

ANNUAL REPORT 2001

ORIX Corporation

ORIX'S PRINCIPAL OPERATIONS

Direct Financing Leases

- Information-Related and Office Equipment
- Industrial Equipment
- Construction and Civil Engineering Machinery
- Commercial Services Equipment
- Automobiles
- Marine Vessels
- Aircraft

Operating Leases

- Measuring and Analytical Equipment
- Information-Related Equipment
- Automobiles
- Marine Vessels
- Aircraft
- Real Estate

Installment Loans

- Corporate Finance
- Housing Loans
- Card Loans

Real Estate Related Business

- Subdivision Operations and Development
- Rental Property Management
- Golf Course Management
- Lodging Facility Management
- Commercial Facility Management
- Real Estate Related Finance

Other Operations

- Investment Banking
- Life Insurance
- Securities Brokerage
- Trust and Banking
- Securities Investment
- Venture Capital Investment
- Commercial Mortgage Servicing
- Personal Financial Services (PFS)
- Futures and Options Trading
- Commodities Funds
- Insurance Agency
- Computer Software Development
- Manufacturing and Sales of Interior Furnishings
- Environmental Services
- Professional Baseball Team

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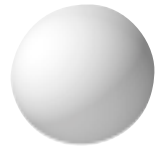
FINANCIAL HIGHLIGHTS

ORIX Corporation and Subsidiaries Years Ended March 31, 1999, 2000 and 2001

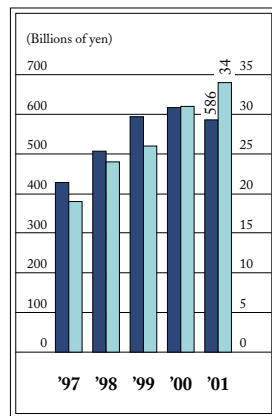
	Millions of yen			Millions of U.S. dollars
	1999	2000	2001	2001
Total revenues.....	¥ 593,941	¥ 616,513	¥ 586,149	\$ 4,731
Income before income taxes	27,315	52,048	59,236	478
Net income.....	25,621	30,642	34,157	276
Per share data (in yen and dollars):				
Net income:				
Basic.....	¥ 330.43	¥ 385.27	¥ 417.77	\$ 3.37
Diluted.....	330.43	377.02	400.99	3.24
Cash dividends.....	15.00	15.00	15.00	0.12
Book value	4,232.02	5,199.12	5,646.11	45.57
Shareholders' equity.....	¥ 327,843	¥ 425,671	¥ 461,323	\$ 3,723
Total assets.....	5,347,636	5,341,542	5,591,311	45,128

Notes: 1. The Japanese yen and U.S. dollar amounts are in millions of yen and millions of U.S. dollars, respectively, except for per share data.
 2. The dollar amounts above and elsewhere in this report represent translations of Japanese yen at an exchange rate of ¥123.9 to US\$1. All dollar amounts in this report refer to U.S. currency.
 3. Per share data were adjusted for a stock split retroactively.

ORIX—Leading Financial Services Company

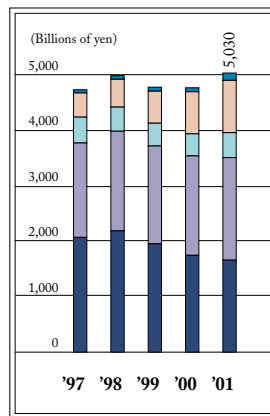


Total Revenues & Net Income



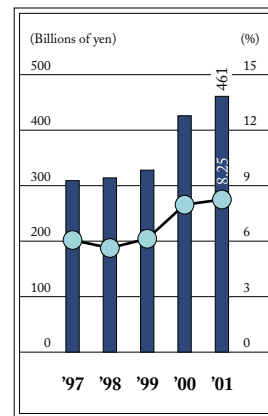
■ Total Revenues (left)
 ■ Net Income (right)

Operating Assets



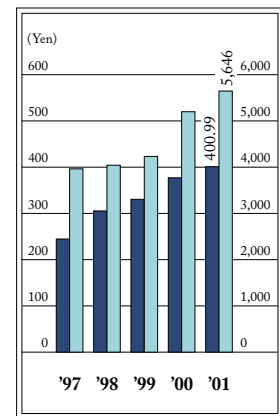
■ Direct Financing Leases
 ■ Installment Loans
 ■ Operating Leases
 ■ Investment in Securities
 ■ Other Operating Assets

Shareholders' Equity & Ratio of Shareholders' Equity to Total Assets



■ Shareholders' Equity (left)
 ● Ratio of Shareholders' Equity to Total Assets (right)

Net Income per Share (Diluted) & Book Value per Share



■ Net Income per Share (Diluted) (left)
 ■ Book Value per Share (right)



Yoshihiko Miyauchi,
Chairman and CEO

I am pleased to report on ORIX Corporation's consolidated performance during the fiscal year ended March 31, 2001, as well as on the Company's business strategies and prospects.

As of April 1, 2000, I assumed the positions of chairman and chief executive officer (CEO), while Yasuhiko Fujiki became president and chief operating officer (COO). At the same time, Yoshiaki Ishida and Shunsuke Takeda were appointed vice chairman and deputy president, respectively.

Although I will continue to be ORIX's chief executive, the COO is taking responsibility for day-to-day operations and I can now devote most of my energy to strategic issues and the resolution of major problems. I thus expect the new management structure to make ORIX even more adept at capitalizing on growth opportunities. The Company's performance during the new management team's first year is summarized in the following section of this message.

SUMMARY OF CONSOLIDATED PERFORMANCE

- Net income reached the record-high level of ¥34,157 million (\$276 million), up 11.5% from fiscal 2000, representing the sixth consecutive rise in the Company's annual earnings.
- Consolidated net income per share on a fully diluted basis attained an all-time high of ¥400.99 (\$3.24), up 6.4%, while book value per share was ¥5,646.11 (\$45.57), up 8.6%.
- The shareholders' equity ratio increased from 8.0% to 8.3%, although return on equity (ROE) dipped slightly from 8.1% to 7.7%.

Looking at performance by region, the profitability of foreign operations declined, reflecting lower earnings in our U.S. operations. In particular, a U.S.-based subsidiary engaged in the finance leasing of transportation and other equipment recorded a loss for the year. That company's potentially problematic transactions were identified at an early stage and prompt countermeasures were taken, but the repercussions of weaker economic conditions spread quite rapidly and resulted in an increase in nonperforming assets. ORIX has already comprehensively responded to this situation through the provision of reserves to cover problem assets, substantial personnel and expense-related reforms, and revisions of relevant business models. We therefore anticipate that the subsidiary will soon become a major source of consolidated profits again.

Thanks to the strong performance of domestic operations to offset the drop in earnings overseas, ORIX was able to achieve double-digit growth in consolidated net income. The Company's high level of profitability in Japan stems largely from some strategic adjustments we have made to our previous business models. In response to shrinking profit margins and rising credit risks in direct financing leases, for example, ORIX increased the rigor of its credit evaluation standards and concentrated greater resources in more profitable operating leases. Moreover, in light of the future potential of real estate financing in Japan, we have added staff with specialized skills and other

management resources in this field. Our domestic operations have become able to generate a high level of profits largely owing to the deliberate changes we have made to our domestic profit structure.

During the last few years, when ORIX was still tentatively experimenting with improved business models for its domestic operations, the Company benefited greatly from the robust profitability of its U.S. activities. In line with our expectations, the geographical diversification of our business portfolio has helped us attain solid and balanced growth despite the challenging business environment in recent years.

ORIX's ROE for fiscal 2001 was 7.7%, down from 8.1% in fiscal 2000. As mentioned, the Company generated a record-high level of net income, up a robust 11.5%. However, reflecting factors that include a rise in accumulated other comprehensive income, average shareholders' equity rose 17.7%. ORIX constantly strives to increase shareholder value, so the decline in ROE was one less favorable aspect of an overall good year and we will strive to achieve a resumed uptrend in ROE in the future.

STRATEGIC DIRECTIONS

Emphasis on Shareholder Value

I expect increasingly strong calls for shareholder-oriented capitalism, according to which management decisions are made based on a perspective that emphasizes shareholder benefits.

ORIX has long sought to achieve sustainable growth and maximize shareholder value over the long run. This objective is reflected in our use of such indicators as ROE and ORIX Value Added (OVA) to promote efficient capital usage and raise profitability. I have frequently referred to my desire to benefit shareholders primarily by striving to ensure that ORIX will grow in a dynamic and sustained manner over the medium-to-long term. I hope that ORIX shareholders will be motivated less by desires for short-term, speculative gains than by expectations that the Company will efficiently allocate capital so as to sustain medium-to-long-term growth.

Moreover, to effectively pursue such medium-to-long-term growth in ORIX's operations and maximize shareholder value, I believe it is crucial to obtain the understanding and cooperation of customers, associated financial institutions, collaborating companies, the Company's management and employees, and society at large.

Core Business

Among the prospective trends that we face in business today, the progressive shift to more dynamic market economies and the information technology (IT) revolution merit close attention.

The dynamism of global competition is forcing companies to increase their specialization by selectively concentrating their resources in strategic fields. After distinguishing between the areas in which they are strong and those in which they are weak, companies have to progressively focus on their core capabilities.

In order to generate profits over the medium-to-long term, management must continually make far-sighted investments in new growth fields. To reduce the risks associated with such investments, companies should choose strategic growth fields in which they can draw on their previously developed know-how and marketing networks or other existing corporate strengths. The actual execution of investment plans should proceed carefully, while management confirms the investment's success from various perspectives, always keeping in mind the potential need for strategic adjustments or an expeditious withdrawal from the new field.

ORIX is currently engaged in diverse business fields, ranging from corporate and retail finance to waste management. However, this business portfolio has taken shape through a coherent process of evolutionary growth that resulted from our specialization in financial services. Over the years, the Company has gradually broadened its operational scope on those occasions when it was advantageous or necessary to expand the core business into adjacent fields.

ORIX's core business has been financial services since our establishment. We are continuing to invest the bulk of our resources in this area, which will remain our core business in the future.

ORIX has been able to integrate IT into its operations and is pursuing many more possibilities to leverage IT to expand existing and new businesses.

Employing the abundant credit evaluation know-how that we have accumulated in leasing operations, ORIX is providing credit evaluation and settlement services for business-to-business (B-to-B) electronic commerce, and we expect to become increasingly strong in this area. We are also making increasing use of IT with respect to ORIX's products marketed to individuals. For example, we are promoting our online securities brokerage, organizing Internet-based vehicle auctions that make use of the independent maintenance facility network originally created for automobile leasing operations, and allowing customers to make rent-a-car reservations over the Internet.

ORIX's Evolution during the 21st Century

The ten years of Japanese economic history following the collapse of the "bubble economy" in the early 1990s are referred to as the "lost decade," and the 21st century has begun on the same note. There are still no signs of an escape from economic stagnation, and generating profits amid these deflationary conditions is not easy.

On the other hand, ORIX has been able to sustain a rise in its profitability for several years despite the stagnant macroeconomic conditions. As long as ORIX maintains a good understanding of its special positioning and perseveres with efforts to reinforce its strengths, I am confident that we can seize the numerous business opportunities that are close at hand.

ORIX's characteristic strengths were manifested in its behavior during the postbubble portion of the 1990s. Specifically, the Company followed very stringent credit evaluation standards and devoted considerable energy to the task of recovering its existing problem assets. At the same time, ORIX moved quickly and effectively to increase provisions and write

off nonperforming assets. These initiatives laid the basis for our current solid financial position, and we remain committed to management policies that emphasize sustaining the soundness of our finances.

Displaying a similarly resolute adherence to sound management principles, ORIX has firmly refused to participate in futile competition involving reductions of lease fees to unprofitable levels, which was widespread in Japanese leasing markets during the 1990s. This stance is another key factor underlying ORIX's current superior position, and the Company will continue to implement management policies that consistently emphasize profitability.

ORIX's president and COO, Yasuhiko Fujiki, recently described the Company's management principles to his fellow corporate officers as follows:

ORIX has at least four key strengths.

First is ORIX's corporate culture, which fosters an originality and uniqueness that is truly ORIX.

Second is ORIX's emphasis on accurately assessing customer needs and doing what it takes to satisfy those requirements.

Third is ORIX's huge client base of roughly 500,000 companies throughout Japan.

Fourth is ORIX's product development capabilities, diverse types of specialized expertise, and broad lineup of innovative products and services, which facilitate our cross-selling activities.

All these strengths are dynamic rather than static. By continually reinforcing and building on these strengths, we aim to become an even stronger and better ORIX.

I am in complete agreement with Mr. Fujiki's ideas, and I think he has described ORIX's strengths and competitive advantages very clearly.

In 1998, ORIX articulated its basic philosophy and strategies in the form of a package of policy statements referred to as EC21, which was designed to help promote our continued dynamic development as an excellent company during the 21st century. A central theme of EC21 is the importance of becoming

an even stronger and better ORIX by continually accentuating our strengths.

As stated in EC21:

ORIX seeks to contribute to society through its sophisticated and global financial services by constantly anticipating market needs to offer new and innovative products that create real and lasting value for our customers.

We remain true to this corporate vision as we progress into the 21st century.

I would like to express my gratitude to shareholders, customers, financial institutions, other business partners, employees, and the many other people and entities that cooperated with and supported ORIX during the fiscal year. I look forward to your continued support and advice in the future.

April 27, 2001

Yoshihiko Miyauchi,
Chairman and CEO

1

ORIX's Executive Officer System



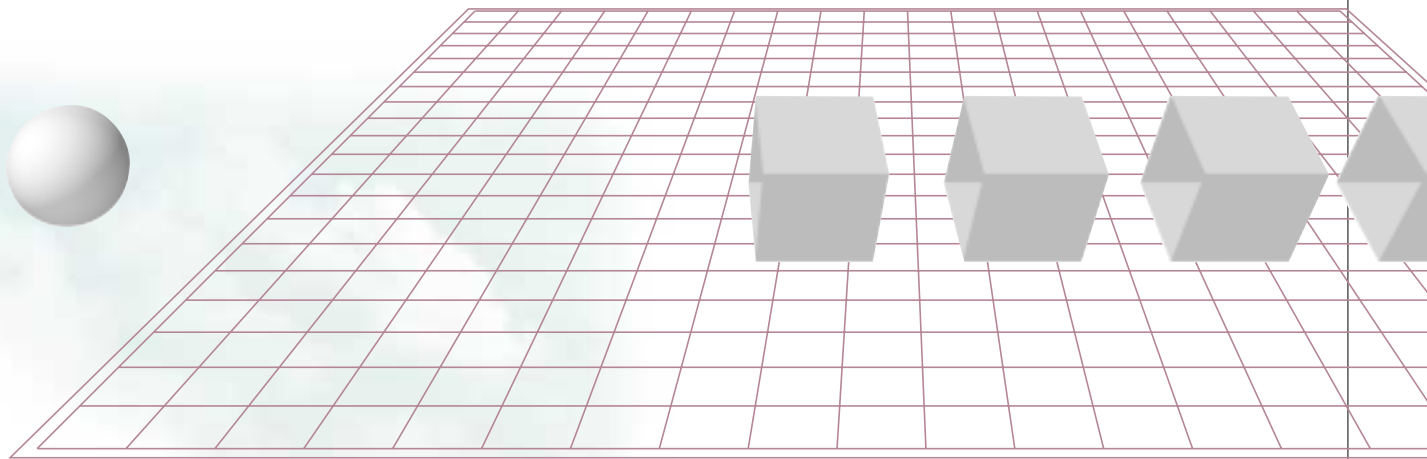
COORDINATING A BROAD RANGE OF OPERATIONS

Since its establishment in 1964, ORIX has consistently anticipated change to create innovative products and services while remaining unrestricted by existing regulatory frameworks. After establishing a strong core in the leasing business, the Company has drawn on the technologies and know-how derived from such activities to steadily expand its operational scope by launching one additional business after another in related financial services. ORIX provides corporate customers with direct financing leases for many types of products, such as office automation (OA) equipment, computers and other IT products, machine tools and other manufacturing equipment, retailing and service facilities, and transportation equipment, as well as operating leases for measuring and transportation equipment, and personal computers. We have also extended our operations over the years to include corporate and retail lending, real estate finance and development, investment banking, life insurance, securities brokerage, and trust banking to become a leading diversified financial services company.

Individual divisions and subsidiaries have responsibility for seeking profits in these various business fields based on their own strategies, but top management also holds monthly strategy meetings with each subsidiary or division to comprehensively examine operations and make adjustments to help maximize the overall utility of management's resources. In addition to the discussions of strategies to boost the profitability of individual business units, the meetings promote synergy and the creation of efficient organizational systems within the Company. The meetings have become an indispensable means of supporting ORIX's consolidated management policies.

OPERATIONAL EXECUTION BASED ON MONTHLY STRATEGY MEETINGS

ORIX has maintained its monthly strategy meeting system for approximately 20 years. The executive officers of each parent company division and subsidiary attend these meetings monthly. The number of participants is restricted so that the CEO, COO, and other top managers can obtain detailed information from each executive officer and then quickly and carefully judge whether the individual items are in line with the Company's policy of selectively concentrating assets in strategic business fields.



The monthly meetings begin with quantitative reports of figures related to target attainment and the monthly financial accounts of the division or company in question. This provides for the monitoring of progress in implementing strategic management plans and attaining performance targets. Reports are then presented on current and future projects, market trends, and other issues that can be expected to exert a noteworthy influence on the particular business unit's profitability. The issues are considered from a number of perspectives, and concrete proposals are made to achieve appropriate solutions.

Besides evaluating how each business unit's situation relates to that particular unit itself, due consideration is given to the division's position within ORIX. The monthly meetings play an extremely important role in management's decisions regarding the maximization of synergies within the Company. Based on thorough consideration of all current issues, for example, the meetings help top managers make decisions on the consolidation of operations that are duplicated within different units, the formation of teams of specialists from several units to establish new businesses, and other issues that affect the Group as a whole.

In this way, ORIX regularly examines the profit prospects of its diverse operations as well as the viability of new business initiatives reported from the front lines of each operating unit. Matters that are considered vitally important are first considered at the monthly meetings and then presented to the Board of Directors for approval.

The monthly meetings have become a principal means of determining the direction of ORIX's management strategies. They also represent an important executive organization that has proven itself capable of enabling expeditious implementation of strategic decisions. ORIX is confident that this system will continue to contribute to increases in profitability in the future.



2

ORIX's Marketing System



MARKETING VIA CREATIVE PROPOSALS

The relationship between ORIX and its clients starts from the financial information ORIX receives from its customers. When a new lease is considered, for example, ORIX obtains the customer's financial statements and various other materials for credit evaluation purposes. These materials are an important part of credit evaluation, but, during the process of analysis, many issues become evident that the customer himself may not have previously noticed.

For example, customers seeking to meet their funding requirements with leases sometimes have highly valuable receivables and other assets that can be liquidated. In such cases, ORIX's marketing staff will propose that the customer generate the funds needed by securitizing receivables and obtaining a financing lease. In other cases, when a balance sheet examination shows that a customer owns a large number of motor vehicles, the marketing staff may propose an automobile lease package that will enable the outsourcing of complicated vehicle administration tasks to reduce fleet management costs.

Besides meeting customers' existing needs, ORIX's creative proposal-based marketing strategy calls for proactively creating and offering products that satisfy latent and future needs.

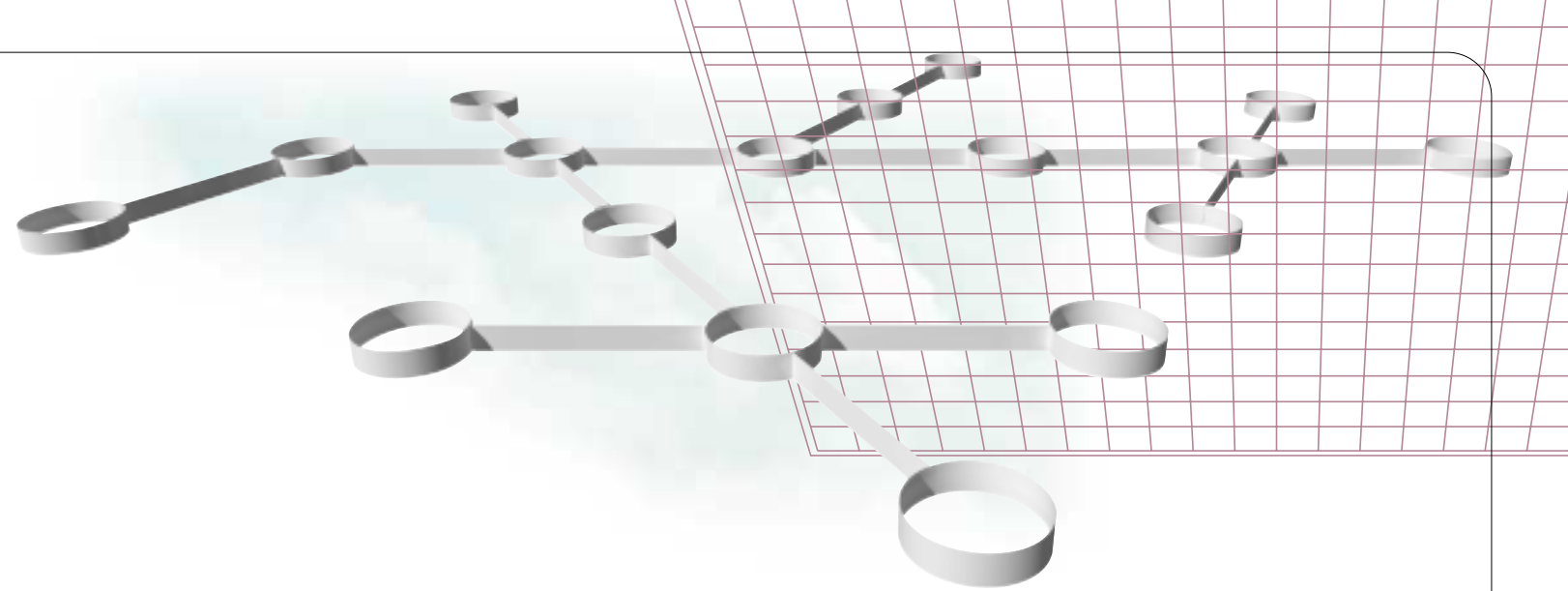
ORIX has built up a domestic marketing network of approximately 500,000 companies that are mostly small and medium-sized businesses. ORIX's nationwide marketing network encompasses 577 branches and offices that represent a solid base for cross-selling activities and the launch of diverse businesses in every corner of Japan.

Having engaged in leasing since its establishment, ORIX is finding such business to be increasingly important as a door opener for cross-selling activities involving ORIX's broad range of financial products and services.

CROSS-SELLING

In its creative proposal-based marketing activities, ORIX presents existing leasing clients with cross-selling marketing proposals on the products most appropriate for that particular customer's evolving business operations. Such cross-selling is a distinctive characteristic of our domestic marketing activities and helps rapidly provide customers with the optimal products and services for their needs while also enabling us to efficiently broaden our marketing scope.

Illustrating the power of cross-selling is the fact that approximately 34% of the roughly 74,000 vehicles provided by ORIX Auto Leasing Corporation (OAL) via new lease



contracts during fiscal 2001 were supplied to customers that already had contracts for ORIX's other products or services. Similarly, existing customers accounted for about 56% of the annualized premium value of new contracts arranged during fiscal 2001 by ORIX Life Insurance Corporation (OLI).

Another factor facilitating ORIX's cross-selling strategy is the specialized expertise and capabilities for developing innovative products possessed by such subsidiaries as OAL and ORIX Rentec Corporation (ORC) and divisions like the Investment Banking Headquarters and Real Estate Finance Headquarters. Marketing staff provide these specialized units with detailed information on the latest trends in market demand, while the specialists develop products to meet specific customer needs and give advice on how the marketing staff can propose these products to clients. Representatives of the specialized units frequently accompany marketing staff on visits to customers in order to directly explain proposals. Besides fostering increasingly strong bonds of trust between ORIX and its client base, this marketing system has allowed the Company to gather crucial information needed to upgrade its products and services.

This marketing system is also made possible by each ORIX marketing staff member's high level of specialized expertise regarding our diverse products. Marketing staff continually work to upgrade their abilities, and they obtain specialized information and expertise through sales work performed cooperatively with specialists within ORIX as well as through participation in product explanation meetings organized by these specialists.

Moreover, ORIX actively supports the efforts of employees to gain official qualifications, such as licenses to become life and casualty insurance agents, and approximately 2,500 ORIX employees are presently officially qualified as insurance agents. We are also proactively hiring mid-career specialists with the abundant experience that we require. To ensure that ORIX can respond deftly to rapid changes in its financial service operations, we are constantly endeavoring to upgrade the specialized skills of our employees.

Aiming to further increase the effectiveness of its cross-selling activities, ORIX is also building marketing knowledge systems that facilitate the sharing of marketing know-how. These systems have enabled greater sharing of the specialization that each individual salesperson possesses. The amalgamation of this information helps the development of more advanced specialization and creates new types of value for our customers.

SALES TARGET MANAGEMENT BASED ON PRODUCT PROFITABILITY

The sales targets of ORIX's marketing departments are based on the profitability of individual products. To boost profitability, each marketing department establishes annual targets for the composition of products and services sold and revenue targets based on due consideration of the distinctive market characteristics and constantly changing customer needs.

Seeking to attain their profit-oriented targets, each marketing department proactively presents its customers with proposals on lease and loan products as well as auto leasing, measuring instrument rental, and ORIX's services for arranging reliable and safe waste processing. Each department handles an extremely wide range of products developed by ORIX's specialized teams. The products can be combined in an unlimited variety of packages, but, regardless of what products are handled, each marketer is constantly aware that the presentation of proposals that accurately target customer needs is the key to attaining sales targets. Because the profit-based sales targets are not biased toward any particular product—except insofar as relatively profitable products are more heavily weighted—marketers are encouraged to creatively choose the most appropriate products for inclusion in marketing proposals and to emphasize the cross-selling of high-value-added products.

As the degree of profit target attainment is a factor in departmental and individual performance evaluations, ORIX's sales target system has encouraged each marketing staff member to consistently emphasize profitability when drafting sales proposals and enthusiastically promote newly developed strategic products.

KNOWLEDGE MANAGEMENT

ORIX has identified its knowledge management system as an important means of promoting more dynamic cross-selling activities. The marketing know-how and other knowledge gained by marketing staff in the course of their daily work is a shared asset that can be broadly utilized throughout the ORIX Group. The Company's knowledge management system is making it possible to develop diverse value-added products based on the synthesis of knowledge from different fields. Previously, the knowledge reported by each marketing department was gathered together in pamphlets for distribution throughout the Company. Since 1997, however, we have incorporated this knowledge into an IT-based marketing support system. As a result, the system allows a quicker and more efficient means to disseminate knowledge among all employees.

The knowledge management system contains diverse information, such as examples of successful customer development, the marketing of new products, the use of new methods to market conventional products, information on trends in customer needs, and information on market trends. Moreover, rather than focusing exclusively on success stories, the system includes many examples of problems along with the relevant marketer's analysis of factors underlying the problems. To encourage marketers to actively share their knowledge through the system, a voting-based appraisal system for rating contributions has been created. The failure stories are consistently among the highest ranking contributions, which attests to their particular high value.

