

ORIX CORP  
Form 6-K  
October 29, 2004

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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, 2004.

**ORIX Corporation**

(Translation of Registrant's Name into English)

**3-22-8 Shiba, Minato-Ku, Tokyo, JAPAN**

(Address of Principal Executive Offices)

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

Form 20-F  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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**Table of Documents Filed**

|  | <b>Page</b> |
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| 1. <u>ORIX's Interim Consolidated Financial Results (April 1, 2004 - September 30, 2004) filed with the Tokyo Stock Exchange on Tuesday, October 26, 2004.</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 28, 2004

By: /s/ Shunsuke Takeda  
Shunsuke Takeda  
Director  
Deputy President and CFO  
ORIX Corporation

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**Consolidated Financial Results April 1, 2004 September 30, 2004**

October 26, 2004

*In preparing its consolidated financial information, ORIX Corporation and its subsidiaries have complied with accounting principles generally accepted in the United States of America, except as modified to account for stock splits in accordance with the usual practice in Japan.*

*U.S. Dollar amounts have been calculated at Yen 111.05 to \$1.00, the approximate exchange rate prevailing at September 30, 2004.*

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

*The Company expects that it will be a passive foreign investment company under the U.S. Internal Revenue Code. A U.S. holder of the shares of the Company is therefore subject to special rules of taxation in respect of certain dividend, gain or other income on such shares. Investors should consult their tax advisors with respect to such rules, which are summarized in the Company's annual report.*

**For further information please contact:**

**Corporate Communications  
ORIX Corporation  
3-22-8 Shiba, Minato-ku, Tokyo 105-8683  
JAPAN  
Tel: (03) 5419-5102 Fax: (03) 5419-5901  
E-mail: raymond\_spencer@orix.co.jp**

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**Table of Contents****Consolidated Financial Results from April 1, 2004 to September 30, 2004**  
(U.S. GAAP Financial Information for ORIX Corporation and its Subsidiaries)

Corporate Name: ORIX Corporation  
Listed Exchanges: Tokyo Stock Exchange (Securities No. 8591)  
Osaka Securities Exchange  
New York Stock Exchange (Trading Symbol: IX)  
Head Office: Tokyo JAPAN  
Tel: (03) 5419-5102  
(URL [http://www.orix.co.jp/grp/ir\\_e/ir\\_index.htm](http://www.orix.co.jp/grp/ir_e/ir_index.htm))  
Date Approved by Board of Directors: October 26, 2004

**1. Performance Highlights for the Six Months Ended September 30, 2004 and 2003, and the Year Ended March 31, 2004****(1) Performance Highlights Operating Results (Unaudited)**

(millions of JPY)\*1

|                    | <u>Total Revenues</u> | <u>Year-on-Year Change</u> | <u>Operating Income</u> | <u>Year-on-Year Change</u> | <u>Income before Income Taxes*2</u> | <u>Year-on-Year Change</u> |
|--------------------|-----------------------|----------------------------|-------------------------|----------------------------|-------------------------------------|----------------------------|
| September 30, 2004 | 402,351               | 17.5%                      | 56,608                  | 28.1%                      | 69,175                              | 24.2%                      |
| September 30, 2003 | 342,539               | 2.8%                       | 44,182                  | 30.4%                      | 55,709                              | 49.5%                      |
| March 31, 2004     | 719,132               |                            | 83,978                  |                            | 101,360                             |                            |

  

|                    | <u>Net Income</u> | <u>Year-on-Year Change</u> | <u>Basic Earnings Per Share</u> | <u>Diluted Earnings Per Share</u> |
|--------------------|-------------------|----------------------------|---------------------------------|-----------------------------------|
| September 30, 2004 | 42,688            | 35.9%                      | 509.74                          | 477.96                            |
| September 30, 2003 | 31,419            | 38.0%                      | 375.42                          | 353.65                            |
| March 31, 2004     | 54,020            |                            | 645.52                          | 607.52                            |

- Equity in Net Income of Affiliates was a net gain of JPY 9,765 million for the six months ended September 30, 2004, a net gain of JPY 11,923 million for the six months ended September 30, 2003 and a net gain of JPY 17,924 million for the year ended March 31, 2004.
- The average number of shares was 83,743,749 for the six months ended September 30, 2004, 83,691,862 for the six months ended September 30, 2003 and 83,685,449 for the year ended March 31, 2004.
- Changes in Accounting Principles Yes ( ) No (x) (except for adoptions of new accounting principles)

**\*Note 1:** Unless otherwise stated, all amounts shown herein are in millions of Japanese yen or millions of U.S. dollars, except for Per Share amounts which are in single yen.

**\*Note 2:** Income before Income Taxes as used throughout the report represents Income before Discontinued Operations, Extraordinary Gain and Income Taxes.

**(2) Performance Highlights Financial Position (Unaudited)**

Shareholders      Shareholders      Shareholders

|                    | <u>Total Assets</u> | <u>Equity</u> | <u>Equity Ratio</u> | <u>Equity Per Share</u> |
|--------------------|---------------------|---------------|---------------------|-------------------------|
| September 30, 2004 | 5,724,771           | 619,249       | 10.8%               | 7,389.48                |
| September 30, 2003 | 5,684,598           | 541,078       | 9.5%                | 6,465.22                |
| March 31, 2004     | 5,624,957           | 564,047       | 10.0%               | 6,739.64                |

1. The number of outstanding shares was 83,801,399 as of September 30, 2004, 83,690,699 as of September 30, 2003 and 83,691,007 as of March 31, 2004.

### (3) Performance Highlights Cash Flows (Unaudited)

|                    | <u>Cash Flows from Operating Activities</u> | <u>Cash Flows from Investing Activities</u> | <u>Cash Flows from Financing Activities</u> | <u>Cash and Cash Equivalents at End of Period</u> |
|--------------------|---|---|---|---|
| September 30, 2004 | 40,987                                      | (95,526)                                    | 23,747                                      | 121,891   |
| September 30, 2003 | 71,813                                      | 117,408                                     | (225,059)                                   | 168,347   |
| March 31, 2004     | 152,812                                     | 123,978                                     | (328,284)                                   | 152,235   |

### (4) Number of Consolidated Subsidiaries and Affiliates

|                               |     |  |
|-------------------------------|-----|--|
| Consolidated Subsidiaries     | 202 |  |
| Non-consolidated Subsidiaries | 0   |  |
| Affiliates                    | 74  | (Of which 74 are accounted for by the equity method) |

### (5) Changes in Accounting Treatment

Additions to and deletions from consolidated subsidiaries and affiliates

Additions: Consolidated Subsidiaries 6, Affiliates 3

Deletions: Consolidated Subsidiaries 4, Affiliates 3

## 2. Forecasts for the Year Ending March 31, 2005 (Unaudited)

| <u>Fiscal Year</u> | <u>Total Revenues</u> | <u>Income before Income Taxes</u> | <u>Net Income</u> |
|--------------------|-----------------------|-----------------------------------|-------------------|
| March 31, 2005     | 780,000               | 122,000                           | 74,000            |

**Note:** Basic Earnings Per Share is forecasted to be JPY 883.04.

In addition, ORIX has delisted from the Nagoya Stock Exchange on October 23, 2004.

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**Group Position**

The main contents of each operation and the positioning of ORIX Corporation and its subsidiaries are given below.

The following classification is the same as that used in the classification of information by segment.

**Operations in Japan**

(1) Corporate Financial Services

This business centers on direct financing leases and installment loans, other than real estate loans, to corporate customers as well as the sale of a variety of financial products and other fee business.

[Main related companies]

ORIX Corporation, ORIX Alpha Corporation, ORIX Auto Leasing Corporation, IFCO Inc., Nittetsu Lease Co., Ltd.

(2) Rental Operations

This business principally comprises the rental of precision measuring equipment and personal computers to corporate customers as well as automobile rental operations.

[Main related companies]

ORIX Rentec Corporation, ORIX Rent-A-Car Corporation

(3) Real Estate-Related Finance

This business encompasses real estate loans to corporate customers and housing loans to individuals. ORIX is also expanding its business involving loan servicing, commercial mortgage-backed securities (CMBS) and REITs.

[Main related companies]

ORIX Corporation, ORIX Trust and Banking Corporation, ORIX Asset Management & Loan Services Corporation

(4) Real Estate

This business consists principally of condominium development and office rental activities as well as the operation of such facilities as hotels, employee dormitories and training facilities.

[Main related companies]

ORIX Corporation, ORIX Estate Corporation, ORIX Real Estate Corporation

(5) Life Insurance

This segment consists of direct and agency life insurance sales and related activities conducted by ORIX Life Insurance.

[Main related companies]

ORIX Life Insurance Corporation

(6) Other

The other segment encompasses securities transactions, venture capital operations, consumer card loan operations and new businesses.

[Main related companies]

ORIX Corporation, ORIX Credit Corporation, ORIX Capital Corporation, ORIX Securities Corporation, ORIX Baseball Club Co., Ltd., ORIX COMMODITIES Corporation, ORIX Investment Corporation

**Overseas Operations**

(1) The Americas

Principal businesses in the Americas segment are direct financing leases, corporate lending, securities investment, commercial mortgage-backed securities (CMBS) related business, real estate development, futures trading and reinsurance.

[Main related companies]

ORIX USA Corporation, Stockton Holdings Limited

(2) Asia and Oceania

Principal businesses in Asia and Oceania involve direct financing leases, operating leases for precision measuring equipment and transportation equipment, corporate lending and securities investment.

[Main related companies]

ORIX Investment and Management Private Limited, ORIX Asia Limited, ORIX Australia Corporation Limited,  
ORIX Taiwan Corporation, PT. ORIX Indonesia Finance, ORIX Leasing Malaysia Berhad, ORIX Leasing Pakistan Limited,  
ORIX Leasing Singapore Limited, INFRASTRUCTURE LEASING & FINANCIAL SERVICES LIMITED

(3) Europe

Principal businesses in Europe center on aircraft operating leases, corporate loans and securities investments.

[Main related companies]

ORIX Europe Limited, ORIX Ireland Limited, ORIX Aviation Systems Limited



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**Group Structure**

The structure of principal business of the ORIX Group is as follows.

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**Summary of Consolidated Financial Results**

**Management Policies**

**1. Objectives**

We aim to optimize our corporate value and growth in shareholder value over the mid to long-term. We are striving to become a unique company that provides high value-added products and services that center on the field of financial services by using the accumulated knowledge and experience in the ORIX Group.

In Japan, ORIX's activities encompass corporate financial services, rental operations, real estate-related finance, real estate, life insurance, and other activities. Overseas, we carry out our business activities in The Americas, Asia and Oceania, and Europe.

We plan to continue to focus on optimizing growth in corporate and shareholder value by concentrating on a management philosophy that considers the balance between profitability, growth, and the soundness of our operations.

**2. Profit Distribution**

We believe that we should use retained earnings mainly to invest in highly profitable areas in order to achieve continuous growth as we strive to achieve returns for shareholders by increasing our corporate value over the mid to long-term.

**3. Lowering Investment Units**

ORIX believes that it is necessary to take appropriate measures in reviewing its policy regarding the minimum investment unit for trading on the stock exchange to allow for a more broader investor participation.

ORIX will seek to consider demands of the requests from the market, expenses and effects of decreasing the size of the investment unit when making any such decision.

**4. Themes for this Fiscal Year**

ORIX will focus on the following four themes this fiscal year for its operations.

**1. Expanding Existing Franchise Value**

ORIX's business focuses on cross-selling a wide range of financial products and services such as leases and loans to its core customer base of mainly small and medium-sized companies. In addition, we believe we have advanced to the point where we can offer our customers diverse solutions such as those related to helping companies restructure their businesses and strengthen their financial positions. As a result, we believe we have built up a solid foundation and these operations generate a substantial amount of our consolidated earnings.

Furthermore, in the process of developing this core business model of providing innovative solutions, we believe we have developed some unique specialized operations in peripheral areas that we are also attempting to expand. For example, we are proactively working to raise our profitability by focusing on businesses such as automobile maintenance leases and precision measuring equipment operating leases that incorporate a high degree of specialization and value-added services within the field of finance.

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In the future, we also seek to further boost the share of our profitability that stems from such services as building maintenance, which we are strategically expanding at this time. In this way, we are attempting to expand the services that we can provide, even when the services are not strictly within the scope of financial services, in an effort to expand franchise value.

**2. Creating New Franchise Value**

The second theme relates to the new business opportunities and customer needs that have emerged as a result of macroeconomic changes and progress in implementing structural reforms in Japan. We have developed various businesses in recent years and we want to create new franchise value as we continue to add these to our core operations.

We believe the benefits of this strategy are currently emerging in such financial fields as real estate-related finance, which has grown strongly in Japan, as well as such investment banking operations as corporate rehabilitation services.

**3. Taking on Challenges in Overseas Operations**

Performance in ORIX's business segments in the Americas and the Asia and Oceania regions has generally improved, and we intend to take the steps required to ensure that our overseas operations once again increase their contribution to overall earnings.

**4. Strengthening Risk Management**

We consider the management of risk such as credit risk, market risk, and other risks essential to conducting our businesses and to increasing our shareholder value.

Accordingly, we have designed our risk management system to identify, analyze, evaluate, and measure our risks, and to set appropriate policies and limits to manage and hedge such risks. Our risk management system has been established through the development of what we consider to be reliable administrative and information systems and other policies and programs. ORIX will continue to optimize its risk management structure as we further expand our business in the future.

