 billion yen for the fiscal period ended March 2018, marking nine consecutive terms of profit growth and a record high profit. ROE was 12.1% and the credit rating of A was maintained, achieving all of the original management targets.

For the three-year period from the fiscal period ending March 2019 to that ending March 2021, the Offeror continues to set a mid-term management targets of focusing on profit growth, capital efficiency, and financial soundness. Specifically, the Offeror aims to achieve annual net income attributable to ORIX Corporation shareholders growth of between of 4% and 8% as an indicator for profit growth, to maintain an ROE above 11% as an indicator for capital efficiency, and to maintain the credit rating of A as an indicator of financial soundness. The Offeror intends to continue its investment activities to achieve these goals, while currently working on the improvement of its portfolio.

The Offeror manages its business portfolio by dividing it into the aforementioned six segments. Furthermore, taking risk and capital requirements into account, Offeror categorizes these six segments into three categories, namely, Finance, Operation and Investment. Considering the current low-interest rate environment, the Offeror intends to focus on Operation and Investment, to grow stable earnings and will proactively enter new markets to nurture its next core businesses.

Note 1: An outline of the business lineup in each segment is as follows:

Corporate Financial Services segment: Finance business, leasing business, and fee-based business.

Maintenance Leasing segment: Automobile leasing business, car rental business, car sharing business, and the business of renting and that of leasing electronic measuring instruments, IT-related instruments, etc.

Real Estate segment: Real estate development and leasing business, facility operation business, the business of managing portfolio of real estate investment corporations, and real estate investment advisory business.

Investment and Operation segment: Environment and energy business, principal investment business, debt collection business, and concession business.

Retail segment: Life insurance business, banking business, and card loan business.

Overseas Business segment: Leasing business, finance business, bond investment business, asset management business, and aircraft- and ship-related business.

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On the other hand, the Target Company was established in 1964 as Daikyo Kanko Incorporated (now DAIKYO INCORPORATED), followed by the launch of the first of its series of Lions Mansion condominiums in 1968. In 1987, the Target Company went to the top of the industry for the first time in the number of units launched by a business, and remained at the top for the 29 consecutive years that followed and led the industry. Over such time, the Target Company also grew by expanding its business domain into real estate management, real estate brokerage, etc. The Target Company listed on the Second Section of the TSE in 1982, and achieved the designation of its shares as a First Section issue on the TSE in 1984. After some M&A projects, including the acquisition of Anabuki Construction Group in 2013, the Target Company Group's performance is top in the industry, with the entire group supplying approximately 460,000 units of condominiums in accumulated total (as of the end of December 2017) and undertaking the management of approximately 530,000 units of condominiums on a contract basis (as of the end of March 2018). Currently, the Target Company is not only engaged in the condominium development business, mainly the sale of Lions Mansion and Surpass Mansion condominiums which are the Target Company's brand condominiums, but also develops a business called Lifetime Relation System, in which the Target Company and its subsidiaries and affiliates (the **Target Company Group**; as of today, the Target Company Group consists of the Target Company and its 14 subsidiaries, including 10 domestic and four overseas subsidiaries, and its four affiliates, including three domestic and one overseas subsidiaries) provide services such as construction, sale, management, brokerage, lease, repair work, and renovation to consistently support its customers' life cycles through an integrated system across the group.

The capital relationship between the Offeror and the Target Company started when the Offeror was appointed as the sponsor for the Target Company's business revitalization plan after the Target Company suffered a significant amount of unrealized loss in real estate and other assets owned by it due to the collapse of the bubble economy and it was decided, in September 2004, that the Target Company would receive support from Industrial Revitalization Corporation of Japan and financial assistance of 176.5 billion yen in total from the Target Company's main banks (consisting of debt forgiveness of 146.5 billion yen and debt equity swap valued at 30 billion yen). In January 2005, the Target Company entered into a capital and business alliance agreement with the Offeror and, in March the same year, allocated new shares of common stock valued at approximately 23 billion yen to the Offeror. The Offeror subscribed to all of these common shares as well as acquiring preferred shares (Classes 1, 2, and 4 for a total face value of 20 billion yen) in the Target Company from its preferred shareholders at that time, thereby becoming the largest shareholder of the Target Company with approximately 43.98% of all voting rights. The Target Company thus became the Offeror's affiliate accounted for under the equity method.

The Target Company experienced poor financial performance for the fiscal period ending March 2009 and recorded an operating loss of approximately 44 billion yen, due to a significant worsening of the condominium market conditions triggered by the global financial crisis that occurred in 2008. Under these circumstances, the Target Company sought to streamline its consolidated subsidiaries by absorbing them as a measure for early realization of double-pillar stock and flow businesses style of management, which will allow the Target Company to flexibly respond to changes in the market environment. In addition, in March 2009 the Target Company issued preferred shares (Class 7 with a face value of 10 billion yen) to the Offeror to increase its equity capital. In March 2009, the Target Company entered into a share exchange agreement with ORIX Facilities Corporation, a wholly-owned subsidiary of the Offeror, the completion of which resulted in ORIX Facilities Corporation becoming a wholly-owned subsidiary of the Target Company. In consideration of this, the Target Company allocated and delivered Class 8 Preferred Shares (face value: approximately 9.4 billion yen) to the Offeror.

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In February 2014, the Target Company became a consolidated subsidiary of the Offeror because the amount of the voting rights held by the Offeror in the Target Company increased to approximately 64.1% of the total voting rights of the Target Company upon the Offeror's conversion to common shares of all the outstanding preferred shares except Class 1 (Classes 2, 4, 7, and 8) in the Target Company held by the Offeror.

In terms of business, on the other hand, it is the Offeror's understanding that cooperation between the Offeror Group and the Target Company Group has been limited. While the Offeror's Real Estate Headquarters and ORIX Real Estate Corporation coordinate information sharing with each other and have promptly shared management resources, the company-wide information sharing between the groups has not been sufficient since the two groups each operate as an independent listed enterprise and do not share the same decision-making process.

According to the Target Company's Press Release, the Target Company Group has worked on the improvement of its enterprise value through reinforcing the alliance with the Offeror Group in terms of business (such as business transactions in contract building management and contract construction) and capital, while ensuring cooperation with the Offeror Group. As a result, the Target Company Group has been successful in: (i) converting its earnings structure from a business model consisting mainly of flow businesses, with the condominium business at the core, into double-pillar stock and flow businesses style of management, in which the existing flow businesses are well-balanced with stock businesses, such as real estate management and real estate brokerage; and (ii) the reinforcement and reconstruction of its financial base, which was damaged by the global financial crisis, as seen in the achievement of an equity ratio of 65.2% and a D/E ratio of 0.15 as of the end of March 2018.

Furthermore, based on the significant changes in the business environment surrounding the Target Company Group, such as the changes in demographics, the diversification of values, and evolution of technology, as well as new social problems that have arisen, such as the aging of buildings and residents, the increase in vacancy rate, and the dilution of local communication, and based also on the establishment of its double-pillar stock and flow businesses style of management, in October 2016 the Target Company Group established a mid-term business plan, "Make NEW VALUE 2021: Creation of New Values through Real Estate Solutions," extending through the fiscal period ending March 2021 to step to the next stage. According to the mid-term business plan, the Target Company Group aims to create new values through real estate solutions and to accumulate social assets to be passed down to the next generation, towards the realization of a stock-oriented society, and has worked on a growth strategy centering around the expansion of the business domain, the utilization of assets, and the promotion of research and development.

(ii) Circumstances Leading to, and Purpose of, the Offeror's Conduct of the Tender Offer

Even though the Offeror has promoted collaboration between the Offeror and the Target Company Group as described above, the Offeror's understanding is that cooperation between the groups in terms of business has been limited. Specifically, while the Offeror's Real Estate Headquarters and ORIX Real Estate Corporation coordinate information sharing with each other and have promptly shared management resources, the company-wide information sharing between the two groups has not been sufficient since the Offeror's real estate business segment and the Target Company Group each operate as an independent listed enterprise and do not share the same decision-making process. The Offeror understands that, for this reason, they two groups are currently unable to make good use of their management resources, such as by maximizing business opportunities through sharing information on real estate purchases, making property referrals through brokerage arrangements, collaborating overseas and so on, or by expanding opportunities for growth through personnel exchanges.

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The Offeror also considers that the changes in the business environment surrounding the Target Company Group will gain even more speed. The business environment surrounding their housing-related businesses has recently seen marked movements for the effective use of housing stock, providing a prospect for solid growth in the pre-owned condominium-related markets, such as the condominium renovation business and the condominium repair work business. On the other hand, the primary market of condominium is expected to see a continued declining trend in the number of units sold on a mid- and long-term basis and even fiercer competition than up to present, due to such factors as the accumulation of housing stock and the expected decrease in the number of households (excluding single-person households) which constitute the main customers of the Target Company Group. Considering the possibility that the business environment surrounding the Target Company Group's real estate development business will become even harsher in the future, the Offeror considers that in order for the Target Company Group to expand its operating base and realize further growth on a mid- and long-term basis, the Target Company Group will have to collaborate with the Offeror Group and implement various measures, such as strategic M&A transactions of a certain scale, in addition to the expansion of its stock businesses that has been pursued thus far by the Target Company Group. Specifically, the basic policy is to implement the following measures.

(a) Expansion and Growth of Businesses

i) Acceleration of the Development of Comprehensive Capabilities in the Real Estate Development Business

The Offeror Group has accumulated functions and know-how for developing and operating, various properties, such as office buildings, rental condominiums, commercial and logistics facilities, and hotels. On the other hand, the Target Company Group has functions and know-how for condominium development, construction, and repair as well as for real estate management and brokerage, among others.

The implementation of the Transaction will add the Target Company Group's functions and know-how to the Offeror Group, which will establish the Offeror Group a status as a comprehensive real estate group which is able to deal with all types of real estate development. It is also expected that the Target Company Group's playing a role, through its real estate development business, as a member of the Offeror Group in large scale, mixed use development projects implemented by the Offeror Group will lead to an increase in the number of large-scale development projects in the housing development business conducted by the Target Company, which is also expected to allow the Target Company Group to promptly improve its comprehensive capabilities in the real estate development business through accumulation of experience and know-how in large-scale complex development projects.

The Offeror also believes that integration of the Target Company Group into the Offeror Group by making the Target Company a wholly-owned subsidiary of the Offeror will promote a wide range of developments that are particularly suited for specific locations by developing a system which allows for the close sharing of information on land and properties obtained by the Target Company Group and the Offeror Group, thereby realizing even closer collaboration between the two groups than up to present.

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The Offeror expects that this will, at the same time, contribute to the expansion of the Target Company Group's stock businesses in real estate management and real estate brokerage by increasing business opportunities through expanding the scope of the development business, which is at the starting point of the Target Company Group's value chain.

ii) Expansion of the Existing Businesses in Real Estate Brokerage and Real Estate Management

The Offeror believes that utilizing the Offeror Group's sales network and well-connected corporate customer network, etc. based on its 1,468 domestic centers will increase opportunities for the Target Company Group to purchase corporate-owned properties requiring whole-building renovation/conversion, such as company housing, rental condominiums, and office buildings. The Offeror also believes that the Target Company Group's sales brokerage business, in which residential spaces of condominium have been the main subject of business thus far, is expected to be expanded through the Transaction into various types of real estate categories, which will contribute to the expansion of their real estate brokerage business. Similarly, as for the Target Company Group's real estate management business which consists of services such as building maintenance and repair work, the Transaction will allow for continuous receipt of new orders from a broad range of real estate categories other than condominiums, which will contribute to the expansion of their real estate management business as well.

iii) Acquisition of Overseas Business Opportunities

The Offeror Group has 716 centers in 38 countries/regions worldwide. The Offeror believes that utilization of this network as well as connections with the Offeror Group's key partners in many countries that have been developed by the group will help create new business opportunities for the Target Company Group's overseas businesses that are currently doing at three centers in Australia, Hong Kong, and Taiwan.

(b) Further Acceleration of Growth

i) Increase in the Number of and Active Utilization of M&A Opportunities

The Offeror has functions and know-how about M&A and has a broad information network in and outside Japan. The Offeror expects that the Target Company Group's utilization of these resources may secure new opportunities for M&A. The Offeror also expects that even projects whose size makes it difficult for the Target Company Group to conduct them on its own may become possible by using the Offeror's funds or other resources, such as operational support or joint investment. The Offeror believes that using these M&A transactions as a means is likely to further accelerate, and increase the extent of, the measures described in (a) Expansion and Growth of Businesses above.

ii) Provision of Growth Opportunities to Officers and Employees of the Target Company Group

The Offeror believes that the Transaction will allow for personnel allocation to various businesses and operations in the Offeror Group and for the provision of growth opportunities to its officers and employees. The Offeror expects that this will enable them to acquire a broad range of new skills, which is likely to contribute to the improvement of the satisfaction of these officers and employees as well as to the further growth of the Target Company Group.