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Seeking Additional Specialized Capabilities

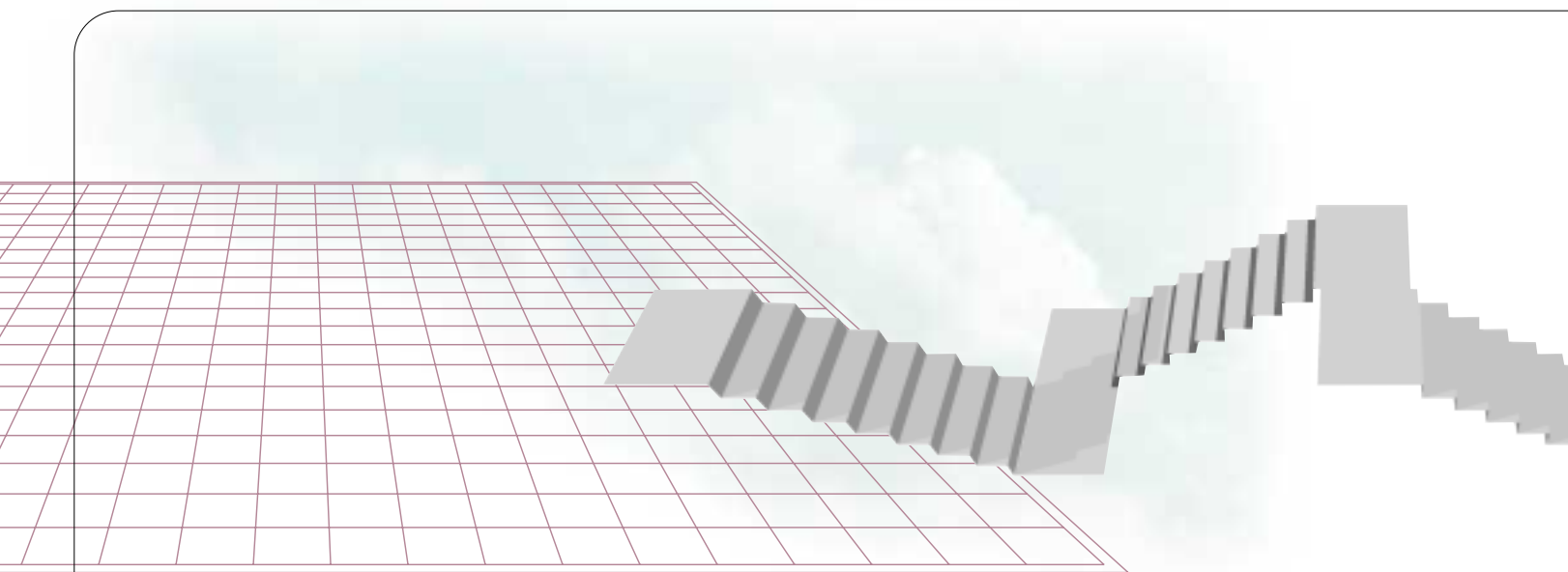
BOOSTING PROFITABILITY THROUGH GREATER SPECIALIZATION

Deregulation in Japan has resulted in a much more dynamic market environment that is expected to bring on an era of major changes in ORIX's principal businesses. To ensure that it can sustain its superior position in financial services while boosting profitability, ORIX is working to augment its specialized capabilities and seize the business opportunities presented during this transformation. For example, ORIX has reorganized its Investment Banking Headquarters and Real Estate Finance Headquarters to ensure that the extensive experience and sophisticated know-how gained over many years can be effectively utilized to develop and provide value-added and specialized services.

INVESTMENT BANKING HEADQUARTERS

In August 2000, ORIX reorganized its Investment Banking Headquarters, aiming to initiate an additional business development program that will further increase the headquarters' profitability. The headquarters has continued to engage in various existing businesses that require highly specialized skills and experience, such as aircraft and ship finance. Moreover, as a result of the reorganization, a number of small units with investment banking functions that had been scattered throughout the ORIX Group were brought together and consolidated within the Investment Banking Headquarters, broadening the scope and boosting the level of the headquarters' specialized capabilities. At the same time, the organization of the headquarters was also radically reformed. The traditional structure based on departments and sections was eliminated and replaced with a more flexible organization that allows for the reassignment of staff to different tasks in line with changes in work volumes. The new organization facilitates the synthesis of a variety of expertise required for the creation of innovative financial products and services.

Having entered such fields as commodities funds, securitization of lease receivables, and acquisition of leases and other assets in advance of competing companies, ORIX has moved to make fuller use of the experience and know-how it has gained in such fields by organizing a Financial Products Team and Asset Finance Team within the Investment Banking Headquarters. The Financial Products Team, which has specialized experience in organizing and marketing commodities funds, is developing a variety of financial products that respond to new funding and fund management needs. The Asset Finance



Team is focusing on providing assistance to customers seeking to issue asset-backed securities and is working to acquire leasing and other assets for ORIX.

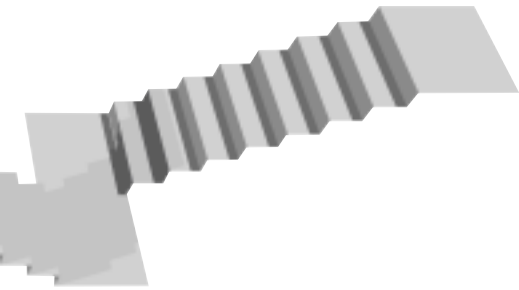
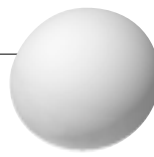
ORIX's operations previously centered on such debt finance business as leasing and corporate finance, but the Company has recently become a more active participant in M&A transactions and equity investments. To make better use of the experience gained in such new businesses, it has established a Principal Investment Team that provides a full range of services related to initial public offerings (IPOs) and management buyouts (MBOs). ORIX is able to use its extensive network to seek out investment opportunities and provide know-how, information, and personnel to help increase the market value of companies in which we invest. Through these operations, we are seeking to earn fee income and realize capital gains, particularly when the companies publicly list their shares or are sold off to third parties.

The recent reorganization of the Investment Banking Headquarters was designed to promote a rise in the sophistication, specialization, and consolidation of the capabilities of ORIX's operations. ORIX does not intend to focus on all aspects of investment banking but instead specialize in areas to leverage its particular strengths.

REAL ESTATE FINANCE HEADQUARTERS

ORIX initiated real estate related operations in the 1980s, beginning with the provision of housing loans to individuals and various types of real estate financing to companies. Subsequently, the Company greatly expanded the scope of its real estate related operations to include commercial-use real estate development and administration, condominium development, real estate dealing and brokering, office building leasing, and other operations. To further augment such specialized domestic capabilities, we established the Real Estate Finance Headquarters in March 1999 and simultaneously established a subsidiary, ORIX Real Estate Corporation, to take responsibility for all nonfinance business involving real estate.

Rather than undertake traditional collateral-based financing business, the Real Estate Finance Headquarters is expanding its financing operations while emphasizing cash flow generated from real estate. For example, the headquarters is offering nonrecourse loans for such rental properties as apartments, offices, and commercial buildings as well as



condominium development projects. Because income from the rental or sale of the properties in question is the only source of funds for payments of interest and principal on nonrecourse loans, the headquarters assumes a portion of the risk of real estate management and development when it provides such loans but is able to earn arrangement fees and set interest rates relatively high. This entails detailed prior study and evaluation of real estate assets, and it therefore requires a broad knowledge of both finance and real estate. ORIX has outstanding expertise in both these fields and is well positioned to make use of its broad range of strengths in such businesses.

In October 2000, ORIX arranged a large-scale issue of commercial mortgage backed securities (CMBSs) based on nonrecourse loans secured with 41 separate office buildings, condominiums, and other real estate assets. The diverse nature of the real estate assets enabled the reduction of risks faced by CMBS investors due to the dispersal of risks among different borrowers as well as properties with various locations, applications, and lessees. This was the first U.S.-style CMBS issue involving multiple borrowers and properties to be arranged in Japan. We have been active in CMBS-related business in the United States for many years, and we are making considerable use of the precious experience and know-how of ORIX Real Estate Capital Markets, LLC, a U.S.-based subsidiary that is a leader in this market.

ORIX has also progressively acquired office buildings, condominiums, and other investment properties for use in creating real estate investment trusts (REITs), which are common in the United States and Europe, while giving due emphasis to the profitability of the properties.



① Performance Summary

● Despite a decrease in direct financing leases, ORIX's consolidated operating assets surpassed the ¥5 trillion mark for the first time, up 5.6%—or ¥264.7 billion—from the previous year, to ¥5,029.6 billion (\$40,594 million), reflecting growth in investment in securities, installment loans, and operating leases.

● Increases were recorded in operating lease revenues, interest on loans and investment securities, and other operating revenues that include condominium developments. However, declines in direct financing lease revenue and life insurance premiums and related investment income caused ORIX's total revenues to decrease 4.9%, or ¥30,364 million, to ¥586,149 million (\$4,731 million).

● Operating lease depreciation expense and other operating expenses grew commensurately with growth in revenues, while life insurance costs fell in line with lower revenues. A rise in the number of companies within the scope of consolidation brought an increase in selling, general and administrative (SG&A) expenses. However, the Company's efforts to reduce funding costs decreased interest expense. Thus, total expenses fell 6.1%, or ¥34,626 million, to ¥529,001 million (\$4,270 million).

● Consequently, income before income taxes grew 13.8%, to ¥59,236 million (\$478 million). Net income increased for the sixth consecutive fiscal year, rising 11.5%, to the record level of ¥34,157 million (\$276 million).

Revenues and Expenses

(Millions of yen)

	2000	2001	Change	Percent change
Total revenues.....	¥616,513	¥586,149	¥(30,364)	(4.9)
Direct financing leases.....	130,798	122,003	(8,795)	(6.7)
Operating leases.....	100,503	113,478	12,975	12.9
Interest on loans and investment securities.....	97,390	109,448	12,058	12.4
Life insurance premiums and related investment income.....	205,829	158,314	(47,515)	(23.1)
Total expenses.....	563,627	529,001	(34,626)	(6.1)
Interest expense.....	115,038	109,289	(5,749)	(5.0)
Life insurance costs.....	193,664	143,709	(49,955)	(25.8)
Selling, general and administrative expenses.....	90,961	101,156	10,195	11.2
Net income.....	30,642	34,157	3,515	11.5

Assets

(Millions of yen)

	2000	2001	Change	Percent change
Investment in direct financing leases.....	¥1,744,953	¥1,657,709	¥(87,244)	(5.0)
Installment loans.....	1,791,439	1,846,511	55,072	3.1
Investment in operating leases.....	397,576	451,171	53,595	13.5
Investment in securities.....	758,381	942,158	183,777	24.2
Other operating assets.....	72,472	132,006	59,534	82.1
Total operating assets.....	4,764,821	5,029,555	264,734	5.6
Other.....	576,721	561,756	(14,965)	(2.6)
Total assets.....	<u>¥5,341,542</u>	<u>¥5,591,311</u>	<u>¥249,769</u>	4.7

New Business Volumes

(Millions of yen)

	2000	2001	Change	Percent change
Direct financing leases (new equipment acquisitions)	¥905,898	¥723,330	¥(182,568)	(20.2)
Installment loans	807,477	740,639	(66,838)	(8.3)
Operating leases	101,020	143,158	42,138	41.7
Investment in securities	333,249	397,218	63,969	19.2
Other operating assets	70,443	128,984	58,541	83.1

② Operating Results

(1) Operating Revenues

● Total revenues declined ¥30,364 million, or 4.9%, to ¥586,149 million (\$4,731 million). This was principally attributable to a ¥47,515 million drop in life insurance premiums and related investment income and an ¥8,795 million fall in revenues from direct financing leases, which were partially offset by increases of ¥12,975 million in operating leases, ¥12,058 million in interest on loans and investment securities, and ¥9,922 million in other operating revenues.

Direct Financing Leases—Revenue from direct financing leases decreased 6.7%, to ¥122,003 million (\$985 million). This decrease was due to a drop in the balance of investment in direct financing leases, which resulted from the securitization of lease assets, and from a decline in the level of new contracts compared with the previous fiscal year.

● The balance of investment in direct financing leases decreased 5.0%, to ¥1,657.7 billion (\$13,379 million). Continuing asset securitization programs begun previously, the Company securitized ¥167.8 billion of domestic and ¥17.1 billion of overseas leasing assets during the year under review. These securitization transactions, accounted for as off-balance sheet assets, were a factor in reducing the balance of direct financing leases. In Japan, the robust development of automobile leasing business led to an increase in the balance of transportation equipment leases, but the slackness of private-sector capital investment and the Company's highly selective approach to new domestic leasing contracts and emphasis on profitability over asset growth caused the overall balance of domestic leasing contracts to decline. The balance of overseas leasing contracts also decreased, owing to the deceleration of economic growth in the United States.

Investment in Direct Financing Leases

(Millions of yen)

	2000	2001	Change	Percent change
Information-related and office equipment	¥ 373,281	¥ 334,174	¥(39,107)	(10.5)
Industrial equipment	394,581	372,542	(22,039)	(5.6)
Commercial services equipment	194,809	193,624	(1,185)	(0.6)
Transportation equipment	398,521	415,246	16,725	4.2
Other	383,761	342,123	(41,638)	(10.8)
Total	<u>¥1,744,953</u>	<u>¥1,657,709</u>	<u>¥(87,244)</u>	<u>(5.0)</u>

Operating Leases—The continued strength of IT-related investment in Japan supported strong growth in the rental of measuring and information-related equipment, and higher utilization rates. Regarding office building and commercial real estate leasing business, proactive investments in new

properties contributed to overall growth in related leasing revenues. Consequently, revenue from operating leases advanced 12.9%, to ¥113,478 million (\$916 million). The balance of investment in operating leases increased 13.5%, to ¥451,171 million (\$3,641 million).

Investment in Operating Leases

(Millions of yen)

	2000	2001	Change	Percent change
Transportation equipment	¥159,548	¥165,218	¥ 5,670	3.6
Measuring equipment and personal computers	58,431	77,808	19,377	33.2
Real estate and other	179,597	208,145	28,548	15.9
Total	<u>¥397,576</u>	<u>¥451,171</u>	<u>¥53,595</u>	13.5

Interest on Loans and Investment Securities—Interest on loans and investment securities increased 12.4%, to ¥109,448 million (\$883 million). Regarding domestic lending, card loans to consumers grew robustly and made large contributions to rises in interest on loans and the balance of loan assets. The balance of overseas loans grew

5.8%. As a result, the total balance of ORIX's installment loans rose 3.1%, to ¥1,846.5 billion (\$14,903 million).

● The balance of investment in securities surged 24.2%, to ¥942,158 million (\$7,604 million), due to such factors as a rise in balance of assets under management at ORIX Life Insurance Corporation.

Installment Loans

(Millions of yen)

	2000	2001	Change	Percent change
Domestic borrowers:				
Consumers:				
Housing loans	¥ 396,748	¥ 392,896	¥ (3,852)	(1.0)
Card loans	121,272	181,215	59,943	49.4
Other	56,461	43,959	(12,502)	(22.1)
	<u>574,481</u>	<u>618,070</u>	<u>43,589</u>	7.6
Commercial:				
Real estate related companies	203,537	222,818	19,281	9.5
Commercial and industrial companies	657,355	627,252	(30,103)	(4.6)
	<u>860,892</u>	<u>850,070</u>	<u>(10,822)</u>	(1.3)
	<u>1,435,373</u>	<u>1,468,140</u>	<u>32,767</u>	2.3
Foreign commercial, industrial and other borrowers	337,754	357,446	19,692	5.8
Loan origination costs, net	18,312	20,925	2,613	14.3
Total	<u>¥1,791,439</u>	<u>¥1,846,511</u>	<u>¥55,072</u>	3.1

Investment in Securities

(Millions of yen)

	2000	2001	Change	Percent change
Trading securities	¥ 390	¥ 581	¥ 191	49.0
Available-for-sale securities	689,638	841,409	151,771	22.0
Held-to-maturity securities	11,404	13,005	1,601	14.0
Other securities	56,949	87,163	30,214	53.1
	<u>¥758,381</u>	<u>¥942,158</u>	<u>¥183,777</u>	24.2

Brokerage Commissions and Gains on Investment

Securities—Although the online trading business of ORIX Securities Corporation grew smoothly, the weakness of the Japanese stock market caused the overall level of brokerage commissions to increase only slightly. Income from the sale of investment in securities fell considerably. As a result, income from brokerage commissions and gains on investment securities dropped 38.8%, to ¥12,055 million (\$97 million).

Life Insurance Premiums and Related Investment

Income—The life insurance premiums and related investment income of ORIX Life Insurance Corporation decreased ¥47,515 million, or 23.1%, to ¥158,314 million (\$1,278 million), and life insurance costs fell approximately ¥50.0 billion. These drops were due to ORIX Life insurance's policy of emphasizing profitability as it devoted considerable energy to the marketing of such products as term and whole life insurance that produce lower revenues, but higher margins. Despite lower revenues, life insurance related investment income continued to be strong.

Other Operating Revenues—Revenues from the Company's condominium development business continued to rise, and the aggregate value of fee income from servicing and other businesses grew steadily. In addition, an increase in income from servicing by ORIX Real Estate Capital Markets, LLC in the United States enabled other operating revenues to advance 17.0%, to ¥68,331 million (\$552 million).

(2) Expenses

● Operating expenses generally moved in parallel with revenues for each business segment. In particular, the drop in life insurance costs and interest expense led to a decrease of 6.1% or ¥34,626 million in total expenses, to ¥529,001 million (\$4,270 million).

Interest Expense—As a result of effective control of market risks, such as interest rate and liquidity risks, by using our asset-liability management (ALM) system, we were able to respond quickly to changing market environments, and interest expense fell 5.0%, to ¥109,289 million (\$882 million).

Depreciation of Operating Leases—Reflecting a 41.7% rise in new investment in operating leases, depreciation of operating lease assets grew 12.5%, to ¥68,316 million (\$551 million).

Life Insurance Costs—Owing to the Company's emphasis on profitability in its marketing programs, life insurance costs decreased in line with a decrease in life insurance premiums, falling 25.8%, to ¥143,709 million (\$1,160 million).

Other Operating Expenses—Other operating expenses principally comprise the cost of sales for condominium marketing operations. Reflecting a rise in the costs associated with residential housing development, other operating expenses grew 13.8%, to ¥43,580 million (\$352 million).

SG&A Expenses—Employee salaries and other personnel expenses account for approximately half of SG&A expenses, and the remaining half consists of such general expenses as real estate rental, communications, and travel expenses.

- An increase in administrative expense to promote the expansion of its card loan business and a rise in the number of consolidated companies were the major factors in the 11.2% increase in SG&A expenses, to ¥101,156 million (\$816 million).

Provision for Doubtful Receivables and Possible Loan Losses

—In leasing operations, ORIX’s strategy to disperse risk by focusing on small-ticket leases has kept the incidence of doubtful receivables low and maintained a high degree of profitability, although the weakening of economic conditions in the United States kept past-due receivables to approximately the same level as in the previous year.

- In the installment loan business, the Company has carefully extended new loans based on strict credit evaluation standards, thereby expanding its portfolio of solid operating

assets. As a result, past-due receivables on installment loans declined.

- In light of the rising incidence of corporate and personal bankruptcies amid Japan’s protracted recession and the weakening of economic conditions in the United States, the Company strictly investigated asset recovery likelihoods. To provide sufficient reserves to cover doubtful receivables and possible loan losses, it added ¥44,584 million (\$360 million) to provisions charged to income in fiscal 2001.

- ORIX continued to use a portion of its reserves to write off problem assets, principally leasing assets in the United States. As a result, charge-offs of doubtful receivables on direct financing leases and possible loan losses amounted to ¥46,845 million (\$378 million).

- At period-end, the balance of allowance for doubtful receivables on direct financing leases and possible loan losses stood at ¥141,077 million (\$1,139 million), reflecting the effect of exchange rate changes. The ratio of this figure to the balance of direct financing leases and loans was 4.0%.

	(Millions of yen)	
	2000	2001
Allowance for Doubtful Receivables on Direct Financing Leases and Possible Loan Losses		
Beginning balance	¥ 132,606	¥ 136,939
Provisions charged to income	45,573	44,584
Charge-offs.....	(37,697)	(46,845)
Recoveries.....	354	539
Other*	(3,897)	5,860
Ending balance	¥ 136,939	¥ 141,077
Investment in direct financing leases and installment loans.....	¥3,536,392	¥3,504,220
Allowance for doubtful receivables on direct financing leases and possible loan losses/investment in direct financing leases and installment loans	3.9%	4.0%

*Other includes foreign currency translation adjustments and the effect of acquisitions.

Write-Downs of Long-Lived Assets—Based on FASB Statement No. 121 (“Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of”), the Company wrote-down its investments in operating leases as well as in certain real estate project assets included within other operating assets and advances.

Write-Downs of Securities—Having concluded that the current drop in the market price of certain securities was not temporary, the Company recorded a loss on the revaluation of such securities.

(3) Equity in Net Income (Loss) of and Gain (Loss) on Sales of Affiliates

● After realizing a loss on the disposal of equity investments in unprofitable affiliates during fiscal 2000, the Company’s equity in net income (loss) of and gain (loss) on sales of affiliates for the period improved greatly, from a loss of ¥838 million to a profit of ¥2,088 million (\$17 million).

③ Cash Flows

● Net cash provided by operating activities decreased 25.6%, to ¥237,122 million (\$1,914 million). This decrease reflected the Company’s heightened emphasis on profitability in its marketing operations, which slowed the rate of increase in policy liabilities.

● Net cash used in investing activities was ¥285,652 million (\$2,306 million), approximately the same level as in the previous fiscal year. While the rise in investment in lease equipment assets was less than in the previous fiscal year, greater

④ Segment Information

● At the end of fiscal 2001, ORIX had invested almost ¥3.8 trillion (\$30.4 billion), or approximately 73% of total segment assets, in domestic business segments, which generate a large share of the Company’s revenue and income before income taxes. Corporate finance is the largest of ORIX’s business segments, and the Company had invested almost ¥1.9 trillion (\$15.3 billion), or approximately 37% of total assets, in that segment.

(4) Provision for Income Taxes

● The fiscal 2001 provision for income taxes was calculated based on the normal income tax rate.

(5) Net Income

● Operating income totaled ¥57,148 million (\$461 million), up ¥4,262 million, or 8.1% from the previous fiscal year, and income before income taxes was ¥59,236 million (\$478 million), up ¥7,188 million, or 13.8%.

● Net income grew ¥3,515 million, or 11.5%, to ¥34,157 million (\$276 million), representing the sixth consecutive fiscal year of higher profits. As a result, net income per share on a diluted basis was ¥400.99 (\$3.24), up 6.4% from the previous year.

funds were required for insurance business-related securities investments as well as for REIT-related and other real estate acquisitions.

● Net cash used in financing activities was ¥64,620 million (\$522 million).

● Thus, cash and cash equivalents at the end of the fiscal year stood at ¥155,411 million (\$1,254 million), down ¥110,545 million.

● Regarding overseas business segments, the Company had invested more than ¥804.1 billion (\$6,490 million), or 16% of total segment assets, in the Americas; more than ¥402.7 billion (\$3,250 million), or 8%, in Asia and Oceania; and more than ¥158.6 billion (\$1,280 million), or 3%, in Europe.

Segment Profit (Loss)

(Millions of yen)

	2000	2001	Change	Percent change
Domestic Business Segments				
Corporate finance	¥40,918	¥44,427	¥ 3,509	8.6
Equipment operating leases	7,823	11,165	3,342	42.7
Real estate related finance	(3,415)	1,944	5,359	—
Real estate	(8,241)	(4,604)	3,637	—
Life insurance	5,455	5,982	527	9.7
Other	(1,036)	1,035	2,071	—
Subtotal	41,504	59,949	18,445	44.4
Overseas Business Segments				
The Americas	18,775	8,896	(9,879)	(52.6)
Asia and Oceania	3,371	1,203	(2,168)	(64.3)
Europe	278	716	438	157.6
Subtotal	22,424	10,815	(11,609)	(51.8)
Total	63,928	70,764	6,836	10.7
Adjustments	(11,880)	(11,528)	352	—
Consolidated income before income taxes	¥52,048	¥59,236	¥ 7,188	13.8

Segment Assets

(Millions of yen)

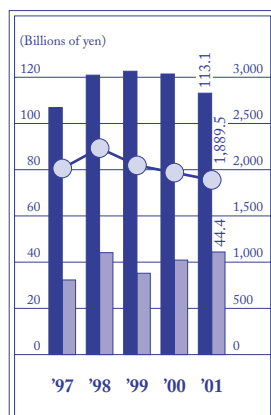
	2000	2001	Change	Percent change
Domestic Business Segments				
Corporate finance	¥1,968,590	¥1,889,538	¥ (79,052)	(4.0)
Equipment operating leases	113,389	134,270	20,881	18.4
Real estate related finance	597,274	606,801	9,527	1.6
Real estate	276,494	310,340	33,846	12.2
Life insurance	425,335	543,886	118,551	27.9
Other	242,280	284,835	42,555	17.6
Subtotal	3,623,362	3,769,670	146,308	4.0
Overseas Business Segments				
The Americas	691,403	804,118	112,715	16.3
Asia and Oceania	369,540	402,707	33,167	9.0
Europe	159,608	158,646	(962)	(0.6)
Subtotal	1,220,551	1,365,471	144,920	11.9
Total	4,843,913	5,135,141	291,228	6.0
Adjustments	(79,092)	(105,586)	(26,494)	—
Total consolidated operating assets	¥4,764,821	¥5,029,555	¥264,734	5.6

(1) Domestic Business Segments

Corporate Finance

ORIX's domestic corporate finance operations center on direct financing leases and installment loans, other than real estate loans, for corporate customers. In this business segment, the Company has increased the rigor of its credit evaluation standards and further increased its selectivity and emphasis on profitability when choosing what types of business to undertake. As a result, the balance of segment assets declined 4.0%, to ¥1,889.5 billion (\$15,251 million), and segment operating revenues fell 6.8%, to ¥113.1 billion (\$913 million). However, a decline in interest expense contributed to an 8.6% rise in segment profit, to ¥44,427 million (\$359 million).

● ORIX continued to position automobile leasing as a strategic growth business. In particular, the Company has targeted corporate customers that desire to outsource vehicle management tasks. As a result, the number of vehicles leased by ORIX at fiscal year-end was approximately 285,000, up 9.2% from the previous year.

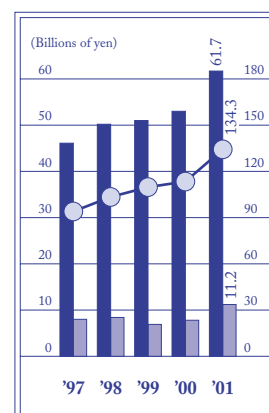


■ Operating Revenues (left)
■ Segment Profit (left)
○ Segment Assets (right)

Equipment Operating Leases

Domestic equipment operating lease business is comprised principally of the rental of measuring instruments and PCs to corporate customers as well as rent-a-car operations.

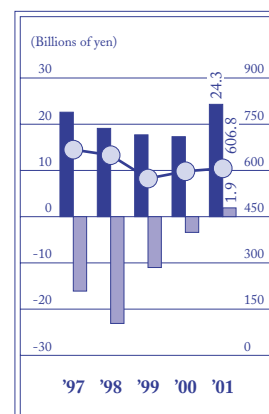
● In fiscal 2001, the Company recorded a strong performance in the measuring instrument and PC rental business, reflecting the continued firmness of IT investment in Japan, and the rent-a-car business also grew smoothly. Thus, segment profit surged 42.7%, to ¥11,165 million (\$90 million), and the balance of segment assets in operating leases increased 18.4%, to ¥134,270 million (\$1,084 million).



■ Operating Revenues (left)
■ Segment Profit (left)
○ Segment Assets (right)

Real Estate Related Finance

ORIX's domestic real estate related finance business encompasses real estate loans to corporate customers and housing loans to individuals. In fiscal 2001, the Company continued to closely monitor conditions in the uncertain domestic market, while maintaining strict credit standards and being highly selective with regard to the marketing of new loans. As a result, the value of assets with payments in arrears decreased, and provisions for doubtful receivables were reduced. In addition, the Company steadily increased its earnings from newly initiated business providing corporate customers with non-recourse real estate loans as well as investments in and

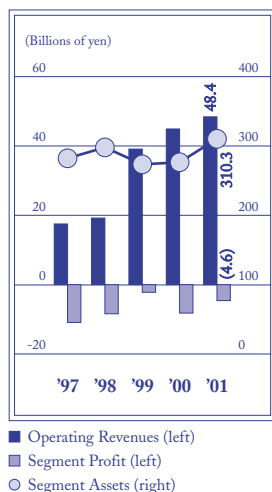


■ Operating Revenues (left)
■ Segment Profit (left)
○ Segment Assets (right)

resales of distressed assets. ORIX Trust and Banking Corporation recorded strong performance providing individuals with housing loans for owner-occupied and investment purpose housing. As a result, segment profitability continued to improve steadily, rising from a loss of ¥3,415 million in fiscal 2000 to a profit of ¥1,944 million (\$16 million) in fiscal 2001. Segment assets of real estate related finance edged up slightly, to ¥606,801 million (\$4,898 million).