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**5. Corporate Governance Policy and Implementation**

**1. Corporate Governance Policy**

ORIX has endeavored to strengthen its corporate governance system in order to more objectively ensure that business activities are being carried out to fulfill our social responsibilities and maximize corporate value.

**2. Implementation of Corporate Governance at ORIX**

[Strengthening of Corporate Governance]

ORIX established an Advisory Board in 1997 made up of experienced individuals from outside the Company, introduced a Corporate Executive Officer system in 1998, and welcomed outside directors to the Board and set up the Executive Nomination and Compensation Committee in 1999. In order to further strengthen its corporate governance structure, ORIX received approval from shareholders at the 40th Annual General Meeting of Shareholders in June 2003 to adopt a Company with Committees board model, which became possible on April 1, 2003 as a result of revisions to the Japanese Commercial Code.

At the meeting of the Board of Directors following the 41st Annual General Meeting of Shareholders in June 2004, ORIX added another outside director to its Board, thus bringing the total number of outside directors to five. With the inclusion of the seven internal directors, the Board has a total of 12 members.

[Structure of Corporate Governance]

In compliance with the Commercial Code, ORIX's Audit Committee includes three directors. Two of these directors are considered outside directors under the Commercial Code. The Audit Committee receives quarterly performance reports from the executive officer responsible for the Accounting

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Department, reports from the independent public accountants concerning audits, and business summary reports from the COO (Chief Operating Officer). It also receives internal audit report results and other reports related to internal control systems from the executive officer responsible for the Compliance Coordination Office, which is a unit that supports the committee. Moreover, the Audit Committee nominates and empowers its inside director member to conduct operational studies and report on the studies to the committee, and the committee also may instruct executive officers to present reports on the units for which they are responsible. The committee discusses the various reports and evaluates the performance of executive officers and the internal control system.

As stipulated in the Commercial Code, the Nominating Committee is authorized to nominate director candidates as well as to participate in the selection of executive officers.

As stipulated in the Commercial Code, the Compensation Committee is authorized to determine policies regarding the remuneration of directors and executive officers as well as the monetary remuneration of each individual director and executive officer.

ORIX is working to improve its disclosure of information to investors and the function of its investor relations. In order to further improve this function, we have established the Disclosure Committee that oversees the management and dissemination of information to the public.

[Compliance]

We believe that compliance is a crucial foundation for sound corporate governance. We have established the Compliance Coordination Office and are proactively promoting compliance under EC21 which has Business Conduct Principles and Employee Conduct Principles as its basis.

**Table of Contents****Financial Results****1. Six Months Ended September 30, 2004****Economic Environment**

The world economy has continued to recover over the last six-month period, but the recovery appears to be slowing. The U.S. economy did not show strong signs of recovery as seen in the slowdown in production and the less than positive employment situation against the backdrop of a sharp rise in the price of crude oil. The Asian economy performed steadily centering on China, and growth also continued in ASEAN countries as a result of the increase in exports. In Europe, although the British economy has maintained its growth with support from consumer spending, the Eurozone's economy saw a weak recovery as a result of its high reliance on exports and the trend seen in the U.S. may cause further downward pressure.

On the other hand, the Japanese economy has started to show signs of slowdown due to the lower growth of industrial output and the slowdown of capital expenditure. Although the employment situation is improving, there are also concerns regarding the sharp rise in crude oil prices. As a result, the economy will likely see a slight adjustment but recovery will continue at a slightly slower pace.

**Financial Highlights**

|                                       |   |
|---------------------------------------|---|
| <b>Income before Income Taxes*</b>    | <b>69,175 million yen (Up 24% year on year)</b> |
| <b>Net Income</b>                     | <b>42,688 million yen (Up 36% year on year)</b> |
| <b>Earnings Per Share (Basic)</b>     | <b>509.74 yen (Up 36% year on year)</b>         |
| <b>Earnings Per Share (Diluted)</b>   | <b>477.96 yen (Up 35% year on year)</b>         |
| <b>Shareholders' Equity Per Share</b> | <b>7,389.48 yen (Up 10% on March 31, 2004)</b>  |
| <b>ROE (Annualized)</b>               | <b>14.4% (September 30, 2003: 12.0%)</b>        |
| <b>ROA (Annualized)</b>               | <b>1.50% (September 30, 2003: 1.08%)</b>        |

\* Income before Income Taxes refers to Income before Discontinued Operations, Extraordinary Gain and Income Taxes.

**Revenues: 402,351 million yen (Up 17% year on year)**

Although revenues from direct financing leases, residential condominium sales, and gains on sales of real estate under operating leases decreased year on year, revenues from operating leases, interest on loans and investment securities, brokerage commissions and net gains on investment securities, life insurance premiums and related investment income, and other operating revenues were up compared to the same period of the previous fiscal year. As a result, total revenues increased 17% to 402,351 million yen in the first half of this fiscal year compared with the same period of the previous fiscal year.

In Japan, revenues from direct financing leases were flat year on year. The automobile leasing operations performed steadily. In addition, other direct financing leases generated about the same amount of revenues as in the same period of the previous fiscal year as we continued to carefully select new assets and focus on the profitability of each transaction. Overseas, revenues were down 11% due mainly to the reduction in assets of a leasing subsidiary in the U.S. compared to the same period of the previous fiscal year and the appreciation of the yen against the dollar. As a result, revenues from direct financing leases, decreased 2% to 55,661 million yen compared with the same period of the previous fiscal year.

In Japan, revenues for operating leases increased 29% year on year due to the expansion of the

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precision measuring and other equipment rental operations and due to an expansion of automobile operating leases with the acquisition of JAPAREN Co., Ltd. in October 2003. As a result, overall revenues from operating leases increased 22% to 74,270 million yen compared with the same period of the previous fiscal year.

In Japan, interest on loans and investment securities increased 17% year on year due to the steady performance of loans to corporate customers, including non-recourse loans, and contribution from the loan servicing operations. Overseas, revenues were down 10% year on year due to the reduction in assets and the appreciation of the yen against the dollar. As a result, interest on loans and investment securities, increased 11% to 65,854 million yen compared with the same period of the previous fiscal year.

Brokerage commissions increased 20% year on year due to the recovery of stock trading volume. Net gains on investment securities increased 90% year on year due to the sale of securities associated with our venture capital operations in Japan and securities investment operations in the U.S. As a result, brokerage commissions and net gains on investment securities increased 73% to 13,087 million yen compared with the same period of the previous fiscal year.

Life insurance premiums and related investment income increased 2% to 66,341 million yen compared with the same period of the previous fiscal year as we continued to shift to more profitable life insurance products.

Residential condominium sales revenue decline is consistent with the plan for the fiscal year and reflects a reduction in the number of condominiums sold to buyers, as compared to the previous fiscal year. This reduced volume of sales resulted in a decrease of 23% in residential condominium sales to 32,962 million yen compared to the same period of the previous fiscal year. An increase in condominium sales to buyers is expected in the second half of this fiscal year, however the overall level of condominium sales expected for the fiscal year will be less than that of the previous fiscal year.

Gains on sales of real estate under operating leases were down 84% to 1,281 million yen year on year as a majority of revenues associated with the sales of office buildings were reclassified in discontinued operations.

Other operating revenues were up due to the increase in revenues associated with companies in which we invested in as part of our corporate rehabilitation business in the second half of the previous fiscal year. In addition, revenues from our building maintenance operations were steady and servicing fees and arrangement fees also contributed to earnings. As a result, other operating revenues increased 122% to 92,895 million yen compared with the same period of the previous fiscal year.

**Expenses: 345,743 million yen (Up 16% year on year)**

Although interest expense, costs of residential condominium sales, provision for doubtful receivables and probable loan losses and foreign currency transaction loss, net were down, depreciation-operating leases, life insurance costs, other operating expenses, selling, general and administrative expenses, write-downs of long-lived assets and write-downs of securities increased. As a result, expenses were up 16% to 345,743 million yen in the first half of this fiscal year compared with the same period of the previous fiscal year.

Interest expense was down 11% year on year to 28,277 million yen due mainly to the lower average debt levels in Japan and overseas.



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Depreciation-operating leases increased 14% year on year to 46,661 million yen due to the increase in operating assets compared to the same period of the previous fiscal year.

Life insurance costs increased 3% year on year to 59,919 million yen in line with the rise in life insurance premiums.

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Costs of residential condominium sales were down 19% year on year to 30,522 million yen in line with the decrease in residential condominium sales.

Other operating expenses were up 194% year on year to 63,919 million yen in line with the rise in other operating revenues.

Selling, general and administrative expenses were up 13% year on year to 87,471 million yen due to the costs, which were included from the start of this fiscal year, associated with an increase in consolidated companies in the second half of the previous fiscal year.

Provision for doubtful receivables and probable loan losses were down 30% year on year to 16,687 million yen due to a lower level of non-performing assets.

The majority of the write-downs of long-lived assets were associated with a building in Japan that was previously classified under office facilities. This building was reclassified to rental purpose, after it was decided that the building would be rebuilt. We tested for impairment for the purpose of rental asset use and consequently wrote the building down by 7,705 million yen to its fair value. As a result, write-downs of long-lived assets were up 118% year on year to 9,165 million yen.

Write-downs of securities were up 34% year on year to 2,763 million yen mainly as a result of write-downs associated with investments in stocks in our venture capital operations and securities investment operations in the U.S.

**Net Income: 42,688 million yen (Up 36% year on year)**

Operating income grew 28% year on year to 56,608 million yen. On the other hand, equity in net income of affiliates was down compared to the same period of the previous fiscal year. While equity in net income of affiliates in the same period of the previous fiscal year included the recognition of deferred tax assets of 5,380 million yen for Korea Life Insurance Co., Ltd. (KLI) attributable to a change in tax rules in Korea, the first half of this fiscal year only included the contribution from KLI's regular operations. Income before discontinued operations, extraordinary gain and income taxes rose 24% year on year to 69,175 million yen as a result of contributions from the gains on sales of affiliates.

Discontinued operations, net of applicable tax effect was 3,792 million yen. Income from discontinued operations, net of 6,372 million yen and gains on sales of real estate under operating leases of 1,281 million yen totaled 7,653 million yen, a decrease of 2,788 million yen compared to the same period of the previous fiscal year.

As a result, net income rose 36% compared to the same period of the previous fiscal year to 42,688 million yen.

**Operating Assets: 4,921,378 million yen (Up 1% on March 31, 2004)**

Operating assets were up 1% on March 31, 2004 to 4,921,378 million yen.

**Segment Information ( Profits refer to income before income taxes)**

Segment profits for Corporate Financial Services, Rental Operations, Real Estate-Related Finance, Real Estate Life Insurance, Other and The Americas were up with Europe moving back into the black compared to the f

half of the previous fiscal year, while Asia and Oceania was down year on year.

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The automobile leasing operations performed steadily. While installment loans for corporate customers expanded, direct finance leases other than those associated with our automobile leasing operations in which we continued to carefully select new assets and focus on the profitability of each transaction were flat. In addition, provision for doubtful receivables and probable loan losses were down year on year. As a result, segment profits increased 25% to 27,352 million yen from 21,919 million yen in the same period of the previous fiscal year.

**Rental Operations** (Segment name changed from Equipment Operating Leases to Rental Operations ):

The precision measuring and other equipment rental operations recovered thanks to the pickup in capital expenditure of customers. In addition, the operating leases for automobiles were up along with the acquisition of JAPAREN Co., Ltd. As a result, segment profits increased 70% to 5,881 million yen compared to 3,456 million yen in the same period of the previous fiscal year.

**Real Estate-Related Finance:**

The housing loan operations and corporate loans including non-recourse loans performed steadily, and the loan servicing operations also made a larger contribution to segment profits. As a result, segment profits increased 61% to 14,710 million yen compared to 9,119 million yen in the same period of the previous fiscal year.

**Real Estate:**

Residential condominium sales revenue decline is consistent with the plan for this fiscal year and reflects a reduction in the number of condominiums sold to buyers, as compared to the previous fiscal year. In addition, an increase in condominium sales to buyers is expected in the second half of this fiscal year, however the overall level of condominium sales expected for the fiscal year will be less than that of the previous fiscal year. Furthermore, profits from the sale of office buildings were down, but write-downs of long-lived assets were lower than in the same period of the previous fiscal year. As a result, segment profits increased 27% to 8,011 million yen compared to 6,329 million yen in the same period of the previous fiscal year.

**Life Insurance:**

Segment profits increased 59% to 3,992 million yen compared to 2,507 million yen in the same period of the previous fiscal year due to a shift to more profitable life insurance products and the recognition of gains on sales of affiliates in the first quarter of this fiscal year.

**Other:**

The contribution from the consumer card loan operations decreased year on year as a result of a stricter credit screening process that led to a lower loan balance and subsequent lower interest on loans. However, provision for doubtful receivables and probable loan losses were down which had a slightly positive impact on segment profits. On the other hand, brokerage commissions at our securities brokerage expanded due to the increase of trading volume on the stock market. In addition, net gains on investment securities were up at our venture capital operations and equity in net income of affiliates also increased. As a result, segment profits increased 317% to 11,800 million yen compared to 2,828 million yen in the same period of the previous fiscal year.