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The Offeror believes that the realization of information sharing, personnel exchanges, etc. which make use of the Group's comprehensive abilities, such as the measures described above, will contribute to the improvement of the enterprise value of the Offeror Group as a whole, including the Target Company Group. Since the current alliance between the Offeror Group's real estate segment and the Target Company Group is not sufficient to realize the measures described above due to the problem described in (i) Background of the Tender Offer above, i.e., that the company-wide information sharing between the Offeror and the Target Company has not been sufficient since they each operate as an independent listed enterprise and do not share the same decision-making process, the Offeror reached a conclusion that it is necessary to promote drastic changes in the cooperation within the group by making the Target Company a wholly-owned subsidiary of the Offeror.

The Offeror also believes that conducting the Transaction at this point when the Target Company's performance has been steady will advance the interests of the Target Company's minority shareholders by providing them with a reasonable opportunity to sell their shares without imposing on them the risks involved in the market environment, etc. resulting from the future realization of the measures, because a temporary reduction in profits may occur due to upfront investments, including M&A transactions intended to realize the measures, and because uncertainties will arise from large scale M&A transactions.

Based on the above considerations, the Offeror concluded that it would be desirable to make the Target Company a wholly-owned subsidiary of the Offeror, and appointed Nomura Securities Co., Ltd. (**Nomura Securities**) as its financial advisor and third-party appraiser independent from the Offeror and the Target Company, and Nishimura & Asahi as its legal advisor independent from the Offeror and the Target Company. After its initial examination of, and discussions regarding, the Transaction, on August 22, 2018 the Offeror proposed to start examination of, and discussions regarding, the Transaction to the Target Company, and made a proposal that the Tender Offer Price be 2,900 yen per share. In response to this proposal, the Target Company developed a system for discussing and negotiating the Transactions by establishing, on August 30, 2018, a Special Committee for the Avoidance of Conflicts of Interest (for the composition, specific activities, and other details of the special committee, see (C) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Written Report from The Special Committee under (Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest) in (B) Background of Valuation under (4) Basis for Valuation of Price for Tender Offer in 2. Outline of the Tender Offer below), as well as by appointing the special committee's designee Daiwa Securities Co., Ltd. (**Daiwa Securities**) as the Target Company's financial advisor and third-party appraiser independent from the Offeror and the Target Company, and Mori Hamada & Matsumoto as the Target Company's legal advisor independent from the Offeror and the Target Company. Subsequently, the Offeror conducted due diligence to review the feasibility of the Tender Offer during the period from mid to late September 2018. At the same time, the Offeror conducted several discussions and negotiations with the Target Company on the purpose of the Transaction, the management structure and policies after the Transaction, and the terms and conditions of the Transaction, including the Tender Offer. At the request of the Target Company made on September 26, 2018 for reexamination of the tender offer price, the Offeror reexamined the tender price and conducted several discussions and negotiations with the Target Company on the Tender Offer Price. Subsequently, the Offeror made a final proposal on October 22, 2018 that the tender offer price be 2,970 yen per share, followed by receipt of an answer from the Target Company to accept such final proposal.

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Consequently, the Offeror reached a conclusion that the Offeror's making the Target Company its wholly-owned subsidiary would be extremely beneficial for the improvement of the enterprise value of the Offeror Group as a whole, including the Target Company Group, since this transaction is expected to accelerate the Offeror Group's development of comprehensive abilities in the real estate development business and to help the expansion and growth of businesses through the expansion of the existing businesses and through the acquisition of overseas business opportunities, and since the above transaction will also further accelerate the group's growth through the utilization of M&A and through the provision of growth opportunities to officers and employees, as described above. The Offeror has thus decided to commence the Tender Offer.

(B) Management Policy after the Tender Offer

As of today, the Target Company's board of directors consists of five directors. While the Target Company's future management structure has not been determined as of today, the Offeror intends to consider the construction of a governance structure for the Offeror as the shareholder of the Target Company, as well as a supporting structure which will contribute to the mid- and long-term growth of the Target Company, through discussion with the Target Company by respecting the autonomy and independence of the Target Company to the maximum extent possible. The Offeror's policy is to continue the employment of the Target Company Group's employees on the same terms and conditions as at present after the implementation of the Transaction.

(3) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest

The Offeror and the Target Company took the following measures to ensure the fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and to avoid conflicts of interest, in light of the fact that the Target Company is a consolidated subsidiary of the Offeror and that the Transaction, including the Tender Offer, constitutes a material transaction, etc. with a controlling shareholder.

(A) Obtainment by the Offeror of a Share Price Valuation Report from an Independent Third-Party Appraiser

(B) Obtainment by the Target Company of a Share Price Valuation Report from an Independent Third-Party Appraiser

(C) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Written Report from the Special Committee

(D) Advice from a Law Firm Independent from the Target Company

(E) Unanimous Approval of All Disinterested Directors of the Target Company

(F) Measures to Secure an Opportunity for Other Offerors to Carry Out a Tender Offer

For the details of the measures listed above, see (Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest) in (B) Background of Valuation under (4) Basis for Valuation of Price for Tender Offer in 2. Outline of the Tender Offer below.

(4) Policy for Organizational Restructuring after the Tender Offer (Matters Relating to the Two-Step Acquisition)

As stated in the section above titled (1) Outline of the Tender Offer, if the Offeror is unable to acquire all of the Target Company Common Shares through the Tender Offer, the Offeror intends, after the successful completion of the Tender Offer, to follow the following procedures to become the sole shareholder of the Target Company Common Shares.

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If the Offeror has acquired at least 90% of the total number of voting rights of all shareholders of the Target Company after the successful completion of the Tender Offer, the Offeror intends to require all shareholders of the Target Company (excluding the Offeror and the Target Company; **Selling Shareholders**), promptly following the settlement of the Tender Offer, to sell all of their Target Company Common Shares to the Offeror (the **Demand for the Sale of Shares**) under Article 179 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same applies). In the event of a Demand for the Sale of Shares, each of the Target Company Common Shares held by Selling Shareholders will be exchanged for cash consideration equal to the Tender Offer Price. In such an event, the Offeror will notify the Target Company of the Demand for the Sale of Shares and will seek the Target Company's approval thereof. If the Target Company approves the Demand for the Sale of Shares by a resolution of its board of directors, then, in accordance with the procedures provided for in applicable laws and regulations and without requiring the consent of the individual Selling Shareholders, the Offeror will, on the day stipulated by the Demand for the Sale of Shares, acquire from all of the Selling Shareholders all of the Target Company Common Shares held by them. In exchange for the Target Company Common Shares held by the Selling Shareholders, the Offeror will deliver an amount of cash consideration per share equal to the Tender Offer Price to the respective Selling Shareholders. According to the Target Company's Press Release, the Target Company's board of directors intends to approve any Demand for the Sale of Shares received by the Target Company from the Offeror. If a Demand for the Sale of Shares is made, any of the Selling Shareholders may file a petition with a court for determination of the purchase price of its Target Company Common Shares in accordance with the provisions of Article 179-8 of the Companies Act and other applicable laws and provisions.

Alternatively, if the Offeror has acquired less than 90% of the total number of voting rights of all shareholders of the Target Company after the successful completion of the Tender Offer, the Offeror intends to request the Target Company, promptly following the settlement of the Tender Offer, to hold an extraordinary shareholders' meeting of the Target Company around February 2019 at which the following proposals will be submitted (the **Extraordinary Shareholders' Meeting**): (i) to conduct a consolidation of the Target Company Common Shares pursuant to Article 180 of the Companies Act (the **Share Consolidation**), and (ii) to make a partial amendment to the Target Company's Articles of Incorporation that would abolish the share unit number provisions on the condition that the Share Consolidation becomes effective. The Offeror intends to approve the proposals described above at the Extraordinary Shareholders' Meeting. If the proposal for the Share Consolidation is approved at the Extraordinary Shareholders' Meeting, the shareholders of the Target Company Common Shares will, on the effective date of the Share Consolidation, hold the number of Target Company Common Shares proportionate to the ratio of the Share Consolidation that is approved at the Extraordinary Shareholders' Meeting. If the Share Consolidation results in fractions less than one share, each shareholder of Target Company Common Shares will receive an amount of cash which would be obtained by selling its Target Company Common Shares in the total number of its fractional shares (with the aggregate sum to be rounded down to the nearest whole number; the same applies hereinafter) to the Offeror or the Target Company in accordance with the procedures specified in Article 235 of the Companies Act and other applicable laws and regulations. The purchase price for the aggregate sum of such fractional Target Company Common Shares will be valued so that the amount of cash received by each shareholder who did not tender his shares in the Tender Offer (excluding the Offeror and the Target Company) as a result of the sale will be equal to the price obtained by multiplying the Tender Offer Price by the number of Target Company Common Shares held by each such shareholder. The Offeror intends to request the Target Company to file a petition with the court for permission to purchase such Target Company Common Shares on this basis. While the ratio of the Share Consolidation of the Target Company Common Shares has not been determined as of today, it will be determined such that each shareholder of Target Company Common Shares (excluding the Offeror and the Target Company) who did not tender his shares in the Tender Offer will have less than one share, in order for the Offeror to become the sole shareholder of all Target Company Common Shares.

The Companies Act provides that if the Share Consolidation occurs and results in fractions less than one share, each shareholder of Target Company Common Shares who did not tender his shares in the Tender Offer (excluding the Offeror and the Target Company) may, in accordance with Articles 182-4 and 182-5 of the Companies Act and other applicable laws and regulations: (i) demand that the Target Company purchase at a fair price all such fractions less than one share held by such shareholder, and (ii) file a petition with the court for determination of the price of the Target Company Common Shares. Please note that the Tender Offer is not intended in any way to solicit the Target Company's shareholders to support the aforementioned proposals at the Extraordinary Shareholders' Meeting.

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The Offeror intends to transfer, after the successful completion of the Tender Offer, 50,000 Preferred Shares held by the Offeror to OAL, a subsidiary of the Offeror. OAL has already had transactions, such as property referrals, with Daikyo Hong Kong Limited, a Group company of the Target Company. Through this transfer of Preferred Shares, the Offeror intends to further reinforce the overseas cooperation between the Target Company Group and the Offeror Group.

The procedures described above may take more time or may be changed in terms of the method used depending on amendments to or enforcement of, or the competent authorities' interpretation of, or other circumstances relating to, the relevant laws and regulations, as well as depending on the ratios at which the Offeror and other shareholders of Target Company Common Shares hold Target Company Common Shares after the Tender Offer, among other things. However, even in such a case, the Offeror intends to employ, subject to the successful completion of the Tender Offer, a method whereby each shareholder of Target Company Common Shares who did not tender his shares in the Tender Offer (excluding the Offeror and the Target Company) will ultimately receive cash consideration in the amount calculated by multiplying the number of its Target Company Common Shares by the Tender Offer Price. Nonetheless, in the event of a petition for determination of the purchase price relating to a Demand for the Sale of Shares or a petition for determination of the price relating to a demand for purchase of shares in a Share Consolidation, such purchase price of Target Company Common Shares or such price relating to a demand for purchase of shares, as the case may be, will be finally determined by the court.

The specific procedure to be followed in each of the above cases and the expected timing and other details of such procedure will be discussed between the Offeror and the Target Company and will be promptly announced by the Target Company once determined. All shareholders of the Target Company are solely responsible for seeking their own specialist tax advice with regard to the tax consequences of tendering their shares in the Tender Offer or of any of the procedures described above.

(5) Prospects and Reasons for Delisting

The Target Company Common Shares are listed on the First Section of the TSE as of today. However, since the Offeror has set no maximum limit on the number of shares to be purchased in the Tender Offer, the Target Company Common Shares may be delisted through the prescribed procedures in accordance with the delisting criteria set out by the TSE, depending on the outcome of the Tender Offer. Even in the event that the delisting criteria are not met upon completion of the Tender Offer, if the Offeror chooses to implement the procedures described in the section titled (4) Policy for organizational restructuring after the Tender Offer (matters relating to the Two-Step Acquisition) after the successful completion of the Tender Offer, then the delisting criteria will be met and the Target Company Common Shares will be delisted through the prescribed procedures. After delisting, the Target Company Common Shares can no longer be traded on the TSE.

(6) Matters Regarding Material Agreements on the Tender Offer

Not applicable.