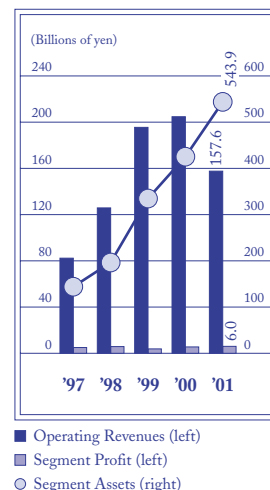
Real Estate

ORIX's domestic real estate 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. In fiscal 2001, the Company reduced its segment loss in such business to ¥4,604 million (\$37 million), ¥3,637 million less than the ¥8,241 million fiscal 2000 segment loss. Against a backdrop of falling land prices, the Company proceeded with the sale of unproductive real estate assets and also wrote down its long-lived assets, which offset continued strong performance in business developing condominiums named "Sanctus" and rental activities. Owing to the Company's active acquisition of highly profitable rental properties, the balance of real estate segment assets increased 12.2%, to ¥310,340 million (\$2,505 million).



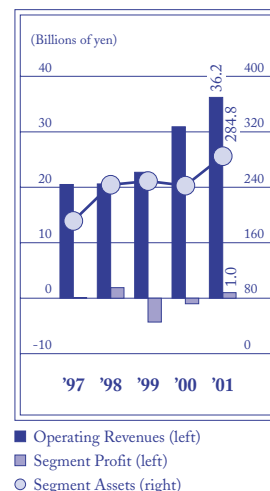
Life Insurance

In its life insurance operations, ORIX increased the weight of such relatively profitable products as term and whole life insurance. As a result, segment revenues dropped 23.0%, but segment profit grew 9.7%, to ¥5,982 million (\$48 million). Owing to continued strong performance in marketing new life insurance policies, the outstanding balance of segment assets rose 27.9%, to ¥543,886 million (\$4,390 million).



Other

In addition to the venture capital operations of ORIX Capital Corporation, ORIX expects demand for financial services from individuals to increase and is endeavoring to meet such demand by building a strong operating base for ORIX Securities Corporation, ORIX Credit Corporation, and other new businesses.



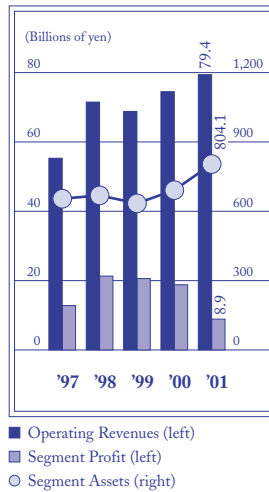
During fiscal 2001, the weakness of the Japanese stock market led to sluggish growth of brokerage commissions at ORIX Securities as well as smaller gains on the sale of securities at ORIX Capital. However, strong performance in the card loan business helped improve profitability, with segment profits reaching ¥1,035 million (\$8 million) compared to a loss of ¥1,036 million in fiscal 2000. The outstanding balance of segment assets grew 17.6%, to ¥284,835 million (\$2,299 million).

(2) Overseas Business Segments

The Americas

Commercial mortgage-backed loan securitization operations continued to make a major contribution to performance in the Americas, but weakening conditions in the U.S. economy impacted the leasing business related to transportation, construction, and other equipment, resulting in a large increase in provisions for doubtful

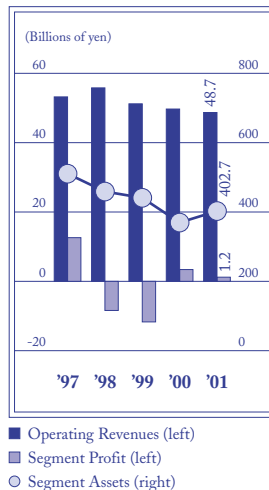
receivables. As a result, segment profit in the Americas fell 52.6%, to ¥8,896 million (\$72 million). Reflecting the influence of the depreciation of the yen, segment assets grew 16.3%, to ¥804,118 million (\$6,490 million).



Asia and Oceania

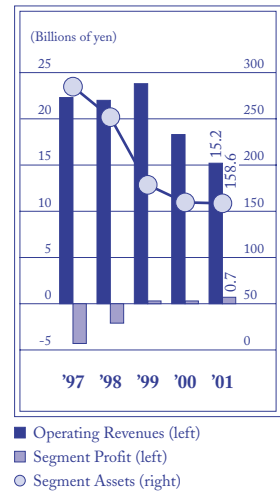
Increasing signs were seen of a gradual increase in the profitability of finance lease and installment loan business. However, the depreciation of the Indonesian rupiah caused a currency exchange loss, and segment profit dropped 64.3%, to ¥1,203 million (\$10 million). Segment assets amounted to ¥402,707 million (\$3,250 million) at fiscal year-end, up

9.0%. Of segment assets, ¥325,364 million (\$2,626 million) was invested in Asia, and the portion denominated in currencies other than U.S. dollars was ¥142,928 million (\$1,154 million).



Europe

Owing to strong performance of investments in securities, segment profit in Europe surged 157.6%, to ¥716 million (\$6 million). Segment assets amounted to ¥158,646 million (\$1,280 million) at fiscal year-end, down 0.6%.



⑤ *Funding and Liquidity*

(1) Funding Strategy

● Aiming to maintain stable access to funds and reduce the cost of funds, ORIX is diversifying its funding methods and sources. The Company also flexibly readjusts its funding structure from time to time in line with the financial environment. ORIX strives to consistently undertake smooth and low-cost fund procurement by monitoring risks associated with fluctuations in interest rates and liquidity levels and promptly responding to changes in the financial environment. To achieve this, it has built asset-liability management (ALM) systems, drafts timely funding strategies, and endeavors to conduct funding operations efficiently.

(2) Balance of Indirect and Direct Funding Methods

● ORIX's funding operations include borrowings from financial institutions and direct fund procurement from the capital markets. Among its diverse borrowing sources are city banks, long-term credit banks, trust banks, regional banks, life insurance companies, casualty insurance companies, and foreign banks. It currently borrows from 142 such financial institutions and companies. The Company procures funds directly from capital markets through the issuance of corporate bonds, commercial paper (CP), and euro medium-term notes (MTNs) as well as the securitization of leasing and other assets.

● To facilitate funding operations, ORIX has obtained credit ratings for its notes and bonds from two domestic rating agencies. As of March 31, 2001, ORIX's domestically issued straight bonds and euro MTN program has been assigned an AA- rating from Rating and Investment Information Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR). ORIX's domestic CP is rated a-1+ by R&I and J-1+ by JCR. The Company is authorized to issue as much as ¥1.3 trillion in CP and does not require a back-up credit line.

● On a consolidated basis, the share of ORIX's funds procured directly from the capital markets was 56.8% at the end of fiscal 2000, and 56.7% at the end of fiscal 2001. In line with such factors as changes in the financial environment, the Company promptly adjusts its direct funding ratio, aiming to consistently maintain an optimal funding structure.

(3) Increasing the Diversification of Funding Methods

● As deregulation gains momentum in Japan, ORIX has been diversifying its funding by continually seeking and developing new procurement methods. Moreover, because ORIX's direct funding instruments target a wide range of investors, the Company has been able to make its funding operations increasingly diverse and stable.

● Prohibition on the issuance of CP by financial companies was eliminated in June 1993. The following month, ORIX was the first in its industry to issue domestic CP. In April 1998, the sale of CP directly to investors without the assistance of dealers was made possible by additional deregulation. ORIX has energetically worked to increase the number of investors to whom it directly sells CP, which includes a continually growing number of such entities as mutual funds, life and casualty insurance companies, regional banks, and other types of companies. As of March 31, 2001, the number of direct investors in ORIX CP was 319, and these investors accounted for 64% of the Company's outstanding CP balance.

● In addition, ORIX has been proactively working to promote progress in realizing paperless CP systems, which would enable more efficient CP issuance and distribution, and could be expected to expand the CP market.

● Since the October 1993 revision of Japan's Commercial Code, the country's corporate bond market has become increasingly dynamic, and ORIX has actively issued securities in that market. The Company separately issues bonds that are primarily for institutional investors and those that are primarily for individual investors, and has thus promoted increased diversity in funding methods and in investors. At March 31, 2001, the balances of outstanding bonds other than convertible bonds held by institutional and individual investors were ¥400,500 million (\$3,232 million) and ¥355,000 million (\$2,865 million), respectively.

● The Business Asset Securitization Law, which took effect in June 1993, has promoted the securitization of leasing and installment-sales receivables. Even prior to this change, in January 1992, ORIX became the first company in Japan to securitize leasing assets. Subsequently, the Company has actively proceeded with asset securitization domestically and overseas. As of March 31, 2001, the outstanding balance of ORIX's securitized assets on a consolidated basis stood at ¥473,819 million (\$3,824 million). Of this figure, the portion accounted for as off balance sheet assets was ¥401,609 million (\$3,241 million).

● Regarding overseas funding operations, in addition to borrowing from local markets, efforts have been made to increase the diversity of funding methods through such measures as MTN issuance. ORIX and five overseas subsidiaries are participants in a Multi Issuer Euro MTN program with a maximum issuance limit of \$3 billion. This arrangement enables the Company to engage in highly flexible funding programs.

● Euro MTN issuance is determined based on the funding needs of overseas Group companies under the supervision of ORIX's Treasury Department. Also, a U.S.-based Group company, ORIX Financial Services, Inc., has a program for the issuance of MTNs within the United States and Canada. As of March 31, 2001, the outstanding balance of ORIX's Euro and U.S. MTNs stood at ¥349,378 million (\$2,820 million).

⑥ Shareholders' Equity, Return on Assets, and Return on Equity

● Shareholders' equity grew 8.4%, or ¥35,652 million, from the previous year-end, to ¥461,323 million (\$3,723 million). This increase principally reflected rises of ¥33,014 million in retained earnings and ¥5,969 million in accumulated other comprehensive income.

● In September 1998, ORIX listed its shares on the New York Stock Exchange (NYSE), which has facilitated raising funds through the issuance of stock outside Japan since that time. In October 1999, ORIX became the first Japan-based company to make a global offering involving the simultaneous issue of new shares and convertible notes registered with the U.S. Securities and Exchange Commission (SEC) and listed on the NYSE. The newly issued shares included one million shares issued in Japan and 2.3 million shares issued overseas, all at the price of ¥12,034 per share. The Company also completed the overseas issuance of ¥40 billion in yen-denominated convertible notes with an initial conversion price of ¥14,200. The conversion price was adjusted to ¥11,833.30 to reflect a stock split.

(4) Liquidity

● To sustain a high level of liquidity, ORIX has secured committed credit lines with financial institutions. During fiscal 2001, ORIX established a ¥74,560 million (\$602 million) multicurrency global commitment line for the parent company and principal overseas subsidiaries. Total committed credit lines for the Company and its subsidiaries were ¥549,525 million and ¥795,489 million (\$6,420 million) at March 31, 2000, and March 31, 2001, respectively, and of these lines, ¥509,379 million and ¥726,888 million (\$5,867 million) were available at March 31, 2000, and March 31, 2001, respectively.

● The shareholders' equity ratio rose from 7.97% to 8.25%. Basic earnings per share were up 8.4%, to ¥417.77 (\$3.37), and diluted earnings per share amounted to ¥400.99 (\$3.24), up 6.4%. Book value advanced 8.6%, to ¥5,646.11 (\$45.57).

Shareholders' Equity, ROA, and ROE

(Millions of yen)

	2000	2001
Shareholders' equity ratio	7.97%	8.25%
Return on assets.....	0.57%	0.62%
Return on equity	8.13%	7.70%
Net income	¥ 30,642	¥ 34,157
Shareholders' equity	425,671	461,323
Total assets	5,341,542	5,591,311

Notes: 1. The shareholders' equity ratio equals shareholders' equity at fiscal year-end divided by total assets at fiscal year-end.

2. Return on assets equals net income for the fiscal year divided by the average level of total assets during the fiscal year.

3. Return on equity equals net income for the fiscal year divided by the average level of shareholders' equity during the fiscal year.

Per Share Data

(Yen)

	2000	2001
Net income (basic earnings per share)	¥ 385.27	¥ 417.77
Net income (diluted earnings per share)	377.02	400.99
Cash dividends	15.00	15.00
Book value.....	5,199.12	5,646.11

(1) Capital and Additional Paid-In Capital

- The sum of common stock and additional paid-in capital rose ¥732 million, to ¥101,705 million (\$821 million).
- Since fiscal 1998, ORIX has introduced warrant and stock option plans to its performance-linked remuneration system. During fiscal 2001, the exercise of these plans increased the number of shares outstanding by approximately 32,000, causing growth of ¥132 million (\$1 million) in common stock and ¥427 million (\$3 million) in additional paid-in capital. Under the warrant plans, the Company issued warrants during the fiscal year, and this produced a rise of ¥178 million (\$1 million) in additional paid-in capital. The forfeit of stock options reduced additional paid-in capital ¥5 million (\$0 million).
- In October 1999, at which time it made a public share offering, ORIX issued ¥40 billion in yen-denominated convertible notes. At April 1, 2001, the conversion price stood at ¥11,833.30 and the conversion period was from October 1999 through March 2005. None of the notes had been converted as of the end of fiscal 2001.

(2) Other

- With regard to other components of shareholders' equity, net unrealized gains on investment in securities decreased ¥11,360 million, to ¥34,344 million (\$277 million). This reflected a drop in unrealized gains due to the weakening of Japanese stock prices—the Nikkei average fell from ¥20,337.32 at March 31, 2000, to ¥12,999.70 (\$104.9) at March 31, 2001.
- Cumulative translation adjustments (debit balance) fell ¥18,528 million, to ¥25,108 million (\$203 million), primarily due to the depreciation of the yen—the yen-dollar exchange rate fell from ¥106.15=\$1 at March 31, 2000, to ¥123.90=\$1 at March 31, 2001.
- The Company purchased its own shares in line with its stock option scheme, and the balance of treasury stock of ¥8,286 million (\$67 million) at fiscal year-end was subtracted from shareholders' equity.

⑦ Risk Management

(1) Credit Risk Management

● ORIX has developed systems for managing credit risk associated with corporate and individual customers and introduced these systems in relevant departments. Under these systems, both the marketing department concerned and the Company's independent Credit Department evaluate and manage customer-, industry-, and country-related risks. Another independent specialized department focuses on the appraisal of real estate collateral. The appropriateness of transactions in legal, tax, and social terms is assessed by other independent departments. Based on this system of internal checks and balances, the Company methodically considers individual financing proposals and determines whether they should be approved. Credit and collateral risks are evaluated during the credit granting process as well as at appropriate intervals thereafter.

● ORIX's three-stage credit risk management process includes initial evaluation to determine whether a transaction will be executed, subsequent monitoring and checks of executed transactions, and recovery processes for problem assets.

Initial Evaluation of Domestic Transactions—The authority to approve new transactions is based on an employee's seniority and is considered on a cumulative basis. If a proposed transaction would cause the credit balance to exceed a given department's credit limit, it must be referred to the Credit Department. To handle such cases, marketing departments use a speedy, on-line approval process. If the transaction value exceeds the Credit Department's approval limit, the matter is considered and decided by the Investment and Credit Committee, which consists of corporate executive officers.

● During the initial evaluation process, the relevant salesperson obtains at least three years of financial data and related information on the new customer with whom the proposed transaction is to be made. The salesperson also interviews management from the company in question and, when necessary, obtains information from independent credit agencies.

● Manuals have been prepared to ensure that the credit evaluation process is strictly observed and efficiently executed. These manuals specify credit balance limits; individual authorization limits for specified transactions and products; customer credit evaluation guidelines concerning past transactional performance, financial position, adequacy of cash flow, and management quality; and regulations concerning the evaluation of collateral and guarantees. These manuals are revised at appropriate intervals.

Initial Evaluation of International Transactions—The ORIX Group has grown to include subsidiaries or joint ventures in 21 countries and regions outside Japan. All of these companies have introduced credit evaluation systems that are essentially the same as those of ORIX in Japan but have been modified in light of local business practices and economic conditions as well as the special characteristics of relevant transactions.

Monitoring—ORIX maintains monitoring systems that allow it to evaluate customers' creditworthiness and identify potential problem transactions. Coupled with the initial evaluation systems, such monitoring enables the Company to manage the exposure of its asset portfolio to particular industries, countries, regions, and products. To reduce exposure to potentially high-risk market segments, the Company reconsiders the appropriateness of transaction balances for each sector on a quarterly basis or at more frequent regular intervals.

- Domestic transactions for which payments are delinquent or otherwise not in conformity with contractual stipulations are reviewed once every two weeks. Transactions with payments three months or more overdue are reported to the corporate executive officer responsible for the Credit Department, and those with payments six months or more overdue are classified as nonperforming assets. In the case of transactions that have special characteristics, such as big-ticket aircraft, real estate, and ship-financing transactions, monitoring standards are even more stringent.

- Internal regulations call for the management of overseas subsidiaries and joint ventures to prepare monthly reports on delinquent transactions. These reports are forwarded to the Company's International Credit Department, where they are analyzed and then reported to top management.

Remedial Measures—As part of the credit management process, ORIX establishes and applies procedures for handling problem transactions. These procedures range from consultative measures that help customers rehabilitate their operations to the receipt of additional collateral or guarantees, repossession, and legal liquidation.

(2) Interest-Rate Risk Management

- ORIX is continuing to develop ALM systems.
- During fiscal 2001, ALM systems were created that manage the domestic yen-denominated assets and liabilities on a consolidated basis of five Group companies—ORIX, ORIX Alpha, ORIX Auto Leasing, ORIX Credit, and ORIX Club Corporation—and the yen-denominated assets and liabilities on a nonconsolidated basis of ORIX Trust and Banking Corporation. As a nonconsolidated ALM system for ORIX Life Insurance is almost completed, ORIX plans to have established ALM systems for seven domestic Group companies during fiscal 2002.
- The five companies employing consolidated ALM systems account for approximately 55% of ORIX's consolidated operating assets. Those five companies plus ORIX

Trust and Banking and ORIX Life Insurance, which employ nonconsolidated ALM systems, account for approximately 70% of ORIX's consolidated operating assets.

- These ALM systems enable monthly preparation of cash flow maps for operating assets and liabilities and reports on interest-rate mismatches as well as the calculation of detailed figures on market prices, duration, and basis point value (BPV).

- ALM reports are presented at monthly strategy meetings that are attended by top management. Based on these ALM reports, those attending the monthly strategy meetings can quickly make decisions related to interest-rate risks. Cash flow maps are used to maintain a grasp of liquidity risk so that that risk can be controlled through such measures as the establishment of commitment lines and adjustments to the ratio of long-term borrowings to short-term borrowings.

- By monitoring such factors as interest-rate mismatches, durations, and BPV, ORIX accurately evaluates the current level of interest-rate risk associated with assets and liabilities. As a result, the Company can execute risk control procedures that effectively keep the effects of interest-rate fluctuations to within a specified target range. Besides assuming future accumulation of assets and liabilities, profitability simulations are performed for a number of interest-rate scenarios, and simulation results are used in programs to control the effects of interest-rate fluctuations on periodic income.

- Derivative instruments are used as one method within interest-rate risk hedging operations, but the instruments used, such as interest-rate swaps and caps, are employed solely as interest-rate hedging methods, and the hedge effect is measured at regular intervals.

- Plans call for steadily increasing the amount of assets and liabilities encompassed by ALM systems.

- Regarding overseas Group companies, those in the United States have a particularly large amount of assets and are upgrading their own ALM system that provides for the constant monitoring of yield curve trends and optimal hedging operations aimed at maximizing profit without exposure to excessive interest-rate risk. In addition, the Treasury Department in Tokyo regularly assesses the asset/liability situations of principal overseas Group companies, including those in the United States, and works to manage such risks as those associated with interest rates and liquidity.

(3) Exchange-Rate Risk Management

- ORIX enters into foreign exchange forward contracts and foreign currency swap agreements to hedge risks that are associated with certain assets and liabilities denominated in foreign currencies due to the potential for changes in foreign currency exchange rates. In principle, ORIX hedges foreign currency risk related to its foreign currency denominated transactions and overseas investments, and overseas Group companies procure funds locally. However, certain positions involving foreign currency risk are managed individually.

(4) Derivatives Management

- ORIX establishes market risk management regulations determined by the Investment and Credit Committee, and each Group company that engages in derivatives transactions

has established market risk management parameters. Based on those parameters, the object of the risks which should be managed and the types of hedging methods are clarified, while an internal check system has been established to separate the functions of departments responsible for execution, hedging efficacy evaluation, and related administration tasks. Departments executing transactions calculate the fair market values of transactions with individual counterparties and transactions with counterparties of given credit ratings, and the types of hedging methods employed. In addition, these departments make other calculations as part of a management system capable of responding rapidly to sharp market changes and other unanticipated developments. We perform hedging efficacy checks to ensure that the types of hedging methods employed are appropriate and, periodically or when necessary, evaluate the efficacy of the hedging methods. Working in cooperation with banks and other outside entities, the administrative management check all transactions. In addition, each quarter they prepare reports on each Group company's transactions that include compilations of such information as the notional principal, fair market value, hedging method, and hedging efficacy associated with each type of transaction and each counterparty and present this report to the CFO. Further, the Inspection Office inspects derivatives-related accounts and performs checks to ensure that relevant regulations are observed.

8 Corporate Governance

(1) Reform of Management Structure

- Since the June 1997 establishment of an Advisory Board, which includes experienced and resourceful individuals from outside the Company as well as management specialists, ORIX has implemented a variety of structural management reforms aimed at maximizing long-term shareholder value.
- In June 1998, the Company introduced a Corporate Executive Officer system to help separate strategic decision-making functions from day-to-day administrative

operations. Since June 1999, ORIX has reduced the number of members of the Board of Directors, arranged for three Advisory Board members to fill two positions as independent directors and one position as an advisor to the Board, and phased out the Advisory Board. In addition, the Executive Appointment and Compensation Committee has been established to operate as a support unit for the Board of Directors.

● ORIX is confident that these changes will increase the clarity of corporate responsibilities and boost managerial efficiency while ensuring greater corporate transparency and objectivity. As a result, the changes are expected to promote the attainment of the Company's ultimate goal, which includes maintaining a high level of accountability to shareholders and promoting a rise in the value of its shareholders' equity over the long term.

(2) ORIX Value Added (OVA)

● In April 1999, the Company introduced the OVA concept for internal use as an indicator of management efficiency. The OVA system is an innovative scheme that assigns portions of shareholders' equity to individual corporate divisions commensurate with the magnitude of risk associated with each division's operations. The system thereby clarifies the level of efficiency with which capital is employed in each division.

● The OVA concept provides standards for calculating the amount of risk capital allocated to each regional or business division of ORIX's operations in which the Company has assigned executive responsibility to a corporate executive officer or a subsidiary company president. To determine the appropriate amount of risk capital, data on divisional earnings during the previous five years is used to calculate the volatility of profitability and quantify the associated risk. Shareholders' equity during the last year of that period is assigned to divisions based on the size of the observed volatility of profitability, so that divisions that have recorded greater fluctuations in their profitability are allotted larger portions of capital.

$$\begin{aligned} \text{OVA} &= \text{divisional net income} - (\text{risk capital} \times \text{hurdle rate}) \\ &= \text{risk capital} \times (\text{RORAC} - \text{hurdle rate}) \end{aligned}$$

- Notes: 1. The hurdle rate for capital utilization efficiency represents an assumed rate of return expected by shareholders on capital.
2. Divisional profitability is calculated by adjusting the value of net income after taxes in light of such factors as the size of interdivisional transactions and internal profit.

● Each division is thus encouraged to boost the level of its profitability relative to the associated risks and ultimately raise the level of OVA itself. Intermediate indicators for use in attaining the OVA include return on risk adjusted capital (RORAC: net income/risk capital), return on assets (ROA: net income/total assets), and the degree of risk (risk capital/total assets).

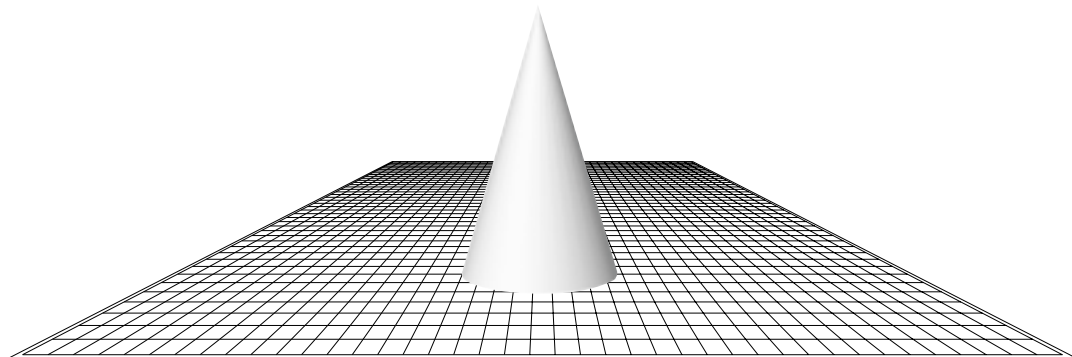
● To increase OVA, each division must elevate its ROA by improving profitability or reducing its degree of risk. At times when a division's operating environment calls for emphasis to be placed on growth in operating assets, ROA may show a short-term decline. Similarly, a division may consider business strategies that call for raising the degree of risk to increase profit and OVA over the medium-to-long term. Moreover, it is recognized that the volatility of profitability may vary depending on a number of factors. These range from such macroeconomic factors as economic fluctuations, new government policies, and changes in tax systems to such microeconomic factors as the profitability of operating assets and customer creditworthiness associated with the type of transactions and business undertaken by individual divisions. Each division's success in analyzing these factors and drafting appropriate profitability maximization strategies that take the risks into account will be measured in terms of OVA. Moreover, examination of trends in OVA over time enable the Company to monitor the growth potential of operations in individual business sectors. When operations are shown to produce insufficient levels of OVA, ORIX will consider withdrawing from them.