**Overseas Operations**

**The Americas:**

Net gains on investment securities increased due mainly to the sale of some CMBS (commercial mortgage-backed securities) and the sale of some real estate also contributed to segment profits. Provision for doubtful receivables and probable loan losses were down thanks to the reduction in non-performing assets. However, an equity method affiliate went from a gain in the first half of

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the previous fiscal year to a loss in the first half of this fiscal year. As a result, segment profits increased 21% to 4,725 million yen compared to 3,912 million yen in the same period of the previous fiscal year.

**Asia and Oceania:**

Automobile leasing and corporate lending of a number of companies in the region performed steadily as did the ship-related operations. However, equity in net income of affiliates in the same period of the previous fiscal year included the recognition of deferred tax assets of 5,380 million yen for KLI attributable to a change in tax rules in Korea, in addition to the contribution from regular operations. As a result, segment profits decreased 29% to 9,908 million yen compared to 13,939 million yen in the same period of the previous fiscal year.

**Europe:**

Segment profits were 1,025 million yen compared to a segment loss of 1,899 million yen in the same period of the previous fiscal year as this segment recorded losses on certain equity method investments in the same period of the previous fiscal year from which we withdrew last fiscal year.

**2. Summary of Cash Flows (Six Months Ended September 30, 2004)**

Cash and cash equivalents decreased by 30,344 million yen to 121,891 million yen compared to March 31, 2004.

Cash flows from operating activities provided 71,813 million yen in the first half of the previous fiscal year and 40,987 million yen in the first half of this fiscal year despite the outflow associated with the increase in restricted cash and increase in inventories.

Cash flows from investing activities provided 117,408 million yen in the first half of the previous fiscal year due to inflows associated with proceeds from sales of available-for-sale securities. Cash flows from investing activities in the first half of this fiscal year used 95,526 million yen due to the increase in installment loans made to customers and purchases of available-for-sale securities.

Cash flows from financing activities in the first half of the previous fiscal year used 225,059 million yen due to the repayment of debt accompanying the decrease of operating assets. Cash flows from financing activities in the first half of this fiscal year provided 23,747 million yen due to the increase in debt that accompanied the increase in operating assets.

**3. Summary of Second Quarter (Three Months Ended September 30, 2004)**

In the second quarter revenues increased 35,859 million yen year on year. Although direct financing lease assets decreased, revenues from direct financing leases were at the same level as the second quarter of the previous fiscal year due to the higher profitability of transactions. Revenues from operating leases and interest on loans and investment securities were up in line with the increase in operating assets. Brokerage commissions and net gains on investment securities were up due to the increase in brokerage commissions and net gains on the sale of securities at our venture capital operations in Japan and security investment operations in the U.S. Life insurance premiums and related investment income were up year on year due to the increase in the number of new contracts. Residential condominium sales increased year on year, as more condominiums were sold to buyers in the second quarter of this fiscal year compared to the second quarter of the previous fiscal year. Gains on sales of real estate under operating leases were down as a majority of revenues associated with the sales of office buildings were reclassified in discontinued operations. Other operating revenues were up due to the increase in revenues associated with companies in which we invested in as part of our corporate rehabilitation business mainly from the third quarter of the previous fiscal year.



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On the other hand, overall expenses were up 33,548 million yen compared to the second quarter of the previous fiscal year. Interest expense decreased as a result of the decline in the average balance of operating assets.

Depreciation-operating leases increased along with the increase in operating assets as compared to the second quarter of the previous fiscal year. Life insurance costs, costs of residential condominium sales, and other operating expenses increased in line with the increase in associated revenues in the second quarter of this fiscal year. Selling, general and administrative expenses were up due to the cost associated with the increase in the number of consolidated companies from the third quarter of the previous fiscal year. While provision for doubtful receivables and probable loan losses were down year on year, write-downs of long-lived assets, and write-downs of securities increased compared to the second quarter of the previous fiscal year.

This resulted in an increase in operating income by 2,311 million yen to 25,484 million yen compared with the second quarter of the previous fiscal year.

Equity in net income of affiliates was down due to the aforementioned reason associated with KLI's operations. While losses on sales of affiliates was recorded in the second quarter of the previous fiscal year, gains on sales of affiliates was recorded in the second quarter of this fiscal year. Income before discontinued operations, extraordinary gain and income taxes increased by 1,142 million yen to 32,458 million yen compared to the second quarter of the previous fiscal year.

Discontinued operations, net of applicable tax effect added 857 million yen and net income for the second quarter of this fiscal year rose by 1,840 million yen to 19,161 million yen compared with a net income of 17,321 million yen in the second quarter of the previous fiscal year.

**4. Outlook and Forecasts for the Fiscal Year Ending March 31, 2005**

For the fiscal year ending March 31, 2005 we have revised our original forecast as follows. Revenues 780,000 million yen (up 8% compared with the fiscal year ended March 31, 2004), income before income taxes of 122,000 million yen (up 20%), and net income of 74,000 million yen (up 37%).

Millions of Yen

|  | <b>Total<br/>Revenues</b> | <b>Income<br/>before<br/>Income<br/>Taxes*</b> | <b>Net<br/>Income</b> |
|--|---------------------------|--|-----------------------|
| <b>Previous Forecast (A)</b>           | 760,000                   | 109,000  | 60,000                |
| <b>New Forecast (B)</b>                | 780,000                   | 122,000  | 74,000                |
| <b>Change (B-A)</b>                    | 20,000                    | 13,000   | 14,000                |
| <b>Change (%)</b>                      | 2.6                       | 11.9   | 23.3                  |
| <b>(Reference) Fiscal 2004 results</b> | 719,132                   | 101,360  | 54,020                |

\* Income before Income Taxes refers to Income before Discontinued Operations, Extraordinary Gain and Income Taxes.



**Table of Contents****Consolidated Financial Highlights**(For the Six Months Ended September 30, 2004 and 2003, and the Year Ended March 31, 2004)  
(Unaudited)

(millions of JPY, except for per share data)

|  | September 30,<br>2004 | Change<br>from<br>March 31,<br>2004 | Year<br>-on-<br>year<br>Change | September 30,<br>2003 | Year<br>-on-<br>year<br>Change | March 31,<br>2004 | Year<br>-on-<br>year<br>Change |
|--|-----------------------|-------------------------------------|--------------------------------|-----------------------|--------------------------------|-------------------|--------------------------------|
| <b>Operating Assets</b>  |                       |                                     |                                |                       |                                |                   |                                |
| Investment in Direct Financing Leases                                      | 1,465,856             | 101%                                | 95%                            | 1,542,172             | 92%                            | 1,453,575         | 92%                            |
| Installment Loans  | 2,254,387             | 101%                                | 101%                           | 2,224,486             | 96%                            | 2,234,940         | 98%                            |
| Investment in Operating Leases   | 536,489               | 100%                                | 110%                           | 487,613               | 106%                           | 536,702           | 101%                           |
| Investment in Securities   | 591,714               | 107%                                | 100%                           | 589,918               | 82%                            | 551,928           | 81%                            |
| Other Operating Assets   | 72,932                | 101%                                | 101%                           | 72,502                | 60%                            | 72,049            | 94%                            |
| <b>Total</b>   | 4,921,378             | 101%                                | 100%                           | 4,916,691             | 93%                            | 4,849,194         | 94%                            |
| <b>Operating Results</b>   |                       |                                     |                                |                       |                                |                   |                                |
| Total Revenues   | 402,351               |                                     | 117%                           | 342,539               | 103%                           | 719,132           | 106%                           |
| Income before Discontinued Operations, Extraordinary Gain and Income Taxes | 69,175                |                                     | 124%                           | 55,709                | 150%                           | 101,360           | 227%                           |
| Net Income   | 42,688                |                                     | 136%                           | 31,419                | 138%                           | 54,020            | 179%                           |
| Earnings Per Share   |                       |                                     |                                |                       |                                |                   |                                |
| Net Income   |                       |                                     |                                |                       |                                |                   |                                |
| Basic  | 509.74                |                                     | 136%                           | 375.42                | 138%                           | 645.52            | 179%                           |
| Diluted  | 477.96                |                                     | 135%                           | 353.65                | 138%                           | 607.52            | 178%                           |
| Shareholders' Equity Per Share   | 7,389.48              | 110%                                | 114%                           | 6,465.22              | 108%                           | 6,739.64          | 112%                           |
| <b>Financial Position</b>  |                       |                                     |                                |                       |                                |                   |                                |
| Shareholders' Equity   | 619,249               | 110%                                | 114%                           | 541,078               | 108%                           | 564,047           | 112%                           |
| Number of Outstanding Shares ( '000)                                       | 83,801                | 100%                                | 100%                           | 83,691                | 100%                           | 83,691            | 100%                           |
| Long- and Short-Term Debt and Deposits                                     | 3,912,797             | 101%                                | 98%                            | 3,977,021             | 90%                            | 3,859,180         | 91%                            |
| Total Assets   | 5,724,771             | 102%                                | 101%                           | 5,684,598             | 94%                            | 5,624,957         | 95%                            |
| Shareholders' Equity Ratio   | 10.8%                 |                                     |                                | 9.5%                  |                                | 10.0%             |                                |
| Return on Equity (annualized)  | 14.4%                 |                                     |                                | 12.0%                 |                                | 10.1%             |                                |
| Return on Assets (annualized)  | 1.50%                 |                                     |                                | 1.08%                 |                                | 0.93%             |                                |

**New Business Volumes**

|                          |         |      |         |      |           |      |
|--------------------------|---------|------|---------|------|-----------|------|
| Direct Financing Leases  |         |      |         |      |           |      |
| New Receivables Added    | 398,951 | 100% | 398,545 | 71%  | 801,787   | 80%  |
| New Equipment            |         |      |         |      |           |      |
| Acquisitions             | 355,848 | 100% | 354,928 | 70%  | 713,240   | 80%  |
| Installment Loans        | 704,040 | 133% | 529,423 | 78%  | 1,124,276 | 89%  |
| Operating Leases         | 95,814  | 129% | 74,532  | 121% | 189,737   | 109% |
| Investment in Securities | 105,578 | 152% | 69,477  | 73%  | 122,066   | 53%  |
| Other Operating          |         |      |         |      |           |      |
| Transactions             | 55,783  | 72%  | 77,018  | 152% | 186,265   | 160% |

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**Table of Contents****Condensed Consolidated Statements of Income**(For the Six Months Ended September 30, 2004 and 2003, and the Year Ended March 31, 2004)  
(Unaudited)

(millions of JPY, millions of US\$)

|  | Six months<br>ended<br>September 30,<br>2004 | Year<br>-on-<br>year<br>Change<br>(%) | Six months<br>ended<br>September 30,<br>2003 | Year<br>-on-<br>year<br>Change<br>(%) | Year<br>ended<br>March 31,<br>2004 | Year<br>-on-<br>year<br>Change<br>(%) | U.S. dollars<br>September 30,<br>2004 |
|--|--|---------------------------------------|--|---------------------------------------|------------------------------------|---------------------------------------|---------------------------------------|
| <b>Total Revenues:</b>   | 402,351                                      | 117                                   | 342,539                                      | 103                                   | 719,132                            | 106                                   | 3,623                                 |
| Direct Financing Leases  | 55,661                                       | 98                                    | 56,865                                       | 90                                    | 112,372                            | 91                                    | 501                                   |
| Operating Leases   | 74,270                                       | 122                                   | 61,057                                       | 105                                   | 128,955                            | 106                                   | 669                                   |
| Interest on Loans and<br>Investment Securities                     | 65,854                                       | 111                                   | 59,577                                       | 93                                    | 116,744                            | 89                                    | 593                                   |
| Brokerage Commissions<br>and Net Gains on<br>Investment Securities | 13,087                                       | 173                                   | 7,569  | 95                                    | 26,025                             | 240                                   | 118                                   |
| Life Insurance Premiums<br>and Related Investment<br>Income        | 66,341                                       | 102                                   | 65,135                                       | 91                                    | 134,154                            | 97                                    | 597                                   |
| Residential Condominium<br>Sales                                   | 32,962                                       | 77                                    | 42,535                                       | 143                                   | 98,034                             | 138                                   | 297                                   |
| Gains on Sales of Real<br>Estate under Operating<br>Leases         | 1,281  | 16                                    | 7,894  | 488                                   | 9,116                              | 280                                   | 12                                    |
| Other Operating Revenues   | 92,895                                       | 222                                   | 41,907                                       | 114                                   | 93,732                             | 116                                   | 836                                   |
| <b>Total Expenses:</b>   | 345,743                                      | 116                                   | 298,357                                      | 100                                   | 635,154                            | 99                                    | 3,113                                 |
| Interest Expense   | 28,277                                       | 89                                    | 31,618                                       | 87                                    | 60,145                             | 84                                    | 255                                   |
| Depreciation Operating<br>Leases                                   | 46,661                                       | 114                                   | 41,037                                       | 107                                   | 83,537                             | 105                                   | 420                                   |
| Life Insurance Costs   | 59,919                                       | 103                                   | 58,243                                       | 90                                    | 119,653                            | 95                                    | 539                                   |
| Costs of Residential<br>Condominium Sales                          | 30,522                                       | 81                                    | 37,673                                       | 147                                   | 88,679                             | 146                                   | 275                                   |
| Other Operating Expenses   | 63,919                                       | 294                                   | 21,740                                       | 120                                   | 52,551                             | 127                                   | 575                                   |
| Selling, General and<br>Administrative Expenses                    | 87,471                                       | 113                                   | 77,470                                       | 111                                   | 161,835                            | 112                                   | 788                                   |
| Provision for Doubtful<br>Receivables and Probable                 | 16,687                                       | 70                                    | 23,843                                       | 95                                    | 49,592                             | 91                                    | 150                                   |