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2. Outline of the Tender Offer

(1) Outline of the Target Company

(A)	Name	DAIKYO INCORPORATED	
(B)	Address	4-24-13, Sendagaya, Shibuya-ku, Tokyo	
(C)	Title and Name of Representative	Kazuo Kojima, President and Representative Executive Officer	
(D)	Description of Business	Real estate management business, real estate brokerage business, and real estate development businesses	
(E)	Capital	41,171 million yen (as of September 30, 2018)	
(F)	Date of Establishment	December 11, 1964	
(G)	Major Shareholders and Shareholding Ratios	ORIX Corporation	66.72%
		Japan Trustee Services Bank, Ltd. (Trust Account)	1.58%
		STATE STREET BANK AND TRUST COMPANY 505001	1.36%
	(as of March 31, 2018)		
		(Standing Agent: Mizuho Bank, Ltd. Settlement Services Department)	
		Japan Trustee Services Bank, Ltd. (Trust Account 9)	1.24%
		The Master Trust Bank of Japan, Ltd. (Trust Account)	1.23%
		Daikyo Group Employee Shareholding Association	0.92%
		Japan Trustee Services Bank, Ltd. (Trust Account 5)	0.73%
		Aioi Nissay Dowa Insurance Co., Ltd. (Standing Agent: The Master Trust Bank of Japan, Ltd.)	0.68%
		THE BANK OF NEW YORK MELLON 140040 (Standing Agent: Mizuho Bank, Ltd. Settlement Services Department)	0.68%
		THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT (Standing Agent: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	0.67%
(H)	Relationship between the Listed Company and the Target Company		
	Capital Relationship	The Offeror directly holds 53,749,006 Target Company Common Shares and 1,000,000 Preferred Shares (ownership ratio: 67.92%). Together with the Target Company Common Shares indirectly holding through ORIX MIC (17,521 shares; ownership ratio: 0.02%), the Offeror holds a total of 53,766,527 Target Company Common Shares and 1,000,000 Preferred Shares (ownership ratio: 67.95%).	
	Personnel Relationship	One of the executive officers of the Target Company has been assigned from the Offeror. One employee of the Target Company has been seconded to the Offeror. In addition to the above, five employees of the Target Company Group have been seconded to the Offeror Group and 25 employees of the Offeror Group have been seconded to the Target Company Group.	
	Business Relationship	The Target Company has been engaged in business transactions relating to contract building management and contract construction with the Offeror.	
	Status as Related Party	The Offeror is the parent company of the Target Company, and the Offeror and the Target Company are related parties to each other.	

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(2) Schedule, etc.
(A) Schedule

Date of Public Notice of Commencement of Tender Offer Monday, October 29, 2018

An electronic public notice will be issued and this will be published in the Nihon Keizai Shimbun.

(URL for electronic public notice: <http://disclosure.edinet-fsa.go.jp/>)

Date of Submission of Tender Offer Statement Monday, October 29, 2018
(B) Period of Initial Tender Offer after Submission of Statement

From Monday, October 29, 2018 to Monday, December 10, 2018 (30 business days).

(C) Possibility of Extension at the Target Company's Request

Not applicable.

(3) Tender Offer Price

2,970 yen per share of common shares

(4) Basis of Valuation of Tender Offer Price

(A) Basis of Valuation

In deciding the Tender Offer Price, the Offeror requested its financial advisor Nomura Securities, which served as a third-party appraiser independent from the Offeror and the Target Company, to evaluate the share value of the Target Company Common Shares in order to ensure the fairness of the Tender Offer Price. Nomura Securities is not a related party to the Offeror or the Target Company and does not have any material interest in the Tender Offer.

After considering calculation methods to be used in the Tender Offer from among several share value calculation methods, Nomura Securities performed calculations using: (i) the average market price method, in light of the fact that the Target Company Common Shares are listed on the TSE; (ii) the comparable company comparison method, in light of the fact that there are listed companies comparable to the Target Company and that the share value of the Target Company Common Shares can be inferred from comparisons with comparable companies; and (iii) the discounted cash flow analysis (the **DCF Analysis**) in order to reflect the future status of business activities in the calculation. The Offeror obtained a share value valuation report from Nomura Securities on October 25, 2018 (the **Offeror's Valuation Report**). The Offeror has not obtained from Nomura Securities an opinion letter on the fairness of the Tender Offer Price (a fairness opinion).

The ranges of values per Target Company Common Share evaluated by Nomura Securities are as follows:

Average market price method:	From 2,208 yen to 2,361 yen
Comparable company comparison method:	From 1,828 yen to 2,833 yen
DCF Analysis:	From 2,200 yen to 3,761 yen

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In the average market price method, the share value range per Target Company Common Share of 2,208 yen to 2,361 yen was derived based on the following figures quoted on the First Section of the TSE as of the evaluation reference date of October 25, 2018: 2,307 yen, which was the closing price as of the reference date; 2,233 yen (rounded to the nearest whole yen; the same applies to each simple average closing price below), which was the simple average closing price over the preceding five-business day period; 2,208 yen, which was the simple average closing price over the preceding one-month period; 2,238 yen, which was the simple average closing price over the preceding three-month period; and 2,361 yen, which was the simple average closing price over the preceding six-month period.

In the comparable company comparison method, the value range of 1,828 yen to 2,833 yen per Target Company Common Share was derived by making comparisons with other listed companies engaged in businesses relatively similar to that of the Target Company in terms of market share price and financial indicators for profitability and other aspects.

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In the DCF Analysis, the value range of 2,200 yen to 3,761 yen per Target Company Common Share was derived by analyzing the Target Company's enterprise value and share value, calculated by discounting to the present value at a certain discount rate the free cash flow that the Target Company is expected to generate in the future based on the Target Company's estimated future earnings for the fiscal year ending March 2019 and onwards which take into account, among other things, the Target Company's business plans for the period from March 2019 to March 2021, interviews with the Target Company's management, the Target Company's performance trends up to present, and publicly disclosed information. Synergies anticipated as a result of the Transaction are not reflected in this analysis, since they are difficult to be specifically estimated at present. The Target Company's estimated earnings based on which Nomura Securities performed calculation do not include any fiscal period for which a considerable income increase or decrease is expected.

While taking into account the evaluation results produced by the methods described in the Offeror's Valuation Report obtained from Nomura Securities, the Offeror comprehensively considered the changes in the market price of Target Company Common Shares on the First Section of the TSE during the preceding five-business day period, the preceding one-month, three-month, and six-month periods, and the most recent trading day, examples of the premiums paid in tender offers conducted in the past for shares by a party other than an issuer, the results of the due diligence on the Target Company, the support for the Tender Offer by the Target Company's board of directors, and the estimated number of shares to be tendered in the Tender Offer, and in light also of the results of discussions and negotiations with the Target Company, the Offeror finally decided on the Tender Offer Price of 2,970 yen per share.

The Tender Offer Price represents a premium of 28.74% (rounded to two decimal places; the same applies hereinafter to other premium percentages (%) for share value) on 2,307 yen, which was the closing price for the Target Company Common Shares quoted on the First Section of the TSE on October 25, 2018 (which was the business day immediately preceding the announcement date of the Tender Offer); a premium of 34.51% on 2,208 yen, which was the simple average closing price over the one-month period up to the said date; a premium of 32.71% on 2,238 yen, which was the simple average closing price over the three-month period up to the said date; and a premium of 25.79% on 2,361 yen, which was the simple average closing price over the six-month period up to the said date.

(B) Background of Valuation

(Background of the Decisions on the Tender Offer Price)

After concluding that it was desirable to make the Target Company a wholly-owned subsidiary of the Offeror, the Offeror appointed Nomura Securities as its financial advisor and third-party appraiser independent from the Offeror and the Target Company, and Nishimura & Asahi as its legal advisor independent from the Offeror and the Target Company. After its initial examination of, and discussions regarding, the Transaction, on August 22, 2018 the Offeror proposed to start examination of, and discussions regarding, the Transaction to the Target Company, and made a proposal that the Tender Offer Price be 2,900 yen per share. In response to this proposal, the Target Company developed a system for discussing and negotiating the Transaction, by establishing a Special Committee for the Avoidance of Conflicts of Interest on August 30, 2018 and by appointing the special committee's designee Daiwa Securities as its financial advisor and third-party appraiser independent from the Offeror and the Target Company, and Mori Hamada & Matsumoto as its legal advisor independent from the Offeror and the Target Company. Subsequently, the Offeror conducted due diligence to review the feasibility of the Tender Offer during the period from mid September to late October 2018. At the same time, the Offeror continued discussions and negotiations with the Target Company on the purpose of the Transaction, including the Tender Offer, on the management structure and policies after the Transaction, and on the terms and conditions of the Transaction, among other things. At the request of the Target Company made on September 26, 2018 for reexamination of the Tender Offer Price, the Offeror reexamined the Tender Offer Price and conducted several discussions and negotiations with the Target Company. The Offeror then made a final proposal on October 22, 2018 that the Tender Offer Price be 2,970 yen per share, followed by receipt of an answer from the Target Company to accept such final proposal.

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The background of the decisions made by the Offeror on the Tender Offer Price is as follows:

(i) Obtainment of a Share Price Valuation Report from a Third-Party Appraiser

In deciding the Tender Offer Price, the Offeror requested its financial advisor Nomura Securities, which served as a third-party appraiser independent from the Offeror and the Target Company, to evaluate the share value of the Target Company Common Shares in order to ensure the fairness of the Tender Offer Price. The Offeror obtained the Offeror's Valuation Report from Nomura Securities on October 25, 2018. Nomura Securities is not a related party to the Offeror or the Target Company and does not have any material interest in the Tender Offer. The Offeror has not obtained from Nomura Securities an opinion letter on the fairness of the Tender Offer Price (a fairness opinion).

(ii) Outline of Advice from Nomura Securities

Nomura Securities evaluated the share value of the Target Company Common Shares using the average market price method, comparable company comparison method, and DCF Analysis. The ranges of values per Target Company Common Share evaluated by the respective methods are as follows.

Average market price method:	From 2,208 yen to 2,361 yen
Comparable company comparison method:	From 1,828 yen to 2,833 yen
DCF Analysis:	From 2,200 yen to 3,761 yen

(iii) Background of the Decision on the Tender Offer Price upon Consideration of the Advice from Nomura Securities

While taking into account the evaluation results produced by the methods described in the Offeror's Valuation Report obtained from Nomura Securities, the Offeror comprehensively considered the changes in the market price of Target Company Common Shares on the First Section of the TSE during the preceding five-business day period, the preceding one-month, three-month, and six-month periods, and the most recent trading day, examples of the premiums paid in past tender offers for shares by a party other than an issuer, the results of the due diligence on the Target Company, the support for the Tender Offer by the Target Company's board of directors, and the estimated number of shares to be tendered in the Tender Offer, and in light also of the results of discussions and negotiations with the Target Company, the Offeror finally decided on the Tender Offer Price of 2,970 yen per share. For further details, see (A) Basis of Valuation above.

(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest)

The Offeror and the Target Company took the following measures to ensure the fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and to avoid conflicts of interest, in light of the fact that the Target Company is a consolidated subsidiary of the Offeror and that the Transaction, including the Tender Offer, constitutes a material transaction, etc. with a controlling shareholder.

(A) Obtainment by the Offeror of a Share Price Valuation Report from an Independent Third-Party Appraiser

In deciding the Tender Offer Price, the Offeror requested its financial advisor Nomura Securities, which served as a third-party appraiser independent from the Offeror and the Target Company, to evaluate the share value of the Target Company Common Shares in order to ensure the fairness of the Tender Offer Price. For details of the Offeror's Valuation Report obtained by the Offeror from Nomura Securities regarding the results of its valuation of the Target Company's share value, see (A) Basis of Valuation above.

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(B) Obtainment by the Target Company of a Share Price Valuation Report from an Independent Third-Party Appraiser

According to the Target Company's Press Release, the Target Company, prior to expressing its opinion on the Tender Offer, requested its financial advisor Daiwa Securities, which served as a third-party appraiser independent from the Target Company and the Offeror, to evaluate the share value of the Target Company Common Shares. Daiwa Securities is not a related party of the Target Company or the Offeror and does not have any material interest in the Tender Offer.