ORIX—Implementing Strategic Models for Sustained Corporate Growth

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TEN-YEAR SUMMARY

ORIX Corporation and Subsidiaries

	Years Ended March 31	
	1992	1993
Financial Position		
Investment in Direct Financing Leases	¥1,656,677	¥1,688,374
Installment Loans	1,988,033	1,799,569
Investment in Operating Leases	191,811	229,432
Investment in Securities.....	342,521	260,187
Other Operating Assets	20,053	39,833
Operating Assets.....	¥4,199,095	¥4,017,395
Allowance for Doubtful Receivables on Direct Financing Leases and Possible Loan Losses	¥ (51,068)	¥ (49,292)
Allowance/Investment in Direct Financing Leases and Installment Loans	1.4%	1.4%
Short-Term Debt, Long-Term Debt and Deposits	¥4,089,587	¥3,928,622
Shareholders' Equity	¥ 213,544	¥ 218,839
Total Assets	¥4,646,609	¥4,480,854
Revenues and Expenses		
Total revenues.....	¥ 443,109	¥ 405,457
Interest expense.....	¥ 306,235	¥ 239,241
Selling, general and administrative expenses	¥ 63,429	¥ 63,209
Income before Income Taxes	¥ 40,439	¥ 36,805
Net Income	¥ 20,381	¥ 18,931
Return on assets	0.41%	0.41%
Return on equity.....	9.85%	8.76%
Per share data: (yen)		
Net income (basic earnings per share).....	¥ 261.81	¥ 243.20
Net income (diluted earnings per share).....	¥ 261.81	¥ 243.20
Book value	¥ 2,743.22	¥ 2,811.24
Operations		
Direct Financing Leases:		
New receivables added	¥ 921,857	¥ 903,164
New equipment acquisitions.....	¥ 713,808	¥ 718,514
Installment Loans:		
New loans added	¥1,054,862	¥ 606,919
Operating Leases:		
New equipment acquisitions.....	¥ 85,436	¥ 106,621
Investment in Securities:		
New securities added.....	¥ 33,447	¥ 49,796
Other Operating Assets:		
New assets added	¥ 7,717	¥ 1,019
Number of Employees.....	6,842	6,924

Notes: 1. In fiscal 1992, the Company reversed a ¥27,000 million reserve for interest rate fluctuations provided in prior fiscal years.
2. In fiscal 1998, new loans added and new securities added included increases of ¥18,999 million and ¥34,189 million, respectively, as a result of the acquisition of ORIX Trust and Banking Corporation.
3. Per share data were adjusted for the stock split retroactively.

Years Ended March 31							
1994	1995	1996	1997	1998	1999	2000	2001
¥1,691,730	¥1,715,177	¥1,913,836	¥2,067,616	¥2,186,022	¥1,952,842	¥1,744,953	¥1,657,709
1,687,475	1,619,397	1,628,916	1,700,697	1,794,825	1,761,887	1,791,439	1,846,511
298,653	342,058	413,419	465,737	435,066	411,156	397,576	451,171
258,133	278,807	345,935	434,488	500,449	576,206	758,381	942,158
41,858	42,162	55,161	58,193	65,838	73,345	72,472	132,006
¥3,977,849	¥3,997,601	¥4,357,267	¥4,726,731	¥4,982,200	¥4,775,436	¥4,764,821	¥5,029,555
¥ (48,806)	¥ (47,400)	¥ (81,886)	¥ (117,567)	¥ (145,741)	¥ (132,606)	¥ (136,939)	¥ (141,077)
1.4%	1.4%	2.3%	3.1%	3.7%	3.6%	3.9%	4.0%
¥3,770,731	¥3,755,538	¥3,986,809	¥4,217,334	¥4,628,670	¥4,274,280	¥4,010,468	¥4,070,545
¥ 230,081	¥ 238,050	¥ 276,251	¥ 308,584	¥ 313,821	¥ 327,843	¥ 425,671	¥ 461,323
¥4,371,789	¥4,405,556	¥4,751,756	¥5,089,975	¥5,574,309	¥5,347,636	¥5,341,542	¥5,591,311
¥ 362,988	¥ 362,702	¥ 382,603	¥ 428,294	¥ 507,143	¥ 593,941	¥ 616,513	¥ 586,149
¥ 192,237	¥ 167,937	¥ 138,394	¥ 130,743	¥ 142,177	¥ 140,846	¥ 115,038	¥ 109,289
¥ 59,639	¥ 58,561	¥ 61,569	¥ 70,902	¥ 79,671	¥ 82,395	¥ 90,961	¥ 101,156
¥ 34,231	¥ 33,629	¥ 35,027	¥ 36,889	¥ 38,412	¥ 27,315	¥ 52,048	¥ 59,236
¥ 18,031	¥ 17,072	¥ 18,003	¥ 19,044	¥ 23,731	¥ 25,621	¥ 30,642	¥ 34,157
0.41%	0.39%	0.39%	0.39%	0.45%	0.47%	0.57%	0.62%
8.03%	7.29%	7.00%	6.51%	7.63%	7.99%	8.13%	7.70%
¥ 231.63	¥ 219.31	¥ 231.27	¥ 244.64	¥ 305.33	¥ 330.43	¥ 385.27	¥ 417.77
¥ 231.63	¥ 219.31	¥ 231.27	¥ 244.64	¥ 305.33	¥ 330.43	¥ 377.02	¥ 400.99
¥ 2,955.66	¥ 3,058.03	¥ 3,548.77	¥ 3,964.16	¥ 4,041.87	¥ 4,232.02	¥ 5,199.12	¥ 5,646.11
¥ 787,570	¥ 888,931	¥1,022,267	¥1,050,849	¥1,227,719	¥1,076,387	¥1,073,074	¥ 842,396
¥ 652,816	¥ 731,632	¥ 847,774	¥ 886,806	¥1,093,519	¥ 913,221	¥ 905,898	¥ 723,330
¥ 583,158	¥ 539,145	¥ 503,627	¥ 593,074	¥ 715,030	¥ 706,758	¥ 807,477	¥ 740,639
¥ 121,726	¥ 97,895	¥ 95,802	¥ 92,932	¥ 98,566	¥ 92,272	¥ 101,020	¥ 143,158
¥ 107,625	¥ 75,551	¥ 114,199	¥ 135,324	¥ 217,225	¥ 302,035	¥ 333,249	¥ 397,218
¥ 4,896	¥ 8,692	¥ 26,617	¥ 24,336	¥ 35,898	¥ 39,733	¥ 70,443	¥ 128,984
6,731	6,723	6,991	7,594	8,203	9,037	9,503	9,529

CONSOLIDATED BALANCE SHEETS

ORIX Corporation and Subsidiaries March 31, 2000 and 2001

ASSETS	Millions of yen		Millions of U.S. dollars
	2000	2001	2001
Cash and Cash Equivalents	¥ 265,956	¥ 155,411	\$ 1,254
Restricted Cash and Cash Equivalents	13,666	17,072	138
Time Deposits	7,698	8,673	70
Investment in Direct Financing Leases	1,744,953	1,657,709	13,379
Installment Loans	1,791,439	1,846,511	14,903
Allowance for Doubtful Receivables on Direct Financing Leases and Possible Loan Losses	(136,939)	(141,077)	(1,139)
Investment in Operating Leases.....	397,576	451,171	3,641
Investment in Securities	758,381	942,158	7,604
Other Operating Assets	72,472	132,006	1,066
Investment in Affiliates	63,312	63,155	510
Other Receivables	70,345	112,677	910
Advances	89,676	141,148	1,139
Prepaid Expenses	24,813	27,740	224
Office Facilities.....	74,770	74,406	601
Other Assets	103,424	102,551	828
	<u>¥5,341,542</u>	<u>¥5,591,311</u>	<u>\$45,128</u>

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Millions of U.S. dollars
	2000	2001	2001
Short-Term Debt	¥1,912,761	¥1,562,072	\$12,608
Deposits	154,923	178,314	1,439
Trade Notes and Accounts Payable.....	151,477	211,280	1,705
Accrued Expenses	72,733	81,334	657
Policy Liabilities	494,443	561,887	4,535
Income Taxes:			
Current.....	5,688	10,173	82
Deferred	135,218	135,430	1,093
Deposits from Lessees	45,844	59,339	479
Long-Term Debt	1,942,784	2,330,159	18,807
Total liabilities	4,915,871	5,129,988	41,405
Commitments and Contingent Liabilities			
Shareholders' Equity:			
Common stock, par value ¥50 per share:			
authorized 259,000,000 shares			
issued 68,630,294 shares in 2000 and			
82,388,025 shares in 2001	41,688	41,820	338
Additional paid-in capital.....	59,285	59,885	483
Legal reserve	1,970	2,090	16
Retained earnings.....	328,248	361,262	2,916
Accumulated other comprehensive income (loss)	(1,417)	4,552	37
Treasury stock, at cost:			
402,223 shares in 2000 and 681,745 shares in 2001	(4,103)	(8,286)	(67)
	425,671	461,323	3,723
	¥5,341,542	¥5,591,311	\$45,128

CONSOLIDATED STATEMENTS OF INCOME

ORIX Corporation and Subsidiaries For the Years Ended March 31, 1999, 2000 and 2001

	Millions of yen			Millions of U.S. dollars
	1999	2000	2001	2001
Revenues:				
Direct financing leases.....	¥143,170	¥130,798	¥122,003	\$ 985
Operating leases.....	92,407	100,503	113,478	916
Interest on loans and investment securities.....	100,480	97,390	109,448	883
Brokerage commissions and gains on investment securities.....	7,381	19,700	12,055	97
Life insurance premiums and related investment income.....	196,259	205,829	158,314	1,278
Interest income on deposits.....	6,695	3,884	2,520	20
Other operating revenues.....	47,549	58,409	68,331	552
Total revenues.....	<u>593,941</u>	<u>616,513</u>	<u>586,149</u>	<u>4,731</u>
Expenses:				
Interest expense.....	140,846	115,038	109,289	882
Depreciation—operating leases.....	57,405	60,750	68,316	551
Life insurance costs.....	186,775	193,664	143,709	1,160
Other operating expenses.....	31,522	38,302	43,580	352
Selling, general and administrative expenses.....	82,395	90,961	101,156	816
Provision for doubtful receivables and possible loan losses.....	51,845	45,573	44,584	360
Write-downs of long-lived assets.....	644	7,881	4,090	33
Write-downs of securities.....	11,077	12,297	10,848	88
Foreign currency transaction loss (gain), net.....	390	(839)	3,429	28
Total expenses.....	<u>562,899</u>	<u>563,627</u>	<u>529,001</u>	<u>4,270</u>
Operating Income.....	31,042	52,886	57,148	461
Equity in Net Income (Loss) of and Gain (Loss) on Sales of Affiliates (¥3,978 million gain in 1999, ¥1,503 million loss in 2000 and ¥2,059 million (\$17 million) gain in 2001).....	(3,727)	(838)	2,088	17
Income before Income Taxes.....	27,315	52,048	59,236	478
Provision for Income Taxes.....	1,694	21,406	25,079	202
Net Income.....	<u>¥ 25,621</u>	<u>¥ 30,642</u>	<u>¥ 34,157</u>	<u>\$ 276</u>
Amounts per Share of Common Stock:				
Net income Basic (Notes 1 (y) and 17).....	¥330.43	¥385.27	¥417.77	\$3.37
Diluted (Notes 1 (y) and 17).....	330.43	377.02	400.99	3.24
Cash dividends.....	15.00	15.00	15.00	0.12

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

ORIX Corporation and Subsidiaries For the Years Ended March 31, 1999, 2000 and 2001

	Millions of yen			Millions of U.S. dollars
	1999	2000	2001	2001
Common Stock:				
Beginning balance	¥ 20,180	¥ 20,180	¥ 41,688	\$ 337
Common stock issued in public offering	—	19,856	—	—
Exercise of warrants	—	1,647	132	1
Common stock issued for acquisitions of minority interests of subsidiaries	—	5	—	—
Ending balance	<u>¥ 20,180</u>	<u>¥ 41,688</u>	<u>¥ 41,820</u>	<u>\$ 338</u>
Additional Paid-in Capital:				
Beginning balance	¥ 37,303	¥ 37,464	¥ 59,285	\$ 479
Value ascribed to warrants attached to 1.925% bonds issued	161	—	—	—
Value ascribed to warrants attached to 1.22% bonds issued	—	333	—	—
Value ascribed to warrants attached to 1.59% bonds issued	—	—	178	1
Common stock issued in public offering	—	18,954	—	—
Exercise of warrants and stock options	—	1,504	130	1
Common stock issued for acquisitions of minority interests of subsidiaries	—	1,030	—	—
Gains on sales of treasury stock	—	—	297	2
Forfeit of stock options	—	—	(5)	(0)
Ending balance	<u>¥ 37,464</u>	<u>¥ 59,285</u>	<u>¥ 59,885</u>	<u>\$ 483</u>
Legal Reserve:				
Beginning balance	¥ 1,750	¥ 1,860	¥ 1,970	\$ 15
Transfer from retained earnings	110	110	120	1
Ending balance	<u>¥ 1,860</u>	<u>¥ 1,970</u>	<u>¥ 2,090</u>	<u>\$ 16</u>
Retained Earnings:				
Beginning balance	¥274,144	¥298,684	¥328,248	\$2,649
Cash dividends	(971)	(968)	(1,023)	(8)
Transfer to legal reserve	(110)	(110)	(120)	(1)
Net income	25,621	30,642	34,157	276
Ending balance	<u>¥298,684</u>	<u>¥328,248</u>	<u>¥361,262</u>	<u>\$2,916</u>
Accumulated Other Comprehensive Income (Loss):				
Beginning balance	¥ (18,079)	¥ (27,550)	¥ (1,417)	\$ (11)
Net increase (decrease) in net unrealized gains on investment in securities	1,442	41,551	(11,360)	(92)
Net increase in minimum pension liability adjustments	—	(3,485)	(1,199)	(10)
Net increase (decrease) in cumulative translation adjustments	(10,913)	(11,933)	18,528	150
Ending balance	<u>¥ (27,550)</u>	<u>¥ (1,417)</u>	<u>¥ 4,552</u>	<u>\$ 37</u>
Treasury Stock:				
Beginning balance	¥ (1,477)	¥ (2,795)	¥ (4,103)	\$ (33)
Purchases of treasury stock	(1,318)	(1,811)	(5,155)	(42)
Exercise of stock options	—	503	265	2
Resales of treasury stock issued in stock split	—	—	683	6
Resales accompanied by forfeit of stock options	—	—	24	0
Ending balance	<u>¥ (2,795)</u>	<u>¥ (4,103)</u>	<u>¥ (8,286)</u>	<u>\$ (67)</u>
Total Shareholders' Equity:				
Beginning balance	¥313,821	¥327,843	¥425,671	\$3,435
Increase, net	14,022	97,828	35,652	288
Ending balance	<u>¥327,843</u>	<u>¥425,671</u>	<u>¥461,323</u>	<u>\$3,723</u>
Summary of Comprehensive Income:				
Net income	¥ 25,621	¥ 30,642	¥ 34,157	\$ 276
Other comprehensive income (loss)	(9,471)	26,133	5,969	48
Comprehensive income	<u>¥ 16,150</u>	<u>¥ 56,775</u>	<u>¥ 40,126</u>	<u>\$ 324</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

ORIX Corporation and Subsidiaries For the Years Ended March 31, 1999, 2000 and 2001

	Millions of yen			Millions of U.S. dollars
	1999	2000	2001	2001
Cash Flows from Operating Activities:				
Net income	¥ 25,621	¥ 30,642	¥ 34,157	\$ 276
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	88,914	93,203	103,673	837
Provision for doubtful receivables and possible loan losses	51,845	45,573	44,584	360
Increase in policy liabilities	135,086	137,902	67,444	544
Deferred tax provision (benefit)	(10,346)	6,464	8,111	65
Equity in net (income) loss of and (gain) loss on sales of affiliates	3,727	838	(2,088)	(17)
Gains on sales of available-for-sale securities	(5,276)	(13,893)	(7,698)	(62)
Write-downs of long-lived assets	644	7,881	4,090	33
Write-downs of securities	11,077	12,297	10,848	88
Increase in restricted cash and cash equivalents	(2,250)	(11,702)	(2,831)	(23)
(Increase) decrease in other operating assets held for sales, including advance payments	667	(8,572)	(28,285)	(228)
Increase in prepaid expenses	(3,523)	(423)	(4,514)	(37)
Increase (decrease) in accrued expenses	(898)	11,886	4,116	33
Increase (decrease) in deposits from lessees	(4,477)	1,828	13,629	110
Other, net	(4,057)	4,707	(8,114)	(65)
Net cash provided by operating activities	<u>286,754</u>	<u>318,631</u>	<u>237,122</u>	<u>1,914</u>
Cash Flows from Investing Activities:				
Purchases of lease equipment, including advance payments	(1,034,901)	(1,022,279)	(883,061)	(7,127)
Principal payments received under direct financing leases	894,692	710,485	640,680	5,171
Net proceeds from securitization of lease and loan receivables	224,960	185,530	215,494	1,739
Installment loans made to customers	(706,758)	(801,959)	(740,639)	(5,978)
Principal collected on installment loans	635,022	681,908	660,652	5,332
Proceeds from sales of operating lease assets	45,150	37,013	38,727	313
Investment in and dividends received from affiliates, net	(1,592)	(8,945)	1,242	10
Proceeds from sales of affiliates	10,877	2,881	6,277	51
Purchases of available-for-sale securities	(301,575)	(263,679)	(359,945)	(2,905)
Proceeds from sales of available-for-sale securities	182,338	177,157	152,022	1,227
Maturities of available-for-sale securities	38,345	18,403	64,105	517
Maturities of held-to-maturity securities	—	3,089	—	—
Purchases of other securities	(54,902)	(14,382)	(37,153)	(300)
Proceeds from sales of other securities	46,242	3,759	9,763	79
Purchases of other operating assets	(758)	(5,389)	(40,049)	(323)
Net increase in call loans	—	—	(9,500)	(77)
Other, net	(3,186)	3,550	(4,267)	(34)
Net cash used in investing activities	<u>(26,046)</u>	<u>(292,858)</u>	<u>(285,652)</u>	<u>(2,305)</u>
Cash Flows from Financing Activities:				
Repayment of short-term debt, net	(278,186)	(248,386)	(324,438)	(2,619)
Repayment of commercial paper, net	(76,143)	(16,426)	(68,759)	(555)
Proceeds from long-term debt	567,166	722,069	794,823	6,415
Repayment of long-term debt	(525,534)	(604,360)	(485,371)	(3,917)
Net increase in deposits due to customers	45,353	101,654	23,391	189
Issuance of common stock	—	41,346	249	2
Purchases of treasury stock	(1,318)	(1,811)	(5,155)	(42)
Dividends paid	(971)	(968)	(1,023)	(8)
Other, net	161	829	1,663	13
Net cash used in financing activities	<u>(269,472)</u>	<u>(6,053)</u>	<u>(64,620)</u>	<u>(522)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	<u>(7,161)</u>	<u>(6,054)</u>	<u>2,605</u>	<u>21</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(15,925)</u>	<u>13,666</u>	<u>(110,545)</u>	<u>(892)</u>
Cash and Cash Equivalents at Beginning of Year	<u>268,215</u>	<u>252,290</u>	<u>265,956</u>	<u>2,146</u>
Cash and Cash Equivalents at End of Year	<u>¥ 252,290</u>	<u>¥ 265,956</u>	<u>¥155,411</u>	<u>\$1,254</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

1 Significant Accounting and Reporting Policies

In preparing the accompanying consolidated financial statements, ORIX Corporation (the Company) and its subsidiaries have complied with accounting principles generally accepted in the United States of America, modified for the accounting for stock splits (see (m)). Significant accounting and reporting policies are summarized as follows:

(a) Basis of presenting financial statements

The Company and its domestic subsidiaries maintain their books in conformity with Japanese income tax laws and accounting practices, which differ in certain respects from accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and reflect certain adjustments. The principal adjustments relate to accounting for direct financing leases (see (e)), impairment of long-lived assets and long-lived assets to be disposed of, adoption of the straight-line method of depreciation for operating lease equipment, deferral of life insurance policy acquisition cost and calculation of policy liabilities, and a reflection of the income tax effect on such adjustments.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Investments in 20%–50% owned affiliates are accounted for by using the equity method.

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

The excess of cost over the underlying equity at acquisition dates of investments in subsidiaries and affiliates is being amortized over periods ranging from 5 to 25 years.

(c) Use of estimates

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

(d) 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 foreign 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. The currencies in which the operations of the foreign subsidiaries and affiliates are conducted are regarded as the functional currencies of these companies. Cumulative translation adjustments reflected in accumulated other comprehensive income (loss) in shareholders' equity are from translation of foreign currency financial statements into Japanese yen.

(e) Recognition of revenues

Direct financing leases—Direct financing leases consist of full-payout leases of various equipment, including office equipment, industrial machinery and transportation equipment (aircraft, vessels and automobiles). The excess of aggregate lease rentals plus the estimated residual value over the cost of the leased equipment constitutes the unearned lease income to be taken into income over the lease term. The estimated residual values represent estimated proceeds from the disposition of equipment at the time the lease is terminated. Certain direct lease origination costs ("initial direct costs") are being deferred and amortized over the lease term as a yield adjustment. The unamortized balance of initial direct costs is reflected as a component of investment in direct financing leases. Amortization of unearned lease income and direct finance lease origination cost is computed using the interest method.

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

Interest payments received on impaired loans are recorded as interest income unless the collection of the remaining investment is doubtful at which time payments received are recorded as reductions of principal (see Note 7).

Non-accrual policy—Revenues on direct financing leases and installment loans are no longer accrued at the time when principal or interest is past due 180 days or more, or earlier, if management believes their collectibility is doubtful.

Operating leases—Operating lease assets are recorded at cost and are depreciated over their estimated useful lives mainly on a straight-line basis. Gains or losses arising from dispositions of operating lease assets are included in operating lease revenues.

Brokerage commissions and gains on investment securities—Brokerage commissions and gains on investment securities are recorded on a trade date basis.

Life insurance—Life insurance premiums are reported as earned when due from policyholders.

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

The allowance for doubtful receivables on direct financing leases and possible loan losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease and loan portfolios that can be reasonably anticipated. The allowance is increased by provisions charged to income and is decreased by charge-offs, net of recoveries. In evaluating the adequacy of the allowance, management considers various factors, including current economic conditions, credit concentrations or deterioration in pledged collateral, historical loss experience, delinquencies and non-accruals. Receivables are charged off when, in the opinion of management, the likelihood of any future collection is believed to be minimal.

Under FASB Statement No. 114 (“Accounting by Creditors for Impairment of a Loan”), impaired loans shall be measured based on the present value of expected future cash flows discounted at the loan’s original effective interest rate. As a practical expedient, impairment is measured based on the loan’s observable market price or the fair value of the collateral if the loan is collateral dependent. Certain loans, such as large groups of smaller-balance homogeneous loans (these include individual housing loans and card loans) and lease receivables, are exempt from this measuring. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance.

(g) 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 other comprehensive income (loss), net of applicable income taxes. In principle, the Company and its subsidiaries recognize losses related to securities for which the market price has been below the acquisition cost (or current carrying value if an adjustment has been made in the past) for more than one year or if there has been a significant deterioration in a bond issuer’s credit rating, an issuer’s default or similar event. However, if the Company and its subsidiaries have a significant long-term business relationship with the investee, management considers the probability of the market value recovering within the following 12 months. As part of this review, the investee’s operating results, net asset value and future performance forecasts as well as general market conditions are taken into consideration. If management believes, based on this review, that the market value of an equity security may realistically be expected to recover, the loss will continue to be classified as temporary. Temporary declines in market value are recorded through other comprehensive income (loss), net of applicable income taxes. If after an additional 12 months the market value is still significantly below the acquisition cost, the loss will be considered other than temporary and the decline in market value charged to income.

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

(h) Securitized assets

The Company and its subsidiaries have securitized and sold to investors certain lease receivables, loan receivables and investment in securities. In the securitization process, assets for securitization (the assets) are sold to Special-Purpose Entities which issue asset-backed securities to the investors. When the Company and its subsidiaries sell the assets in a securitization transaction, the carrying value of the assets is allocated to the portion retained and the portion sold, based on relative fair values. The Company and its subsidiaries recognize a gain or loss for the difference between the net proceeds received and the allocated carrying value of the assets sold. Any gain or loss from a securitization transaction is recorded as revenue of direct financing leases, interest on loans and investment securities, or brokerage commissions and gains on investment securities.

Retained interests include subordinated interests, servicing assets, excess spread assets and cash collateral. Retained interests are initially recorded at allocated carrying value of the assets based on their fair value and are periodically reviewed for impairment.

Fair values are estimated based on estimated future cash flows, factoring in expected credit loss, and discounted at a market rate of interest.

(i) Derivative financial instruments

Hedge criteria include demonstrating how the hedge will reduce risk, identifying the asset or liability being hedged and citing the time horizon being hedged.

Trading instruments—The Company and its subsidiaries use futures, forward and option contracts and other similar types of contracts based on interest rates, foreign exchange rates, equity indices and other. Trading instruments used for trading purposes are recorded in the consolidated balance sheets at fair value at the reporting date. Gains, losses and unrealized changes in fair values from trading instruments are recognized in brokerage commissions and gains on investment securities in the fiscal year in which they occur.

Risk management instruments—The Company and its subsidiaries primarily utilize foreign currency swaps and forward exchange contracts to hedge the exposure to foreign currency fluctuations associated with certain foreign currency assets and liabilities. Gains and losses in the forward exchange contracts and foreign currency swaps designated as hedges are recognized based on changes in the value of the related hedged asset or liability. Realized or unrealized gains or losses in instruments that hedge net capital exposures are recorded in shareholders' equity as foreign currency translation adjustments, which is a part of accumulated other comprehensive income (loss). All other foreign exchange contracts are marked to market and gains or losses are charged to earnings. The Company and its subsidiaries also enter into principally interest rate swap agreements and purchase interest rate option contracts (caps, floors and collars) to reduce interest rate risks and to modify the interest rate characteristics of financing transactions. For these hedging instruments, the accrual method of accounting is used where interest income or expense on the hedging instruments is accrued and recorded as an adjustment to the interest income or expense related to the hedged item. Premiums paid for interest rate options are deferred as other assets and amortized to interest income over the term of the options.

If a hedging derivative contract is terminated early, any resulting gain or loss is charged to earnings. And if the assets or liabilities hedged are sold or otherwise disposed of, the related gains and losses on the terminated derivative contracts are recognized as a component of the gain or loss on disposition of the related assets or liabilities.

Notional amounts and credit exposures of derivatives—The notional amounts of derivatives do not represent amounts exchanged by the parties and, thus, are not a measure of the exposure. The amounts exchanged are calculated on the basis of the notional amounts and the other terms of the derivatives contracts. The Company and its subsidiaries are exposed to credit-related losses in the event of non-performance by counterparties.

(j) Income taxes

Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. Deferred income tax expenses or credits are based on the changes in the asset or liability from period to period. Deferred income tax assets have been recognized on the net operating loss carryforwards of certain subsidiaries.

(k) Policy liabilities

Policy liabilities of the life insurance operations for future policy benefits are computed by the net level premium method, based upon estimated future investment yields, withdrawals, mortality and other assumptions appropriate at the time the policies were issued. The average rates of assumed investment yields are 3.7%, 3.3% and 3.0% for fiscal 1999, 2000 and 2001, respectively.

(l) Capitalization of interest costs

The Company and its subsidiaries capitalized interest costs of ¥966 million, ¥2,132 million and ¥4,730 million (\$38 million) in fiscal 1999, 2000 and 2001, respectively, related to specific long-term development projects.

(m) Stock splits

Stock splits have been accounted for by transferring an amount equivalent to the par value of the shares from additional paid-in capital to common stock as required by the Japanese Commercial Code. No accounting recognition is made for stock splits when common stock already includes a portion of the proceeds from shares issued at a price in excess of par value. This method of accounting is in conformity with accounting principles generally accepted in Japan.

In the United States, stock splits in comparable circumstances are considered to be stock dividends and are accounted for by transferring from retained earnings amounts equal to the fair market value of the shares issued and by increasing additional paid-in capital by the excess of the market value over par value of the shares issued. Had such stock splits in prior years been accounted for in this manner, additional paid-in capital as of March 31, 2001 would have increased by approximately ¥24,674 million, with a corresponding decrease in retained earnings; total shareholders' equity would have remained unchanged. A stock split implemented on May 19, 2000 was excluded from the above pro forma information because the stock split is not considered to be stock dividends under generally accepted accounting principles in the United States of America.

(n) Cash and cash equivalents

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

(o) Restricted cash and cash equivalents

Restricted cash and cash equivalents consist of cash and securities trusts for the segregation of assets under an investor protection fund and deposits related to servicing agreements.

(p) Other operating assets

Other operating assets consist primarily of business assets, including golf courses, hotels, training facilities and inventories.

(q) Other receivables

Other receivables consist primarily of payments made on behalf of lessees for property tax, maintenance fees and insurance premiums in relation to direct financing lease contracts and receivables from the sale of lease assets.