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|                                 |                   |                   |                   |                   |                   |                   |                   |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Loan Losses                     |                   |                   |                   |                   |                   |                   |                   |
| Write-downs of                  |                   |                   |                   |                   |                   |                   |                   |
| Long-Lived Assets               | 9,165             | 218               | 4,202             | 29                | 12,345            | 24                | 83                |
| Write-downs of Securities       | 2,763             | 134               | 2,057             | 36                | 5,240             | 37                | 25                |
| Foreign Currency                |                   |                   |                   |                   |                   |                   |                   |
| Transaction Loss, Net           | 359               | 76                | 474               | 45                | 1,577             | 130               | 3                 |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Operating Income</b>         | <b>56,608</b>     | <b>128</b>        | <b>44,182</b>     | <b>130</b>        | <b>83,978</b>     | <b>231</b>        | <b>510</b>        |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Equity in Net Income of         |                   |                   |                   |                   |                   |                   |                   |
| Affiliates                      | 9,765             | 82                | 11,923            | 355               | 17,924            | 289               | 88                |
| Gains (Losses) on Sales of      |                   |                   |                   |                   |                   |                   |                   |
| Affiliates                      | 2,802             |                   | (396)             |                   | (542)             |                   | 25                |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Income before</b>            |                   |                   |                   |                   |                   |                   |                   |
| <b>Discontinued Operations,</b> |                   |                   |                   |                   |                   |                   |                   |
| <b>Extraordinary Gain and</b>   |                   |                   |                   |                   |                   |                   |                   |
| <b>Income Taxes</b>             | <b>69,175</b>     | <b>124</b>        | <b>55,709</b>     | <b>150</b>        | <b>101,360</b>    | <b>227</b>        | <b>623</b>        |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Provision for Income Taxes      | 30,279            | 116               | 26,041            | 154               | 51,215            | 250               | 273               |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Income from Continuing</b>   |                   |                   |                   |                   |                   |                   |                   |
| <b>Operations</b>               | <b>38,896</b>     | <b>131</b>        | <b>29,668</b>     | <b>146</b>        | <b>50,145</b>     | <b>208</b>        | <b>350</b>        |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Discontinued Operations         |                   |                   |                   |                   |                   |                   |                   |
| Income from Discontinued        |                   |                   |                   |                   |                   |                   |                   |
| Operations, Net                 | 6,372             |                   | 2,547             |                   | 5,510             |                   | 57                |
| Provision for Income Taxes      | (2,580)           |                   | (1,039)           |                   | (2,244)           |                   | (23)              |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Discontinued Operations,        |                   |                   |                   |                   |                   |                   |                   |
| Net of Applicable Tax           |                   |                   |                   |                   |                   |                   |                   |
| Effect                          | 3,792             | 251               | 1,508             | 337               | 3,266             | 321               | 34                |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Extraordinary Gain, Net of      |                   |                   |                   |                   |                   |                   |                   |
| Applicable Tax Effect           |                   |                   | 243               |                   | 609               | 19                |                   |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Net Income</b>               | <b>42,688</b>     | <b>136</b>        | <b>31,419</b>     | <b>138</b>        | <b>54,020</b>     | <b>179</b>        | <b>384</b>        |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

Note: 1.

The Company recognized an Extraordinary Gain, Net of Applicable Tax Effect in the previous fiscal year due to the excess of the proportionate fair value of the net assets over the purchase price of the affiliate paid by the Company ( Negative Goodwill ).

2. At previous fiscal year end, Gains on Sales of Real Estate under Operating Leases was reclassified as a separate account from Operating Leases. Accordingly, Gains on Sales of Real Estate under Operating Leases in the six months ended September 30, 2003, has been reclassified.
3. Net income from real estate under operating leases considered to be discontinued operations were reclassified as Discontinued Operations. Accordingly, certain amounts in previous year have been reclassified to conform to the presentation for this fiscal year.
4. Interest Income on Deposits had been disclosed separately until the previous fiscal year. Starting from this fiscal year, Interest Income on Deposits was included in Other Operating Revenues because it became insignificant.

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**Condensed Consolidated Statements of Income**  
(For the Three Months Ended September 30, 2004 and 2003)  
(Unaudited)

(millions of JPY, millions of US\$)

|  | <b>Year</b>          |               |                      |       |
|--|----------------------|---------------|----------------------|-------|
|  | <b>Three</b>         | <b>Three</b>  | <b>U.S. dollars</b>  |       |
|  | <b>Months</b>        | <b>Months</b> | <b>September 30,</b> |       |
|  | <b>ended</b>         | <b>ended</b>  | <b>September 30,</b> |       |
|  | <b>September 30,</b> | <b>-on-</b>   | <b>September 30,</b> |       |
|  | <b>2004</b>          | <b>year</b>   | <b>2004</b>          |       |
|  | <b>Change</b>        | <b>(%)</b>    | <b>2003</b>          |       |
|  | <b>(%)</b>           |               | <b>2003</b>          |       |
| <b>Total Revenues :</b>                                      | 209,475              | 121           | 173,616              | 1,886 |
| Direct Financing Leases                                      | 28,262               | 100           | 28,349               | 254   |
| Operating Leases   | 38,426               | 125           | 30,703               | 346   |
| Interest on Loans and Investment Securities                  | 35,950               | 115           | 31,263               | 324   |
| Brokerage Commissions and Net Gains on Investment Securities | 7,927                | 183           | 4,323                | 71    |
| Life Insurance Premiums and Related Investment Income        | 36,133               | 105           | 34,552               | 325   |
| Residential Condominium Sales                                | 20,059               | 104           | 19,359               | 181   |
| Gains on Sales of Real Estate under Operating Leases         | 83                   | 4             | 2,345                | 1     |
| Other Operating Revenues                                     | 42,635               | 188           | 22,722               | 384   |
| <b>Total Expenses :</b>                                      | 183,991              | 122           | 150,443              | 1,657 |
| Interest Expense   | 14,125               | 91            | 15,508               | 127   |
| Depreciation Operating Leases                                | 23,604               | 114           | 20,656               | 212   |
| Life Insurance Costs   | 31,954               | 111           | 28,917               | 288   |
| Costs of Residential Condominium Sales                       | 18,719               | 108           | 17,301               | 168   |
| Other Operating Expenses                                     | 28,309               | 246           | 11,526               | 255   |
| Selling, General and Administrative Expenses                 | 48,397               | 121           | 39,981               | 436   |
| Provision for Doubtful Receivables and Probable Loan Losses  | 7,892                | 66            | 11,875               | 71    |
| Write-downs of Long-Lived Assets                             | 9,165                | 218           | 4,202                | 83    |
| Write-downs of Securities                                    | 1,295                | 235           | 551                  | 12    |
| Foreign Currency Transaction (Gain) Loss, Net                | 531                  |               | (74)                 | 5     |
| <b>Operating Income</b>                                      | 25,484               | 110           | 23,173               | 229   |
| Equity in Net Income of Affiliates                           | 5,011                | 59            | 8,539                | 45    |
| Gains (Losses) on Sales of Affiliates                        | 1,963                |               | (396)                | 18    |

|   |        |       |        |       |
|---|--------|-------|--------|-------|
|   | _____  | _____ | _____  | _____ |
| <b>Income before Discontinued Operations,<br/>Extraordinary Gain and Income Taxes</b> | 32,458 | 104   | 31,316 | 292   |
|   | _____  | _____ | _____  | _____ |
| Provision for Income Taxes  | 14,154 | 95    | 14,842 | 127   |
|   | _____  | _____ | _____  | _____ |
| <b>Income from Continuing Operations</b>  | 18,304 | 111   | 16,474 | 165   |
|   | _____  | _____ | _____  | _____ |
| Discontinued Operations   |        |       |        |       |
| Income from Discontinued Operations, Net  | 1,445  |       | 1,020  | 13    |
| Provision for Income Taxes  | (588)  |       | (416)  | (5)   |
|   | _____  | _____ | _____  | _____ |
| Discontinued Operations, Net of Applicable Tax Effect                                 | 857    | 142   | 604    | 8     |
|   | _____  | _____ | _____  | _____ |
| Extraordinary Gain, Net of Applicable Tax Effect                                      |        |       | 243    |       |
|   | _____  | _____ | _____  | _____ |
| <b>Net Income</b>   | 19,161 | 111   | 17,321 | 173   |
|   | _____  | _____ | _____  | _____ |

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**Condensed Consolidated Balance Sheets**  
(As of September 30, 2004 and 2003, and March 31, 2004)  
(Unaudited)

(millions of JPY, millions of US\$)

|  | <b>September<br/>30,<br/>2004</b> | <b>September<br/>30,<br/>2003</b> | <b>March 31,<br/>2004</b> | <b>U.S. dollars<br/>September<br/>30,<br/>2004</b> |
|--|-----------------------------------|-----------------------------------|---------------------------|--|
| <b>Assets</b>  |                                   |                                   |                           |  |
| Cash and Cash Equivalents  | 121,891                           | 168,347                           | 152,235                   | 1,098  |
| Restricted Cash  | 50,176                            | 27,698                            | 35,621                    | 452  |
| Time Deposits  | 996                               | 534                               | 677                       | 9  |
| Investment in Direct Financing Leases  | 1,465,856                         | 1,542,172                         | 1,453,575                 | 13,200   |
| Installment Loans  | 2,254,387                         | 2,224,486                         | 2,234,940                 | 20,301   |
| Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses | (125,309)                         | (130,015)                         | (128,020)                 | (1,128)  |
| Investment in Operating Leases   | 536,489                           | 487,613                           | 536,702                   | 4,831  |
| Investment in Securities   | 591,714                           | 589,918                           | 551,928                   | 5,328  |
| Other Operating Assets   | 72,932                            | 72,502                            | 72,049                    | 657  |
| Investment in Affiliates   | 174,805                           | 158,122                           | 157,196                   | 1,574  |
| Other Receivables  | 142,901                           | 140,399                           | 142,711                   | 1,287  |
| Inventories  | 145,107                           | 104,894                           | 121,441                   | 1,307  |
| Prepaid Expenses   | 45,684                            | 44,318                            | 44,139                    | 411  |
| Office Facilities  | 66,347                            | 74,440                            | 71,196                    | 597  |
| Other Assets   | 180,795                           | 179,170                           | 178,567                   | 1,627  |
| <b>Total Assets</b>  | <b>5,724,771</b>                  | <b>5,684,598</b>                  | <b>5,624,957</b>          | <b>51,551</b>                                      |
| <b>Liabilities and Shareholders Equity</b>   |                                   |                                   |                           |  |
| Short-Term Debt  | 922,427                           | 967,182                           | 903,916                   | 8,306  |
| Deposits   | 317,235                           | 282,116                           | 292,545                   | 2,857  |
| Trade Notes, Accounts Payable and Other Liabilities                                    | 290,130                           | 242,227                           | 279,852                   | 2,614  |
| Accrued Expenses   | 93,087                            | 78,995                            | 96,668                    | 838  |
| Policy Liabilities   | 559,815                           | 607,591                           | 592,782                   | 5,041  |
| Current and Deferred Income Taxes  | 160,960                           | 165,374                           | 153,937                   | 1,449  |
| Deposits from Lessees  | 88,733                            | 72,312                            | 78,491                    | 799  |
| Long-Term Debt   | 2,673,135                         | 2,727,723                         | 2,662,719                 | 24,071   |
| <b>Total Liabilities</b>   | <b>5,105,522</b>                  | <b>5,143,520</b>                  | <b>5,060,910</b>          | <b>45,975</b>                                      |



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|  |                  |                  |                  |                 |
|--|------------------|------------------|------------------|-----------------|
| Common Stock                                     | 52,315           | 52,067           | 52,068           | 471             |
| Additional Paid-in Capital                       | 70,268           | 70,002           | 70,015           | 633             |
| Retained Earnings:                               |                  |                  |                  |                 |
| Legal Reserve                                    | 2,220            | 2,220            | 2,220            | 20              |
| Retained Earnings                                | 521,686          | 458,490          | 481,091          | 4,698           |
| Accumulated Other Comprehensive Loss             | (19,396)         | (33,438)         | (33,141)         | (175)           |
| Treasury Stock, at cost                          | (7,844)          | (8,263)          | (8,206)          | (71)            |
|  | <u>        </u>  | <u>        </u>  | <u>        </u>  | <u>        </u> |
| <b>Total Shareholders Equity</b>                 | <u>619,249</u>   | <u>541,078</u>   | <u>564,047</u>   | <u>5,576</u>    |
|  |                  |                  |                  |                 |
| <b>Total Liabilities and Shareholders Equity</b> | <u>5,724,771</u> | <u>5,684,598</u> | <u>5,624,957</u> | <u>51,551</u>   |

|  |                  |                  |                  |                     |
|--|------------------|------------------|------------------|---------------------|
|  | <b>September</b> | <b>September</b> | <b>March 31,</b> | <b>U.S. dollars</b> |
|  | <b>30,</b>       | <b>30,</b>       | <b>2004</b>      | <b>September</b>    |
|  | <b>2004</b>      | <b>2003</b>      |                  | <b>30,</b>          |
|  | <u>        </u>  | <u>        </u>  | <u>        </u>  | <u>2004</u>         |

**Note 1:** Accumulated Other Comprehensive Loss

|  |          |          |          |       |
|--|----------|----------|----------|-------|
| Net unrealized gains on investment in securities | 29,282   | 15,674   | 25,048   | 264   |
| Minimum pension liability adjustments            | (7,742)  | (3,910)  | (7,967)  | (70)  |
| Foreign currency translation adjustments         | (38,527) | (40,033) | (45,629) | (347) |
| Net unrealized losses on derivative instruments  | (2,409)  | (5,169)  | (4,593)  | (22)  |

**2:** Certain inventories included in Advances and Other Operating Assets were reclassified to a separate account Inventories from previous fiscal year end. In addition, the remaining amount in Advances after the reclassification to Inventories has been included in Other Assets. Accordingly, such amounts as of September 30, 2003 are reclassified.