After considering calculation methods to be employed in calculating the share value of the Target Company Common Shares from among several calculation methods, Daiwa Securities analyzed the Target Company's share value per share using: (i) the market price method which takes the trends in the Target Company's market share price into account, based on the idea that it is appropriate to multidimensionally evaluate the value of the Target Company Common Shares on the premise that the Target Company is a going concern; (ii) the comparable company comparison method, in light of the fact that there are listed companies comparable to the Target Company and that the share value of the Target Company Common Shares can be inferred from comparisons with comparable companies; and (iii) the DCF Analysis which takes the details, forecasts, etc. of the Target Company's performance into account. The Target Company obtained a share value valuation report on the Target Company's share value per share using the following information:

Air Liquide Finance Co., 2.25%, 9/27/2023 (n)	\$493,000	\$471,632
Axalta Coating Systems Co., 4.875%, 8/15/2024 (n)	925,000	955,063
Consolidated Energy Finance S.A., 6.875%, 6/15/2025 (n)	655,000	692,663
GCP Applied Technologies Co., 9.5%, 2/01/2023 (n)	1,215,000	1,339,538
SPCM S.A., 4.875%, 9/15/2025 (n)	1,100,000	1,102,750

Computer Software - 1.2%	Diamond 1 Finance Corp./Diamond 2 Finance Corp., 6.02%, 6/15/2026 (n)	\$600,000	\$656,160
Diamond 1 Finance Corp./Diamond 2 Finance Corp., 5.875%, 6/15/2021 (n)	840,000	871,500	

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Computer Software - continued		
Microsoft Corp., 4.1%, 2/06/2037	\$ 922,000	\$ 1,002,045
Nuance Communications Co., 5.625%, 12/15/2026	740,000	764,716
Oracle Corp., 3.4%, 7/08/2024	483,000	490,906
VeriSign, Inc., 4.625%, 5/01/2023	1,005,000	1,030,125
VeriSign, Inc., 5.25%, 4/01/2025	130,000	137,800
VeriSign, Inc., 4.75%, 7/15/2027	302,000	304,265
		\$ 5,257,517
Computer Software - Systems - 1.5%		
Apple, Inc., 3.05%, 7/31/2029	GBP 450,000	\$ 693,981
Apple, Inc., 4.5%, 2/23/2036	\$ 1,100,000	1,232,792
Apple, Inc., 4.25%, 2/09/2047	135,000	145,094
CDW LLC/CDW Finance Corp., 5.5%, 12/01/2024	425,000	458,734
CDW LLC/CDW Finance Corp., 5%, 9/01/2025	270,000	274,388
JDA Software Group, Inc., 7.375%, 10/15/2024 (n)	1,005,000	1,056,506
Sabre GLBL, Inc., 5.375%, 4/15/2023 (n)	1,145,000	1,162,519
SS&C Technologies Holdings, Inc., 5.875%, 7/15/2023	775,000	812,781
Western Digital Corp., 10.5%, 4/01/2024	995,000	1,163,155
		\$ 6,999,950
Conglomerates - 2.4%		
Amsted Industries Co., 5%, 3/15/2022 (n)	\$ 1,510,000	\$ 1,540,200
Colfax Corp., 3.25%, 5/15/2025	EUR 400,000	512,000
EnerSys, 5%, 4/30/2023 (n)	\$ 1,540,000	1,603,525
Enpro Industries, Inc., 5.875%, 9/15/2022	1,415,000	1,471,600
Entegris, Inc., 4.625%, 2/10/2026 (n)	1,075,000	1,079,031
Gates Global LLC, 6%, 7/15/2022 (n)	960,000	980,400
Parker-Hannifin Corp., 4.1%, 3/01/2047	283,000	299,509
Smiths Group PLC, 2%, 2/23/2027	EUR 400,000	514,010
SPX FLOW, Inc., 5.625%, 8/15/2024 (n)	\$ 985,000	1,021,938
Thyssenkrupp AG, 1.375%, 3/03/2022	EUR 650,000	821,456
TriMas Corp., 4.875%, 10/15/2025 (n)	\$ 1,180,000	1,185,900
		\$ 11,029,569
Construction - 0.4%		
Empresas ICA S.A.B. de C.V., 8.9%, 2/04/2021 (a)(d)	\$ 590,000	\$ 89,012
Empresas ICA S.A.B. de C.V., 8.875%, 5/29/2024 (a)(d)(n)	914,000	151,953
Mattamy Group Corp., 6.5%, 10/01/2025 (n)	870,000	916,763
Toll Bros Finance Corp., 4.35%, 2/15/2028	670,000	663,300
		\$ 1,821,028
Consumer Products - 1.0%		
Essity AB, 1.125%, 3/27/2024	EUR 500,000	\$ 626,667
Prestige Brands, Inc., 5.375%, 12/15/2021 (n)	\$ 845,000	855,563
Prestige Brands, Inc., 6.375%, 3/01/2024 (n)	560,000	576,800
Reckitt Benckiser Treasury Services PLC, 3.625%, 9/21/2023 (n)	500,000	507,285
Reckitt Benckiser Treasury Services PLC, 3%, 6/26/2027 (n)	596,000	566,460
Spectrum Brands, Inc., 6.125%, 12/15/2024	165,000	174,900
Spectrum Brands, Inc., 5.75%, 7/15/2025	995,000	1,047,238
		\$ 4,354,913
Consumer Services - 1.8%		
G4S International Finance PLC, 1.5%, 1/09/2023	EUR 650,000	\$ 823,863
IHS Markit Ltd., 4%, 3/01/2026 (n)	\$ 165,000	160,256
Interval Acquisition Corp., 5.625%, 4/15/2023	1,635,000	1,688,138
Matthews International Corp., 5.25%, 12/01/2025 (n)	845,000	857,675

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Consumer Services - continued		
Priceline Group, Inc., 3.55%, 3/15/2028	\$ 238,000	\$ 232,961
Priceline Group, Inc., 2.15%, 11/25/2022	EUR 170,000	225,607
Priceline Group, Inc., 1.8%, 3/03/2027	EUR 650,000	822,202
Service Corp. International, 4.625%, 12/15/2027	\$ 485,000	480,756
ServiceMaster Co. LLC, 5.125%, 11/15/2024 (n)	690,000	691,725
Visa, Inc., 2.8%, 12/14/2022	542,000	540,170
Visa, Inc., 4.15%, 12/14/2035	465,000	503,412
Visa, Inc., 3.65%, 9/15/2047	273,000	271,733
West Corp., 8.5%, 10/15/2025 (n)	805,000	792,925
		\$ 8,091,423
Containers - 2.8%		
Ball Corp., 5.25%, 7/01/2025	\$ 330,000	\$ 349,800
Berry Global Group, Inc., 5.5%, 5/15/2022	1,155,000	1,192,641
Berry Global Group, Inc., 6%, 10/15/2022	680,000	708,900
Berry Global, Inc., 4.5%, 2/15/2026 (n)	365,000	363,978
Crown American LLC, 4.5%, 1/15/2023	1,147,000	1,172,808
Crown Americas LLC/Crown Americas Capital Corp., 4.75%, 2/01/2026 (n)	320,000	321,600
Crown Americas LLC/Crown Americas Capital Corp. V, 4.25%, 9/30/2026	590,000	573,775
DS Smith PLC, 1.375%, 7/26/2024	EUR 500,000	621,170
Multi-Color Corp., 6.125%, 12/01/2022 (n)	\$ 1,426,000	1,483,040
Multi-Color Corp., 4.875%, 11/01/2025 (n)	100,000	100,375
Reynolds Group, 5.75%, 10/15/2020	581,465	591,640
Reynolds Group, 5.125%, 7/15/2023 (n)	725,000	744,503
Reynolds Group, 7%, 7/15/2024 (n)	625,000	664,844
Sealed Air Corp., 4.875%, 12/01/2022 (n)	1,110,000	1,159,950
Sealed Air Corp., 5.125%, 12/01/2024 (n)	370,000	391,275
Sealed Air Corp., 5.5%, 9/15/2025 (n)	195,000	210,113
Signode Industrial Group, 6.375%, 5/01/2022 (n)	1,190,000	1,237,600
Silgan Holdings, Inc., 5.5%, 2/01/2022	90,000	91,800
Silgan Holdings, Inc., 4.75%, 3/15/2025	890,000	910,025
		\$ 12,889,837
Electrical Equipment - 0.3%		
CommScope Holding Company, Inc., 5.5%, 6/15/2024 (n)	\$ 240,000	\$ 248,700
CommScope Technologies LLC, 5%, 3/15/2027 (n)	1,205,000	1,200,481
		\$ 1,449,181
Electronics - 0.9%		
Broadcom Corp./Broadcom Cayman Finance Ltd., 3.875%, 1/15/2027 (n)	\$ 767,000	\$ 746,421
Intel Corp., 3.15%, 5/11/2027	1,019,000	1,010,020
Sensata Technologies B.V., 5.625%, 11/01/2024 (n)	645,000	702,244
Sensata Technologies B.V., 5%, 10/01/2025 (n)	890,000	923,375
Tyco Electronics Group S.A., 1.1%, 3/01/2023	EUR 550,000	694,229
		\$ 4,076,289
Emerging Market Quasi-Sovereign - 5.0%		
Autoridad del Canal de Panama, 4.95%, 7/29/2035 (n)	\$ 201,000	\$ 223,613
Banco de Reservas de la Republica Dominicana, 7%, 2/01/2023 (n)	946,000	1,002,793
CNPC (HK) Overseas Capital Ltd., 4.5%, 4/28/2021 (n)	1,242,000	1,295,748
CNPC General Capital Ltd., 3.4%, 4/16/2023 (n)	391,000	389,637
Comision Federal de Electricidad, 5.75%, 2/14/2042 (n)	915,000	957,319
Corporacion Financiera de Desarrollo S.A., 4.75%, 7/15/2025 (n)	268,000	284,777
Empresa Nacional del Petroleo, 4.375%, 10/30/2024 (n)	296,000	309,179
Empresa Nacional del Petroleo, 3.75%, 8/05/2026 (n)	423,000	420,885
Gaz Capital S.A., 4.95%, 2/06/2028 (n)	492,000	512,910

Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Emerging Market Quasi-Sovereign - continued		
KazTransGas JSC, 4.375%, 9/26/2027	\$ 913,000	\$ 915,465
Majapahit Holding B.V., 8%, 8/07/2019 (n)	1,197,000	1,287,733
Majapahit Holding B.V., 7.75%, 1/20/2020 (n)	1,045,000	1,136,542
Office Cherifien des Phosphates S.A., 4.5%, 10/22/2025 (n)	371,000	373,842
Office Cherifien des Phosphates S.A., 6.875%, 4/25/2044 (n)	373,000	436,485
Pertamina PT, 5.25%, 5/23/2021 (n)	511,000	543,786
Pertamina PT, 4.875%, 5/03/2022 (n)	540,000	570,276
Pertamina PT, 4.3%, 5/20/2023 (n)	323,000	334,677
Pertamina PT, 6%, 5/03/2042	680,000	766,795
Petrobras Global Finance B.V., 6.125%, 1/17/2022	53,000	56,498
Petrobras Global Finance B.V., 6.25%, 3/17/2024	1,043,000	1,114,811
Petrobras Global Finance B.V., 7.375%, 1/17/2027	44,000	48,803
Petrobras International Finance Co., 6.75%, 1/27/2041	1,159,000	1,176,385
Petroleos Mexicanos, 5.5%, 1/21/2021	1,199,000	1,271,300
Petroleos Mexicanos, 4.625%, 9/21/2023	221,000	227,190
Petroleos Mexicanos, 6.75%, 9/21/2047	161,000	168,245
PT Perusahaan Gas Negara (Persero) Tbk, 5.125%, 5/16/2024 (n)	438,000	469,303
Sinopec Capital (2013) Ltd., 3.125%, 4/24/2023 (n)	666,000	653,767
Sinopec Capital (2013) Ltd., 4.25%, 4/24/2043 (n)	548,000	555,195
Sinopec Group Overseas Development (2012) Ltd., 3.9%, 5/17/2022 (n)	544,000	556,545
Southern Gas Corridor CJSC, 6.875%, 3/24/2026	1,367,000	1,563,233
State Grid Overseas Investment (2014) Ltd., 4.125%, 5/07/2024 (n)	2,263,000	2,341,436
State Grid Overseas Investment (2016) Ltd., 2.75%, 5/04/2022 (n)	776,000	759,976
		\$ 22,725,149
Emerging Market Sovereign - 6.1%		
Dominican Republic, 7.5%, 5/06/2021 (n)	\$ 879,000	\$ 954,155
Dominican Republic, 6.6%, 1/28/2024 (n)	188,000	208,680
Dominican Republic, 5.875%, 4/18/2024 (n)	206,000	220,420
Dominican Republic, 5.5%, 1/27/2025 (n)	211,000	220,495
Oriental Republic of Uruguay, 4.375%, 10/27/2027	377,731	400,773
Republic of Argentina, 6.875%, 4/22/2021	1,489,000	1,588,019
Republic of Colombia, 8.125%, 5/21/2024	679,000	855,540
Republic of Colombia, 6.125%, 1/18/2041	435,000	523,088
Republic of Croatia, 5.5%, 4/04/2023 (n)	1,362,000	1,483,948
Republic of Hungary, 7.625%, 3/29/2041	488,000	743,170
Republic of Indonesia, 11.625%, 3/04/2019	733,000	803,816
Republic of Indonesia, 2.875%, 7/08/2021 (z)	EUR 375,000	503,759
Republic of Indonesia, 3.375%, 4/15/2023 (n)	\$ 517,000	518,185
Republic of Indonesia, 5.875%, 1/15/2024 (n)	225,000	253,852
Republic of Indonesia, 2.15%, 7/18/2024 (z)	EUR 324,000	424,958
Republic of Indonesia, 4.125%, 1/15/2025 (n)	\$ 339,000	349,577
Republic of Indonesia, 4.125%, 1/15/2025	1,422,000	1,466,366
Republic of Kazakhstan, 3.875%, 10/14/2024 (n)	427,000	443,013
Republic of Kazakhstan, 4.875%, 10/14/2044 (n)	207,000	219,862
Republic of Panama, 8.875%, 9/30/2027	1,273,000	1,826,755
Republic of Panama, 9.375%, 4/01/2029	423,000	636,192
Republic of Paraguay, 4.625%, 1/25/2023 (n)	212,000	220,745
Republic of Peru, 8.75%, 11/21/2033	629,000	990,046
Republic of Peru, 5.625%, 11/18/2050	217,000	273,095
Republic of Poland, 5%, 3/23/2022	609,000	657,570
Republic of Romania, 6.75%, 2/07/2022 (n)	1,074,000	1,217,916
Republic of Sri Lanka, 6.125%, 6/03/2025	1,336,000	1,405,631
Republic of Turkey, 6.25%, 9/26/2022	646,000	697,969
Republic of Turkey, 4.875%, 10/09/2026	1,229,000	1,197,783