(r) Advances

Advances include advance payments made in relation to purchases of assets to be leased, advance and/or progress payments for acquisition of real estate for sale.

(s) Office facilities

Office facilities are stated at cost less accumulated depreciation. Depreciation is calculated on a declining-balance basis or straight-line basis over the estimated useful lives of the assets. Accumulated depreciation is ¥17,666 million and ¥18,849 million (\$152 million) as of March 31, 2000 and 2001, respectively.

(t) Other assets

Other assets consist primarily of the unamortized excess of purchase prices over the net assets acquired in acquisitions of ¥14,388 million and ¥17,069 million (\$138 million) as of March 31, 2000 and 2001, respectively, deferred insurance acquisition costs, which are amortized over the contract periods, and leasehold deposits.

(u) 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. During fiscal 1999, 2000 and 2001, the Company and its subsidiaries wrote down certain real estate development projects included in investment in operating leases, other operating assets and advances in the consolidated balance sheets to their fair values. And an impairment loss is recognized by using the amount by which the carrying amount of the asset exceeds the fair value of assets determined by external appraisal.

(v) Advertising

The costs of advertising are expensed as incurred. The total amounts charged to advertising expense in fiscal 1999, 2000 and 2001 are ¥4,860 million, ¥6,916 million and ¥7,268 million (\$59 million), respectively.

(w) Financial statements presentation in U.S. dollars

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the readers, using the prevailing exchange rate at March 31, 2001, which was ¥123.90 to \$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(x) New accounting pronouncement

On April 1, 2001, the Company and its subsidiaries adopted FASB Statement No. 133 ("Accounting for Derivative Instruments and Hedging Activities"), as amended by FASB Statement No. 137 ("Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133") and FASB Statement No. 138 ("Accounting for Certain Derivative Instruments and Certain Hedging Activities—an amendment of FASB Statement No. 133"). It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be designated as a hedge. The accounting treatment for changes in the fair value of derivatives depends on the character of the transaction. The cumulative effect of this accounting change as of April 1, 2001, was approximately ¥9 billion (\$73 million) unfavorable to accumulated other comprehensive income (loss), and was not significant to earnings.

In September 2000, FASB Statement No. 140 ("Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125") was issued. It revises the standard for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of FASB Statement No. 125's provisions without reconsideration. The Company and its subsidiaries adopted the disclosure provisions related to the

securitization of financial assets on March 31, 2001. All transactions entered into after March 31, 2001 will be accounted for in accordance with FASB Statement No. 140. Management anticipates this adoption will not have a significant effect on the Company and its subsidiaries' operations or financial position.

(y) Earnings per share

Basic earnings per share (EPS) is computed by dividing net income by the weighted average number of shares of common stock outstanding in each period and diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

EPS is adjusted for any stock split and stock dividend retroactively.

(z) Reclassifications

Certain amounts in the 1999 and 2000 consolidated financial statements have been reclassified to conform with the 2001 presentation.

② Acquisitions

On March 31, 1998, the Company agreed in principle to acquire all the shares of common stock of Yamaichi Trust & Bank, Ltd., the name of which was subsequently changed to ORIX Trust and Banking Corporation, from Yamaichi Securities Co., Ltd. on the closing date of April 28, 1998. On April 28, 1998, as scheduled, the Company completed the share acquisition of Yamaichi Trust & Bank, Ltd., which had approximately ¥68 billion in assets. This acquisition was accounted for under the purchase method, and net assets acquired were ¥13.5 billion. The balance sheet of Yamaichi Trust & Bank, Ltd. as of March 31, 1998 was included in the consolidated financial statements, as the acquisition was substantially completed by that date. The excess of the net assets acquired over the purchase price was approximately ¥4.4 billion, which is being amortized over five years on a straight-line basis.

③ Cash Flow Information

Cash payments for interest and income taxes during fiscal 1999, 2000 and 2001 are as follows:

	Millions of yen			Millions of U.S. dollars
	1999	2000	2001	2001
Interest	¥146,073	¥119,285	¥115,058	\$929
Income taxes	6,904	17,785	12,778	103

④ Investment in Direct Financing Leases

Investment in direct financing leases at March 31, 2000 and 2001 consists of the following:

	Millions of yen		Millions of U.S. dollars
	2000	2001	2001
Minimum lease payments receivable	¥1,889,224	¥1,779,295	\$14,361
Estimated residual value.....	49,965	48,896	394
Initial direct costs	26,042	24,616	199
Unearned lease income	(220,278)	(195,098)	(1,575)
	<u>¥1,744,953</u>	<u>¥1,657,709</u>	<u>\$13,379</u>

Minimum lease payments receivable (including guaranteed residual values) are due in periodic installments through 2022. At March 31, 2001, the amounts due in each of the next five years and thereafter are as follows:

Year ending March 31	Millions of yen	Millions of U.S. dollars
2002.....	¥ 676,196	\$ 5,457
2003.....	445,888	3,599
2004.....	307,248	2,480
2005.....	168,770	1,362
2006.....	74,664	603
Thereafter	106,529	860
Total	<u>¥1,779,295</u>	<u>\$14,361</u>

Gains and losses from the disposition of direct financing lease assets are not significant for fiscal 1999, 2000 and 2001.

⑤ Investment in Operating Leases

Investment in operating leases at March 31, 2000 and 2001 consists of the following:

	Weighted average useful life Years	Millions of yen		Millions of U.S. dollars
		2000	2001	2001
Transportation equipment.....	12	¥234,831	¥251,650	\$2,031
Measuring equipment and personal computers	3	109,533	138,088	1,115
Real estate and other	40	204,503	236,708	1,910
		548,867	626,446	5,056
Accumulated depreciation		(165,018)	(190,732)	(1,539)
Net		383,849	435,714	3,517
Rental receivables		13,727	15,457	124
		<u>¥397,576</u>	<u>¥451,171</u>	<u>\$3,641</u>

For fiscal 1999, 2000 and 2001, gains from the disposition of operating lease assets are ¥2,356 million, ¥4,144 million and ¥7,883 million (\$64 million), respectively, and are included in operating lease revenues in the consolidated statements of income.

The operating lease contracts include non-cancelable lease terms ranging from one month to 20 years. The minimum future rentals on non-cancelable operating leases are as follows:

Year ending March 31	Millions of yen	Millions of U.S. dollars
2002.....	¥ 42,601	\$344
2003.....	29,640	239
2004.....	19,318	156
2005.....	12,998	105
2006.....	7,422	60
Thereafter	11,595	93
Total	<u>¥123,574</u>	<u>\$997</u>

⑥ Installment Loans

The composition of installment loans by domicile and type of borrowers at March 31, 2000 and 2001 is as follows:

	Millions of yen		Millions of U.S. dollars
	2000	2001	2001
Domestic borrowers:			
Consumers—			
Housing loans	¥ 396,748	¥ 392,896	\$ 3,171
Card loans	121,272	181,215	1,462
Other	56,461	43,959	355
	<u>574,481</u>	<u>618,070</u>	<u>4,988</u>
Commercial—			
Real estate related companies	203,537	222,818	1,798
Commercial and industrial companies.....	657,355	627,252	5,063
	<u>860,892</u>	<u>850,070</u>	<u>6,861</u>
	<u>1,435,373</u>	<u>1,468,140</u>	<u>11,849</u>
Foreign commercial, industrial and other borrowers.....	337,754	357,446	2,885
Loan origination costs, net	18,312	20,925	169
	<u>¥1,791,439</u>	<u>¥1,846,511</u>	<u>\$14,903</u>

In principle, all domestic installment loans, except card loans, are made under agreements which require the borrower to provide collateral or guarantors.

At March 31, 2001, the contractual maturities of installment loans for each of the next five years and thereafter are as follows:

Year ending March 31	Millions of yen	Millions of U.S. dollars
2002.....	¥ 540,411	\$ 4,362
2003.....	247,878	2,000
2004.....	222,729	1,798
2005.....	190,682	1,539
2006.....	177,851	1,435
Thereafter.....	446,035	3,600
Total.....	<u>¥1,825,586</u>	<u>\$14,734</u>

Included in interest on loans and investment securities in the consolidated statements of income is interest income on loans of ¥88,003 million, ¥83,321 million and ¥85,441 million (\$690 million) for fiscal 1999, 2000 and 2001, respectively.

① Allowance for Doubtful Receivables on Direct Financing Leases and Possible Loan Losses

Changes in the allowance for doubtful receivables on direct financing leases and possible loan losses for fiscal 1999, 2000 and 2001 are as follows:

	Millions of yen			Millions of U.S. dollars
	1999	2000	2001	2001
Beginning balance.....	¥145,741	¥132,606	¥136,939	\$1,105
Provisions charged to income.....	51,845	45,573	44,584	360
Charge-offs.....	(70,705)	(37,697)	(46,845)	(378)
Recoveries.....	399	354	539	5
Other*.....	5,326	(3,897)	5,860	47
Ending balance.....	<u>¥132,606</u>	<u>¥136,939</u>	<u>¥141,077</u>	<u>\$1,139</u>

*Other includes foreign currency translation adjustments and the effect of acquisitions.

The balance of the allowance broken down into direct financing leases and installment loans at March 31, 2000 and 2001 are as follows:

	Millions of yen		Millions of U.S. dollars
	2000	2001	2001
Balance of allowance related to:			
Direct financing leases.....	¥ 35,783	¥ 40,885	\$ 330
Installment loans.....	101,156	100,192	809
Total.....	<u>¥136,939</u>	<u>¥141,077</u>	<u>\$1,139</u>

The recorded investments in loans considered impaired are ¥125,921 million and ¥120,090 million (\$969 million) as of March 31, 2000 and 2001, respectively. Of these amounts, it was determined that a valuation allowance was required with respect to loans which had outstanding balances of ¥83,408 million and ¥73,636 million (\$594 million) as of March 31, 2000 and 2001, respectively. The Company and its subsidiaries recorded a valuation allowance of ¥51,791 million and ¥47,037 million (\$380 million) as of March 31, 2000 and 2001, respectively. This valuation allowance is included in the allowance for doubtful receivables on direct financing leases and possible loan losses in the accompanying consolidated balance sheets.

The average recorded investments in impaired loans for fiscal 1999, 2000 and 2001 were ¥170,838 million, ¥128,658 million and ¥123,715 million (\$999 million), respectively.

The Company and its subsidiaries recognized interest income on impaired loans of ¥1,577 million, ¥1,429 million and ¥1,414 million (\$11 million), and collected in cash interest on impaired loans of ¥1,297 million, ¥1,061 million and ¥1,052 million (\$8 million) in fiscal 1999, 2000 and 2001, respectively.

As of March 31, 2000 and 2001, the Company and its subsidiaries suspended income recognition pursuant to its non-accrual policy on investment in direct financing leases of ¥43,047 million and ¥39,303 million (\$317 million), and on installment loans other than impaired loans of ¥84,550 million and ¥77,544 million (\$626 million), respectively.

⑧ Investment in Securities

Investment in securities at March 31, 2000 and 2001 consists of the following:

	Millions of yen		Millions of U.S. dollars
	2000	2001	2001
Trading securities	¥ 390	¥ 581	\$ 5
Available-for-sale securities.....	689,638	841,409	6,791
Held-to-maturity securities.....	11,404	13,005	105
Other securities	56,949	87,163	703
	<u>¥758,381</u>	<u>¥942,158</u>	<u>\$7,604</u>

Gains and losses realized from the sale of trading securities and net unrealized holding gains or losses on trading securities are included in gains on investment securities (see Note 18). For fiscal 1999, 2000 and 2001, net unrealized holding losses on trading securities are ¥1 million, ¥3 million and ¥24 million (\$0 million), respectively.

During fiscal 1999 and 2000, the Company and its subsidiaries sold available-for-sale securities for aggregate proceeds of ¥182,338 million and ¥177,157 million, resulting in gross realized gains of ¥6,801 million and ¥17,726 million and gross realized losses of ¥1,525 million and ¥3,833 million, respectively. During fiscal 2001, the Company and its subsidiaries sold available-for-sale securities for aggregate proceeds of ¥152,022 million (\$1,227 million), resulting in gross realized gains of ¥9,773 million (\$79 million) and gross realized losses of ¥2,075 million (\$17 million). The cost of the securities sold was based on the average cost of each such security held at the time of the sale.

During fiscal 1999, 2000 and 2001, the Company and its subsidiaries charged losses on securities of ¥11,077 million, ¥12,297 million and ¥10,848 million (\$88 million), respectively, to income for declines in market value of available-for-sale securities where the decline was classified as other than temporary.

Other securities consist mainly of non-marketable equity securities 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 March 31, 2000 and 2001 are as follows:

March 31, 2000

	Millions of yen			Fair value
	Amortized cost	Gross unrealized gains	Gross unrealized losses	
Available-for-sale:				
Japanese and foreign government bond securities.....	¥ 12,970	¥ 87	¥ (162)	¥ 12,895
Japanese prefectural and foreign municipal bond securities.....	32,304	781	(64)	33,021
Corporate debt securities.....	474,559	12,410	(4,552)	482,417
Mortgage-backed and other asset-backed securities....	54,271	1,643	(1,439)	54,475
Funds in trust	2,000	479	—	2,479
Equity securities	36,344	73,534	(5,527)	104,351
	<u>¥612,448</u>	<u>¥88,934</u>	<u>¥(11,744)</u>	<u>¥689,638</u>
Held-to-maturity:				
Corporate debt securities.....	¥ 11,404	¥ —	¥ —	¥ 11,404
	<u>¥ 11,404</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ 11,404</u>

March 31, 2001

	Millions of yen			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:				
Japanese and foreign government bond securities.....	¥ 24,926	¥ 560	¥ (55)	¥ 25,431
Japanese prefectural and foreign municipal bond securities.....	38,030	1,665	(3)	39,692
Corporate debt securities	587,442	22,489	(5,786)	604,145
Mortgage-backed and other asset-backed securities	88,912	6,721	(1,397)	94,236
Funds in trust	5,995	—	(487)	5,508
Equity securities	39,085	36,602	(3,290)	72,397
	<u>¥784,390</u>	<u>¥68,037</u>	<u>¥(11,018)</u>	<u>¥841,409</u>
Held-to-maturity:				
Japanese and foreign government bond securities.....	¥ 141	¥ 1	¥ —	¥ 142
Corporate debt securities	12,864	—	—	12,864
	<u>¥ 13,005</u>	<u>¥ 1</u>	<u>¥ —</u>	<u>¥ 13,006</u>

	Millions of U.S. dollars			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:				
Japanese and foreign government bond securities.....	\$ 201	\$ 5	\$ (0)	\$ 206
Japanese prefectural and foreign municipal bond securities.....	307	13	(0)	320
Corporate debt securities	4,741	182	(47)	4,876
Mortgage-backed and other asset-backed securities	718	54	(11)	761
Funds in trust	48	—	(4)	44
Equity securities	316	295	(27)	584
	<u>\$6,331</u>	<u>\$549</u>	<u>\$(89)</u>	<u>\$6,791</u>
Held-to-maturity:				
Japanese and foreign government bond securities.....	\$ 1	\$ 0	\$ —	\$ 1
Corporate debt securities	104	—	—	104
	<u>\$ 105</u>	<u>\$ 0</u>	<u>\$ —</u>	<u>\$ 105</u>

The following is a summary of the contractual maturities of debt securities classified as available-for-sale and held-to-maturity securities held at March 31, 2001:

	Millions of yen		Millions of U.S. dollars	
	Amortized cost	Fair value	Amortized cost	Fair value
Available-for-sale:				
Due within one year.....	¥ 45,079	¥ 45,932	\$ 364	\$ 371
Due after one to five years.....	413,119	424,498	3,334	3,426
Due after five to ten years.....	181,519	187,407	1,465	1,513
Due after ten years.....	99,593	105,667	804	853
	<u>¥739,310</u>	<u>¥763,504</u>	<u>\$5,967</u>	<u>\$6,163</u>
Held-to-maturity:				
Due within one year.....	¥ 108	¥ 108	\$ 1	\$ 1
Due after one to five years.....	33	34	0	0
Due after ten years.....	12,864	12,864	104	104
	<u>¥ 13,005</u>	<u>¥ 13,006</u>	<u>\$ 105</u>	<u>\$ 105</u>

Securities not due at a single maturity date, such as mortgage-backed securities, are included in the above table based on their final maturities.

Certain borrowers may have the right to call or prepay obligations. This right may cause actual maturities to differ from the contractual maturities summarized above.

Included in interest on loans and investment securities in the consolidated statements of income is interest income on investment securities of ¥12,477 million, ¥14,069 million and ¥24,007 million (\$194 million) for fiscal 1999, 2000 and 2001, respectively.

9 Securitization

During fiscal 2001, the Company and its subsidiaries sold direct financing lease receivables and installment loans with a pretax gain of ¥4,728 million (\$38 million) through securitization transactions. The Company and its subsidiaries retained subordinated interests and cash collateral. Servicing assets or liabilities related to securitization transactions initiated during fiscal 2001 were not recorded, because the servicing fees adequately compensate the Company and its subsidiaries. The Company and its subsidiaries' retained interests are subordinate to the investor's interests. Their value is subject to credit, interest rate risk on the sold financial assets. The investors and Special-Purpose Entities have no recourse to our other assets for failure of debtors to pay.

At March 31, 2001, a subsidiary held servicing assets amounted to ¥99 million (\$1 million) derived from previous years' securitization transactions, and amortized ¥126 million (\$1 million) during fiscal 2001.

Economic assumptions used in measuring the retained interests related to securitization transactions completed during fiscal 2001 are as follows:

	Direct financing leases	Installment loans
Expected credit loss	0.03%-0.35%	0.75%
Discount rate	3.20%-3.48%	2.69%

Retained interests from securitization transactions that occurred in previous years and in fiscal 2001 are recorded in the consolidated balance sheet at March 31, 2001. The impacts of 10% and 20% adverse changes to the key economic assumptions on the fair value of retained interests as of March 31, 2001 are as follows:

	Millions of yen			Millions of U.S. dollars		
	Direct financing leases	Installment loans	Investment in securities	Direct financing leases	Installment loans	Investment in securities
Carrying value of retained interests.....	¥145,723	¥5,926	¥8,181	\$1,176	\$48	\$66
Expected credit loss:						
+10%	193	5	211	2	0	2
+20%	384	10	436	3	0	4
Discount rate:						
+10%	1,499	35	323	12	0	3
+20%	2,968	68	625	24	1	5

These sensitivities are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on a 10 percent variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in the above table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

The summarized certain cash flows received from/(paid to) Special-Purpose Entities for all securitization activity that occurred in fiscal 2001 are as follows:

	Millions of yen	Millions of U.S. dollars
Proceeds from new securitization	¥215,494	\$1,739
Servicing fees received	62	1
Repurchases of delinquent or ineligible assets	(27,399)	(221)

Quantitative information about delinquencies, net credit losses, and components of securitized financial assets and other assets managed together in fiscal 2001 and as of March 31, 2001 are as follows:

	Millions of yen		
	Total principal amount of receivables	Principal amount of receivables 90 days or more past due	Net credit losses
Type of assets:			
Direct financing leases	¥1,968,872	¥ 53,515	¥20,679
Installment loans	1,887,596	84,827	25,627
Total assets managed or securitized.....	3,856,468	¥138,342	¥46,306
Less: assets securitized.....	(352,248)		
Assets held in portfolio.....	¥3,504,220		

	Millions of U.S. dollars		
	Total principal amount of receivables	Principal amount of receivables 90 days or more past due	Net credit losses
Type of assets:			
Direct financing leases	\$15,891	\$ 432	\$167
Installment loans	15,234	685	206
Total assets managed or securitized	31,125	<u>\$1,117</u>	<u>\$373</u>
Less: assets securitized	(2,843)		
Assets held in portfolio	<u>\$28,282</u>		

The portion accounted for as off balance sheet assets by securitizing investment in securities is ¥49,361 million (\$398 million) as of March 31, 2001 which are not included in above table.

In fiscal 1999, 2000 and 2001, subsidiaries entered into other lease receivable securitization programs that are not accounted for as a sale. The payables under these securitization programs of ¥72,210 million (\$583 million) are included in long-term debt, the minimum lease payments receivable of ¥71,886 million (\$580 million) and cash collateral of ¥6,022 million (\$49 million) are included in investment in direct financing leases and other assets in the consolidated balance sheets as of March 31, 2001, respectively.

10 Investment in Affiliates

Investment in affiliates at March 31, 2000 and 2001 consists of the following:

	Millions of yen		Millions of U.S. dollars
	2000	2001	2001
Common stock, at equity value	¥51,869	¥51,203	\$413
Loans	11,443	11,952	97
	<u>¥63,312</u>	<u>¥63,155</u>	<u>\$510</u>

Certain Asia and Oceania affiliates are listed on stock exchanges. The aggregate investment in and quoted market value of those affiliates amounted to ¥1,040 million and ¥644 million as of March 31, 2000, respectively, and ¥1,172 million (\$9 million) and ¥892 million (\$7 million) as of March 31, 2001, respectively.

In fiscal 1999, 2000 and 2001, the Company and its subsidiaries received dividends from affiliates of ¥825 million, ¥1,091 million and ¥421 million (\$3 million), respectively.

During fiscal 1999, the Company wrote down its investment in Korea Development Leasing Corporation (KDLC) to zero, and unrealized loss of cumulative translation adjustments of ¥5,205 million was charged to income as KDLC had negative equity and the Company was not in a position to exert influence over KDLC's operations.

During fiscal 2000, the Company reduced its shareholding in KDLC from 26% to 1% and increased its shareholding in Banc One Mortgage Capital Markets, LLC from 45% to 100%, the name of which was subsequently changed to ORIX Real Estate Capital Markets, LLC (ORECM).

During fiscal 2001, the Company sold its share of Bradesco Leasing S.A. Arrendamiento Mercantil (BL 25% owned).

Consequently, the major affiliates accounted for by the equity method which are contained in the following combined and condensed financial information are ORECM (in fiscal 1999), BL (in fiscal 1999 and 2000) and Stockton Holdings Limited (30% owned) (in fiscal 1999 and 2000). In fiscal 2001, there is no significant affiliate, either individually or in combined basis, to be disclosed.

	Millions of yen	
	1999	2000
Operations:		
Total revenues	¥ 50,453	¥ 54,563
Income before income taxes	13,235	2,293
Net income	12,177	1,532
Financial position:		
Total assets	393,589	356,742
Total liabilities	296,210	276,799
Shareholders' equity	97,379	79,943

The Company had no significant transactions with these companies.

⑪ Short-Term and Long-Term Debt

Short-term debt consists of notes payable to banks, bank overdrafts and commercial paper.

The composition of short-term debt and the weighted average interest rate on short-term debt at March 31, 2000 and 2001 are as follows:

March 31, 2000

	Millions of yen	Weighted average rate
Short-term debt in Japan, mainly from banks	¥ 674,708	1.5%
Short-term debt outside Japan, mainly from banks	260,617	6.1%
Commercial paper in Japan.....	851,223	0.2%
Commercial paper outside Japan	126,213	6.7%
	<u>¥1,912,761</u>	<u>1.9%</u>

March 31, 2001

	Millions of yen	Millions of U.S. dollars	Weighted average rate
Short-term debt in Japan, mainly from banks	¥ 331,963	\$ 2,679	2.5%
Short-term debt outside Japan, mainly from banks	315,498	2,547	5.2%
Commercial paper in Japan.....	910,751	7,351	0.4%
Commercial paper outside Japan	3,860	31	5.8%
	<u>¥1,562,072</u>	<u>\$12,608</u>	<u>1.8%</u>

In fiscal 2000, the Company obtained short-term committed credit lines of ¥294,500 million in Japan to enhance liquidity as stipulated in the Commitment Line Law that came into effect in March 1999.

In fiscal 2001, the Company arranged a ¥74,560 million (\$602 million) multicurrency global commitment line for the Company and certain overseas subsidiaries.

Total committed lines for the Company and its subsidiaries were ¥549,525 million and ¥795,489 million (\$6,420 million) at March 31, 2000 and 2001, respectively, and of these lines, ¥509,379 million and ¥726,888 million (\$5,867 million) were available at March 31, 2000 and 2001, respectively. Of the available committed lines ¥61,302 million and ¥37,762 million (\$305 million) were long-term committed credit lines at March 31, 2000 and 2001, respectively.

While ¥436,505 million and ¥521,695 million (\$4,211 million) of the total committed lines at March 31, 2000 and 2001 were for commercial paper backup purposes, no borrowings have been made under these lines.

Long-term debt at March 31, 2000 and 2001 consists of the following:

March 31, 2000

	Due	Millions of yen
Banks:		
Fixed rate: 1.6% to 9.9%	2001-2007	¥ 151,821
Floating rate: principally based on LIBOR plus 0.0% to 0.6%.....	2001-2009	147,788
Insurance companies and others:		
Fixed rate: 0.8% to 9.4%	2001-2009	330,219
Floating rate: principally based on LIBOR plus 0.0% to 0.5%.....	2001-2008	167,448
Unsecured 1.1% to 8.5% bonds.....	2001-2013	712,553
Unsecured 0.4% convertible notes.....	2005	40,000
Unsecured 0.1% to 1.9% bonds with warrants	2002-2004	8,700
Unsecured 0.0% to 8.2% notes under medium-term note program	2001-2010	328,221
0.7% to 7.8% payables under securitized lease receivables	2001-2004	56,034
		<u>¥1,942,784</u>

March 31, 2001

	Due	Millions of yen	Millions of U.S. dollars
Banks:			
Fixed rate: 1.5% to 9.3%.....	2002-2012	¥ 211,746	\$ 1,709
Floating rate: principally based on LIBOR plus 0.0% to 0.8%.....	2002-2009	323,473	2,611
Insurance companies and others:			
Fixed rate: 0.8% to 9.0%.....	2002-2009	361,900	2,920
Floating rate: principally based on LIBOR plus 0.0% to 0.7%.....	2002-2008	215,952	1,743
Unsecured 0.5% to 3.1% bonds	2002-2013	745,000	6,013
Unsecured 0.4% convertible notes.....	2005	40,000	323
Unsecured 0.1% to 1.9% bonds with warrants	2002-2005	10,500	85
Unsecured 0.0% to 8.2% notes under medium-term note program	2002-2011	349,378	2,820
1.0% to 7.8% payables under securitized lease receivables	2002-2009	72,210	583
		<u>¥2,330,159</u>	<u>\$18,807</u>

The repayment schedule for the next five years and thereafter for long-term debt at March 31, 2001 is as follows:

Year ending March 31	Millions of yen	Millions of U.S. dollars
2002	¥ 624,838	\$ 5,043
2003	474,503	3,830
2004	479,933	3,874
2005	392,692	3,169
2006	219,330	1,770
Thereafter	138,863	1,121
Total	<u>¥2,330,159</u>	<u>\$18,807</u>

The agreements related to debt payable to banks provide that the banks under certain circumstances may request additional security for loans and have the rights to offset cash deposited against any short-term or long-term debt that becomes due, and in case of default and certain other specified events, against all other debt payable to the banks. Whether such provisions can be enforced will depend upon the factual circumstances.

In addition to the minimum lease payments receivable related to the payables under securitized lease receivables described in Note 9, the short-term and long-term debt payable to financial institutions are secured by the following assets as of March 31, 2001:

	Millions of yen	Millions of U.S. dollars
Time deposits	¥ 7,895	\$ 64
Minimum lease payments, loans and future rentals	25,726	207
Investment in securities	53,435	431
Other operating assets and office facilities, net	17,555	142
	<u>¥104,611</u>	<u>\$844</u>

In addition, under agreements with customers on brokerage business, customers' securities of ¥3,023 million (\$24 million) at market value are pledged as collateral for the short-term debt as of March 31, 2001.

Loan agreements relating to short-term and long-term debt from commercial banks and certain insurance companies provide that minimum lease payments and installment loans are subject to pledges as collateral against these debts at any time if requested by the lenders. To date, the Company has not received any such requests from the lenders.