**Table of Contents****Condensed Consolidated Statements of Shareholders Equity**(For the Six Months Ended September 30, 2004 and 2003, and the Year Ended March 31, 2004)  
(Unaudited)

(millions of JPY, millions of US\$)

|   | <b>Six months<br/>ended<br/>September<br/>30,<br/>2004</b> | <b>Six months<br/>ended<br/>September<br/>30,<br/>2003</b> | <b>Year<br/>ended<br/>March 31,<br/>2004</b> | <b>U.S. dollars<br/>September<br/>30,<br/>2004</b> |
|---|--|--|--|--|
| <b>Common Stock:</b>                            |  |  |  |  |
| Beginning balance                               | 52,068   | 52,067   | 52,067                                       | 469  |
| Issuance during the year                        | 247  |  | 1  | 2  |
| Ending balance                                  | <u>52,315</u>  | <u>52,067</u>  | <u>52,068</u>                                | <u>471</u>   |
| <b>Additional Paid-in Capital:</b>              |  |  |  |  |
| Beginning balance                               | 70,015   | 70,002   | 70,002                                       | 631  |
| Issuance during the year and other, net         | 253  |  | 13   | 2  |
| Ending balance                                  | <u>70,268</u>  | <u>70,002</u>  | <u>70,015</u>                                | <u>633</u>   |
| <b>Legal Reserve:</b>                           |  |  |  |  |
| Beginning balance                               | 2,220  | 2,220  | 2,220  | 20   |
| Ending balance                                  | <u>2,220</u>   | <u>2,220</u>   | <u>2,220</u>                                 | <u>20</u>  |
| <b>Retained Earnings:</b>                       |  |  |  |  |
| Beginning balance                               | 481,091  | 429,163  | 429,163                                      | 4,333  |
| Cash dividends                                  | (2,093)  | (2,092)  | (2,092)                                      | (19)   |
| Net income                                      | 42,688   | 31,419   | 54,020                                       | 384  |
| Ending balance                                  | <u>521,686</u>   | <u>458,490</u>   | <u>481,091</u>                               | <u>4,698</u>                                       |
| <b>Accumulated Other Comprehensive Loss:</b>    |  |  |  |  |
| Beginning balance                               | (33,141)   | (39,747)   | (39,747)                                     | (299)  |
| Net change of unrealized gains on investment in | 4,234  | 13,757   | 23,131                                       | 38   |

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|   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
| securities  |                   |                   |                   |                   |
| Net change of minimum pension liability adjustments       | 225               | 272               | (3,785)           | 2                 |
| Net change of foreign currency translation adjustments    | 7,102             | (10,114)          | (15,710)          | 64                |
| Net change of unrealized losses on derivative instruments | 2,184             | 2,394             | 2,970             | 20                |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Ending balance  | <u>(19,396)</u>   | <u>(33,438)</u>   | <u>(33,141)</u>   | <u>(175)</u>      |
| <b>Treasury Stock:</b>                                    |                   |                   |                   |                   |
| Beginning balance   | (8,206)           | (8,247)           | (8,247)           | (74)              |
| Increase (decrease), net                                  | 362               | (16)              | 41                | 3                 |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Ending balance  | <u>(7,844)</u>    | <u>(8,263)</u>    | <u>(8,206)</u>    | <u>(71)</u>       |
| <b>Total Shareholders Equity:</b>                         |                   |                   |                   |                   |
| Beginning balance   | 564,047           | 505,458           | 505,458           | 5,080             |
| Increase, net   | 55,202            | 35,620            | 58,589            | 496               |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Ending balance  | <u>619,249</u>    | <u>541,078</u>    | <u>564,047</u>    | <u>5,576</u>      |
| <b>Summary of Comprehensive Income:</b>                   |                   |                   |                   |                   |
| Net income  | 42,688            | 31,419            | 54,020            | 384               |
| Other comprehensive income                                | 13,745            | 6,309             | 6,606             | 124               |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Comprehensive income                                      | <u>56,433</u>     | <u>37,728</u>     | <u>60,626</u>     | <u>508</u>        |

**Table of Contents****Condensed Consolidated Statements of Cash Flows**(For the Six Months Ended September 30, 2004 and 2003, and the Year Ended March 31, 2004)  
(Unaudited)

(millions of JPY, millions of US\$)

|   | Six months<br>ended   | Six months<br>ended   | Year ended        | U.S. dollars<br>Six months<br>ended |
|---|-----------------------|-----------------------|-------------------|-------------------------------------|
|   | September 30,<br>2004 | September 30,<br>2003 | March 31,<br>2004 | September 30,<br>2004               |
| Cash Flows from Operating Activities:   |                       |                       |                   |                                     |
| Net income  | 42,688                | 31,419                | 54,020            | 384                                 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                       |                       |                   |                                     |
| Depreciation and amortization   | 65,104                | 58,595                | 121,530           | 586                                 |
| Provision for doubtful receivables and probable loan losses                       | 16,687                | 23,843                | 49,592            | 150                                 |
| Decrease in policy liabilities  | (32,967)              | (962)                 | (15,771)          | (297)                               |
| Gains from securitization transactions  | (2,706)               | (276)                 | (446)             | (24)                                |
| Equity in net income of affiliates  | (9,765)               | (11,923)              | (17,924)          | (88)                                |
| (Gains) losses on sales of affiliates   | (2,802)               | 396                   | 542               | (25)                                |
| Extraordinary gain  |                       | (243)                 | (609)             |                                     |
| Gains on sales of available-for-sale securities                                   | (11,236)              | (2,275)               | (8,728)           | (100)                               |
| Gains on sales of real estate under operating leases                              | (1,281)               | (7,894)               | (9,116)           | (12)                                |
| Write-downs of long-lived assets  | 9,165                 | 4,202                 | 12,345            | 83                                  |
| Write-downs of securities   | 2,763                 | 2,057                 | 5,240             | 25                                  |
| Increase in restricted cash   | (14,379)              | (9,349)               | (17,393)          | (129)                               |
| Increase in inventories   | (20,856)              | (3,981)               | (18,197)          | (188)                               |
| Increase in prepaid expenses  | (1,461)               | (2,773)               | (1,974)           | (13)                                |
| Increase (decrease) in accrued expenses   | (3,880)               | (2,360)               | 7,481             | (35)                                |
| Increase (decrease) in deposits from lessees                                      | 10,211                | (6,597)               | 683               | 92                                  |
| Other, net  | (4,298)               | (66)                  | (8,463)           | (40)                                |
| Net cash provided by operating activities   | 40,987                | 71,813                | 152,812           | 369                                 |
| Cash Flows from Investing Activities:   |                       |                       |                   |                                     |
| Purchases of lease equipment  | (436,304)             | (423,989)             | (873,248)         | (3,929)                             |
| Principal payments received under direct financing leases                         | 322,727               | 348,787               | 731,702           | 2,906                               |
| Net proceeds from securitization of lease and loan receivables                    | 72,711                | 15,212                | 35,704            | 655                                 |
| Installment loans made to customers   | (703,820)             | (529,363)             | (1,130,986)       | (6,338)                             |
| Principal collected on installment loans  | 627,482               | 540,238               | 1,092,698         | 5,650                               |

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|   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
| Proceeds from sales of operating lease assets                           | 48,362            | 81,724            | 116,531           | 435               |
| Investment in and dividends received from affiliates, net               | (836)             | 2,297             | 5,822             | (8)               |
| Purchases of available-for-sale securities                              | (94,411)          | (59,988)          | (90,527)          | (850)             |
| Proceeds from sales of available-for-sale securities                    | 53,843            | 110,309           | 164,860           | 485               |
| Maturities of available-for-sale securities                             | 28,648            | 41,990            | 88,601            | 258               |
| Purchases of other securities   | (11,184)          | (10,313)          | (32,707)          | (101)             |
| Proceeds from sales of other securities                                 | 2,589             | 1,118             | 12,648            | 23                |
| Purchases of other operating assets                                     | (2,851)           | (5,357)           | (8,966)           | (26)              |
| Proceeds from sales of other operating assets                           | 2,074             | 7,822             | 10,468            | 19                |
| Acquisitions of subsidiaries, net of cash acquired                      | (6,044)           | (7,339)           | (8,861)           | (54)              |
| Sales of subsidiaries, net of cash disposed                             |                   |                   | 24                |                   |
| Other, net  | 1,488             | 4,260             | 10,215            | 15                |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Net cash provided by (used in) investing activities                     | <u>(95,526)</u>   | <u>117,408</u>    | <u>123,978</u>    | <u>(860)</u>      |
| Cash Flows from Financing Activities:                                   |                   |                   |                   |                   |
| Net increase (decrease) in debt with maturities of three months or less | (33,465)          | 36,481            | 50,109            | (301)             |
| Proceeds from debt with maturities longer than three months             | 793,755           | 821,106           | 1,640,244         | 7,148             |
| Repayment of debt with maturities longer than three months              | (755,004)         | (1,100,187)       | (2,051,777)       | (6,799)           |
| Net increase in deposits due to customers                               | 24,690            | 19,649            | 30,078            | 222               |
| Issuance of common stock  | 492               |                   | 8                 | 4                 |
| Dividends paid  | (2,093)           | (2,092)           | (2,092)           | (19)              |
| Net increase (decrease) in call money                                   | (5,000)           |                   | 5,000             | (45)              |
| Other, net  | 372               | (16)              | 146               | 4                 |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Net cash provided by (used in) financing activities                     | <u>23,747</u>     | <u>(225,059)</u>  | <u>(328,284)</u>  | <u>214</u>        |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents            |                   |                   |                   |                   |
|   | <u>448</u>        | <u>(492)</u>      | <u>(948)</u>      | <u>4</u>          |
| Net Decrease in Cash and Cash Equivalents                               | (30,344)          | (36,330)          | (52,442)          | (273)             |
| Cash and Cash Equivalents at Beginning of Period                        | <u>152,235</u>    | <u>204,677</u>    | <u>204,677</u>    | <u>1,371</u>      |
| Cash and Cash Equivalents at End of Period                              | <u>121,891</u>    | <u>168,347</u>    | <u>152,235</u>    | <u>1,098</u>      |



**Table of Contents****Segment Information**(For the Six Months Ended September 30, 2004 and 2003, and the Year Ended March 31, 2004)  
(Unaudited)

(millions of JPY)

|                              | Six months ended September<br>30, 2004 |   |                     | Six months ended September<br>30, 2003 |   |                     | Year ended March 31, 2004 |   |                     |
|------------------------------|--|---|---------------------|--|---|---------------------|---------------------------|---|---------------------|
|                              | Revenues                               | Income<br>(Loss)<br>before<br>Income<br>Taxes*1 | Operating<br>Assets | Revenues                               | Income<br>(Loss)<br>before<br>Income<br>Taxes | Operating<br>Assets | Revenues                  | Income<br>(Loss)<br>before<br>Income<br>Taxes | Operating<br>Assets |
| <b>Operations in Japan</b>   |  |   |                     |  |   |                     |                           |   |                     |
| Corporate Financial Services | 69,281                                 | 27,352  | 1,878,231           | 64,262                                 | 21,919  | 1,845,251           | 128,355                   | 43,787  | 1,806,686           |
| Rental Operations            | 42,055                                 | 5,881   | 148,535             | 34,697                                 | 3,456   | 140,987             | 74,370                    | 9,342   | 147,231             |
| Real Estate-Related Finance  | 37,376                                 | 14,710  | 944,867             | 23,948                                 | 9,119   | 879,964             | 54,792                    | 18,102  | 909,019             |
| Real Estate                  | 70,366                                 | 8,011   | 321,126             | 67,160                                 | 6,329   | 275,967             | 143,451                   | 6,244   | 309,558             |
| Life Insurance               | 66,306                                 | 3,992   | 565,021             | 64,563                                 | 2,507   | 570,013             | 133,391                   | 5,382   | 582,473             |
| Other                        | 67,422                                 | 11,800  | 421,744             | 32,629                                 | 2,828   | 406,076             | 73,986                    | 10,079  | 412,505             |
| <b>Sub-Total</b>             | <b>352,806</b>                         | <b>71,746</b>                                   | <b>4,279,524</b>    | <b>287,259</b>                         | <b>46,158</b>                                 | <b>4,118,258</b>    | <b>608,345</b>            | <b>92,936</b>                                 | <b>4,167,472</b>    |
| <b>Overseas Operations</b>   |  |   |                     |  |   |                     |                           |   |                     |
| The Americas                 | 22,922                                 | 4,725   | 446,231             | 23,229                                 | 3,912   | 541,036             | 47,294                    | 7,601   | 472,595             |
| Asia and Oceania             | 26,636                                 | 9,908   | 442,765             | 26,671                                 | 13,939  | 434,584             | 53,694                    | 17,848  | 413,041             |
| Europe                       | 5,045                                  | 1,025   | 56,661              | 5,327                                  | (1,899)                                       | 64,524              | 10,708                    | (1,252)                                       | 56,634              |
| <b>Sub-Total</b>             | <b>54,603</b>                          | <b>15,658</b>                                   | <b>945,657</b>      | <b>55,227</b>                          | <b>15,952</b>                                 | <b>1,040,144</b>    | <b>111,696</b>            | <b>24,197</b>                                 | <b>942,270</b>      |
| <b>Segment Total</b>         | <b>407,409</b>                         | <b>87,404</b>                                   | <b>5,225,181</b>    | <b>342,486</b>                         | <b>62,110</b>                                 | <b>5,158,402</b>    | <b>720,041</b>            | <b>117,133</b>                                | <b>5,109,742</b>    |
| <b>Difference between</b>    | <b>(5,058)</b>                         | <b>(18,229)</b>                                 | <b>(303,803)</b>    | <b>53</b>                              | <b>(6,401)</b>                                | <b>(241,711)</b>    | <b>(909)</b>              | <b>(15,773)</b>                               | <b>(260,548)</b>    |