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Emerging Market Sovereign - continued		
Russian Federation, 4.875%, 9/16/2023 (n)	\$ 800,000	\$ 854,368
Russian Federation, 4.75%, 5/27/2026	1,000,000	1,062,750
Russian Federation, 5.625%, 4/04/2042 (n)	600,000	672,000
United Mexican States, 3.625%, 3/15/2022	856,000	879,112
United Mexican States, 3.75%, 1/11/2028	1,450,000	1,422,450
United Mexican States, 8.5%, 5/31/2029	MXN 29,290,000	1,673,779
		\$ 27,869,837
Energy - Independent - 4.1%		
Afren PLC, 11.5%, 2/01/2016 (a)(d)(z)	\$ 326,905	\$ 817
Afren PLC, 10.25%, 4/08/2019 (a)(d)(z)	213,708	534
Alta Mesa Holdings LP/Alta Mesa Finance Services Corp., 7.875%, 12/15/2024	1,265,000	1,391,500
Continental Resources, Inc., 4.5%, 4/15/2023	1,625,000	1,645,313
CrownRock LP/CrownRock Finance, Inc., 5.625%, 10/15/2025 (n)	1,055,000	1,065,550
Diamondback Energy, Inc., 5.375%, 5/31/2025	1,145,000	1,189,369
Diamondback Energy, Inc., 5.375%, 5/31/2025 (n)	490,000	508,988
Gulfport Energy Corp., 6%, 10/15/2024	720,000	725,400
Gulfport Energy Corp., 6.375%, 5/15/2025	415,000	423,300
Parsley Energy LLC/Parsley Finance Corp., 5.625%, 10/15/2027 (n)	1,250,000	1,284,375
PDC Energy, Inc., 6.125%, 9/15/2024	1,325,000	1,378,000
QEP Resources, Inc., 5.25%, 5/01/2023	1,230,000	1,254,600
QEP Resources, Inc., 5.625%, 3/01/2026	480,000	489,600
Seven Generations Energy, 6.75%, 5/01/2023 (n)	890,000	942,288
Seven Generations Energy, 5.375%, 9/30/2025 (n)	640,000	646,400
SM Energy Co., 6.75%, 9/15/2026	1,315,000	1,370,888
SRC Energy, Inc., 6.25%, 12/01/2025 (n)	680,000	700,400
Tengizchevroil Finance Co. International Ltd., 4%, 8/15/2026 (n)	422,000	420,288
Tengizchevroil Finance Co. International Ltd., 4%, 8/15/2026	1,025,000	1,020,841
Whiting Petroleum Corp., 6.25%, 4/01/2023	1,175,000	1,210,250
WPX Energy, Inc., 6%, 1/15/2022	880,000	926,200
		\$ 18,594,901
Entertainment - 1.3%		
Carnival Corp., 1.875%, 11/07/2022	EUR 550,000	\$ 724,162
Cedar Fair LP, 5.375%, 6/01/2024	\$ 415,000	431,600
Cedar Fair LP, 5.375%, 4/15/2027 (n)	555,000	578,588
Cinemark USA, Inc., 5.125%, 12/15/2022	1,045,000	1,071,125
Cinemark USA, Inc., 4.875%, 6/01/2023	1,130,000	1,144,125
Six Flags Entertainment Corp., 4.875%, 7/31/2024 (n)	1,970,000	1,997,088
		\$ 5,946,688
Financial Institutions - 1.8%		
AerCap Ireland Capital Ltd., 4.625%, 10/30/2020	\$ 150,000	\$ 156,495
AerCap Ireland Capital Ltd., 3.65%, 7/21/2027	650,000	626,340
Aircastle Ltd., 5.125%, 3/15/2021	250,000	262,265
Aircastle Ltd., 5.5%, 2/15/2022	755,000	801,553
International Lease Finance Corp., 7.125%, 9/01/2018 (n)	337,000	346,230
Nationstar Mortgage LLC/Capital Corp., 6.5%, 8/01/2018	785,000	785,981
Nationstar Mortgage LLC/Capital Corp., 7.875%, 10/01/2020	1,410,000	1,445,250
Nationstar Mortgage LLC/Capital Corp., 6.5%, 7/01/2021	345,000	349,021
Navient Corp., 7.25%, 1/25/2022	1,010,000	1,093,628
Navient Corp., 7.25%, 9/25/2023	375,000	404,063
Park Aerospace Holdings Ltd., 5.5%, 2/15/2024 (n)	1,910,000	1,890,900
		\$ 8,161,726

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Food & Beverages - 3.0%		
Anheuser-Busch InBev N.V., 1.5%, 4/18/2030	EUR 325,000	\$ 394,755
Anheuser-Busch InBev Worldwide, Inc., 3.75%, 1/15/2022	\$ 221,000	227,957
Anheuser-Busch InBev Worldwide, Inc., 3.3%, 2/01/2023	1,729,000	1,742,604
Anheuser-Busch InBev Worldwide, Inc., 4.7%, 2/01/2036	334,000	368,612
Aramark Services, Inc., 4.75%, 6/01/2026	955,000	960,969
Aramark Services, Inc., 5%, 2/01/2028 (n)	655,000	668,100
Coca-Cola Enterprises, Inc., 1.875%, 3/18/2030	EUR 325,000	413,090
Constellation Brands, Inc., 4.25%, 5/01/2023	\$ 894,000	933,636
Constellation Brands, Inc., 4.75%, 12/01/2025	313,000	337,202
Cott Holdings, Inc., 5.5%, 4/01/2025 (n)	1,135,000	1,156,281
Gruma S.A.B. de C.V., 4.875%, 12/01/2024 (n)	202,000	214,625
JBS Investments GmbH, 7.75%, 10/28/2020 (n)	201,000	206,528
JBS USA Lux S.A./JBS USA Finance, Inc., 5.875%, 7/15/2024 (n)	1,185,000	1,187,963
Kraft Heinz Foods Co., 5.2%, 7/15/2045	60,000	64,859
Kraft Heinz Foods Co., 4.375%, 6/01/2046	256,000	250,275
Lamb Weston Holdings, Inc., 4.625%, 11/01/2024 (n)	750,000	761,250
Lamb Weston Holdings, Inc., 4.875%, 11/01/2026 (n)	445,000	453,900
Pilgrim s Pride Corp., 5.875%, 9/30/2027 (n)	835,000	837,088
Pinnacle Foods Finance LLC/Pinnacle Foods Finance Corp., 5.875%, 1/15/2024	1,085,000	1,148,809
U.S. Foods Holding Corp., 5.875%, 6/15/2024 (n)	995,000	1,037,288
Wm. Wrigley Jr. Co., 2.9%, 10/21/2019 (n)	239,000	240,449
Wm. Wrigley Jr. Co., 3.375%, 10/21/2020 (n)	124,000	126,583
		\$ 13,732,823
Forest & Paper Products - 0.0%		
Appvion, Inc., 9%, 6/01/2020 (d)(n)	\$ 340,000	\$ 17,000
Gaming & Lodging - 1.5%		
CCM Merger, Inc., 6%, 3/15/2022 (n)	\$ 860,000	\$ 881,500
GLP Capital LP/GLP Financing II, Inc., 5.375%, 11/01/2023	895,000	962,125
GLP Capital LP/GLP Financing II, Inc., 5.375%, 4/15/2026	160,000	171,200
Hilton Worldwide Finance LLC, 4.625%, 4/01/2025	1,160,000	1,167,981
MGM Resorts International, 6.625%, 12/15/2021	1,105,000	1,205,831
Ryman Hospitality Properties, Inc., REIT, 5%, 4/15/2021	1,030,000	1,040,300
Ryman Hospitality Properties, Inc., REIT, 5%, 4/15/2023	450,000	461,250
Wynn Macau Ltd., 4.875%, 10/01/2024 (n)	485,000	480,150
Wynn Macau Ltd., 5.5%, 10/01/2027 (n)	475,000	473,813
		\$ 6,844,150
Industrial - 0.5%		
Cleaver Brooks, Inc., 7.875%, 3/01/2023 (n)	\$ 830,000	\$ 871,500
KAR Auction Services, Inc., 5.125%, 6/01/2025 (n)	1,250,000	1,265,625
		\$ 2,137,125
Insurance - 0.5%		
American International Group, Inc., 1.875%, 6/21/2027	EUR 180,000	\$ 225,107
AssuredPartners, Inc., 7%, 8/15/2025 (n)	\$ 810,000	830,250
Old Mutual PLC, 7.875%, 11/03/2025	GBP 450,000	796,216
Unum Group, 4%, 3/15/2024	\$ 259,000	265,308
		\$ 2,116,881
Insurance - Health - 0.6%		
Aetna, Inc., 2.8%, 6/15/2023	\$ 460,000	\$ 448,473
Centene Corp., 5.625%, 2/15/2021	460,000	472,940
Centene Corp., 6.125%, 2/15/2024	765,000	812,813

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Insurance - Health - continued		
UnitedHealth Group, Inc., 4.625%, 7/15/2035	\$ 1,009,000	\$ 1,145,013
		\$ 2,879,239
Insurance - Property & Casualty - 1.0%		
Berkshire Hathaway, Inc., 2.75%, 3/15/2023	\$ 359,000	\$ 357,048
Chubb INA Holdings, Inc., 2.3%, 11/03/2020	144,000	142,922
Chubb INA Holdings, Inc., 2.875%, 11/03/2022	336,000	335,837
CNA Financial Corp., 5.875%, 8/15/2020	700,000	749,921
Liberty Mutual Group, Inc., 4.25%, 6/15/2023	567,000	588,650
Liberty Mutual Group, Inc., 2.75%, 5/04/2026 (z)	EUR 120,000	161,580
Liberty Mutual Group, Inc., 2.75%, 5/04/2026	EUR 200,000	269,299
Marsh & McLennan Cos., Inc., 2.55%, 10/15/2018	\$ 330,000	330,800
Marsh & McLennan Cos., Inc., 3.5%, 6/03/2024	315,000	319,565
Marsh & McLennan Cos., Inc., 4.35%, 1/30/2047	197,000	213,450
QBE Capital Funding III Ltd., 7.5% to 5/24/2021, FLR to 5/24/2041	GBP 300,000	482,867
XLIT Ltd., 3.25% to 6/29/2027, FLR to 6/29/2047	EUR 500,000	622,997
		\$ 4,574,936
International Market Quasi-Sovereign - 0.2%		
Bank of Iceland, 1.75%, 9/07/2020	EUR 600,000	\$ 771,472
International Market Sovereign - 0.0%		
Government of Japan, 2.4%, 3/20/2037	JPY 12,200,000	\$ 148,893
Internet - 0.3%		
Baidu, Inc., 4.125%, 6/30/2025	\$ 240,000	\$ 245,123
Baidu, Inc., 3.25%, 8/06/2018	1,316,000	1,319,793
		\$ 1,564,916
Local Authorities - 0.2%		
Province of Alberta, 4.5%, 12/01/2040	CAD 410,000	\$ 407,587
Province of British Columbia, 2.3%, 6/18/2026	CAD 595,000	467,002
		\$ 874,589
Machinery & Tools - 0.3%		
Ashtead Capital, Inc., 5.625%, 10/01/2024 (n)	\$ 1,125,000	\$ 1,189,350
Major Banks - 5.4%		
Allied Irish Banks PLC, 4.125% to 11/26/2020, FLR to 11/26/2025	EUR 600,000	\$ 811,042
Bank of America Corp., 2.625%, 4/19/2021	\$ 1,661,000	1,652,092
Bank of America Corp., 3.248%, 10/21/2027	1,532,000	1,496,617
Bank of New York Mellon Corp., 2.95%, 1/29/2023	661,000	658,720
Bank of New York Mellon Corp., 3.442% to 2/07/2027, FLR to 2/07/2028	647,000	648,535
Barclays Bank PLC, 6%, 1/14/2021	EUR 500,000	716,871
Credit Agricole S.A., 7.375%, 12/18/2023	GBP 200,000	362,457
Credit Suisse Group AG, 1.25% to 7/17/2024, FLR to 7/17/2025	EUR 500,000	619,859
Goldman Sachs Group, Inc., 7.5%, 2/15/2019	\$ 1,200,000	1,262,417
Goldman Sachs Group, Inc., 2.625%, 4/25/2021	1,275,000	1,263,369
Goldman Sachs Group, Inc., 3%, 4/26/2022	1,250,000	1,241,371
HSBC Holdings PLC, 4.375%, 11/23/2026	399,000	410,888
JPMorgan Chase & Co., 3.25%, 9/23/2022	1,918,000	1,936,629
JPMorgan Chase & Co., 2.95%, 10/01/2026	1,137,000	1,091,971
JPMorgan Chase & Co., 4.26% to 2/22/2047, FLR to 2/22/2048	600,000	633,860
Morgan Stanley, 6.625%, 4/01/2018	1,000,000	1,007,720
Morgan Stanley, 2.5%, 4/21/2021	1,250,000	1,234,325