Long-term debt of ¥1,539 million (\$12 million) is guaranteed by commercial banks and an insurance company as of March 31, 2001.

12 Deposits

Deposits at March 31, 2000 and 2001, consist of the following:

	Millions of yen		Millions of U.S. dollars
	2000	2001	2001
Time deposits	¥148,162	¥152,321	\$1,229
Other deposits	6,761	25,993	210
Total	<u>¥154,923</u>	<u>¥178,314</u>	<u>\$1,439</u>

The balances of time deposits, including CDs, issued in amounts of ¥10 million (\$81 thousand) or more were ¥127,911 million and ¥126,781 million (\$1,023 million) at March 31, 2000 and 2001, respectively.

The maturity schedule of time deposits at March 31, 2001 is as follows:

Year ending March 31	Millions of yen	Millions of U.S. dollars
2002	¥119,290	\$ 963
2003	9,134	73
2004	14,361	116
2005	—	—
2006	9,536	77
Total	<u>¥152,321</u>	<u>\$1,229</u>

18 *Income Taxes*

Income before income taxes and the provision for income taxes in fiscal 1999, 2000 and 2001 are as follows:

	Millions of yen			Millions of U.S. dollars
	1999	2000	2001	2001
Income before income taxes:				
Domestic	¥15,728	¥33,245	¥56,076	\$452
Foreign.....	11,587	18,803	3,160	26
	<u>¥27,315</u>	<u>¥52,048</u>	<u>¥59,236</u>	<u>\$478</u>
Provision for income taxes:				
Current—				
Domestic	¥ 5,633	¥ 6,803	¥12,648	\$102
Foreign.....	6,407	8,139	4,320	35
	<u>12,040</u>	<u>14,942</u>	<u>16,968</u>	<u>137</u>
Deferred—				
Domestic	(14,153)	7,913	13,080	105
Foreign.....	3,807	(1,449)	(4,969)	(40)
	<u>(10,346)</u>	<u>6,464</u>	<u>8,111</u>	<u>65</u>
Provision for income taxes	<u>¥ 1,694</u>	<u>¥21,406</u>	<u>¥25,079</u>	<u>\$202</u>

The normal income tax rate in Japan was approximately 48%, 42% and 42% in fiscal 1999, 2000 and 2001, respectively. The effective income tax rate is different from the normal income tax rate primarily because of certain permanent non-deductible expenses and inclusion in income of equity in net income of affiliates.

Under the provisions of FASB Statement No. 109 (“Accounting for Income Taxes”), the effect of a change in tax laws or rates is included in income in the period the change is enacted and includes a cumulative recalculation of deferred tax balances based on the new tax laws or rates. The 1998 tax reform, enacted on March 31, 1998 (effective from April 1, 1998), decreased the normal income tax rate to approximately 48%. And the 1999 tax reform, enacted on March 31, 1999 (effective from April 1, 1999), decreased the normal income tax rate to approximately 42%.

Reconciliations of the differences between tax provision computed at the normal rate and consolidated provisions for income taxes in fiscal 1999, 2000 and 2001 are as follows:

	Millions of yen			Millions of U.S. dollars
	1999	2000	2001	2001
Income before income taxes	<u>¥27,315</u>	<u>¥52,048</u>	<u>¥59,236</u>	<u>\$478</u>
Tax provision computed at normal rate	¥13,029	¥21,860	¥24,879	\$201
Increases (reductions) in taxes due to:				
Application of the equity method.....	2,846	150	(383)	(3)
Permanent non-deductible expenses	858	677	575	4
Effect of a change in tax rates	(14,582)	—	—	—
Amortization of goodwill	(459)	(115)	147	1
Effect of lower tax rate than normal in a domestic subsidiary ..	(267)	(373)	(407)	(3)
Other, net.....	269	(793)	268	2
Provision for income taxes	<u>¥ 1,694</u>	<u>¥21,406</u>	<u>¥25,079</u>	<u>\$202</u>

Total income taxes recognized in fiscal 1999, 2000 and 2001 are as follows:

	Millions of yen			Millions of U.S. dollars
	1999	2000	2001	2001
Provision for income taxes	¥1,694	¥21,406	¥25,079	\$202
Income tax on other comprehensive income (loss):				
Net unrealized gains (losses) on investment in securities.....	1,414	28,435	(8,809)	(71)
Minimum pension liability adjustment.....	—	(2,515)	(859)	(7)
Cumulative translation adjustments	(528)	(958)	1,556	13
Total income taxes	<u>¥2,580</u>	<u>¥46,368</u>	<u>¥16,967</u>	<u>\$137</u>

The tax effects of temporary differences giving rise to the deferred tax assets and liabilities at March 31, 2000 and 2001 are as follows:

	Millions of yen		Millions of U.S. dollars
	2000	2001	2001
Assets:			
Net operating loss carryforwards	¥ 14,184	¥ 13,219	\$ 107
Allowance for doubtful receivables on direct financing leases and possible loan losses	30,181	30,904	249
Installment loans	3,360	2,863	23
Policy liabilities	704	799	6
Accrued expenses	4,381	11,247	91
Other	2,218	2,866	23
	<u>¥ 55,028</u>	<u>¥ 61,898</u>	<u>\$ 499</u>
Liabilities:			
Investment in direct financing leases	¥122,591	¥121,903	\$ 984
Investment in operating leases	12,386	17,382	140
Investment in securities	32,616	22,463	181
Deferred life insurance acquisition costs	6,856	10,074	81
Undistributed earnings	11,623	12,333	100
Other	2,950	11,167	90
	<u>¥189,022</u>	<u>¥195,322</u>	<u>\$1,576</u>
Net deferred tax liability	<u>¥133,994</u>	<u>¥133,424</u>	<u>\$1,077</u>

Certain subsidiaries have recognized deferred tax assets from net operating loss carryforwards totaling ¥36,504 million (\$295 million) as of March 31, 2001, which expire as follows:

Year ending March 31	Millions of yen	Millions of U.S. dollars
2002	¥ 1,036	\$ 8
2003	3,132	25
2004	4,534	37
2005	5,913	48
2006	1,698	14
Thereafter	20,191	163
Total	<u>¥36,504</u>	<u>\$295</u>

Undistributed earnings of certain foreign subsidiaries for which deferred income taxes were not provided amounted to ¥65,208 million (\$526 million) as of March 31, 2001. Since the management decided that the undistributed earnings are permanently reinvested, no provision for income taxes has been provided.

Net deferred tax assets and liabilities at March 31, 2000 and 2001 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Millions of U.S. dollars
	2000	2001	2001
Other assets	¥ 1,224	¥ 2,006	\$ 16
Income taxes: Deferred	135,218	135,430	1,093
Net deferred tax liability	<u>¥133,994</u>	<u>¥133,424</u>	<u>\$1,077</u>

14 Pension Plans

The Company and certain subsidiaries have trusted contributory and non-contributory funded pension plans covering substantially all of their employees other than directors and corporate auditors. Under the plans, employees are entitled to lump-sum payments at the time of termination of their employment or to pension payments. The amounts of such payments are determined on the basis of length of service and remuneration at the time of termination. The Company and its subsidiaries' funding policy is to contribute annually the amounts actuarially determined. Assets of the plans are invested primarily in interest-bearing securities and marketable equity securities.

The funded status of the defined benefit pension plans, a substantial portion of which consists of domestic pension plans, as of March 31, 2000 and 2001 is as follows:

	Millions of yen		Millions of
	2000	2001	U.S. dollars
			2001
Change in benefit obligation:			
Benefit obligation at beginning of year	¥30,805	¥46,065	\$372
Service cost	2,360	3,329	27
Interest cost	1,460	1,496	12
Plan participants' contributions	458	567	5
Plan amendments	218	(560)	(5)
Actuarial loss	12,145	2,997	24
Foreign currency exchange rate change	(325)	460	4
Benefits paid	(986)	(1,201)	(10)
Plan curtailment	(70)	—	—
Benefit obligation at end of year	<u>¥46,065</u>	<u>¥53,153</u>	<u>\$429</u>
Change in plan assets:			
Fair value of plan assets at beginning of year	¥30,936	¥38,823	\$313
Actual return on plan assets	3,716	(2,576)	(21)
Employer contribution	4,844	8,157	66
Plan participants' contributions	458	567	4
Benefits paid	(840)	(1,050)	(8)
Foreign currency exchange rate change	(291)	358	3
Fair value of plan assets at end of year	<u>¥38,823</u>	<u>¥44,279</u>	<u>\$357</u>
The funded status of the plans:			
Funded status	¥ (7,242)	¥ (8,874)	\$ (71)
Unrecognized prior service cost	253	(248)	(2)
Unrecognized net actuarial loss	17,232	23,310	188
Unrecognized net transition obligation	472	432	3
Net amount recognized	<u>¥10,715</u>	<u>¥14,620</u>	<u>\$118</u>
Amount recognized in the consolidated balance sheets consists of:			
Prepaid benefit cost	¥10,077	¥14,601	\$118
Accrued benefit liability	(5,564)	(8,226)	(66)
Intangible asset	202	187	1
Accumulated other comprehensive income, gross of tax	6,000	8,058	65
Net amount recognized	<u>¥10,715</u>	<u>¥14,620</u>	<u>\$118</u>

The aggregate projected benefit obligations, aggregate accumulated benefit obligations and aggregate fair values of plan assets for the plans with the accumulated benefit obligations in excess of plan assets were ¥19,829 million, ¥16,230 million and ¥10,899 million, respectively, at March 31, 2000, and ¥23,681 million (\$191 million), ¥19,621 million (\$158 million) and ¥11,522 million (\$93 million), respectively, at March 31, 2001.

Net pension cost of the plans for fiscal 1999, 2000 and 2001 consists of the following:

	Millions of yen			Millions of
	1999	2000	2001	U.S. dollars
				2001
Service cost	¥2,140	¥2,360	¥3,329	\$27
Interest cost	1,297	1,460	1,496	12
Expected return on plan assets	(1,369)	(1,565)	(1,323)	(11)
Amortization of unrecognized transition obligation	45	35	29	0
Amortization of unrecognized net actuarial loss	175	237	818	7
Amortization of unrecognized prior service cost	2	10	(26)	(0)
Plan curtailment	—	(43)	—	—
Net periodic pension cost	<u>¥2,290</u>	<u>¥2,494</u>	<u>¥4,323</u>	<u>\$35</u>

Significant assumptions of domestic and foreign pension plans used to determine these amounts for fiscal 1999, 2000 and 2001 are as follows:

Domestic	1999	2000	2001
Discount rate	4.4%	3.0%	3.0%
Rate of increase in compensation levels.....	2.6%	2.6%	2.1%
Expected long-term rate of return on plan assets.....	4.4%	3.0%	3.0%
Foreign	1999	2000	2001
Discount rate	6.8%	7.8%	7.3%
Rate of increase in compensation levels.....	4.0%	5.0%	4.5%
Expected long-term rate of return on plan assets.....	9.3%	9.3%	9.3%

In addition, directors and corporate auditors of the Company and certain subsidiaries, and executive officers of the Company, receive lump-sum payments upon termination of their services under unfunded termination plans. The payments to directors and corporate auditors are subject to shareholders' approval. The amount required based on length of services and remuneration to date under these plans is fully accrued.

Total provisions charged to income for all the plans including the defined benefit plans are ¥2,942 million, ¥3,431 million and ¥5,119 million (\$41 million) in fiscal 1999, 2000 and 2001, respectively.

15 Stock-Based Compensation

The Company has introduced stock option plans for directors, executive officers and key employees. Under the plans, the right is granted to purchase the treasury shares of the Company at a certain purchase price. The exercise price was determined based on a formula linked to a stock price of the shares on the Tokyo Stock Exchange. Under the stock option plans in fiscal 1999 and 2000, the options vest 100% on the grant date. Under the stock option plan in fiscal 2001, the option vest 100% over three years' service periods starting July 2000. Exercisable periods are 9.75 years, 9.7 years and 10 years from the grant date in 1999, 2000 and 2001, respectively. The Company acquired 146,000, 145,000 and 316,700 shares of its common stock for the plan during fiscal 1999, 2000 and 2001, respectively. The Board of Directors intends to obtain approval from the shareholders, at the next general meeting, to be held on June 28, 2001, for an additional grant of stock options for 300,900 shares during fiscal 2002.

FASB Statement No.123 ("Accounting for Stock-Based Compensation") defines a fair value based method of accounting for a stock option. This statement gives entities a choice of recognizing related compensation expense by adopting the new fair value method or to continue to measure compensation using the intrinsic value approach under APB Opinion No. 25 ("Accounting for Stock Issued to Employees"), the former standard. The Company chose to use the measurement prescribed by APB Opinion No. 25 and recognized no compensation expense in fiscal 1999, 2000 and 2001. Had compensation cost for the Company's stock option plans been determined consistent with FASB Statement No. 123, net income and earnings per share in fiscal 1999, 2000 and 2001 would have been as follows:

	1999	2000	2001	2001
Net income (millions of yen and millions of U.S. dollars).....	¥25,102	¥29,761	¥33,694	\$ 272
Basic earnings per share (yen and U.S. dollars).....	¥323.74	¥374.19	¥412.11	\$3.33
Diluted earnings per share (yen and U.S. dollars).....	¥323.74	¥365.66	¥395.57	\$3.19

The fair value of these stock options was estimated using the Black-Scholes option pricing model under the following assumptions:

	1999	2000	2001
Grant-date fair value	¥3,552	¥6,078	¥5,847 (\$47.19)
Expected life	10 Years	8.55 Years	9.25 Years
Risk-free rate	0.81%	1.72%	1.15%
Expected volatility	29.74%	35.53%	30.79%
Expected dividend yield	0.161%	0.149%	0.096%

The following table summarizes information about stock option activity for fiscal 1999, 2000 and 2001:

	Number of shares	Weighted average exercise price	
		Yen	U.S. dollars
Outstanding at March 31, 1998.....	168,000	¥ 7,665	
Granted.....	146,000	7,784	
Exercised.....	—	—	
Forfeited or expired.....	—	—	
Outstanding at March 31, 1999.....	314,000	7,720	
Granted.....	145,000	10,393	
Exercised.....	57,000	7,686	
Forfeited or expired.....	—	—	
Outstanding at March 31, 2000.....	402,000	8,689	
Granted.....	316,700	16,272	\$131.33
Exercised.....	35,900	7,706	62.20
Forfeited or expired.....	1,300	16,272	131.33
Outstanding at March 31, 2001.....	681,500	¥12,250	\$ 98.87

Exercisable options are 314,000, 402,000 and 366,100 at March 31, 1999, 2000 and 2001, respectively. Exercise prices of all the granted options were adjusted on April 1, 2000 for a 1.2-for-1 stock split implemented on May 19, 2000.

Summary information about the Company's stock options outstanding and exercisable at March 31, 2001 is as follows:

Range of Exercise Price	Outstanding			Exercisable	
	Number of shares	Weighted average remaining life	Weighted average exercise price	Number of shares	Weighted average exercise price
		Years	Yen		Yen
Yen					
¥ 7,665–¥10,000	221,000	4.60	¥ 7,731	221,100	¥ 7,731
10,001– 13,000	145,000	8.25	10,393	145,000	10,393
13,001– 16,272	315,400	9.25	16,272	—	—
¥ 7,665–¥16,272	681,500	7.53	¥12,250	366,100	¥ 8,786

Range of Exercise Price	Outstanding			Exercisable	
	Number of shares	Weighted average remaining life	Weighted average exercise price	Number of shares	Weighted average exercise price
		Years	U.S. dollars		U.S. dollars
U.S. dollars					
\$ 61.86–\$ 80.71	221,100	4.60	\$ 62.40	221,100	\$62.40
80.72– 104.92	145,000	8.25	83.88	145,000	83.88
104.93– 131.33	315,400	9.25	131.33	—	—
\$ 61.86–\$131.33	681,500	7.53	\$ 98.87	366,100	\$70.91

The Company has also introduced warrant plans to corporate auditors and key employees (not including employees who were option holders under the stock option plan) of the Company and directors of its certain subsidiaries since fiscal 1998. Under the plans, the Company granted warrants to purchase 315,593 shares, 302,484 shares and 126,143 shares by repurchasing warrants attached to bonds with warrants issued by the Company during fiscal 1999, 2000 and 2001, respectively. Grant-date fair value was ¥510, ¥1,100 and ¥1,410 (\$11.38), and exercise price was ¥6,885, ¥11,291 and ¥14,090 (\$113.72) in fiscal 1999, 2000 and 2001, respectively. Exercise price of the warrants granted in fiscal 1998 has been adjusted since November 14, 1998, by issuance of bonds with warrants in fiscal 1999 by the Company. Exercise prices of all the granted warrants were adjusted on April 1, 2000, for a 1.2-for-1 stock split implemented on May 19, 2000.

Subject to the final approval by the Board of Directors of the Company, the Company intends to introduce a warrant plan in fiscal 2002. Under the plan, warrants to purchase approximately 123,900 shares will be granted to corporate auditors of the Company, directors, corporate auditors and key employees of its certain subsidiaries by repurchasing warrants attached to bonds with warrants to be issued by the Company during fiscal 2002. The exercise price of the warrants will be determined based on a formula linked to a stock price when the terms for issuing the bonds with warrants are determined.

16 *Accumulated Other Comprehensive Income (Loss)*

Effective April 1, 1998, the Company and its subsidiaries adopted FASB Statement No. 130 ("Reporting Comprehensive Income"), which established standards for the reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income (loss) and its components have been reported, net of tax, in the consolidated statements of shareholders' equity.

Changes in each component of accumulated other comprehensive income (loss) in fiscal 1999, 2000 and 2001 are as follows:

	Millions of yen			
	Net unrealized gains on investment in securities	Minimum pension liability adjustments	Cumulative translation adjustments	Accumulated other comprehensive income (loss)
Balance at March 31, 1998	¥ 2,711	¥ —	¥(20,790)	¥(18,079)
Net unrealized gains (losses) on investment in securities, net of tax of ¥1,317 million	(1,096)			(1,096)
Reclassification adjustment for losses included in net income, net of tax of ¥(2,731) million	2,538			2,538
Foreign currency translation adjustments, net of tax of ¥892 million			(16,118)	(16,118)
Reclassification adjustment for losses included in net income, net of tax of ¥(364) million			5,205	5,205
Current period change	¥ 1,442	¥ —	¥(10,913)	¥ (9,471)
Balance at March 31, 1999	¥ 4,153	¥ —	¥(31,703)	¥(27,550)
Net unrealized gains (losses) on investment in securities, net of tax of ¥(28,919) million	42,699			42,699
Reclassification adjustment for losses included in net income, net of tax of ¥484 million	(1,148)			(1,148)
Minimum pension liability adjustments, net of tax of ¥2,515 million		(3,485)		(3,485)
Foreign currency translation adjustments, net of tax of ¥1,219 million			(12,184)	(12,184)
Reclassification adjustment for losses included in net income, net of tax of ¥(261) million			251	251
Current period change	¥ 41,551	¥(3,485)	¥(11,933)	¥ 26,133
Balance at March 31, 2000	¥ 45,704	¥(3,485)	¥(43,636)	¥ (1,417)
Net unrealized gains (losses) on investment in securities, net of tax of ¥9,750 million	(12,334)			(12,334)
Reclassification adjustment for losses included in net income, net of tax of ¥(941) million	974			974
Minimum pension liability adjustments, net of tax of ¥859 million		(1,199)		(1,199)
Foreign currency translation adjustments, net of tax of ¥(1,556) million			20,532	20,532
Reclassification adjustment for gains included in net income, net of tax of ¥ — million			(2,004)	(2,004)
Current period change	¥(11,360)	¥(1,199)	¥ 18,528	¥ 5,969
Balance at March 31, 2001	¥ 34,344	¥(4,684)	¥(25,108)	¥ 4,552

	Millions of U.S. dollars			
	Net unrealized gains on investment in securities	Minimum pension liability adjustments	Cumulative translation adjustments	Accumulated other comprehensive income (loss)
Balance at March 31, 2000	\$369	\$(28)	\$(352)	\$ (11)
Net unrealized gains (losses) on investment in securities, net of tax of \$79 million	(100)			(100)
Reclassification adjustment for losses included in net income, net of tax of \$(8) million	8			8
Minimum pension liability adjustments, net of tax of \$7 million		(10)		(10)
Foreign currency translation adjustments, net of tax of \$(13) million			166	166
Reclassification adjustment for gains included in net income, net of tax of \$ — million			(16)	(16)
Current period change	\$ (92)	\$(10)	\$ 150	\$ 48
Balance at March 31, 2001	\$277	\$(38)	\$(202)	\$ 37

17 Shareholders' Equity

Changes in the number of shares issued and outstanding in fiscal 1999, 2000 and 2001 are as follows:

	Number of shares		
	1999	2000	2001
Beginning balance.....	64,870,299	64,870,299	68,630,294
Common stock issued in public offering	—	3,300,000	—
Exercise of warrants.....	—	357,175	31,673
Common stock issued for acquisitions of minority interests of subsidiaries	—	102,820	—
Common stock issued in stock split on May 19, 2000.....	—	—	13,726,058
Ending balance	<u>64,870,299</u>	<u>68,630,294</u>	<u>82,388,025</u>

The Japanese Commercial Code (the "Code") provides that an amount equivalent to at least 10% of cash dividends paid and other cash outlays resulting from appropriation of retained earnings be appropriated to a legal reserve until such reserve equals 25% of the issued capital. The Code also provides that both additional paid-in capital and the legal reserve are not available for cash dividends but may be used to reduce a capital deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors.

The Code provides that at least one-half of the issue price of new shares, with a minimum of the par value thereof, be included in common stock. In conformity therewith, the Company has divided the principal amount of the bonds converted into common stock and the proceeds received from the issuance of common stock, including the exercise of warrants, equally between common stock and additional paid-in capital by resolution of the Board of Directors.

The Board of Directors intends to recommend to the shareholders, at the next general meeting, to be held on June 28, 2001, the declaration of a cash dividend totaling ¥1,226 million (\$10 million), which will be paid in that month to the shareholders of record as of March 31, 2001, covering fiscal 2001, and the related appropriation of retained earnings to the legal reserve of ¥130 million (\$1 million).

The amount of retained earnings available for dividends under the Code is based on the amount recorded in the Company's nonconsolidated books of account in accordance with accounting principles generally accepted in Japan, and amounted to ¥109,675 million (\$885 million) as of March 31, 2001. However, there are restrictions on the payment of dividends relating to the treasury stock acquired for the stock option plan, amounting to ¥8,284 million (\$67 million), and net unrealized gains on investment in securities and earning impact of derivatives under accounting principles generally accepted in Japan, amounting to ¥16,686 million (\$135 million) as of March 31, 2001.

Retained earnings at March 31, 2001 includes ¥23,598 million (\$190 million) relating to equity in undistributed earnings of 50% or less owned companies accounted for by the equity method.

The Company implemented a 1.2-for-1 stock split on May 19, 2000 and assigned to all shareholders appearing on the final list of shareholders as of March 31, 2000.

18 Brokerage Commissions and Gains on Investment Securities

Brokerage commissions and gains on investment securities in fiscal 1999, 2000 and 2001 consist of the following:

	Millions of yen			Millions of U.S. dollars
	1999	2000	2001	2001
Brokerage commissions.....	¥1,165	¥ 3,089	¥ 3,252	\$26
Gains on investment securities, net	6,216	16,611	8,803	71
	<u>¥7,381</u>	<u>¥19,700</u>	<u>¥12,055</u>	<u>\$97</u>

Trading activities—Gains on investment securities, net, include net trading revenue on trading securities amounting to ¥679 million, ¥1,390 million and ¥552 million (\$4 million) for fiscal 1999, 2000 and 2001, respectively. A gain of ¥561 million, a loss of ¥15 million and a gain of ¥444 million (\$4 million) of derivative trading instruments are also included in gains on investment securities, net, for fiscal 1999, 2000 and 2001, respectively.

19 Life Insurance Operations

Life insurance premiums and related investment income in fiscal 1999, 2000 and 2001 consist of the following:

	Millions of yen			Millions of U.S. dollars
	1999	2000	2001	2001
Life insurance premiums	¥186,629	¥190,758	¥141,528	\$1,143
Life insurance related investment income.....	9,630	15,071	16,786	135
	<u>¥196,259</u>	<u>¥205,829</u>	<u>¥158,314</u>	<u>\$1,278</u>

Benefits and expenses of the life insurance operations, included in life insurance costs in the consolidated statements of income, are associated with earned premiums so as to result in recognition of profits over the life of contracts. This association is accomplished by means of the provision for future policy benefits and the deferral and subsequent amortization of policy acquisition costs (principally commissions and certain other expenses relating to policy issuance and underwriting). These policy acquisition costs are amortized in proportion to premium revenue recognized. Amortizations charged to income for fiscal 1999, 2000 and 2001 amounted to ¥8,428 million, ¥9,756 million and ¥10,671 million (\$86 million), respectively.

20 Other Operations

Other operating revenues and expenses include revenues and costs from sales of residential apartments, fee income and costs from servicing of receivables, commission income and costs from sales of commodities funds and revenues and expenses from other operations.

21 Per Share Data

In Japan, dividends which are payable to shareholders of record at the end of a fiscal year are subsequently approved by shareholders, and, accordingly, the declaration of these dividends is not reflected in the financial statements at such fiscal year-end. However, dividends per share shown in the consolidated statements of income have been presented on an accrual basis and include, in each fiscal year, dividends to be approved by shareholders after such fiscal year.

In fiscal 1999, diluted EPS was equal to basic EPS, and a reconciliation of the differences between basic and diluted EPS in fiscal 2000 and 2001 is as follows:

March 31, 2000

	Millions of yen	Thousands	Yen
	Net income	Weighted-average shares	EPS
Basic EPS:			
Net income available to common stockholders	¥30,642	79,534	¥385.27
Effect of dilutive securities—			
Warrants	—	160	
Convertible notes	43	1,560	
Treasury stock	—	133	
Diluted EPS:			
Net income for computation.....	<u>¥30,685</u>	<u>81,387</u>	<u>¥377.02</u>

March 31, 2001

	Millions of yen	Thousands	Yen	U.S. dollars
	Net income	Weighted-average shares	EPS	EPS
Basic EPS:				
Net income available to common stockholders	¥34,157	81,760	¥417.77	\$3.37
Effect of dilutive securities—				
Warrants	—	127		
Convertible notes	87	3,381		
Treasury stock	—	132		
Diluted EPS:				
Net income for computation.....	<u>¥34,244</u>	<u>85,400</u>	<u>¥400.99</u>	<u>\$3.24</u>

EPS has been adjusted for the stock splits retroactively (see notes 1 (y) and 17).

22 Derivative Financial Instruments and Risk Management

The Company and its subsidiaries operate internationally, giving rise to significant exposures to market risks from changes in interest rates and foreign exchange rates. Derivative financial instruments are utilized by the Company and its subsidiaries to reduce those risks, as explained in this note.

(a) Interest rate risk management

The Company and certain subsidiaries have entered into various types of interest rate contracts in managing their interest rate risk as of March 31, 2000 and 2001, as indicated in the following table:

	Millions of yen		Millions of U.S. dollars
	2000	2001	2001
	Notional amount	Notional amount	Notional amount
Interest rate swap agreements	¥957,398	¥626,380	\$5,056
Options, caps, floors and collars held	57,447	96,153	776
Futures.....	14,233	71,754	579

Under interest rate swap agreements, the Company and its subsidiaries agree with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. Certain agreements are combinations of interest rate and foreign currency swap transactions. The Company and its subsidiaries pay the fixed rate and receive the floating rate under the majority of their swaps which hedge the risk of variability of cash flows originated from floating rate assets, liabilities, or forecasted transactions. The Company and its subsidiaries also entered into some swaps in which they pay the floating rate and receive the fixed rate.