**Segment  
totals and  
Consolidated  
Amounts**

|                                 |         |        |           |         |        |           |         |         |           |
|---------------------------------|---------|--------|-----------|---------|--------|-----------|---------|---------|-----------|
| <b>Consolidated<br/>Amounts</b> | 402,351 | 69,175 | 4,921,378 | 342,539 | 55,709 | 4,916,691 | 719,132 | 101,360 | 4,849,194 |
|---------------------------------|---------|--------|-----------|---------|--------|-----------|---------|---------|-----------|

(millions of US\$)

**U.S. dollars September 30, 2004**

|   | <b>Revenues</b> | <b>Income<br/>(Loss)<br/>before<br/>Income<br/>Taxes</b> | <b>Operating<br/>Assets</b> |
|---|-----------------|--|-----------------------------|
| <b>Operations in Japan</b>  |                 |  |                             |
| Corporate Financial Services                                      | 624             | 246  | 16,913                      |
| Rental Operations   | 379             | 53   | 1,338                       |
| Real Estate-Related Finance                                       | 337             | 132  | 8,508                       |
| Real Estate   | 634             | 72   | 2,892                       |
| Life Insurance  | 597             | 36   | 5,088                       |
| Other   | 606             | 107  | 3,798                       |
| Sub-Total   | 3,177           | 646  | 38,537                      |
| <b>Overseas Operations</b>  |                 |  |                             |
| The Americas  | 206             | 43   | 4,018                       |
| Asia and Oceania  | 240             | 89   | 3,987                       |
| Europe  | 46              | 9  | 511                         |
| Sub-Total   | 492             | 141  | 8,516                       |
| <b>Segment Total</b>  | 3,669           | 787  | 47,053                      |
| <b>Difference between Segment totals and Consolidated Amounts</b> | (46)            | (164)  | (2,736)                     |
| <b>Consolidated Amounts</b>                                       | 3,623           | 623  | 44,317                      |



**\*Note 1:** Income (Loss) before Income Taxes represents Income before Discontinued Operations, Extraordinary Gain and Income Taxes.

**2:** Results of discontinued operation are included in Revenues and Income (Loss) before Income Taxes of each segment, if any.

Such amounts are eliminated in Difference between Segment totals and Consolidated Amounts.

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**Basis of presentation and significant accounting policies**

In preparing the accompanying consolidated financial statements, ORIX Corporation (the Company) and its subsidiaries have followed accounting principles generally accepted in the United States of America, except as modified to account for stock splits in accordance with the usual practice in Japan.

Some areas of potential significant differences between U.S. and Japanese accounting policies and practices are as follows: Accounting for direct financing leases, accounting for the impairment of long-lived assets and long-lived assets to be disposed of, the use of the straight-line method of depreciation for operating lease equipment, deferral of life insurance policy acquisition costs and the calculation of policy liabilities, accounting for derivative instruments and hedging activities, accounting for goodwill and intangible assets resulting from business combinations, accounting for pension plans, and a reflection of the income tax effect on such adjustments. Segment information is prepared in accordance with FASB Statement No. 131. The basis of presentation and significant accounting policies are as follows.

1. Consolidated subsidiaries

The accompanying consolidated financial statements include the accounts of the Company, 118 domestic subsidiaries and 84 overseas subsidiaries (total of 202 subsidiaries).

The consolidated financial statements also include variable interest entities to which the Company and its subsidiaries are primary beneficiaries pursuant to FASB Interpretation No.46 (revised December 2003) (FIN46® ( Consolidation of Variable Interest Entities )).

Major subsidiaries are ORIX Auto Leasing Corporation, ORIX USA Corporation and others.

2. Affiliates accounted for by the equity method

Investment in 49 domestic affiliates and 25 overseas affiliates (total of 74 affiliates) are accounted for by using the equity method. Major affiliates are The Fuji Fire and Marine Insurance Company Limited, Stockton Holdings Limited, Korea Life Insurance Co., Ltd., and others.

3. The date of subsidiaries fiscal closing

Certain subsidiaries have an interim closing date that differs from that of the Company. However, these subsidiaries close their books and make necessary adjustments for consolidation purposes as of the Company's interim closing date. For certain subsidiaries whose fiscal periods end at a date that is less than three months from our consolidated interim closing date, we use the most recent fiscal period end of those subsidiaries in our consolidated financial results.

4. Accounting policies

(1) Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Recognition of revenues

Direct financing leases The excess of aggregate lease rentals plus the estimated unguaranteed residual value over the cost of the leased equipment constitutes the unearned lease income to be taken into income over the lease term using the interest method. Certain direct lease origination costs are being deferred and amortized over the lease term as a yield adjustment.

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**Operating leases** Revenues from operating leases are recognized on a straight-line basis over the contract terms. Operating lease assets are recorded at cost and are depreciated over their estimated useful lives mainly on a straight-line basis.

**Insurance premium and expenses** Premium income from life insurance policies are recognized as earned premiums when due. Life insurance benefits are recorded as expenses when they are incurred. Policy liabilities for future policy benefits are established by the net level premium method, based on actuarial estimates of the amount of future policyholder benefits. Certain costs associated with writing insurance are deferred and amortized over the respective policy periods in proportion to anticipated premium revenue.

### (3) Investment in securities

Trading securities are reported at fair value with unrealized gains and losses included in income. Available-for-sale securities are reported at fair value, and unrealized gains or losses are recorded through accumulated other comprehensive income (loss), net of applicable income taxes. However, the Company and its subsidiaries recognize losses related to securities for which the market price has been significantly below the acquisition cost and not considered temporary in nature. Held-to-maturity securities are recorded at amortized cost.

### (4) Inventories

Inventories include advance and/or progress payments for development of residential condominiums for sale and completed residential condominiums.

Advances and/or progress payments for sales are carried at cost less any impairment losses and finished goods are stated at the lower cost or market.

### (5) Impairment of long-lived assets

Long-lived assets and certain identifiable intangibles to be held and used by the Company and its subsidiaries are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When the sum of undiscounted future cash flows expected to be generated by the assets is less than the carrying amount of the assets, impairment losses are recognized based on the fair value of the assets.

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

The allowance for doubtful receivables on direct financing leases and probable loan losses is maintained at a level which, in the judgment of management, is adequate to provide for probable losses on lease and loan portfolios that can be reasonably anticipated.

### (7) Prepaid benefit cost (Accrued benefit liability)

The Company and its subsidiaries adopt FASB Statement No. 87 ( *Employer's Accounting for Pensions* ), and the costs of pension plans are accrued based on amounts determined using actuarial methods.

### (8) Foreign currencies translation

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

The financial statements of overseas subsidiaries and affiliates are translated into Japanese yen by applying the exchange rates in effect at the end of each fiscal year to all assets and liabilities. Income and expenses are translated at the average rates of exchange prevailing during the fiscal year.

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## (9) Hedge accounting

The Company and its subsidiaries adopt FASB Statement No. 133 ( Accounting for Derivative Instruments and Hedging Activities ), as amended by FASB Statement No. 138 ( Accounting for Certain Derivative Instruments and Certain Hedging Activities ) an amendment of FASB Statement No. 133 ). All derivatives are recorded on the balance sheet at fair value.

## (10) Goodwill and intangible assets resulting from business combinations

Goodwill and intangible assets that have indefinite useful lives are not amortized. Impairment tests are required on an annual basis and between annual tests when events or circumstances indicate a potential impairment might exist.

## (11) Income taxes

The Company, in general, determines its income tax provisions for interim periods by applying the current estimate of the effective tax rate to be applicable for the full fiscal year to the actual year-to-date pre-tax income amount. The estimated effective tax rate is determined by dividing total estimated income tax expense for the full fiscal year by total estimated pre-tax income for the full fiscal year.

## 5. Cash and cash equivalents in the accompanying consolidated statements of cash flows

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

**Revenues from overseas customers**

Revenues from overseas customers are as follows.

September 30, 2004

|   | <b>Millions of JPY</b> |                         |               |              |
|---|------------------------|-------------------------|---------------|--------------|
|   | <b>The Americas</b>    | <b>Asia and Oceania</b> | <b>Europe</b> | <b>Total</b> |
| Overseas revenue  | 21,444                 | 28,008                  | 5,856         | 55,308       |
| Consolidated revenue                                      |                        |                         |               | 402,351      |
| The rate of the overseas revenues to consolidated revenue | 5.3%                   | 6.9%                    | 1.5%          | 13.7%        |

September 30, 2003

|   | <b>Millions of JPY</b>  |                             |               |               |
|---|-------------------------|-----------------------------|---------------|---------------|
|   | <b>The<br/>Americas</b> | <b>Asia and<br/>Oceania</b> | <b>Europe</b> | <b>Total</b>  |
| Overseas revenue  | <u>21,855</u>           | <u>27,809</u>               | <u>6,035</u>  | <u>55,699</u> |
| Consolidated revenue                                      |                         |                             |               | 342,539       |
| The rate of the overseas revenues to consolidated revenue | <u>6.4%</u>             | <u>8.1%</u>                 | <u>1.8%</u>   | <u>16.3%</u>  |

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March 31, 2004

|   | <b>Millions of JPY</b>  |                             |               |              |
|---|-------------------------|-----------------------------|---------------|--------------|
|   | <b>The<br/>Americas</b> | <b>Asia and<br/>Oceania</b> | <b>Europe</b> | <b>Total</b> |
| Overseas revenue  | 43,855                  | 55,947                      | 12,171        | 111,973      |
| Consolidated revenue                                      |                         |                             |               | 719,132      |
| The rate of the overseas revenues to consolidated revenue | 6.1%                    | 7.8%                        | 1.7%          | 15.6%        |

September 30, 2004

|   | <b>Millions of U.S. dollars</b> |                             |               |              |
|---|---------------------------------|-----------------------------|---------------|--------------|
|   | <b>The<br/>Americas</b>         | <b>Asia and<br/>Oceania</b> | <b>Europe</b> | <b>Total</b> |
| Overseas revenue  | 193                             | 252                         | 53            | 498          |
| Consolidated revenue                                      |                                 |                             |               | 3,623        |
| The rate of the overseas revenues to consolidated revenue | 5.3%                            | 6.9%                        | 1.5%          | 13.7%        |



**Table of Contents****Investment in Securities**

Investment in securities at September 30, 2004 and 2003, and March 31, 2004 consists of the following:

|                               | <b>Millions of JPY</b>    |                           |                       | <b>Millions of U.S. dollars</b> |
|-------------------------------|---------------------------|---------------------------|-----------------------|---------------------------------|
|                               | <b>September 30, 2004</b> | <b>September 30, 2003</b> | <b>March 31, 2004</b> | <b>September 30, 2004</b>       |
| Trading securities            | 34,917                    | 14,256                    | 26,354                | 314                             |
| Available-for-sale securities | 411,894                   | 445,053                   | 386,797               | 3,709                           |
| Held-to-maturity securities   |                           | 7,116                     |                       |                                 |
| Other securities              | 144,903                   | 123,493                   | 138,777               | 1,305                           |
|                               | <b>591,714</b>            | <b>589,918</b>            | <b>551,928</b>        | <b>5,328</b>                    |

Other securities consist mainly of non-marketable equity securities and preferred capital shares carried at cost and investment funds accounted for under the equity method.