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Major Banks - continued		
Morgan Stanley, 3.125%, 7/27/2026	\$ 572,000	\$ 552,861
Morgan Stanley, 2.625%, 3/09/2027	GBP 250,000	357,547
Morgan Stanley, 3.95%, 4/23/2027	\$ 988,000	994,794
Nationwide Building Society, 1.25%, 3/03/2025	EUR 380,000	480,020
PNC Bank N.A., 2.6%, 7/21/2020	\$ 1,067,000	1,066,595
Sumitomo Mitsui Financial Group, Inc., 3.544%, 1/17/2028	1,027,000	1,012,972
UBS Group AG, 6.875% to 8/07/2025, FLR to 12/29/2049	990,000	1,101,658
UBS Group Funding (Jersey) Ltd., 1.5%, 11/30/2024	EUR 500,000	639,835
UBS Group Funding (Switzerland) AG, 2.859% to 8/15/2022, FLR to 8/15/2023 (n)	\$ 1,250,000	1,222,951
		\$ 24,477,976
Medical & Health Technology & Services - 4.4%		
AmSurg Corp., 5.625%, 7/15/2022	\$ 765,000	\$ 778,388
Baxter International, Inc., 1.3%, 5/30/2025	EUR 450,000	561,270
Becton, Dickinson and Co., 3.734%, 12/15/2024	\$ 66,000	66,155
Becton, Dickinson and Co., 4.685%, 12/15/2044	270,000	286,541
Community Health Systems, Inc., 6.875%, 2/01/2022	730,000	519,213
DaVita, Inc., 5.125%, 7/15/2024	525,000	528,953
DaVita, Inc., 5%, 5/01/2025	655,000	652,544
HCA, Inc., 7.5%, 2/15/2022	835,000	937,288
HCA, Inc., 5.875%, 3/15/2022	690,000	740,456
HCA, Inc., 5%, 3/15/2024	1,705,000	1,775,331
HCA, Inc., 5.375%, 2/01/2025	1,820,000	1,858,675
HCA, Inc., 5.25%, 6/15/2026	471,000	492,784
HealthSouth Corp., 5.125%, 3/15/2023	1,120,000	1,151,976
HealthSouth Corp., 5.75%, 11/01/2024	25,000	25,500
IQVIA Holdings, Inc., 2.875%, 9/15/2025 (z)	EUR 550,000	683,399
IQVIA Holdings, Inc., 5%, 10/15/2026 (n)	\$ 1,025,000	1,044,219
Laboratory Corp. of America Holdings, 4.7%, 2/01/2045	364,000	383,398
Life Technologies Corp., 6%, 3/01/2020	363,000	386,695
Northwell Healthcare, Inc., 3.979%, 11/01/2046	81,000	77,867
Northwell Healthcare, Inc., 4.26%, 11/01/2047	532,000	532,661
Polaris, 8.5%, 12/01/2022 (n)	725,000	754,906
Quorum Health Corp., 11.625%, 4/15/2023	590,000	607,700
Tenet Healthcare Corp., 8.125%, 4/01/2022	850,000	877,098
Tenet Healthcare Corp., 6.75%, 6/15/2023	300,000	295,530
THC Escrow Corp. III, 5.125%, 5/01/2025 (n)	865,000	853,106
Thermo Fisher Scientific, Inc., 3%, 4/15/2023	367,000	365,279
Thermo Fisher Scientific, Inc., 2.95%, 9/19/2026	245,000	233,774
Thermo Fisher Scientific, Inc., 3.2%, 8/15/2027	938,000	913,837
Universal Health Services, Inc., 7.625%, 8/15/2020	1,010,000	1,015,050
West Street Merger Sub, Inc., 6.375%, 9/01/2025 (n)	705,000	712,050
		\$ 20,111,643
Medical Equipment - 0.7%		
Hologic, Inc., 5.25%, 7/15/2022 (n)	\$ 1,000,000	\$ 1,038,000
Teleflex, Inc., 5.25%, 6/15/2024	1,005,000	1,040,175
Teleflex, Inc., 4.875%, 6/01/2026	445,000	453,344
Teleflex, Inc., 4.625%, 11/15/2027	695,000	692,394
		\$ 3,223,913
Metals & Mining - 3.9%		
Cameco Corp., 5.67%, 9/02/2019	CAD 420,000	\$ 354,401
First Quantum Minerals Ltd., 7%, 2/15/2021 (n)	\$ 675,000	698,625
First Quantum Minerals Ltd., 7.25%, 4/01/2023 (n)	870,000	921,113

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Metals & Mining - continued		
Freeport-McMoRan, Inc., 6.875%, 2/15/2023	\$ 1,707,000	\$ 1,873,433
Freeport-McMoRan, Inc., 3.875%, 3/15/2023	435,000	432,281
Freeport-McMoRan, Inc., 5.4%, 11/14/2034	405,000	422,415
Glencore Finance (Europe) S.A., 1.25%, 3/17/2021	EUR 400,000	508,095
Glencore Funding LLC, 3%, 10/27/2022 (n)	\$ 885,000	869,913
GrafTech International Co., 6.375%, 11/15/2020	945,000	960,120
Kaiser Aluminum Corp., 5.875%, 5/15/2024	1,155,000	1,232,963
Kinross Gold Corp., 4.5%, 7/15/2027 (n)	805,000	813,050
Kinross Gold Corp., 5.125%, 9/01/2021	285,000	299,250
Kinross Gold Corp., 5.95%, 3/15/2024	1,112,000	1,221,955
Lundin Mining Corp., 7.875%, 11/01/2022 (n)	445,000	473,925
Northwest Acquisitions ULC/Dominion Finco, Inc., 7.125%, 11/01/2022 (n)	1,095,000	1,127,850
Novelis Corp., 5.875%, 9/30/2026 (n)	1,320,000	1,360,379
Petra Diamonds U.S. Treasury PLC, 7.25%, 5/01/2022 (n)	575,000	585,063
Southern Copper Corp., 5.875%, 4/23/2045	753,000	923,390
Steel Dynamics, Inc., 5.125%, 10/01/2021	435,000	445,875
Steel Dynamics, Inc., 5.25%, 4/15/2023	195,000	200,119
Steel Dynamics, Inc., 5.5%, 10/01/2024	735,000	764,400
Steel Dynamics, Inc., 4.125%, 9/15/2025	112,000	110,846
TMS International Corp., 7.25%, 8/15/2025 (n)	875,000	918,750
		\$ 17,518,211
Midstream - 2.4%		
APT Pipelines Ltd., 5%, 3/23/2035 (n)	\$ 542,000	\$ 578,716
Blue Racer Midstream LLC/Blue Racer Finance Corp., 6.125%, 11/15/2022 (n)	1,520,000	1,577,000
DCP Midstream LP, 4.95%, 4/01/2022	410,000	427,425
DCP Midstream LP, 5.6%, 4/01/2044	440,000	457,050
DCP Midstream LP, 3.875%, 3/15/2023	675,000	673,313
Dominion Gas Holdings LLC, 2.8%, 11/15/2020	415,000	415,316
ONEOK, Inc., 4.95%, 7/13/2047	928,000	987,979
Plains All American Pipeline LP, 6.125% to 11/15/2022, FLR to 12/31/2059	206,000	207,288
Sabine Pass Liquefaction LLC, 5%, 3/15/2027	500,000	530,918
Sabine Pass Liquefaction LLC, 4.2%, 3/15/2028	400,000	402,355
Tallgrass Energy GP, LP, 5.5%, 1/15/2028 (n)	1,840,000	1,835,400
Targa Resources Partners LP/Targa Resources Finance Corp., 5.25%, 5/01/2023	665,000	679,131
Targa Resources Partners LP/Targa Resources Finance Corp., 5.125%, 2/01/2025 (z)	625,000	629,688
Targa Resources Partners LP/Targa Resources Finance Corp., 5.375%, 2/01/2027	1,530,000	1,556,775
		\$ 10,958,354
Mortgage-Backed - 5.5%		
Fannie Mae, 5.5%, 1/01/2037 - 8/01/2037	\$ 1,145,138	\$ 1,260,288
Fannie Mae, 4%, 9/01/2040 - 2/01/2045	2,273,960	2,359,576
Fannie Mae, 3.5%, 3/01/2045 - 1/01/2047	5,739,266	5,804,915
Fannie Mae, FLR, 1.745% (LIBOR-1mo. + 0.25%), 5/25/2018	412,388	411,958
Freddie Mac, 3.527%, 10/25/2023	1,400,000	1,450,848
Freddie Mac, 3.062%, 11/25/2023	600,000	607,223
Freddie Mac, 3.002%, 1/25/2024	1,500,000	1,512,517
Freddie Mac, 3.329%, 5/25/2025	5,000,000	5,121,628
Freddie Mac, 2.673%, 3/25/2026	1,099,000	1,071,847
Freddie Mac, 3.194%, 7/25/2027	850,000	856,370
Freddie Mac, 3.244%, 8/25/2027	138,000	139,361
Freddie Mac, 4%, 4/01/2044	162,577	168,114
Freddie Mac, 3.5%, 9/01/2045	4,085,715	4,132,177
		\$ 24,896,822

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Municipals - 0.0%		
Commonwealth of Puerto Rico, Public Improvement, C-7, NATL, 6%, 7/01/2027	\$ 50,000	\$ 50,117
Natural Gas - Distribution - 0.2%		
Boston Gas Co., 3.15%, 8/01/2027 (n)	\$ 420,000	\$ 409,918
GNL Quintero S.A., 4.634%, 7/31/2029 (n)	377,000	393,965
		\$ 803,883
Network & Telecom - 1.5%		
AT&T, Inc., 1.8%, 9/04/2026	EUR 200,000	\$ 251,416
AT&T, Inc., 4.9%, 8/14/2037	\$ 833,000	844,267
AT&T, Inc., 4.25%, 6/01/2043	GBP 230,000	352,978
AT&T, Inc., 4.75%, 5/15/2046	\$ 666,000	645,132
British Telecommunications PLC, 3.125%, 11/21/2031	GBP 350,000	501,724
CenturyLink, Inc., 7.65%, 3/15/2042	\$ 615,000	538,433
Deutsche Telekom International Finance B.V., 1.5%, 4/03/2028	EUR 400,000	498,686
Telecom Italia S.p.A., 5.303%, 5/30/2024 (n)	\$ 780,000	823,875
Verizon Communications, Inc., 1.75%, 8/15/2021	281,000	270,805
Verizon Communications, Inc., 4.812%, 3/15/2039	539,000	563,369
Zayo Group LLC/Zayo Capital, Inc., 6.375%, 5/15/2025	630,000	660,713
Zayo Group LLC/Zayo Capital, Inc., 5.75%, 1/15/2027 (n)	1,035,000	1,051,871
		\$ 7,003,269
Oil Services - 1.0%		
Bristow Group, Inc., 6.25%, 10/15/2022	\$ 1,055,000	\$ 891,475
Diamond Offshore Drilling, Inc., 7.875%, 8/15/2025	440,000	466,400
Diamond Offshore Drilling, Inc., 5.7%, 10/15/2039	965,000	832,313
Ensco PLC, 7.75%, 2/01/2026	560,000	556,850
Schlumberger Ltd., 2.65%, 11/20/2022 (n)	720,000	709,906
Trinidad Drilling Ltd., 6.625%, 2/15/2025 (n)	1,055,000	1,033,900
		\$ 4,490,844
Oils - 0.2%		
Phillips 66, 4.875%, 11/15/2044	\$ 606,000	\$ 683,778
Other Banks & Diversified Financials - 1.0%		
Bancolombia S.A., 5.95%, 6/03/2021	\$ 547,000	\$ 592,346
BBVA Banco Continental S.A., 5.25% to 9/22/2024, FLR to 9/22/2029 (n)	104,000	111,800
BBVA Bancomer S.A. de C.V., 6.75%, 9/30/2022 (n)	424,000	471,806
Belfius Bank S.A., 3.125%, 5/11/2026	EUR 400,000	546,832
BPCE S.A., 5.25%, 4/16/2029	GBP 400,000	689,908
BPCE S.A., 4.5%, 3/15/2025 (n)	\$ 302,000	310,986
Citizens Bank N.A., 2.55%, 5/13/2021	256,000	253,375
Deutsche Bank AG, 1.875%, 2/28/2020	GBP 400,000	572,212
Industrial Senior Trust Co., 5.5%, 11/01/2022 (n)	\$ 220,000	222,200
ING Groep N.V., 3.95%, 3/29/2027	418,000	427,626
Intesa Sanpaolo S.p.A., 5.25%, 1/28/2022	GBP 250,000	400,413
		\$ 4,599,504
Personal Computers & Peripherals - 0.1%		
Equifax, Inc., 2.3%, 6/01/2021	\$ 240,000	\$ 235,024
Pharmaceuticals - 0.9%		
Celgene Corp., 2.875%, 8/15/2020	\$ 600,000	\$ 602,490
Celgene Corp., 2.75%, 2/15/2023	711,000	694,108
Gilead Sciences, Inc., 2.35%, 2/01/2020	667,000	666,503