Interest rate options grant the purchaser, for a premium payment, the right to either purchase from or sell to the writer a specified financial instrument under agreed terms. Interest rate caps, floors and collars require the writer to pay the purchaser at specified future dates the amount, if any, by which a specified market interest rate exceeds the fixed cap rate or falls below the fixed floor rate, applied to a notional amount. The option, cap, floor or collar writer receives a premium for bearing the risk of unfavorable interest rate changes. The premiums paid for interest rate options, cap, floor and collar agreements purchased are included in other assets in the accompanying consolidated balance sheets and are amortized to interest expense over the terms of the agreements. Amounts receivable under cap, floor and collar agreements and gains realized on option contracts are recognized as a reduction of interest expense.

(b) Loan commitments

Loan commitments are agreements to make loans as long as the agreed-upon terms are met. The outstanding amounts of those loan commitments as of March 31, 2000 and 2001 are set out in the following table:

	Millions of yen		Millions of U.S. dollars
	2000	2001	2001
	Outstanding contract amount	Outstanding contract amount	Outstanding contract amount
Loan commitments.....	¥10,273	¥57,786	\$466

(c) Foreign exchange risk management

The Company and its subsidiaries have entered into foreign exchange forward contracts and foreign currency swap agreements in managing their foreign exchange risk as of March 31, 2000 and 2001, as indicated in the following table:

	Millions of yen		Millions of U.S. dollars
	2000	2001	2001
	Notional amount	Notional amount	Notional amount
Foreign exchange forward contracts.....	¥ 36,617	¥104,350	\$ 842
Foreign currency swap agreements	330,491	393,084	3,173

Foreign exchange forward contracts and foreign currency swap agreements are agreements between two parties to purchase and sell a foreign currency for a price specified at the contract date, with delivery and settlement in the future. The Company and its subsidiaries use such contracts to hedge the risk of change in foreign currency exchange rates associated with certain assets and obligations denominated in foreign currencies.

(d) Other derivative instruments

The Company and its subsidiaries have entered into various types of contracts for the purpose of trading activities as of March 31, 2000 and 2001, as indicated in the following table:

	Millions of yen		Millions of U.S. dollars
	2000	2001	2001
	Notional amount	Notional amount	Notional amount
Futures	¥15,347	¥72,160	\$582
Interest rate swap agreements.....	7,060	43,154	348
Options, caps, floors and collars held	9,080	15,380	124
Options, caps, floors and collars written	12,265	70,474	569
Foreign exchange forward contracts.....	938	1,651	13

23 Significant Concentrations of Credit Risk

The Company and its subsidiaries have established various policies and procedures to manage credit exposure, including initial credit approval, credit limits, collateral and guarantee requirements, rights of offset and continuous oversight. The Company and its subsidiaries' principal financial instrument portfolio consists of direct financing leases and installment loans which are secured by title to the leased assets and assets specifically collateralized in relation to loan agreements. When deemed necessary, guarantees are also obtained. The value and adequacy of the collateral are continually monitored. Consequently, the risk of credit loss from counterparties' failure to perform in connection with collateralized financing activities is minimal. The Company and its subsidiaries have access to collateral in case of bankruptcy and other losses.

At March 31, 2000 and 2001, no concentration with a single obligor exceeded 1% of consolidated total assets. With respect to the Company and its subsidiaries' credit exposures on a geographic basis, approximately ¥3,490 billion, or 76%, at March 31, 2000 and approximately ¥3,609 billion (\$29,128 million), or 74%, at March 31, 2001 of the credit risks arising from all financial instruments are attributable to customers located in Japan. The largest concentration of credit risks as to foreign countries is exposure attributable to the United States of America.

The Company and its subsidiaries make direct financing lease and operating lease contracts mostly with the lessees in commercial industries for their office, industry, commercial service, transport and other equipment. At March 31, 2000 and 2001, the Company and its subsidiaries had concentrations in certain equipment types included in investment in direct financing leases and operating leases which exceeded 10% of the consolidated total assets. The percentage of investment in transportation equipment to consolidated total assets was 10.4% as of March 31, 2000 and 2001.

24 *Estimated Fair Value of Financial Instruments*

The following information is provided to help users gain an understanding of the relationship between amounts reported in the accompanying consolidated financial statements and the related market or fair value.

The disclosures include financial instruments and derivatives financial instruments, other than investment in direct financing leases, investment in subsidiaries and affiliates, pension obligations and insurance contracts.

March 31, 2000

	Millions of yen	
	Carrying amount	Estimated fair value
Trading instruments		
Trading securities	¥ 390	¥ 390
Futures:		
Assets	53	53
Options and other derivatives:		
Assets	90	90
Liabilities.....	38	38
Non-trading instruments		
Assets:		
Cash and cash equivalents.....	265,956	265,956
Restricted cash and cash equivalents.....	13,666	13,666
Time deposits.....	7,698	7,698
Installment loans.....	1,791,439	1,791,449
Allowance for doubtful receivables on possible loan losses	(101,156)	(101,156)
Investment in securities:		
Practicable to estimate fair value.....	701,042	701,042
Not practicable to estimate fair value	56,949	56,949
Liabilities:		
Short-term debt.....	1,912,761	1,912,761
Deposits.....	154,923	155,492
Long-term debt	1,942,784	1,964,017
Foreign exchange forward contracts:		
Assets	463	463
Liabilities.....	20	20
Foreign currency swap agreements:		
Assets	—	23,154
Liabilities.....	—	3,140
Interest rate swap agreements:		
Assets	—	11,680
Liabilities.....	—	12,815
Options and other derivatives:		
Assets	78	(12)
Liabilities.....	5	101

March 31, 2001

	Millions of yen		Millions of U.S. dollars	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Trading instruments				
Trading securities	¥ 581	¥ 581	\$ 5	\$ 5
Futures:				
Assets	1,181	1,181	10	10
Liabilities.....	228	228	2	2
Options and other derivatives:				
Assets	882	882	7	7
Liabilities.....	84	84	1	1
Non-trading instruments				
Assets:				
Cash and cash equivalents.....	155,411	155,411	1,254	1,254
Restricted cash and cash equivalents.....	17,072	17,072	138	138
Time deposits.....	8,673	8,673	70	70
Installment loans.....	1,846,511	1,867,074	14,903	15,069
Allowance for doubtful receivables on possible loan losses	(100,192)	(100,192)	(809)	(809)
Investment in securities:				
Practicable to estimate fair value.....	854,414	854,415	6,896	6,896
Not practicable to estimate fair value	87,163	87,163	703	703
Liabilities:				
Short-term debt.....	1,562,072	1,562,072	12,608	12,608
Deposits	178,314	179,376	1,439	1,448
Long-term debt	2,330,159	2,361,801	18,807	19,062
Foreign exchange forward contracts:				
Assets	2,273	2,273	18	18
Liabilities.....	1,557	1,557	13	13
Foreign currency swap agreements:				
Assets	—	5,044	—	41
Liabilities.....	—	32,822	—	265
Interest rate swap agreements:				
Assets	—	7,126	—	58
Liabilities.....	—	17,298	—	140
Options and other derivatives:				
Assets	323	(46)	3	(0)
Liabilities.....	—	657	—	5

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The estimated fair value amounts were determined using available market information, discounted cash flow information utilized by the Company and its subsidiaries in conducting new business and certain valuation methodologies. If quoted market prices were not readily available, management estimated a fair value. Accordingly, the estimates may not be indicative of the amounts at which the financial instruments could be exchanged in a current or future market transaction. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies may have a significant effect on the derived estimated fair value amounts.

Estimation of fair value

The following methods and significant assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate a value:

Cash and cash equivalents, restricted cash and cash equivalents, time deposits and short-term debt—For cash and cash equivalents, restricted cash and cash equivalents, time deposits and short-term debt, the carrying amounts recognized in the balance sheets were determined to be reasonable estimates of their fair values due to relatively short maturity.

Installment loans—The carrying amounts of floating-rate installment loans with no significant changes in credit risk and which could be repriced within a short-term period were determined to be reasonable estimates of their fair values. For certain homogeneous categories of medium- and long-term fixed-rate loans, such as housing loans and other loans, the estimated fair values were calculated by discounting the future cash flows using the current interest rates charged by the Company and its subsidiaries for new loans made to borrowers with similar credit ratings and remaining maturities.

Investment in securities—For trading securities and available-for-sale securities, the estimated fair values, which are also the carrying amounts recorded in the balance sheets, were generally based on

quoted market prices or quotations provided by dealers. For held-to-maturity securities, the estimated fair values were based on quoted market prices, if available. If a quoted market price was not available, estimated fair values were determined using quoted market prices for similar securities or the carrying amounts (where carrying amounts were believed to approximate the estimated fair values).

For other securities, for which there were no quoted market prices, reasonable estimates of fair values could not be made without incurring excessive costs.

Deposits—The carrying amounts of demand deposits recognized in the balance sheets were determined to be reasonable estimates of their fair value. The estimated fair values of time deposits were calculated by discounting the future cash flows. The current interest rates offered for the deposits with similar terms and remaining average maturities were used as the discount rates.

Long-term debt—The carrying amounts of long-term debt with floating rates which could be repriced within short-term periods were determined to be reasonable estimates of their fair values. For medium- and long-term fixed-rate debt, the estimated fair values were calculated by discounting the future cash flows. The borrowing interest rates which were currently available to the Company and its subsidiaries offered by financial institutions for debt with similar terms and remaining average maturities were used as the discount rates.

Derivatives—The fair value of derivatives generally reflects the estimated amounts that the Company and its subsidiaries would receive or pay to terminate the contracts at the reporting date, thereby taking into account the current unrealized gains or losses of open contracts. Discounted amounts of future cash flows using the current interest rate are available for most of the Company's and its subsidiaries' derivatives.

25 Commitments and Contingent Liabilities

Commitments, guarantees and contingencies—As of March 31, 2001, the Company and its subsidiaries had commitments for the purchase of equipment to be leased, having a cost of approximately ¥8,272 million (\$67 million).

The minimum future rentals on non-cancelable operating leases are as follows:

Year ending March 31	Millions of yen	Millions of U.S. dollars
2002	¥ 632	\$ 5
2003	506	4
2004	455	4
2005	409	3
2006	376	3
Thereafter	1,037	9
Total	<u>¥3,415</u>	<u>\$28</u>

The Company and its subsidiaries lease office space under operating lease agreements, which are primarily cancelable, and made rental payments totaling ¥6,996 million, ¥5,674 million and ¥5,722 million (\$46 million) in fiscal 1999, 2000 and 2001, respectively.

As of March 31, 2001, the Company and its subsidiaries were contingently liable as guarantor for borrowings of ¥18,950 million (\$153 million) by customers, principally on consumer loans, and by employees.

Litigation—The Company and its subsidiaries are also involved in legal proceedings and claims in the ordinary course of their business. In the opinion of management, none of such proceedings and claims has a material impact on the Company's financial position or results of operations.

26 Segment Information

Effective April 1, 1998, the Company adopted FASB Statement No. 131 ("Disclosures about Segments of an Enterprise and Related Information"). The following table presents segment financial information on the basis that is regularly used by management for evaluating the segment performance and deciding how to allocate resources to them. The reportable segments are identified based on the nature of services for domestic operations and on geographic area for foreign operations. As to the segments of corporate finance, equipment operating leases and real estate related finance in domestic operations, the Company and its subsidiaries aggregate some operating segments that are determined by region and type of operating assets for management purposes because they are similar in the nature of the services, the type of customers and the economic environment.

Corporate finance operations are primarily corporate direct financing leases and lending operations other than real estate related lending. Equipment operating lease operations are comprised of operating leases over measuring equipment, information-related equipment and automobiles. Real estate related finance operations include corporate real estate financing activities as well as personal housing loan lending operations. Real estate operations primarily comprise residential subdivision developments as well as

the rental and management of office buildings, hotels and training facilities. Life insurance operations include direct and agency life insurance sales and related activities. The three foreign operating segments, the Americas, Asia and Oceania, and Europe, include direct financing lease operations, investment in securities, collateralized real property lending and aircraft and ship financing operations. Other operations, which are not deemed by management to be sufficiently material to disclose as separate items and do not fall into the above segment categories, are reported under domestic other operations. They primarily include securities transactions, venture capital operations and card loans.

Financial information of the segments for fiscal 1999, 2000 and 2001 is as follows:

Year ended March 31, 1999

	Millions of yen									
	Domestic operations						Foreign operations			
	Corporate finance	Equipment operating leases	Real estate related finance	Real estate	Life insurance	Other	The Americas	Asia and Oceania	Europe	Total
Revenues	¥ 122,629	¥ 51,000	¥ 17,731	¥ 39,088	¥195,484	¥ 22,684	¥ 68,821	¥ 51,220	¥ 23,811	¥ 592,468
Interest revenue	17,926	7	16,601	519	—	16,828	26,048	18,750	9,674	106,353
Interest expense	41,697	1,538	10,891	4,220	—	4,435	34,049	27,707	13,174	137,711
Depreciation and amortization	26,427	30,299	2,259	3,994	359	338	5,507	12,038	7,693	88,914
Other significant non-cash items:										
Provision for doubtful receivables and possible loan losses	24,420	35	15,857	—	—	3,324	5,217	1,775	1,217	51,845
Write-downs of long-lived assets	—	—	—	—	—	—	644	—	—	644
Increase in policy liabilities	—	—	—	—	135,086	—	—	—	—	135,086
Equity in net income (loss) of and gain (loss) on sales of affiliates	(16)	4	—	—	—	(99)	7,564	(10,979)	11	(3,515)
Segment profit (loss)	35,240	6,923	(11,013)	(2,236)	3,813	(4,266)	20,590	(11,729)	264	37,586
Segment assets	2,046,516	109,772	573,767	273,504	334,836	248,872	634,101	440,872	178,559	4,840,799
Long-lived assets	33,338	63,433	3,744	245,963	—	5,877	32,773	82,204	79,247	546,579
Expenditures for long-lived assets	10,524	34,399	2,175	27,121	—	1,333	20,312	37,109	136	133,109
Investment in affiliates	141	16	—	—	—	9,313	38,956	8,997	169	57,592

Year ended March 31, 2000

	Millions of yen									
	Domestic operations						Foreign operations			
	Corporate finance	Equipment operating leases	Real estate related finance	Real estate	Life insurance	Other	The Americas	Asia and Oceania	Europe	Total
Revenues	¥ 121,415	¥ 53,000	¥ 17,294	¥ 44,873	¥204,746	¥ 30,882	¥ 74,525	¥ 49,739	¥ 18,260	¥ 614,734
Interest revenue	16,326	3	16,268	741	—	18,385	26,985	14,882	6,730	100,320
Interest expense	31,322	1,267	7,775	4,271	—	2,624	33,852	22,003	9,584	112,698
Depreciation and amortization	31,196	31,097	1,499	3,213	550	2,045	4,405	13,354	5,844	93,203
Other significant non-cash items:										
Provision for doubtful receivables and possible loan losses	21,798	6	9,964	5	—	6,173	4,505	2,627	495	45,573
Write-downs of long-lived assets	—	—	149	7,398	—	—	334	—	—	7,881
Increase in policy liabilities	—	—	—	—	137,902	—	—	—	—	137,902
Equity in net income (loss) of and gain (loss) on sales of affiliates	37	11	28	—	—	(1,679)	38	1,081	19	(465)
Segment profit (loss)	40,918	7,823	(3,415)	(8,241)	5,455	(1,036)	18,775	3,371	278	63,928
Segment assets	1,968,590	113,389	597,274	276,494	425,335	242,280	691,403	369,540	159,608	4,843,913
Long-lived assets	39,561	63,122	3,617	252,128	3,258	5,352	55,312	76,674	60,485	559,509
Expenditures for long-lived assets	19,316	35,003	3,617	34,183	3,295	87	41,903	29,510	1	166,915
Investment in affiliates	165	22	95	—	—	12,539	29,729	9,156	163	51,869

Year ended March 31, 2001

	Millions of yen									
	Domestic operations						Foreign operations			Total
	Corporate finance	Equipment operating leases	Real estate related finance	Real estate	Life insurance	Other	The Americas	Asia and Oceania	Europe	
Revenues	¥ 113,113	¥ 61,677	¥ 24,262	¥ 48,438	¥157,636	¥ 36,215	¥ 79,397	¥ 48,735	¥ 15,151	¥ 584,624
Interest revenue.....	17,368	2	17,746	482	—	24,110	30,563	12,047	6,020	108,338
Interest expense.....	25,573	1,058	6,341	3,732	—	3,570	39,235	20,119	7,235	106,863
Depreciation and amortization	35,679	35,291	413	5,670	523	1,964	3,894	14,293	5,462	103,189
Other significant non-cash items:										
Provision for doubtful receivables and possible loan losses.....	14,726	292	8,650	10	—	8,610	11,170	1,079	47	44,584
Write-downs of long-lived assets.....	—	—	—	4,090	—	—	—	—	—	4,090
Increase in policy liabilities	—	—	—	—	67,444	—	—	—	—	67,444
Equity in net income (loss) of and gain (loss) on sales of affiliates	122	8	5	—	—	852	337	1,321	—	2,645
Segment profit (loss).....	44,427	11,165	1,944	(4,604)	5,982	1,035	8,896	1,203	716	70,764
Segment assets	1,889,538	134,270	606,801	310,340	543,886	284,835	804,118	402,707	158,646	5,135,141
Long-lived assets	48,233	85,523	984	242,464	3,208	247	90,621	76,071	61,091	608,442
Expenditures for long-lived assets.....	24,729	59,957	931	29,277	—	—	33,701	25,969	—	174,564
Investment in affiliates.....	60	27	372	—	—	13,511	25,835	11,398	—	51,203

Year ended March 31, 2001

	Millions of U.S. dollars									
	Domestic operations						Foreign operations			Total
	Corporate finance	Equipment operating leases	Real estate related finance	Real estate	Life insurance	Other	The Americas	Asia and Oceania	Europe	
Revenues	\$ 913	\$ 498	\$ 196	\$ 391	\$1,272	\$ 292	\$ 641	\$ 394	\$ 122	\$ 4,719
Interest revenue.....	140	0	143	4	—	195	247	97	48	874
Interest expense.....	206	9	51	30	—	29	317	162	58	862
Depreciation and amortization	288	285	3	46	4	16	32	115	44	833
Other significant non-cash items:										
Provision for doubtful receivables and possible loan losses.....	119	2	70	0	—	70	90	9	0	360
Write-downs of long-lived assets.....	—	—	—	33	—	—	—	—	—	33
Increase in policy liabilities.....	—	—	—	—	544	—	—	—	—	544
Equity in net income (loss) of and gain (loss) on sales of affiliates.....	1	0	0	—	—	7	3	10	—	21
Segment profit (loss).....	359	90	15	(37)	48	8	72	10	6	571
Segment assets.....	15,251	1,084	4,897	2,505	4,390	2,299	6,490	3,250	1,280	41,446
Long-lived assets.....	389	690	8	1,957	26	2	732	614	493	4,911
Expenditures for long-lived assets.....	199	484	8	236	—	—	272	210	—	1,409
Investment in affiliates.....	0	0	3	—	—	109	209	92	—	413

Accounting policies of the segments are almost the same as those described in Note 1 (“Significant Accounting and Reporting Policies”) except for the treatment of income tax expenses. Since the Company and its subsidiaries evaluate performance for the segments based on profit or loss before income taxes, tax expenses are not included in segment profit or loss. Equity in net income of affiliates and minority interest income, which are recognized as net of tax on a consolidated basis, are adjusted to the profit or loss before income tax. Gains and losses that management does not consider for evaluating the performance of the segments, such as write-downs of certain securities and certain foreign exchange gains or losses, are excluded from the segment profit or loss.

Assets attributed to each segment are consolidated operating assets (investment in direct finance leases, installment loans, investment in operating leases, investment in securities and other operating assets), advances and investment in affiliates (not including loans). This has resulted in depreciation of office facilities and goodwill amortization expenses being included in each segment’s profit or loss while the carrying amounts of corresponding assets are not allocated to each segment’s assets. However, the effect stemmed from the allocation is immaterial.

Reconciliation of segment totals to consolidated financial statement amounts is as follows. Significant items to be reconciled are revenues, segment profit and segment assets. Other items do not have a material difference between segment amounts and consolidated amounts.

	Millions of yen			Millions of U.S. dollars
	1999	2000	2001	2001
Revenues:				
Total revenues for segments	¥ 592,468	¥ 614,734	¥ 584,624	\$ 4,719
Revenue related to corporate assets	1,473	1,779	1,525	12
Total consolidated revenues.....	¥ 593,941	¥ 616,513	¥ 586,149	\$ 4,731
Segment profit:				
Total profit for segments	¥ 37,586	¥ 63,928	¥ 70,764	\$ 571
Unallocated interest expenses, general and administrative expenses.....	(4,189)	(3,374)	(5,228)	(42)
Adjustment of income tax expenses to equity in net income and minority income.....	(375)	(537)	(676)	(6)
Unallocated write-downs of securities	(8,383)	(9,772)	(5,688)	(46)
Unallocated other gain or loss	2,676	1,803	64	1
Total consolidated income before income taxes.....	¥ 27,315	¥ 52,048	¥ 59,236	\$ 478
Segment assets:				
Total assets for segments	¥4,840,799	¥4,843,913	¥5,135,141	\$41,446
Advances.....	(62,079)	(89,676)	(141,148)	(1,139)
Investment in affiliates (not including loans)	(57,592)	(51,869)	(51,203)	(413)
Corporate assets	54,308	62,453	86,765	699
Total consolidated operating assets	¥4,775,436	¥4,764,821	¥5,029,555	\$40,593

FASB Statement No. 131 requires disclosure of information about geographic areas as enterprise-wide information. Since the segment is identified based on the nature of services for domestic operations and on geographic area for foreign operations, the information required as an enterprise-wide one is incorporated into the table. Japan and the United States of America are the countries whose revenues from external customers are material. Almost all the revenues of the Americas segment are derived from the United States of America. The basis for attributing revenues from external customers to individual countries is principally the location of the foreign subsidiaries and foreign affiliates.

FASB Statement No. 131 requires disclosure of revenues from external customers for each product and service as enterprise-wide information. The consolidated statements of income in which the revenues are categorized based on the nature of business includes the required information. No single customer accounted for 10% or more of the total revenues for fiscal 1999, 2000 and 2001.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and the Board of Directors of ORIX Corporation:

We have audited the accompanying consolidated balance sheets of ORIX Corporation (a Japanese corporation) and its subsidiaries as of March 31, 2000 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2001, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ORIX Corporation and its subsidiaries as of March 31, 2000 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the translated amounts in the accompanying consolidated financial statements translated into U.S. dollars have been computed on the basis set forth in Note 1 (w).



Tokyo, Japan

April 27, 2001

DIRECTORY

Japan

● Domestic Operations

Leasing and Installment Loans

Principal Business

ORIX Corporation	Providing direct financing leases and operating leases for OA equipment, computers, industrial equipment, plants, aircraft, and other equipment; providing installment loans.	<p>Tokyo Sales Headquarters 3-22-8, Shiba, Minato-ku, Tokyo 105-8683, Japan <i>Corporate Executive Vice President: Katsuo Kawanaka</i> <i>Corporate Executive Officer: Tamio Umaki</i></p> <p>Kinki (Osaka) Sales Headquarters Yasuda Seimei Osaka Building, 3-3-20, Umeda, Kita-ku, Osaka 530-8245, Japan <i>Corporate Senior Vice President: Hiroshi Nakajima</i> <i>Corporate Executive Officer: Kozo Endo</i></p> <p>District Sales Headquarters 3-22-8, Shiba, Minato-ku, Tokyo 105-8683, Japan <i>Corporate Senior Vice President: Masahiro Matono</i></p> <p>OQL Headquarters 3-22-8, Shiba, Minato-ku, Tokyo 105-8683, Japan <i>Corporate Executive Officer: Akira Fukushima</i></p>
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	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX Alpha Corporation	Leasing and financing furnishings and equipment for retailers, hotels, restaurants, and other users; providing mediatory and consulting services.	1972	100	Karuko-zaka MN Building, 2-1, Ageba-cho, Shinjuku-ku, Tokyo 162-8570 Tel: 03-5228-5300 Fax: 03-5228-5310 <i>President: Kunitoshi Masuda</i>
ORIX Auto Leasing Corporation	Auto lessor in Japan active mainly in fleet leasing but with growing business in auto leases for individuals.	1973	100	3-22-8, Shiba, Minato-ku, Tokyo 105-8589 Tel: 03-5419-5600 Fax: 03-5419-5903 <i>President: Teruo Isogai</i>
ORIX Aircraft Corporation	Aircraft leasing.	1986	100	3-22-8, Shiba, Minato-ku, Tokyo 105-8683 Tel: 03-3455-0874 <i>President: Koichiro Muta</i>
Sun Leasing Co., Ltd.	Leasing to pharmaceutical wholesalers and medical institutions.	(1999)	100	Nihon Seika Building, 2-4-9, Bingo-cho, Chuo-ku, Osaka 541-0051 Tel: 06-6229-2535 Fax: 06-6229-1708 <i>President: Masao Dohi</i>

Real Estate Related Business

ORIX Corporation		Principal Business		
Real Estate Business Headquarters	Brokering real estate and other real estate related services, such as dormitory leasing.			Real Estate Business Headquarters World Trade Center Building, 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6135, Japan Tel: 03-3435-3200 Fax: 03-3435-3300 <i>Corporate Senior Vice President: Hiroaki Nishina</i> <i>Corporate Executive Officer: Tetsuo Matsumoto</i>
Real Estate Finance Headquarters	Financing, project finance, real estate investment product development, real estate liquidization, real estate securitization.			Real Estate Finance Headquarters World Trade Center Building, 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6135, Japan Tel: 03-3435-3000 Fax: 03-3435-3001 <i>Corporate Executive Officer: Masaaki Tashiro</i>
	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX Real Estate Corporation	Real estate development and management.	1999	100	World Trade Center Building, 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6135 Tel: 03-3435-3200 Fax: 03-3435-3300 <i>President: Hiroaki Nishina</i>
ORIX Asset Management and Loan Services Corporation	Commercial mortgage servicing.	1999	100	World Trade Center Building, 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6135 Tel: 03-3435-3240 Fax: 03-3435-3314 <i>President: Masaaki Tashiro</i>
ORIX Asset Management Corporation	Asset management.	2000	100	World Trade Center Building, 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6135 Tel: 03-3435-3285 Fax: 03-3435-3275 <i>President: Komao Hirose</i>
ORIX Estate Corporation	Managing real estate and leisure facilities.	(1986)	100	1-7-20, Nishi-Tenma, Kita-ku, Osaka 530-0047 Tel: 06-6316-7606 Fax: 06-6316-7604 <i>President: Masanori Kisaka</i>
Rentals				
ORIX Rentec Corporation	Rental supplier of high-precision measuring equipment.	1976	100	5-7-21, Kita-Shinagawa, Shinagawa-ku, Tokyo 141-8681 Tel: 03-3473-7561 Fax: 03-3473-7549 <i>President: Shunji Sasaki</i>
ORIX Rent-A-Car Corporation	Rent-a-car business.	1985	100	Shin-Osaki Kangyo Building, 1-6-4, Osaki, Shinagawa-ku, Tokyo 141-8606 Tel: 03-3779-2201 Fax: 03-3779-3910 <i>President: Kazuo Yokoyama</i>
X-Rent-A-Car Corporation	Rent-a-car business.	(1999)	100	Kinoshita Shoji Building, 4-43, Masago-cho, Naka-ku, Yokohama 231-0016 Tel: 045-664-4541 Fax: 045-664-4544 <i>President: Kazuo Yokoyama</i>
Hotel Management and Training Facilities Management				
BlueWave Corporation	Hotel and training facilities management.	1991	100	2-33-7, Asakusa, Taitou-ku, Tokyo 111-0032 Tel: 03-5828-4321 Fax: 03-5828-6421 <i>President: Hiroyuki Kobatake</i>