The amortized cost basis amounts, gross unrealized holding gains, gross unrealized holding losses and fair values of available-for-sale and held-to-maturity securities in each major security type at September 30, 2004 and 2003, and March 31, 2004 are as follows:

September 30, 2004

|  | <b>Millions of JPY</b> |                               |                                | <b>Fair Value</b> |
|--|------------------------|-------------------------------|--------------------------------|-------------------|
|  | <b>Amortized cost</b>  | <b>Gross unrealized gains</b> | <b>Gross unrealized losses</b> |                   |
| Available-for-sale:  |                        |                               |                                |                   |
| Japanese and foreign government bond securities            | 13,861                 | 34                            | (188)                          | 13,707            |
| Japanese prefectural and foreign municipal bond securities | 17,397                 | 15                            | (79)                           | 17,333            |
| Corporate debt securities                                  | 218,056                | 3,908                         | (2,264)                        | 219,700           |
| Mortgage-backed and other asset-backed securities          | 106,684                | 11,261                        | (2,840)                        | 115,105           |
| Equity securities  | 15,998                 | 30,411                        | (360)                          | 46,049            |
|  | <b>371,996</b>         | <b>45,629</b>                 | <b>(5,731)</b>                 | <b>411,894</b>    |



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September 30, 2003

|  | Millions of JPY   |                              |                               |                |
|--|-------------------|------------------------------|-------------------------------|----------------|
|  | Amortized<br>cost | Gross<br>unrealized<br>gains | Gross<br>unrealized<br>losses | Fair Value     |
| Available-for-sale:  |                   |                              |                               |                |
| Japanese and foreign government bond securities            | 21,159            | 94                           | (119)                         | 21,134         |
| Japanese prefectural and foreign municipal bond securities | 18,621            | 43                           | (43)                          | 18,621         |
| Corporate debt securities                                  | 230,468           | 1,724                        | (3,811)                       | 228,381        |
| Mortgage-backed and other asset-backed securities          | 129,027           | 5,390                        | (3,206)                       | 131,211        |
| Equity securities  | 21,655            | 25,808                       | (1,757)                       | 45,706         |
|  | <u>420,930</u>    | <u>33,059</u>                | <u>(8,936)</u>                | <u>445,053</u> |
| Held-to-maturity:  |                   |                              |                               |                |
| Asset-backed securities                                    | 7,116             | 329                          | (14)                          | 7,431          |
|  | <u>7,116</u>      | <u>329</u>                   | <u>(14)</u>                   | <u>7,431</u>   |

March 31, 2004

|  | Millions of JPY   |                              |                               |                |
|--|-------------------|------------------------------|-------------------------------|----------------|
|  | Amortized<br>cost | Gross<br>unrealized<br>gains | Gross<br>unrealized<br>losses | Fair Value     |
| Available-for-sale:  |                   |                              |                               |                |
| Japanese and foreign government bond securities            | 14,520            | 87                           | (146)                         | 14,461         |
| Japanese prefectural and foreign municipal bond securities | 16,761            | 20                           | (115)                         | 16,666         |
| Corporate debt securities                                  | 174,398           | 2,524                        | (2,977)                       | 173,945        |
| Mortgage-backed and other asset-backed securities          | 124,398           | 5,169                        | (3,387)                       | 126,180        |
| Equity securities  | 17,562            | 39,030                       | (1,047)                       | 55,545         |
|  | <u>347,639</u>    | <u>46,830</u>                | <u>(7,672)</u>                | <u>386,797</u> |

September 30, 2004

|  | Millions of U.S. dollars |                     |                     |                   |
|--|--------------------------|---------------------|---------------------|-------------------|
|  | Amortized                | Gross<br>unrealized | Gross<br>unrealized | Fair              |
|  | cost                     | gains               | losses              | Value             |
|  | <u>          </u>        | <u>          </u>   | <u>          </u>   | <u>          </u> |
| Available-for-sale:  |                          |                     |                     |                   |
| Japanese and foreign government bond securities            | 125                      | 0                   | (2)                 | 123               |
| Japanese prefectural and foreign municipal bond securities | 157                      | 0                   | (1)                 | 156               |
| Corporate debt securities                                  | 1,963                    | 35                  | (20)                | 1,978             |
| Mortgage-backed and other asset-backed securities          | 961                      | 102                 | (26)                | 1,037             |
| Equity securities  | 144                      | 274                 | (3)                 | 415               |
|  | <u>          </u>        | <u>          </u>   | <u>          </u>   | <u>          </u> |
|  | 3,350                    | 411                 | (52)                | 3,709             |
|  | <u>          </u>        | <u>          </u>   | <u>          </u>   | <u>          </u> |

**Table of Contents****Key Quarterly Financial Data (Unaudited)**

(millions of JPY)

| <b>Balance Sheet Data</b>  | <b>Fiscal 2004</b> |                    |                      |                    | <b>Fiscal 2005</b> |                    |
|--|--------------------|--------------------|----------------------|--------------------|--------------------|--------------------|
|  | <b>Q1 (03/4-6)</b> | <b>Q2 (03/7-9)</b> | <b>Q3 (03/10-12)</b> | <b>Q4 (04/1-3)</b> | <b>Q1 (04/4-6)</b> | <b>Q2 (04/7-9)</b> |
| 1) Investment in Direct Financing Leases   | 1,582,153          | 1,542,172          | 1,545,853            | 1,453,575          | 1,454,461          | 1,465,856          |
| Japan  | 1,242,600          | 1,237,347          | 1,255,453            | 1,183,187          | 1,183,421          | 1,187,595          |
| Overseas   | 339,553            | 304,825            | 290,400              | 270,388            | 271,040            | 278,261            |
| 2) Installment Loans   | 2,302,005          | 2,224,486          | 2,224,670            | 2,234,940          | 2,221,554          | 2,254,387          |
| Japan  | 1,969,694          | 1,922,105          | 1,943,624            | 1,984,416          | 1,997,881          | 2,019,718          |
| Overseas   | 332,311            | 302,381            | 281,046              | 250,524            | 223,673            | 234,669            |
| 3) Investment in Operating Leases  | 523,413            | 487,613            | 496,570              | 536,702            | 529,078            | 536,489            |
| Japan  | 358,596            | 333,527            | 346,064              | 388,452            | 385,532            | 380,550            |
| Overseas   | 164,817            | 154,086            | 150,506              | 148,250            | 143,546            | 155,939            |
| 4) Investment in Securities  | 697,926            | 589,918            | 544,021              | 551,928            | 579,193            | 591,714            |
| Japan  | 528,184            | 440,598            | 394,784              | 399,463            | 423,111            | 446,026            |
| Overseas   | 169,742            | 149,320            | 149,237              | 152,465            | 156,082            | 145,688            |
| 5) Other Operating Assets  | 75,065             | 72,502             | 70,556               | 72,049             | 68,004             | 72,932             |
| Japan  | 65,803             | 64,300             | 63,008               | 64,993             | 61,071             | 64,772             |
| Overseas   | 9,262              | 8,202              | 7,548                | 7,056              | 6,933              | 8,160              |
| <b>Total Operating Assets</b>  | <b>5,180,562</b>   | <b>4,916,691</b>   | <b>4,881,670</b>     | <b>4,849,194</b>   | <b>4,852,290</b>   | <b>4,921,378</b>   |
| Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses | (134,740)          | (130,015)          | (130,851)            | (128,020)          | (128,726)          | (125,309)          |
| Allowance/Investment in Direct Financing Leases and Installment Loans                  | 3.5%               | 3.5%               | 3.5%                 | 3.5%               | 3.5%               | 3.4%               |

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|  |                         |                         |                         |                         |                         |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Total Assets</b>                                    | <u>5,923,307</u>        | <u>5,684,598</u>        | <u>5,672,032</u>        | <u>5,624,957</u>        | <u>5,651,018</u>        | <u>5,724,771</u>        |
| Short-Term Debt,<br>Long-Term Debt and<br>Deposits     | 4,232,175               | 3,977,021               | 3,941,826               | 3,859,180               | 3,876,782               | 3,912,797               |
| Policy Liabilities                                     | <u>604,830</u>          | <u>607,591</u>          | <u>600,281</u>          | <u>592,782</u>          | <u>577,024</u>          | <u>559,815</u>          |
| <b>Total Liabilities</b>                               | <b><u>5,396,760</u></b> | <b><u>5,143,520</u></b> | <b><u>5,120,264</u></b> | <b><u>5,060,910</u></b> | <b><u>5,056,239</u></b> | <b><u>5,105,522</u></b> |
| <b>Shareholders Equity</b>                             | <u>526,547</u>          | <u>541,078</u>          | <u>551,768</u>          | <u>564,047</u>          | <u>594,779</u>          | <u>619,249</u>          |
| <b>Total Liabilities &amp;<br/>Shareholders Equity</b> | <b><u>5,923,307</u></b> | <b><u>5,684,598</u></b> | <b><u>5,672,032</u></b> | <b><u>5,624,957</u></b> | <b><u>5,651,018</u></b> | <b><u>5,724,771</u></b> |

| <b>New Business Volumes</b>                            | <b>Q1<br/>(03/4-6)</b> | <b>Q2<br/>(03/7-9)</b> | <b>Q3<br/>(03/10-12)</b> | <b>Q4<br/>(04/1-3)</b> | <b>Q1<br/>(04/4-6)</b> | <b>Q2<br/>(04/7-9)</b> |
|--|------------------------|------------------------|--------------------------|------------------------|------------------------|------------------------|
| Direct Financing Leases: New<br>receivables added      | 212,175                | 186,370                | 215,975                  | 187,267                | 188,262                | 210,689                |
| Japan  | 158,176                | 139,969                | 172,006                  | 148,301                | 150,035                | 169,583                |
| Overseas   | <u>53,999</u>          | <u>46,401</u>          | <u>43,969</u>            | <u>38,966</u>          | <u>38,227</u>          | <u>41,106</u>          |
| Direct Financing Leases: New<br>equipment acquisitions | 188,194                | 166,734                | 192,336                  | 165,976                | 166,937                | 188,911                |
| Japan  | 138,479                | 121,963                | 151,787                  | 129,688                | 130,715                | 148,909                |
| Overseas   | <u>49,715</u>          | <u>44,771</u>          | <u>40,549</u>            | <u>36,288</u>          | <u>36,222</u>          | <u>40,002</u>          |
| Installment Loans: New loans<br>added                  | 270,959                | 258,464                | 293,556                  | 301,297                | 307,530                | 396,510                |
| Japan  | 225,042                | 223,315                | 247,284                  | 262,005                | 273,289                | 352,816                |
| Overseas   | <u>45,917</u>          | <u>35,149</u>          | <u>46,272</u>            | <u>39,292</u>          | <u>34,241</u>          | <u>43,694</u>          |
| Operating Leases: New equipment<br>acquisitions        | 40,810                 | 33,722                 | 44,102                   | 71,103                 | 40,737                 | 55,077                 |
| Japan  | 29,880                 | 20,354                 | 38,392                   | 55,714                 | 33,195                 | 35,750                 |
| Overseas   | <u>10,930</u>          | <u>13,368</u>          | <u>5,710</u>             | <u>15,389</u>          | <u>7,542</u>           | <u>19,327</u>          |
|  | 57,370                 | 12,107                 | 19,980                   | 32,609                 | 45,486                 | 60,092                 |

Investment in Securities: New securities added

|          |                   |                   |                   |                   |                   |                   |
|----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Japan    | 53,835            | 11,020            | 6,051             | 30,006            | 38,795            | 56,822            |
| Overseas | 3,535             | 1,087             | 13,929            | 2,603             | 6,691             | 3,270             |
|          | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

Other Operating Transactions: New assets added

|          |                   |                   |                   |                   |                   |                   |
|----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Japan    | 28,655            | 48,363            | 28,416            | 80,831            | 29,354            | 26,429            |
| Overseas | 28,655            | 48,301            | 28,416            | 80,831            | 29,354            | 25,017            |
|          |                   | 62                |                   |                   |                   | 1,412             |
|          | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

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(millions of JPY)

| Income Statement Data  | Fiscal 2004    |                |                  |                | Fiscal 2005    |                |
|--|----------------|----------------|------------------|----------------|----------------|----------------|
|  | Q1<br>(03/4-6) | Q2<br>(03/7-9) | Q3<br>(03/10-12) | Q4<br>(04/1-3) | Q1<br>(04/4-6) | Q2<br>(04/7-9) |
| <b>Revenues</b>  |                |                |                  |                |                |                |
| 1) Direct Financing Leases                                       | 28,516         | 28,349         | 27,503           | 28,004         | 27,399         | 28,262         |
| Japan  | 21,906         | 21,865         | 21,462           | 21,695         | 21,698         | 22,268         |
| Overseas   | 6,610          | 6,484          | 6,041            | 6,309          | 5,701          | 5,994          |
| 2) Operating Leases  | 30,354         | 30,703         | 33,471           | 34,427         | 35,844         | 38,426         |
| Japan  | 21,726         | 20,821         | 24,783           | 25,201         | 26,836         | 27,913         |
| Overseas   | 8,628          | 9,882          | 8,688            | 9,226          | 9,008          | 10,513         |
| 3) Interest on Loans and Investment Securities                   | 28,314         | 31,263         | 27,860           | 29,307         | 29,904         | 35,950         |
| Interest on loans  | 25,729         | 29,001         | 25,820           | 26,940         | 27,204         | 33,371         |
| Japan  | 21,082         | 23,958         | 21,706           | 22,549         | 23,383         | 29,195         |
| Overseas   | 4,647          | 5,043          | 4,114            | 4,391          | 3,821          | 4,176          |
| Interest on investment securities                                | 2,585          | 2,262          | 2,040            | 2,367          | 2,700          | 2,579          |
| Japan  | 173            | 295            | 165              | 252            | 264            | 313            |
| Overseas   | 2,412          | 1,967          | 1,875            | 2,115          | 2,436          | 2,266          |
| 4) Brokerage Commissions and Net Gains on Investment Securities  | 3,246          | 4,323          | 6,595            | 11,861         | 5,160          | 7,927          |
| Brokerage commissions  | 691            | 1,167          | 1,006            | 1,103          | 1,226          | 1,001          |
| Net gains on investment securities                               | 2,555          | 3,156          | 5,589            | 10,758         | 3,934          | 6,926          |
| 5) Life Insurance Premiums and Related Investment Income         | 30,583         | 34,552         | 28,463           | 40,556         | 30,208         | 36,133         |
| Life insurance premiums  | 27,524         | 31,114         | 24,231           | 36,589         | 28,007         | 33,676         |
| Related investment income  | 3,059          | 3,438          | 4,232            | 3,967          | 2,201          | 2,457          |
| 6) Residential Condominium Sales                                 | 23,176         | 19,359         | 26,329           | 29,170         | 12,903         | 20,059         |
| Japan  | 23,176         | 19,359         | 26,329           | 29,170         | 12,903         | 20,059         |
| 7) Gains (Losses) on Sales of Real Estate under Operating Leases | 5,549          | 2,345          | 1,121            | 101            | 1,198          | 83             |