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Pharmaceuticals - continued		
Mallinckrodt International Finance S.A., 5.75%, 8/01/2022 (n)	\$ 575,000	\$ 527,563
Mallinckrodt International Finance S.A., 5.625%, 10/15/2023 (n)	300,000	256,500
Valeant Pharmaceuticals International, Inc., 5.5%, 3/01/2023 (n)	500,000	447,345
Valeant Pharmaceuticals International, Inc., 6.125%, 4/15/2025 (n)	1,050,000	939,960
		\$ 4,134,469
Printing & Publishing - 0.2%		
Nielsen Finance LLC, 5%, 4/15/2022 (n)	\$ 1,051,000	\$ 1,068,079
Real Estate - Apartment - 0.2%		
Grand City Properties S.A., 3.75% to 2/18/2022, FLR to 12/31/2049	EUR 600,000	\$ 801,396
Real Estate - Healthcare - 0.5%		
MPT Operating Partnership LP/MPT Financial Co., REIT, 5.25%, 8/01/2026	\$ 1,090,000	\$ 1,122,700
MPT Operating Partnership LP/MPT Financial Co., REIT, 5%, 10/15/2027	1,135,000	1,123,877
		\$ 2,246,577
Real Estate - Office - 0.3%		
Merlin Properties SOCIMI S.A., REIT, 2.225%, 4/25/2023	EUR 550,000	\$ 719,461
Merlin Properties SOCIMI S.A., REIT, 1.875%, 11/02/2026	EUR 350,000	435,942
		\$ 1,155,403
Real Estate - Other - 1.0%		
CyrusOne LP/CyrusOne Finance Corp., REIT, 5%, 3/15/2024	\$ 1,245,000	\$ 1,269,900
CyrusOne LP/CyrusOne Finance Corp., REIT, 5.375%, 3/15/2027	685,000	712,400
Felcor Lodging LP, REIT, 5.625%, 3/01/2023	1,130,000	1,158,250
Starwood Property Trust, Inc., REIT, 5%, 12/15/2021	885,000	922,055
Starwood Property Trust, Inc., REIT, 4.75%, 3/15/2025 (n)	550,000	543,125
		\$ 4,605,730
Restaurants - 0.6%		
Golden Nugget, Inc., 6.75%, 10/15/2024 (n)	\$ 875,000	\$ 904,531
IRB Holding Corp., 6.75%, 2/15/2026 (n)	585,000	592,313
KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC, 5.25%, 6/01/2026 (n)	1,105,000	1,127,100
		\$ 2,623,944
Retailers - 1.4%		
Best Buy Co., Inc., 5.5%, 3/15/2021	\$ 1,329,000	\$ 1,424,532
Dollar Tree, Inc., 5.75%, 3/01/2023	1,350,000	1,410,750
Hanesbrands Finance Luxembourg S.C.A., 3.5%, 6/15/2024 (z)	EUR 200,000	268,187
Hanesbrands, Inc., 4.625%, 5/15/2024 (n)	\$ 300,000	303,750
Hanesbrands, Inc., 4.875%, 5/15/2026 (n)	990,000	999,900
Home Depot, Inc., 2.625%, 6/01/2022	585,000	582,322
Home Depot, Inc., 3%, 4/01/2026	475,000	466,446
Sally Beauty Holdings, Inc., 5.625%, 12/01/2025	905,000	900,475
Wesfarmers Ltd., 1.874%, 3/20/2018 (n)	156,000	156,002
		\$ 6,512,364
Specialty Chemicals - 1.1%		
A Schulman, Inc., 6.875%, 6/01/2023	\$ 1,315,000	\$ 1,387,325
Koppers, Inc., 6%, 2/15/2025 (n)	990,000	1,044,450
Mexichem S.A.B. de C.V., 5.875%, 9/17/2044 (n)	540,000	553,500
Univar USA, Inc., 6.75%, 7/15/2023 (n)	1,760,000	1,839,200
		\$ 4,824,475

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Specialty Stores - 0.4%		
Group 1 Automotive, Inc., 5%, 6/01/2022	\$ 1,150,000	\$ 1,182,545
PetSmart, Inc., 7.125%, 3/15/2023 (n)	685,000	430,694
Rallye S.A., 4.25%, 3/11/2019	EUR 300,000	382,708
		\$ 1,995,947
Supermarkets - 0.5%		
Albertsons Cos. LLC/Safeway Co., 6.625%, 6/15/2024	\$ 1,085,000	\$ 1,030,750
Esselunga S.p.A., 1.875%, 10/25/2027	EUR 350,000	436,949
Loblaw Cos. Ltd., 4.86%, 9/12/2023	CAD 421,000	371,815
Tesco PLC, 6.15%, 11/15/2037 (n)	\$ 483,000	523,708
		\$ 2,363,222
Supranational - 0.2%		
International Bank for Reconstruction and Development, 2.8%, 1/13/2021	AUD 270,000	\$ 219,791
International Bank for Reconstruction and Development, 4.25%, 6/24/2025	AUD 405,000	351,271
International Finance Corp., 3.25%, 7/22/2019	AUD 585,000	479,535
		\$ 1,050,597
Telecommunications - Wireless - 3.5%		
Altice Luxembourg S.A., 7.75%, 5/15/2022 (n)	\$ 985,000	\$ 945,600
Altice Luxembourg S.A., 7.625%, 2/15/2025 (n)	1,095,000	1,004,663
American Tower Corp., REIT, 3.5%, 1/31/2023	743,000	748,274
American Tower Corp., REIT, 4%, 6/01/2025	514,000	521,112
Crown Castle International Corp., 3.7%, 6/15/2026	232,000	226,737
Digicel Group Ltd., 8.25%, 9/30/2020 (n)	324,000	321,165
Digicel Group Ltd., 6%, 4/15/2021 (n)	1,279,000	1,266,210
Digicel Group Ltd., 7.125%, 4/01/2022 (n)	756,000	712,530
Digicel Group Ltd., 6.75%, 3/01/2023 (n)	1,338,000	1,331,310
Digicel Group Ltd., 6.75%, 3/01/2023	253,000	251,735
SBA Communications Corp., 4%, 10/01/2022 (n)	1,180,000	1,162,300
SBA Communications Corp., 4.875%, 9/01/2024	300,000	298,500
SBA Tower Trust, 2.898%, 10/15/2044 (n)	439,000	440,110
Sprint Corp., 7.875%, 9/15/2023	1,470,000	1,556,980
Sprint Corp., 7.125%, 6/15/2024	1,230,000	1,247,429
Sprint Nextel Corp., 6%, 11/15/2022	1,340,000	1,334,975
T-Mobile USA, Inc., 6.5%, 1/15/2024	405,000	430,333
T-Mobile USA, Inc., 5.125%, 4/15/2025	730,000	753,725
T-Mobile USA, Inc., 6.5%, 1/15/2026	800,000	867,000
T-Mobile USA, Inc., 5.375%, 4/15/2027	620,000	651,000
		\$ 16,071,688
Telephone Services - 0.4%		
Level 3 Financing, Inc., 5.375%, 1/15/2024	\$ 390,000	\$ 388,050
Level 3 Financing, Inc., 5.375%, 5/01/2025	1,170,000	1,165,320
TELUS Corp., 5.05%, 7/23/2020	CAD 425,000	367,051
		\$ 1,920,421
Tobacco - 0.5%		
B.A.T. Capital Corp., 3.557%, 8/15/2027 (n)	\$ 550,000	\$ 537,647
B.A.T. International Finance PLC, 0.875%, 10/13/2023	EUR 300,000	371,645
Reynolds American, Inc., 8.125%, 6/23/2019	\$ 257,000	276,012
Reynolds American, Inc., 3.25%, 6/12/2020	69,000	69,783
Reynolds American, Inc., 4.45%, 6/12/2025	788,000	825,387
Reynolds American, Inc., 5.7%, 8/15/2035	202,000	237,623
		\$ 2,318,097

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Transportation - Services - 0.8%		
Brambles Finance PLC, 1.5%, 10/04/2027	EUR 350,000	\$ 435,950
Compagnie Financier et Indus Unternehmensanleihe, 0.75%, 9/09/2028	EUR 500,000	585,044
Heathrow Funding Ltd., 1.875%, 7/12/2032	EUR 300,000	377,299
Heathrow Funding Ltd., 4.625%, 10/31/2046	GBP 200,000	364,530
Navios Maritime Holding, Inc., 7.375%, 1/15/2022 (n)	\$ 560,000	460,600
Navios South American Logistics, Inc./Navios Logistics Finance (U.S.), Inc., 7.25%, 5/01/2022	180,000	175,050
Syncreon Group BV/Syncre, 8.625%, 11/01/2021 (n)	585,000	473,850
Transurban Finance Co., 1.75%, 3/29/2028	EUR 500,000	627,814
		\$ 3,500,137
U.S. Treasury Obligations - 16.9%		
U.S. Treasury Bonds, 3.125%, 11/15/2041 (f)	\$ 12,069,000	\$ 12,531,016
U.S. Treasury Notes, 0.75%, 10/31/2018	18,000,000	17,858,672
U.S. Treasury Notes, 0.875%, 5/15/2019	11,000,000	10,840,156
U.S. Treasury Notes, 2.75%, 2/15/2024 (f)	24,000,000	24,177,187
U.S. Treasury Notes, 2.25%, 11/15/2025	11,514,000	11,152,388
		\$ 76,559,419
Utilities - Electric Power - 3.2%		
Calpine Corp., 5.5%, 2/01/2024	\$ 920,000	\$ 874,000
Calpine Corp., 5.75%, 1/15/2025	855,000	810,113
Calpine Corp., 5.25%, 6/01/2026 (n)	580,000	569,125
CMS Energy Corp., 5.05%, 3/15/2022	500,000	536,221
Covanta Holding Corp., 6.375%, 10/01/2022	320,000	327,600
Covanta Holding Corp., 5.875%, 3/01/2024	595,000	603,925
Covanta Holding Corp., 5.875%, 7/01/2025	555,000	564,713
Duke Energy Florida LLC, 3.2%, 1/15/2027	589,000	582,595
EDP Finance B.V., 5.25%, 1/14/2021 (n)	200,000	212,698
Emera U.S. Finance LP, 2.7%, 6/15/2021	142,000	140,481
Emera U.S. Finance LP, 3.55%, 6/15/2026	162,000	158,303
Enel Finance International N.V., 4.75%, 5/25/2047 (n)	709,000	754,819
Enel S.p.A., 8.75% to 9/24/2023, FLR to 9/24/2073 (n)	500,000	618,750
Enel S.p.A., 6.625% to 9/15/2021, FLR to 9/15/2076	GBP 230,000	376,367
Engie Energia Chile S.A., 4.5%, 1/29/2025 (n)	\$ 609,000	634,896
Exelon Corp., 3.497%, 6/01/2022	259,000	260,762
FirstEnergy Corp., 3.9%, 7/15/2027	115,000	116,181
Innogy Finance B.V., 4.75%, 1/31/2034	GBP 400,000	691,735
NextEra Energy Capital Holdings, Inc., 3.55%, 5/01/2027	\$ 628,000	626,925
NextEra Energy Operating Co., 4.25%, 9/15/2024 (n)	1,115,000	1,120,575
NextEra Energy Operating Co., 4.5%, 9/15/2027 (n)	355,000	350,119
Pattern Energy Group, Inc., 5.875%, 2/01/2024 (n)	1,135,000	1,194,588
PPL Capital Funding, Inc., 3.1%, 5/15/2026	561,000	539,181
PPL Capital Funding, Inc., 5%, 3/15/2044	270,000	308,506
PPL WEM Holdings PLC, 5.375%, 5/01/2021 (n)	183,000	194,146
Transelec S.A., 4.25%, 1/14/2025 (n)	535,000	551,937
Virginia Electric & Power Co., 3.5%, 3/15/2027	839,000	845,289
		\$ 14,564,550
Utilities - Gas - 0.1%		
Transport de Gas Peru, 4.25%, 4/30/2028 (n)	\$ 387,000	\$ 396,147
Total Bonds		\$ 539,241,777
Floating Rate Loans (g)(r) - 0.9%		
Building - 0.2%		
ABC Supply Co., Inc., Term Loan B, 3.881%, 10/31/2023	\$ 953,811	\$ 960,369

Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Floating Rate Loans (g)(r) - continued		
Computer Software - Systems - 0.1%		
CDW LLC, Term Loan B, 3.487%, 8/17/2023	\$ 378,634	\$ 381,000
Sabre GBLB, Inc., Term Loan B, 3.712%, 2/22/2024	290,968	292,878
		\$ 673,878
Conglomerates - 0.1%		
Entegris, Inc., Term Loan B, 3.838%, 4/30/2021	\$ 284,534	\$ 285,601
Consumer Products - 0.1%		
Spectrum Brands, Inc., Term Loan B, 3.436%, 6/23/2022	\$ 274,530	\$ 275,560
Entertainment - 0.1%		
Cedar Fair LP, Term Loan B, 3.972%, 4/13/2024	\$ 351,587	\$ 353,784
Six Flags Theme Parks, Inc., Term Loan B, 3.658%, 6/30/2022	293,900	296,013
		\$ 649,797
Gaming & Lodging - 0.1%		
Hilton Worldwide Finance LLC, Term Loan B2, 3.613%, 10/25/2023	\$ 515,372	\$ 519,108
Medical & Health Technology & Services - 0.2%		
DaVita HealthCare Partners, Inc., Term Loan B, 4.436%, 6/24/2021	\$ 688,586	\$ 696,676
Total Floating Rate Loans		\$ 4,060,989
Common Stocks - 0.2%		
Energy - Independent - 0.1%		
Frontera Energy Corp. (a)	10,145	\$ 360,858
Oil Services - 0.1%		
LTRI Holdings LP (a)(u)	520	\$ 462,498
Total Common Stocks		\$ 823,356
Investment Companies (h) - 0.7%		
Money Market Funds - 0.7%		
MFS Institutional Money Market Portfolio, 1.44% (v)	3,029,627	\$ 3,029,324
Other Assets, Less Liabilities - (20.6)%		(93,322,460)
Net Assets - 100.0%		\$ 453,832,986

(a) Non-income producing security.

(d) In default.

(f) All or a portion of the security has been segregated as collateral for open futures contracts.

(g) The rate shown represents a weighted average coupon rate on settled positions at period end, unless otherwise indicated.

(h) An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. At period end, the aggregate values of the fund's investments in affiliated issuers and in unaffiliated issuers were \$3,029,324 and \$544,126,122, respectively.

(i) Interest only security for which the fund receives interest on notional principal (Par amount). Par amount shown is the notional principal and does not reflect the cost of the security.

(n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was \$183,117,433, representing 40.3% of net assets.

(p) Payment-in-kind security for which interest income may be received in additional securities and/or cash.

(r) Remaining maturities of floating rate loans may be less than stated maturities shown as a result of contractual or optional prepayments by the borrower. Such prepayments cannot be predicted with certainty. These loans may be subject to restrictions on resale. Floating rate loans generally have rates of interest which are determined periodically by reference to a base lending rate plus a premium.

(u) The security was valued using significant unobservable inputs and is considered level 3 under the fair value hierarchy.

(v) Affiliated issuer that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

Portfolio of Investments (unaudited) continued

(z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

Restricted Securities	Acquisition		
	Date	Cost	Value
Afren PLC, 11.5%, 2/01/2016	1/27/11	\$315,788	\$817
Afren PLC, 10.25%, 4/08/2019	3/01/12	209,874	534
Bayview Financial Revolving Mortgage Loan Trust, FLR, 3.166% (U.S. LIBOR-1mo. + 1.6%), 12/28/2040	3/01/06	1,534,307	1,364,447
Hanesbrands Finance Luxembourg S.C.A., 3.5%, 6/15/2024	5/19/16	223,940	268,187
IQVIA Holdings, Inc., 2.875%, 9/15/2025	10/18/17	658,888	683,399
Liberty Mutual Group, Inc., 2.75%, 5/04/2026	4/26/16	134,622	161,580
Morgan Stanley Capital I, Inc., 1.493%, 4/28/2039	7/20/04	7,491	7,286
Republic of Indonesia, 2.875%, 7/08/2021	7/02/14	510,121	503,759
Republic of Indonesia, 2.15%, 7/18/2024	7/11/17	370,782	424,958
Targa Resources Partners LP/Targa Resources Finance Corp., 5.125%, 2/01/2025	1/23/18	635,912	629,688
Total Restricted Securities			\$4,044,655
% of Net assets			0.9%

The following abbreviations are used in this report and are defined:

CDO	Collateralized Debt Obligation
CLO	Collateralized Loan Obligation
FLR	Floating rate. Interest rate resets periodically based on the parenthetically disclosed reference rate plus a spread (if any). The period-end rate reported may not be the current rate.
PLC	Public Limited Company
REIT	Real Estate Investment Trust

Insurers

NATL National Public Finance Guarantee Corp.

Abbreviations indicate amounts shown in currencies other than the U.S. dollar. All amounts are stated in U.S. dollars unless otherwise indicated. A list of abbreviations is shown below:

AUD	Australian Dollar
CAD	Canadian Dollar
CHF	Swiss Franc
DKK	Danish Krone
EUR	Euro
GBP	British Pound
HKD	Hong Kong Dollar
JPY	Japanese Yen
KRW	Korean Won
MXN	Mexican Peso
NOK	Norwegian Krone
NZD	New Zealand Dollar
SEK	Swedish Krona
SGD	Singapore Dollar
ZAR	South African Rand

Portfolio of Investments (unaudited) continued

Derivative Contracts at 1/31/18

Forward Foreign Currency Exchange Contracts

	Currency Purchased	Currency Sold		Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
Asset Derivatives						
DKK	11,054	USD	1,787	Citibank N.A.	3/28/2018	\$64
EUR	1,470,519	USD	1,829,366	Deutsche Bank AG	3/28/2018	2,945
GBP	229,000	USD	316,486	BNP Paribas S.A.	3/28/2018	9,351
GBP	691,917	USD	961,921	Deutsche Bank AG	3/28/2018	22,587
KRW	42,694,000	USD	39,914	JPMorgan Chase Bank N.A.	3/22/2018	99
NZD	119,000	USD	85,335	Deutsche Bank AG	3/28/2018	2,312
SEK	24,272	USD	2,973	Deutsche Bank AG	3/28/2018	119
SGD	54,000	USD	40,587	JPMorgan Chase Bank N.A.	3/28/2018	625
ZAR	823,000	USD	65,887	JPMorgan Chase Bank N.A.	3/28/2018	3,028
						\$41,130

Liability Derivatives

HKD	19,818,000	USD	2,538,284	JPMorgan Chase Bank N.A.	3/28/2018	\$(1,623)
USD	466,129	EUR	374,782	Brown Brothers Harriman	3/26/2018	(794)
USD	2,071,125	CAD	2,578,261	Deutsche Bank AG	3/28/2018	(26,366)
USD	8,663,573	GBP	6,362,732	Deutsche Bank AG	3/28/2018	(389,761)
USD	1,041,631	AUD	1,329,795	Goldman Sachs International	3/28/2018	(29,730)
USD	130,234	JPY	14,596,752	Goldman Sachs International	3/28/2018	(3,893)
USD	1,688,060	MXN	32,899,000	Goldman Sachs International	3/28/2018	(63,920)
USD	6,872	NOK	55,710	Goldman Sachs International	3/28/2018	(367)
USD	200,752	CHF	194,919	JPMorgan Chase Bank N.A.	3/28/2018	(9,566)
USD	19,221,805	EUR	15,975,137	JPMorgan Chase Bank N.A.	3/28/2018	(683,695)
USD	11,068,932	EUR	9,002,755	Morgan Stanley Capital Services, Inc.	4/19/2018	(165,549)
						\$(1,375,264)

Futures Contracts

Description	Long/ Short	Currency	Contracts	Notional Amount	Expiration Date	Value/Unrealized Appreciation (Depreciation)
Asset Derivatives						
Interest Rate Futures						
German Euro-Bund 10 yr	Short	EUR	2	\$394,366	March - 2018	\$4,365
U.S. Treasury Note 10 yr	Short	USD	458	55,682,781	March - 2018	1,560,032
Ultra U.S. Treasury Note 10 yr	Short	USD	10	1,302,031	March - 2018	41,117
U.S. Treasury Bond 30 yr	Short	USD	5	739,063	March - 2018	29,357
						\$1,634,871

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At January 31, 2018, the fund had cash collateral of \$910,000 and other liquid securities with an aggregate value of \$502,312 to cover any collateral or margin obligations for certain derivative contracts.

See attached supplemental information. For more information see notes to financial statements as disclosed in the most recent semiannual or annual report.

Supplemental Information

1/31/18 (unaudited)

The fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

(1) Investment Valuations

Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price on their primary market or exchange as provided by a third-party pricing service. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation on their primary market or exchange as provided by a third-party pricing service. Debt instruments and floating rate loans, including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Short-term instruments with a maturity at issuance of 60 days or less may be valued at amortized cost, which approximates market value. Futures contracts are generally valued at last posted settlement price on their primary exchange as provided by a third-party pricing service. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation on their primary exchange as provided by a third-party pricing service. Forward foreign currency exchange contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates provided by a third-party pricing service for proximate time periods. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other

Supplemental Information (unaudited) continued

financial instruments are derivative instruments, such as futures contracts and forward foreign currency exchange contracts. The following is a summary of the levels used as of January 31, 2018 in valuing the fund's assets or liabilities:

Financial Instruments	Level 1	Level 2	Level 3	Total
Equities Securities	\$360,858	\$	\$462,498	\$823,356
U.S. Treasury Bonds & U.S. Government Agency & Equivalents		76,559,419		76,559,419
Non-U.S. Sovereign Debt		52,565,941		52,565,941
Municipal Bonds		50,117		50,117
U.S. Corporate Bonds		280,567,321		280,567,321
Residential Mortgage-Backed Securities		24,896,821		24,896,821
Commercial Mortgage-Backed Securities		741,363		741,363
Asset-Backed Securities (including CDOs)		11,619,456		11,619,456
Foreign Bonds		92,241,339		92,241,339
Floating Rate Loans		4,060,989		4,060,989
Mutual Funds	3,029,324			3,029,324
Total	\$3,390,182	\$543,302,766	\$462,498	\$547,155,446
Other Financial Instruments				
Futures Contracts Assets	\$1,634,871	\$	\$	\$1,634,871
Forward Foreign Currency Exchange Contracts Assets		41,130		41,130
Forward Foreign Currency Exchange Contracts Liabilities		(1,375,264)		(1,375,264)

For further information regarding security characteristics, see the Portfolio of Investments. At January 31, 2018, the fund held one level 3 security valued at \$462,498, which was also held and valued at \$462,498 at October 31, 2017.

(2) Investments in Affiliated Issuers

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be affiliated issuers:

Affiliated Issuers	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount	
MFS Institutional Money Market Portfolio	9,285,804	34,967,486	(41,223,663)	3,029,627	
Affiliated Issuers	Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	\$(189)	\$(578)	\$	\$23,668	\$3,029,324

ITEM 2. CONTROLS AND PROCEDURES.

- (a) Based upon their evaluation of the effectiveness of the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "Act")) as conducted within 90 days of the filing date of this Form N-Q, the registrant's principal financial officer and principal executive officer have concluded that those disclosure controls and procedures provide reasonable assurance that the material information required to be disclosed by the registrant on this report is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

- (b) There were no changes in the registrant's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

File as exhibits as part of this Form a separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2): Attached hereto.

Notice

A copy of the Amended and Restated Declaration of Trust, as amended, of the Registrant is on file with the Secretary of State of The Commonwealth of Massachusetts and notice is hereby given that this instrument is executed on behalf of the Registrant by an officer of the Registrant as an officer and not individually and the obligations of or arising out of this instrument are not binding upon any of the Trustees or shareholders individually, but are binding only upon the assets and property of the respective constituent series of the Registrant.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: MFS MULTIMARKET INCOME TRUST

By (Signature and Title)* /S/ DAVID L. DILORENZO
David L. DiLorenzo, President

Date: March 19, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* /S/ DAVID L. DILORENZO
David L. DiLorenzo, President

(Principal Executive Officer)

Date: March 19, 2018

By (Signature and Title)* /S/ JAMES O. YOST
James O. Yost, Treasurer

(Principal Financial Officer

and Accounting Officer)

Date: March 19, 2018

* Print name and title of each signing officer under his or her signature.