	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
Consumer Finance				
ORIX Credit Corporation	Consumer credit company engaged in business centered on shopping credit and consumer finance.	1979	100	HI Gotanda Building, 2-11-17, Nishi-Gotanda, Shinagawa-ku, Tokyo 141-8510 Tel: 03-5487-7111 Fax: 03-3490-1582 <i>President: Takafumi Kanda</i>
ORIX Club Corporation	Consumer loans.	1990	100	HI Gotanda Building, 2-11-17, Nishi-Gotanda, Shinagawa-ku, Tokyo 141-8552 Tel: 03-5487-7500 Fax: 03-3490-4025 <i>President: Tsutomu Mori</i>
ORIX Club Corporation	Consumer loans.	1994	100	Umeda Pacific Building, 2-5-10, Sonezaki, Kita-ku, Osaka 530-0057 Tel: 06-6314-2311 Fax: 06-6314-2530 <i>President: Tsutomu Mori</i>
Computer Software				
ORIX Computer Systems Corporation	Software engineering house.	1984	100	Osaki CN Building, 5-10-10, Osaki, Shinagawa-ku, Tokyo 141-8618 Tel: 03-5434-7800 Fax: 03-5434-1345 <i>President: Nobuyuki Kobayashi</i>
Securities Brokerage				
ORIX Securities Corporation	Securities house.	(1986)	100	Sawanotsuru Ningyo-cho Building, 1-3-8, Nihonbashi Ningyo-cho, Chuo-ku, Tokyo 103-0013 Tel: 03-5614-3500 Fax: 03-5614-3509 Telex: 252-2680 <i>President: Hiroshi Furukawa</i>
Venture Capital				
ORIX Capital Corporation	Management of venture capital investment funds.	1983	100	TOC Osaki Building, 1-6-1, Osaki, Shinagawa-ku, Tokyo 141-0032 Tel: 03-5434-1361 Fax: 03-5434-1360 <i>President: Tsutomu Matsuzaki</i>
Life Insurance				
ORIX Life Insurance Corporation	Life insurance.	1991	100	Shinjuku Chuo Building, 5-17-5, Shinjuku, Shinjuku-ku, Tokyo 160-0022 Tel: 03-5272-2700 Fax: 03-5272-2720 <i>Chairman: Shogo Kajinishi</i> <i>President: Shinobu Shiraishi</i>
Insurance Agency				
ORIX Insurance Services Corporation	Agency services for casualty and life insurance.	1976	100	World Trade Center Building, 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6135 Tel: 03-3435-6618 Fax: 03-3435-6686 <i>President: Moriaki Usami</i>
ORIX Insurance Planning Corporation	Agency services for casualty insurance.	1999	50	2-1-33, Shiba, Minato-ku, Tokyo 105-0014 Tel: 03-5419-5140 Fax: 03-5419-5980 <i>President: Takashi Ashibe</i>
Interior Products				
ORIX Interior Corporation	Manufacturer of carpet and other interior products.	1998	100	5-9-1, Harayamadai, Sakai 590-0132 Tel: 0722-97-5551 Fax: 0722-97-3090 <i>Chairman: Hiroyuki Kobatake</i> <i>President: Yoshito Nagoshi</i>

	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
Futures and Options				
ORIX Investment Corporation	Alternative investment.	1999	100	World Trade Center Building, 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6135 Tel: 03-3435-3011 Fax: 03-3435-3324 <i>President: Takashi Koizumi</i>
ORIX COMMODITIES Corporation	Securities and futures trading.	1990	100	World Trade Center Building, 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6133 Tel: 03-3435-3020 Fax: 03-3435-3325 <i>President: Haruyuki Urata</i>
Environmental Services				
ORIX Eco Services Corporation	Environmental services.	1998	100	Kagurazaka 1-chome Building, 1-15, Kagurazaka, Shinjuku-ku, Tokyo 162-0825 Tel: 03-5228-5330 Fax: 03-5228-5861 <i>President: Michiaki Noguchi</i>
Trust Bank				
ORIX Trust and Banking Corporation	Trust and banking services.	(1998)	100	Tanaka Kogyo Building, 7-2, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo 103-0026 Tel: 03-3660-6551 Fax: 03-3660-6099 <i>President: Toru Yamagishi</i>
Advertisement Agency				
ORIX Create Corporation	Coordination of Group PR activities.	1998	100	3-22-8, Shiba, Minato-ku, Tokyo 105-0014 Tel: 03-5419-5900 Fax: 03-5419-5928 <i>President: Eiichi Iwamoto</i>
Accounting Business				
ORIX Management Information Center Corporation	General/comprehensive accounting services.	1999	100	Tachikawa Center Building, 2-22-20, Akebono-cho, Tachikawa 190-0012 Tel: 042-528-5140 Fax: 042-528-5042 <i>President: Masaru Hattori</i>
Call Center				
ORIX Call Center Corporation	Call center.	1999	100	Tsubokawa Building, 165, Azatsubokawa, Naha 900-0025 Tel: 098-853-5301 Fax: 098-853-5319 <i>President: Nobuyuki Kobayashi</i>
Entertainment				
ORIX Baseball Club Co., Ltd.	Professional baseball team.	(1988)	100	Sumitomo-Kaijo Kobe Building, 1-1-18, Sakaemachi-dori, Chuo-ku, Kobe 650-0023 Tel: 078-333-0062 Fax: 078-333-0048 <i>President: Yutaka Okazoe</i>

● Investment Banking

ORIX Corporation

Principal Business

Investment Banking Headquarters	Providing an extensive range of financial and investment banking services adapted to the characteristics of each market.	3-22-8, Shiba, Minato-ku, Tokyo 105-8683, Japan <i>Corporate Senior Vice President: Koichiro Muta Managing Director: Takahide Sato</i>
Ship Finance Team	Providing a full range of financial services to the shipping industry, including arrangement of debt finance and equity investment; brokering sales and purchases of ships and acting as an intermediary for the building of new ships.	
Aircraft Finance Team	Providing operating leases of aircraft to a variety of overseas airlines; arranging, developing, and marketing of leveraged leases and operating leases of aircraft as asset-based structured investment products.	
Corporate Finance Team	Providing corporate finance services; arranging diversified structured finance products, including securitizations; investing in international capital market products.	
Principal Investment Team	Providing equity finance in combination with management resources to raise the value of companies in which investments are made.	
Asset Finance Team	Arranging securitization and other related businesses for customers by leveraging the expertise that ORIX has gained by securitizing its own assets; acquisition of leasing and other assets.	
Financial Products Team	Developing innovative financial products and providing non-collateralized loans; arranging commodities funds and investment trusts; new products development.	

● International Operations

ORIX Corporation

Principal Business

International Headquarters	Keeping up the worldwide Group network and responsible for centralized planning and administrative support for international operations.	<i>Corporate Executive Officer: Yoshio Ono</i>
International Administration Department		<i>General Manager: Ryo Kakimoto</i>

Asia & Oceania

	Country	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX Investment and Management Private Limited	Singapore	Venture capital investment.	1981	100	250 North Bridge Road, #19-01 Raffles City Tower, Singapore 179101 Tel: 7928000 Fax: 3397123 <i>Chairman: Soh Kim Soon</i>
ORIX Leasing Singapore Limited	Singapore	Equipment leasing, hire-purchase, and other financial services.	1972	50	331 North Bridge Road, #19-01/06 Odeon Towers, Singapore 188720 Tel: 3393622 Fax: 3393966 <i>Managing Director: Kwek Chye Teck</i>
ORIX CAR RENTALS PTE LTD	Singapore	Rent-a-car business and auto leasing.	1981	45	30 Bukit Batok East Avenue 6, Singapore 659761 Tel: 4691455 Fax: 4691842 <i>CEO: Michael Choo</i>
ORIX COMMODITIES SINGAPORE PTE LIMITED	Singapore	Trading futures and options for proprietary and client accounts.	1990	100	250 North Bridge Road, #19-01 Raffles City Tower, Singapore 179101 Tel: 3391976 Fax: 3391981

	Country	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX Rentec (Singapore) Pte. Limited	Singapore	Equipment rental.	1995	100	140 Paya Lebar Road, #05-07/08/09 A-Z Building, Singapore 409015 Tel: 7454515 Fax: 7456595 <i>Managing Director: Masaki Iiyama</i>
ORIX Asia Limited	China (Hong Kong)	Leasing and investment banking in Hong Kong and throughout Southeast Asia.	1971	100	30th Floor, United Centre, 95 Queensway, Hong Kong, S.A.R., China Tel: 28629268 Fax: 25279688 <i>Managing Director: Kotaro Takamori</i>
ORIX HOTELS INTERNATIONAL PRIVATE LIMITED	China (Hong Kong)	Hotel management and development business.	1991	100	c/o ORIX Asia Limited Hotel Management & Development Dept., 30th Floor, United Centre, 95 Queensway, Hong Kong, S.A.R., China Tel: 28629268 Fax: 25279688
China Orient Leasing Co., Ltd.	China	Equipment leasing.	1981	50	Rooms 409, Hongduyang Commercial Office Building, No. 23 Xibahe Xili, Beisanhuan Dong Road, Chaoyang District, Beijing 100028, China Tel: 10-6427-9988 Fax: 10-6427-5753 <i>President: Takumi Kato</i>
Korea Development Leasing Corporation*	South Korea	Equipment leasing and other financing services.	1975	1.4	11th-20th Floors, Suhrin Building, #88 Suhrin-Dong, Chongro-ku, Seoul, Korea Tel: 2-3700-0114 Fax: 2-3700-0019 <i>President and CEO: In Sik Shin</i>
GLOBAL RENTAL COMPANY LIMITED	South Korea	Equipment rental.	1995	26	4th Floor, Dongshin Bldg., 141-28, Samsung-Dong, Kangnam-ku, Seoul, Korea Tel: 2-557-5656 Fax: 2-562-0958 <i>President and CEO: Tae Young Chung</i>
Korea Rental Corporation	South Korea	Rental of office equipment, measuring instruments, etc.	(1996)	2	7th-9th Floors, Buok-Bldg., 648-18, Yeoksam-Dong, Kangnam-ku, Seoul, Korea Tel: 2-554-9696 Fax: 2-556-4343 <i>President and CEO: Park Duk Soo</i>
ORIX Taiwan Corporation	Taiwan	Hire-purchase services and equipment leasing services.	1982	95	10th Floor, 217, Nan King E. Road, Sec. 3, Taipei, Taiwan, R.O.C. Tel: 2-2715-5458 Fax: 2-2713-2448 <i>Chairman: Kazunori Okimoto</i>
ORIX Auto Leasing Taiwan Corporation	Taiwan	Auto leasing.	1998	100	11th Floor, 217, Nan King E. Road, Sec. 3, Taipei, Taiwan, R.O.C. Tel: 2-2719-5166 Fax: 2-2545-0870 <i>Chairman: Kazunori Okimoto</i>
ORIX METRO Leasing and Finance Corporation	Philippines	Lease financing and mortgage loans.	1977	40	21st Floor, GT Tower International, Ayala Ave cor. H.V. dela St., 1227 Makati City, Philippines Tel: 2-858-8888 Fax: 2-858-8832 <i>President and CEO: Eduardo R. Alvarez</i>
Thai ORIX Leasing Co., Ltd.	Thailand	Equipment leasing, hire- purchase, and factoring services.	1978	49	313 C.P. Tower, 24th Floor, Silom Road, Bangrak, Bangkok 10500, Thailand Tel: 2-2310589 Fax: 2-2310661 <i>President Director: Suvit Arunanondchai</i>
ORIX Leasing Malaysia Berhad	Malaysia	Equipment leasing and other financing services.	1973	80	12th Floor, Menara Promet, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia Tel: 3-21418355 Fax: 3-21487344 <i>Deputy Chairman and CEO: Masafumi Aoyama</i>

*Listed company

	Country	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX CAR RENTALS SDN. BHD.	Malaysia	Rent-a-car business.	1989	28	16-1, Jalan 6/91, Taman Shamelin Perkasa, 56100 Kuala Lumpur, Malaysia Tel: 3-9847799 Fax: 3-9861799 <i>Director: Masafumi Aoyama</i>
ORIX Rentec (Malaysia) Sdn. Bhd.	Malaysia	Equipment rental.	1996	94	1st Floor, Wisma Domain, 18A (Lot 318) Jalan 51A/223, 46100 Petaling Jaya, Selangor Dural Ehsan, Malaysia Tel: 3-758-1388 Fax: 3-758-6388 <i>Director: Masafumi Aoyama</i>
PT. ORIX Indonesia Finance	Indonesia	Equipment leasing and other financing services.	1975	83	Wisma Kyoei Prince, 24th Floor, Jl. Jend. Sudirman Kav. 3-4, Jakarta 10220, Indonesia Tel: 21-5723041 Fax: 21-5723071 <i>President Director: Yoshinori Matsuoka</i>
INFRA-STRUCTURE LEASING & FINANCIAL SERVICES LIMITED	India	Infrastructure commercial-ization, equipment leasing, and other financing services.	(1993)	20	The IL&FS Financial Centre, Plot C-22, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400-051, India Tel: 22-6533333 Fax: 22-6533082 <i>Vice Chairman & Managing Director: Ravi Parthasarathy</i>
ORIX AUTO FINANCE (INDIA) LIMITED	India	Auto leasing and fleet management.	1995	60	Plot No. 94, Marol Co-operative Industrial Estate, Andheri-Kurla Road, Andheri (East), Mumbai 400-059, India Tel: 22-8528677 Fax: 22-8528549 <i>Managing Director and CEO: Richard Miranda</i>
INVESTSMART INDIA LIMITED	India	Securities brokerage business.	(2000)	37	The IL&FS Financial Centre, Plot C-22, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400-051, India Tel: 22-6533333 Fax: 22-6533075 <i>President and CEO: Hemang Raja</i>
SCHOOLNET INDIA LIMITED	India	Education via the Internet and e-commerce.	(2000)	28	Mahindra Towers, 4th Floor Dr. G.M. Bhosale Marg Worli, Mumbai 400-018, India Tel: 22-4935127 Fax: 22-4981866 <i>Managing Director: Gopal Rajagopalan</i>
Lanka ORIX Leasing Company Limited*	Sri Lanka	Equipment leasing services.	1980	30	No. 100/1, Sri Jayawardenapura Mawatha, Rajagiriya, Sri Lanka Tel: 1-865604 Fax: 1-865602 <i>Managing Director: V.R. de Silva</i>
ORIX Australia Corporation Limited	Australia	Equipment leasing, vehicle operating leases, and other financing services.	1986	100	No. 1 Eden Park Drive, Waterloo Road, North Ryde, NSW 2113, Australia Tel: 2-9856-6000 Fax: 2-9856-6500 <i>Managing Director: John Patrick Sweeney</i>
ORIX New Zealand Limited	New Zealand	Equipment leasing, vehicle operation leases, car and truck rentals, and other financing services.	(1988)	100	32 Manukau Road, Level 3, Newmarket, Auckland, New Zealand Tel: 9-520-9700 Fax: 9-520-9790 <i>Director: John Patrick Sweeney</i>
Ranger Truck Rental and Leasing Pty Limited	Australia	Truck rental and vehicle operating leases.	(1998)	100	42 Molan Street, Ringwood, VIC 3134, Australia Tel: 3-9870-6100 Fax: 3-9870-8842 <i>Managing Director: Peter Benson</i>
AUSTRAL MERCANTILE COLLECTIONS PTY LIMITED	Australia	Debt servicing.	1998	50	Level 7, 222 Pitt Street, Sydney, NSW 2113, Australia Tel: 2-9283-1400 Fax: 2-9283-1425 <i>Managing Director: William Edmonds</i>
ORIX Hire Pty Limited	Australia	Trailer leasing and rental services.	1999	100	Lot 72/73 Docklink Road, Footscray 3011 Australia Tel: 2-9856-6000 Fax: 2-9856-6500 <i>Director: John Patrick Sweeney</i>

*Listed company

Middle East & North Africa

Regional General Manager, Middle East: **Humayun Murad**

	Country	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX Leasing Pakistan Limited*	Pakistan	Equipment leasing services.	1986	57	Overseas Investors Chamber of Commerce Building, Talpur Road, Karachi-74000, Pakistan Tel: 92-21-2426021 Fax: 92-21-2425897 <i>Chief Executive: Humayun Murad</i>
ORIX Investment Bank Pakistan Limited*	Pakistan	Investment bank.	1995	29	3rd Floor, P.I.C. Towers, 32-A, Lalazar Drive, M.T. Khan Road, Karachi-74000, Pakistan Tel: 92-21-5610272 Fax: 92-21-5610510 <i>Managing Director: Naim Farooqui</i>
Oman ORIX Leasing Company SAOG*	Oman	Equipment leasing.	1994	12	1st Floor, ONIC Building, Madinat Al Sultan, Qaboos Road, Al Qurum, Muscat, Sultanate of Oman Tel: 968-565612 Fax: 968-565610 <i>General Manager: Rana Ahmed Humayum</i>
ORIX Leasing Egypt SAE	Egypt	Equipment leasing.	1997	36	4th Floor, Cairo Center, 2 Abd El-Kader Hamza St., Garden City 11461, Cairo, Egypt Tel: 20-2-5942757 Fax: 20-2-5942760 <i>Managing Director: Saeed Reza</i>
Saudi ORIX Leasing Company	Kingdom of Saudi Arabia	Equipment leasing.	2000	26	Al Maather Street, Riyadh, Kingdom of Saudi Arabia Tel: 966-1-474-9224 Fax: 966-1-474-9214 <i>Chief Executive Officer: Shaheen Amin</i>

*Listed company

North America

Director and Corporate Senior Vice President

Chairman of ORIX USA CORPORATION: **Takeshi Sato**

	Country	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX USA CORPORATION New York Office	U.S.A.	Equipment leasing, asset-based lending, real estate leasing, and general corporate financing.	1981	100	1177 Avenue of the Americas, 10th Floor, New York, NY 10036, U.S.A. Tel: 212-739-1600 Fax: 212-739-1701 Web Address: http://www.orix.com/ <i>Chairman: Takeshi Sato</i> <i>President and CEO: John H. Moss</i>
Los Angeles Office					<i>Advisor: Edward Guay</i> Wintonbury Risk Management <i>Advisor: D.E. Mundell</i> Director, ORIX USA CORPORATION 550 South Hope Street, Suite 1600, Los Angeles, CA 90071, U.S.A. Tel: 213-955-6500 Fax: 213-955-6530

	Country	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX Real Estate Equities, Inc.	U.S.A.	Commercial real estate development and investment.	(1987)	100	100 North Riverside Plaza, Suite 1400, Chicago, IL 60606, U.S.A. Tel: 312-669-6400 Fax: 312-669-6464 Web Address: http://www.orix.com/oree.htm <i>President and CEO: James H. Purinton</i>
ORIX Financial Services, Inc.	U.S.A.	Installment financing.	(1989)	100	300 Lighting Way, Secaucus, NJ 7096-1525, U.S.A. Tel: 201-601-9000 Fax: 201-601-9100 Web Address: http://www.orixfinancialservices.com/ <i>Chairman, President, CEO: Jay S. Holmes</i>
ORIX Real Estate Capital Markets, LLC	U.S.A.	Commercial mortgage servicing, issuance of CMBS, and real estate investment.	1997	100	1717 Main Street, #1400, Dallas, TX 75201, U.S.A. Tel: 214-237-2305 Fax: 214-237-2034 Web Address: http://www.orecm.com/ <i>CEO: James R. Thompson</i>
EnCom Corporation	U.S.A.	Electric power business.	(2000)	19	780 Third Avenue, 28th Floor, New York, NY 10017, U.S.A. Tel: 212-223-6750 Fax: 212-223-6749 <i>President and CEO: Carey R. Sloan</i>
Stockton Holdings Limited	Bermuda	Trading in global futures markets for proprietary and client accounts.	(1989)	30	96 Pitts Bay Road, Pembroke HM06, Bermuda Tel: 441-299-7400 Fax: 441-299-7488 <i>Chairman and CEO: Robert G. Easton</i>

Europe

	Country	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX Europe Limited	U.K.	Corporate and asset-based finance and investment.	1982	100	33 Lombard Street, London EC3V 9BQ, U.K. Tel: 171-623-0100 Fax: 171-623-1039 <i>Managing Director: Yasushi Ichikawa</i>
ORIX IRELAND LIMITED	Ireland	Investment in and trade of securities and loans; general corporate finance and asset-based finance.	1988	100	3rd Floor, AIG Centre, North Wall Quay, Dublin 1, Ireland Tel: 1-6700622 Fax: 1-6700644 <i>Managing Director: Chosei Azuma</i>
ORIX AVIATION SYSTEMS LIMITED	Ireland	Operating/finance leases for aircraft and other related services.	1991	100	3rd Floor, AIG Centre, North Wall Quay, Dublin 1, Ireland Tel: 1-6700633 Fax: 1-6700644 <i>Managing Director: Masaaki Kawano</i>
ORIX Polska S.A.	Poland	Equipment leasing services.	(1997)	89	Ul. Stawki 2, Intraco, VI p., 00-193, Warsaw, Poland Tel: 48-22-635-5162 Fax: 48-22-635-5343 <i>President: Georges Bitner</i>

(As of June 28, 2001)

DIRECTORS AND AUDITORS



From left to right: **Yoshihiko Miyauchi**, Chairman and CEO*, **Yasuhiko Fujiki**, President and COO*,
Yoshiaki Ishida, Vice Chairman*, **Shunsuke Takeda**, Deputy President (* Representative Directors)



Katsuo Kawanaka



Takeshi Sato



Hiroaki Nishina



Tatsuya Tamura
Representative Director and
Chairman, A.T. Kearney K.K.
Director (Non executive),
The Suruga Bank, Ltd.



Akira Miyahara
Vice Chairman of the Board,
Fuji Xerox Co., Ltd.

ADVISOR TO THE BOARD

Yoshinori Yokoyama
Director, McKinsey & Company, Inc.

CORPORATE AUDITORS

Hiroshi Nakamura
Masaaki Yamamoto
Hiroataka Takeuchi
Dean, Hitotsubashi University,
Graduate School of International
Corporate Strategy

Hiroko Ota
Professor, National Graduate Institute
for Policy Studies

C O R P O R A T E E X E C U T I V E O F F I C E R S



Masahiro Matono



Hiroyuki Harada



Hiroshi Nakajima



Masaru Hattori



Koichiro Muta



Yoshio Ono



Akira Fukushima



Nobuyuki Kobayashi



Masaaki Tashiro



Tamio Umaki



Kozo Endo



Shintaro Agata



Tetsuo Matsumoto



Shunji Sasaki



Shinobu Shiraishi



Teruo Isogai



Takafumi Kanda



Yutaka Okazoe

Chairman and Chief Executive Officer
Yoshihiko Miyauchi

President and Chief Operating Officer
Yasuhiko Fujiki

Vice Chairman
Yoshiaki Ishida
Responsible for overseas activities

Deputy President
Shunsuke Takeda
Chief Financial Officer

Corporate Executive Vice President
Katsuo Kawanaka
Tokyo Sales Headquarters

Corporate Senior Vice Presidents
Takeshi Sato
Chairman, ORIX USA CORPORATION

Hiroaki Nishina
Real Estate Business Headquarters
President, ORIX Real Estate Corporation

Masahiro Matono
District Sales Headquarters

Hiroyuki Harada
Credit Department

Hiroshi Nakajima
Kinki (Osaka) Sales Headquarters

Masaru Hattori
Head of Compliance
Office of Corporate Planning
Accounting Department
General Affairs Department

Koichiro Muta
Investment Banking Headquarters

Corporate Executive Officers

Yoshio Ono
International Headquarters

Akira Fukushima
OQL Headquarters

Nobuyuki Kobayashi
IT Business Headquarters
PFS Department
President, ORIX Computer Systems Corporation
President, ORIX Call Center Corporation

Masaaki Tashiro
Real Estate Finance Headquarters
President, ORIX Asset Management and Loan Services Corporation

Tamio Umaki
Tokyo Sales Headquarters

Kozo Endo
Kinki (Osaka) Sales Headquarters

Shintaro Agata
Treasury Department

Tetsuo Matsumoto
Real Estate Business Headquarters
Deputy President, ORIX Real Estate Corporation

Shunji Sasaki
President, ORIX Rentec Corporation

Shinobu Shiraishi
President, ORIX Life Insurance Corporation

Teruo Isogai
President, ORIX Auto Leasing Corporation

Takafumi Kanda
President, ORIX Credit Corporation

Yutaka Okazoe
President, ORIX Baseball Club Co., Ltd.

Counselor and Special Advisor
Shogo Kajinishi

Advisor

D.E. Mundell

(As of June 28, 2001)

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- ORIX Real Estate Capital Markets
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9, 70, 74, 75, 79
- ORIX Securities
22, 71
- ORIX Trust and Banking
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ORIX Corporation

3-22-8, Shiba, Minato-ku,
Tokyo 105-8683, Japan
Tel: 81-3-5419-5000
Fax: 81-3-5419-5903
Telex: J24642

Established: April 17, 1964

Shareholders' Equity: ¥461,323 million

Number of Employees: 9,529

Shareholder Information

Total Number of Shares Authorized:
259,000,000 shares

Total Number of Shares Outstanding:
82,388,025 shares

Number of Shareholders: 10,629

Transfer Agent for Common Shares:
The Toyo Trust and Banking Company, Ltd.
1-4-3, Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan

Depository Bank for ADRs:
Citibank, N.A.
111 Wall Street, New York,
New York 10043, U.S.A.

Stock Exchange Listings

Common Shares and Convertible Notes:
Tokyo Stock Exchange
Osaka Securities Exchange
Nagoya Stock Exchange
Securities Code: 8591

New York Stock Exchange
Trading Symbol: IX

(As of March 31, 2001)

For further information, please write to:

Corporate Communications,
Office of Assistant to the President,
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3-22-8, Shiba, Minato-ku,
Tokyo 105-8683, Japan
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Fax: 81-3-5419-5901
E-mail: koho@orix.co.jp
URL: www.orix.co.jp

To U.S. Holders:
PFIC

It is expected, and the following discussion assumes, that the Company will be a "passive foreign investment company" (a "PFIC") as defined in Section 1297(a) of the Internal Revenue Code in the year of the Offering and in future years by reason of the composition of its assets and the nature of its income.

A U.S. Holder who holds Shares will generally be subject to special rules (the "PFIC Rules") with respect to (i) any "excess distributions" on the Shares (generally, any distributions received by the U.S. Holder on the Shares in a taxable year that are greater than 125% of the average annual distributions received by the U.S. Holder in the three preceding taxable years, or, if shorter, the U.S. Holder's holding period for the Shares) and (ii) any gain realized on the sale or other disposition (including a pledge) of the Shares. Under these rules, (i) the excess distribution or gain would be allocated ratably over the U.S. Holder's holding period for the Shares, (ii) the amount allocated to the current taxable year would be taxed as ordinary income, and (iii) the amount allocated to each of the prior taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for such year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such prior year.

Under the recently enacted Taxpayer Relief Act of 1997, a U.S. Holder, in lieu of being subject to the special tax and interest charges described above, may make an election to include gain, as ordinary income, on the stock of a PFIC under a mark-to-market method. Under such an election, the U.S. Holder generally includes in income each year an amount equal to the excess, if any, of the fair market value of the PFIC stock as of the close of the taxable year over the U.S. Holder's adjusted basis in such stock. The U.S. Holder is allowed a deduction for the excess, if any, of the adjusted basis of the PFIC stock over its fair market value as of the close of the taxable year to the extent of any unreversed mark-to-market gains previously included in income with respect to the stock. Prospective investors should consult their tax advisors about the desirability of making such a mark-to-market election.

A U.S. Holder would also avoid the application of such special tax and interest charges if it made an election to treat the PFIC as a "qualified electing fund" under Section 1295 of the Code, provided that the corporation complies with certain reporting and other requirements. The Company, however, does not intend to comply with the requirements necessary to permit a holder to make an election to have the Company treated as a "qualified electing fund."

A U.S. Holder who beneficially owns Shares on a PFIC during any year must make an annual return on IRS Form 8621 that describes the distributions received with respect to such Shares and any gain realized on the sale or other disposition of such Shares.