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|  |                          |                          |                          |                          |                          |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Japan  | 5,464                    | 2,317                    | 981                      | 109                      | 1,198                    | 83                       |
| Overseas   | 85                       | 28                       | 140                      | (8)                      |                          |                          |
|  | <u>          </u>        | <u>          </u>        | <u>          </u>        | <u>          </u>        | <u>          </u>        | <u>          </u>        |
| 8) Other Operating Revenues  | 19,185                   | 22,722                   | 21,701                   | 30,124                   | 50,260                   | 42,635                   |
| Japan  | 17,057                   | 19,733                   | 18,875                   | 27,712                   | 47,207                   | 40,134                   |
| Overseas   | 2,128                    | 2,989                    | 2,826                    | 2,412                    | 3,053                    | 2,501                    |
|  | <u>          </u>        | <u>          </u>        | <u>          </u>        | <u>          </u>        | <u>          </u>        | <u>          </u>        |
| <b>Total Revenues</b>  | <b>168,923</b>           | <b>173,616</b>           | <b>173,043</b>           | <b>203,550</b>           | <b>192,876</b>           | <b>209,475</b>           |
|  | <b><u>          </u></b> | <b><u>          </u></b> | <b><u>          </u></b> | <b><u>          </u></b> | <b><u>          </u></b> | <b><u>          </u></b> |
| <b>Expenses</b>  |                          |                          |                          |                          |                          |                          |
| 1) Interest Expense  | 16,110                   | 15,508                   | 14,588                   | 13,939                   | 14,152                   | 14,125                   |
| 2) Depreciation Operating Leases   | 20,381                   | 20,656                   | 20,705                   | 21,795                   | 23,057                   | 23,604                   |
| 3) Life Insurance Costs  | 29,326                   | 28,917                   | 24,892                   | 36,518                   | 27,965                   | 31,954                   |
| 4) Costs of Residential Condominium Sales                                  | 20,372                   | 17,301                   | 24,463                   | 26,543                   | 11,803                   | 18,719                   |
| 5) Other Operating Expenses  | 10,214                   | 11,526                   | 12,779                   | 18,032                   | 35,610                   | 28,309                   |
| 6) Selling, General and Administrative Expenses                            | 37,489                   | 39,981                   | 39,551                   | 44,814                   | 39,074                   | 48,397                   |
| 7) Provision for Doubtful Receivables and Probable Loan Losses             | 11,968                   | 11,875                   | 10,839                   | 14,910                   | 8,795                    | 7,892                    |
| 8) Write-downs of Long-Lived Assets  |                          | 4,202                    |                          | 8,143                    |                          | 9,165                    |
| 9) Write-downs of Securities   | 1,506                    | 551                      | 1,930                    | 1,253                    | 1,468                    | 1,295                    |
| 10) Foreign Currency Transaction (Gain) Loss, Net                          | 548                      | (74)                     | 397                      | 706                      | (172)                    | 531                      |
|  | <u>          </u>        | <u>          </u>        | <u>          </u>        | <u>          </u>        | <u>          </u>        | <u>          </u>        |
| <b>Total Expenses</b>  | <b>147,914</b>           | <b>150,443</b>           | <b>150,144</b>           | <b>186,653</b>           | <b>161,752</b>           | <b>183,991</b>           |
|  | <b><u>          </u></b> | <b><u>          </u></b> | <b><u>          </u></b> | <b><u>          </u></b> | <b><u>          </u></b> | <b><u>          </u></b> |
| Operating Income   | 21,009                   | 23,173                   | 22,899                   | 16,897                   | 31,124                   | 25,484                   |
| Equity in Net Income of Affiliates   | 3,384                    | 8,539                    | 2,707                    | 3,294                    | 4,754                    | 5,011                    |
| Gain (Loss) on Sales of Affiliates   |                          | (396)                    | (136)                    | (10)                     | 839                      | 1,963                    |
| Income before Discontinued Operations, Extraordinary Gain and Income Taxes | 24,393                   | 31,316                   | 25,470                   | 20,181                   | 36,717                   | 32,458                   |
| Provision for Income Taxes   | 11,199                   | 14,842                   | 11,818                   | 13,356                   | 16,125                   | 14,154                   |
| Income from Continuing Operations  | 13,194                   | 16,474                   | 13,652                   | 6,825                    | 20,592                   | 18,304                   |
| Discontinued Operations, Net of Applicable Tax Effect                      | 904                      | 604                      | 821                      | 937                      | 2,935                    | 857                      |
| Extraordinary Gain, Net of Applicable Tax Effect                           |                          | 243                      |                          | 366                      |                          |                          |
|  | <u>          </u>        | <u>          </u>        | <u>          </u>        | <u>          </u>        | <u>          </u>        | <u>          </u>        |
| <b>Net Income</b>  | <b>14,098</b>            | <b>17,321</b>            | <b>14,473</b>            | <b>8,128</b>             | <b>23,527</b>            | <b>19,161</b>            |
|  | <b><u>          </u></b> | <b><u>          </u></b> | <b><u>          </u></b> | <b><u>          </u></b> | <b><u>          </u></b> | <b><u>          </u></b> |

| Key Ratios, Per Share Data, and Employees | Q3          |             |            |             |             |             |
|---|-------------|-------------|------------|-------------|-------------|-------------|
|   | Q1 (03/4-6) | Q2 (03/7-9) | (03/10-12) | Q4 (04/1-3) | Q1 (04/4-6) | Q2 (04/7-9) |
| Return on Equity (ROE)*                   | 10.9%       | 13.0%       | 10.6%      | 5.8%        | 16.2%       | 12.6%       |
| Return on Assets (ROA)*                   | 0.95%       | 1.19%       | 1.02%      | 0.58%       | 1.67%       | 1.35%       |
| Shareholders' Equity Ratio                | 8.9%        | 9.5%        | 9.7%       | 10.0%       | 10.5%       | 10.8%       |
| Debt-to-Equity Ratio (times)              | 8.0         | 7.4         | 7.1        | 6.8         | 6.5         | 6.3         |
| Shareholders' Equity Per Share (yen)      | 6,291.50    | 6,465.22    | 6,594.86   | 6,739.64    | 7,104.39    | 7,389.48    |
| Basic EPS (yen)                           | 168.45      | 206.96      | 172.94     | 97.14       | 281.05      | 228.73      |
| Diluted EPS (yen)                         | 158.71      | 194.94      | 162.72     | 91.33       | 263.42      | 214.50      |
| Number of Employees                       | 11,621      | 11,723      | 12,698     | 12,481      | 14,917      | 15,184      |

\*annualized

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(millions of JPY)

| Segment Information           | Fiscal 2004                  |                |                |                | Fiscal 2005    |                |         |
|-------------------------------|------------------------------|----------------|----------------|----------------|----------------|----------------|---------|
|                               | Q1 (03/4-6)                  | Q2 (03/7-9)    | Q3 (03/10-12)  | Q4 (04/1-3)    | Q1 (04/4-6)    | Q2 (04/7-9)    |         |
| <b>Operations in Japan</b>    | Corporate Financial Services | 30,993         | 33,269         | 31,086         | 33,007         | 33,865         | 35,416  |
|                               | Rental Operations            | 16,980         | 17,717         | 18,647         | 21,026         | 20,377         | 21,678  |
|                               | Real Estate-Related Finance  | 10,937         | 13,011         | 14,723         | 16,121         | 16,538         | 20,838  |
|                               | Real Estate                  | 37,239         | 29,921         | 35,429         | 40,862         | 37,238         | 33,128  |
|                               | Life Insurance               | 30,590         | 33,973         | 27,978         | 40,850         | 30,260         | 36,046  |
|                               | Other                        | 16,231         | 16,398         | 18,614         | 22,743         | 32,772         | 34,650  |
|                               | Sub-Total                    | 142,970        | 144,289        | 146,477        | 174,609        | 171,050        | 181,756 |
|                               | <b>Overseas Operations</b>   |                |                |                |                |                |         |
| The Americas                  | 11,313                       | 11,916         | 10,336         | 13,729         | 10,086         | 12,836         |         |
| Asia and Oceania              | 12,857                       | 13,814         | 12,831         | 14,192         | 13,004         | 13,632         |         |
| Europe                        | 2,606                        | 2,721          | 3,133          | 2,248          | 2,265          | 2,780          |         |
| Sub-Total                     | 26,776                       | 28,451         | 26,300         | 30,169         | 25,355         | 29,248         |         |
| <b>Total Segment Revenues</b> | <b>169,746</b>               | <b>172,740</b> | <b>172,777</b> | <b>204,778</b> | <b>196,405</b> | <b>211,004</b> |         |
| <b>Operations in Japan</b>    | Corporate Financial Services | 9,345          | 12,574         | 11,592         | 10,276         | 13,040         | 14,312  |
|                               | Rental Operations            | 1,520          | 1,936          | 2,072          | 3,814          | 2,302          | 3,579   |
|                               | Real Estate-Related Finance  | 3,018          | 6,101          | 4,412          | 4,571          | 4,906          | 9,804   |
|                               | Real Estate                  | 8,160          | (1,831)        | 1,722          | (1,807)        | 6,515          | 1,496   |
|                               | Life Insurance               | (392)          | 2,899          | 1,834          | 1,041          | 1,879          | 2,113   |
|                               | Other                        | 1,177          | 1,651          | 2,253          | 4,998          | 6,374          | 5,426   |

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|   |                |                  |                  |                  |                  |                  |                  |
|---|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
|   | Sub-Total      | 22,828           | 23,330           | 23,885           | 22,893           | 35,016           | 36,730           |
| <b>Overseas Operations</b>                                | The Americas   | 2,131            | 1,781            | 2,123            | 1,566            | 1,210            | 3,515            |
|   | Asia and       |                  |                  |                  |                  |                  |                  |
|   | Oceania        | 4,204            | 9,735            | 2,446            | 1,463            | 5,679            | 4,229            |
|   | Europe         | (258)            | (1,641)          | 454              | 193              | 255              | 770              |
|   | Sub-Total      | 6,077            | 9,875            | 5,023            | 3,222            | 7,144            | 8,514            |
| <b>Total Segment Profits (Income before Income Taxes)</b> |                | <b>28,905</b>    | <b>33,205</b>    | <b>28,908</b>    | <b>26,115</b>    | <b>42,160</b>    | <b>45,244</b>    |
| <b>Operations in Japan</b>                                | Corporate      |                  |                  |                  |                  |                  |                  |
|   | Financial      |                  |                  |                  |                  |                  |                  |
|   | Services       | 1,910,425        | 1,845,251        | 1,878,794        | 1,806,686        | 1,841,124        | 1,878,231        |
|   | Rental         |                  |                  |                  |                  |                  |                  |
|   | Operations     | 142,189          | 140,987          | 141,932          | 147,231          | 143,350          | 148,535          |
|   | Real           |                  |                  |                  |                  |                  |                  |
|   | Estate-Related |                  |                  |                  |                  |                  |                  |
|   | Finance        | 932,999          | 879,964          | 901,501          | 909,019          | 929,378          | 944,867          |
| Real Estate   | 295,663        | 275,967          | 283,227          | 309,558          | 315,257          | 321,126          |                  |
| Life Insurance  | 592,987        | 570,013          | 533,708          | 582,473          | 561,819          | 565,021          |                  |
| Other   | 395,184        | 406,076          | 412,459          | 412,505          | 419,110          | 421,744          |                  |
|   | Sub-Total      | 4,269,447        | 4,118,258        | 4,151,621        | 4,167,472        | 4,210,038        | 4,279,524        |
| <b>Overseas Operations</b>                                | The Americas   | 604,167          | 541,036          | 517,134          | 472,595          | 451,032          | 446,231          |
|   | Asia and       |                  |                  |                  |                  |                  |                  |
|   | Oceania        | 461,345          | 434,584          | 419,775          | 413,041          | 412,171          | 442,765          |
|   | Europe         | 70,657           | 64,524           | 57,298           | 56,634           | 55,550           | 56,661           |
|   | Sub-Total      | 1,136,169        | 1,040,144        | 994,207          | 942,270          | 918,753          | 945,657          |
| <b>Total Segment Assets</b>                               |                | <b>5,405,616</b> | <b>5,158,402</b> | <b>5,145,828</b> | <b>5,109,742</b> | <b>5,128,791</b> | <b>5,225,181</b> |