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ORIX CORP
Form 6-K
January 28, 2003

SECURITIES
AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
Pursuant to Rule 13a-16 or 15d-16 OF
THE SECURITIES EXCHANGE Act of 1934

For the month of January, 2003.

ORIX Corporation
(Translation of Registrant's Name into English)

3-22-8 Shiba, Minato-Ku, Tokyo, JAPAN
(Address of Principal Executive Offices)

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

Form 20-F Form 40-F

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

Yes No

Table of Documents Filed

Page

1. English translation of unaudited interim consolidated financial information filed with the Kanto Local Finance Bureau and the Tokyo Stock Exchange.

SIGNATURES

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

ORIX Corporation

Date: January 17, 2003

By /s/Masaru Hattori

Masaru Hattori
Corporate Senior Vice President
Head of the Accounting Department
ORIX Corporation

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THE CONSOLIDATED FINANCIAL INFORMATION

1. On December 24, 2002, ORIX Corporation ("the Company") filed its semi-annual financial report (hanki houkokusho) with the Kanto Financial Bureau and the Tokyo Stock Exchange in Japan. This document is an English translation of consolidated financial information prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") for the six months ended September 30, 2002, and financial information for the six months ended September 30, 2001 and the year ended March 31, 2002, in accordance with generally accepted accounting principles in Japan ("Japanese GAAP").
2. The unaudited consolidated balance sheet as of September 30, 2001 and unaudited statement of income, unaudited statement of shareholders' equity and unaudited per share data for the six months ended September 30, 2001 prepared in accordance with U.S. GAAP are presented in SECTION I for the convenience of the readers.
3. In preparing the consolidated financial statements in SECTION II, the Company and its subsidiaries have complied with Japanese GAAP. Significant differences between U.S. GAAP and Japanese GAAP are stated in notes of "Overview of Accounting Principles Utilized" in SECTION I.

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SECTION I

1. Information on the Company

- (1) Consolidated Financial Highlights (for the Six Months Ended September 30, 2002)

	Millions of yen
Total Revenues	334,728
Income before Income Taxes	37,996
Net Income	22,763
Shareholders' Equity	499,726
Total Assets	6,050,290
Book Value Per Share (yen)	5,973.44
Basic Earnings Per Share (yen)	272.12
Diluted Earnings Per Share (yen)	256.34
Shareholders' Equity Ratio (%)	8.26
Cash Flows from Operating Activities	83,282
Cash Flows from Investing Activities	119,027
Cash Flows from Financing Activities	(345,174)
Cash and Cash Equivalents at End of Period	210,875
Number of Employees	11,859

(Note) Consumption tax is excluded from the stated amount of total revenues.

- (2) Overview of Activities

ORIX's domestic operations principally are as follows:

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Corporate finance	-- centers on direct financing leases and installment loans, other than real estate loans, to corporate customers as well as the sale of a variety of financial products and other fee business
Equipmentoperating leases	-- principally comprise the rental of precision measuring equipment and personal computers to corporate customers as well as the automobile rental operations
Real estate-related finance	-- encompasses real estate loans to corporate customers, housing loans to individuals, loan servicing, commercial mortgage-backed securities and REITs
Real estate	-- consists principally of condominium development and office rental activities as well as the operation of such facilities as hotels, employee dormitories and training facilities
Life insurance	-- consists of direct and agency life insurance sales and related activities
Other	-- encompasses securities transactions, venture capital operations, consumer card loan operations and other businesses

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ORIX also operates the following operations in foreign countries:

The Americas	-- direct financing leases, corporate lending, securities investment, commercial mortgage-backed securities related business and real estate development
Asia and Oceania	-- direct financing leases, operating leases for precision measuring equipment and transportation equipment, corporate lending and securities investment
Europe	-- centers on aircraft operating leases, corporate loans and securities investments

For the six months ended September 30, 2002, no significant change was in these principal operations as described above. The change of principal related

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companies is mentioned in (3) Change of Principal Related Companies.

(3) Change of Principal Related Companies

Change of principal related companies for the six months ended September 30, 2002 is as follows:

Addition:

The Company purchased and consolidated the following corporation in July 2002 with the intention of expanding domestic leasing operations.

Company Name	Nittetsu Lease Co., Ltd
Location	Koto-ku, Tokyo
Capital	(Y)4,000 million
Main Business	General Leasing
ORIX Ownership	90%
Relation	ORIX send interlocking directors to Nittetsu Lease Co., Ltd

Deletions:

There were no deletions during the six months ended September 30, 2002.

(4) Number of Employees

The following table is total of number of employees in the Company and its subsidiaries as of September 30, 2002:

Segment name	Number of employees
Corporate finance	3,411
Equipment operating leases	1,346
Real estate-related finance	538
Real estate	1,065
Life insurance	490
Other	964
Domestic operations subtotal	7,814
The Americas	819
Asia and Oceania	2,094
Europe	168
Foreign operations subtotal	3,081
Other administration sections	964
Total	11,859

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2. Financial Results

(1) Six Months Ended September 30, 2002

Economic Environment

As indicated by the instability in the stock markets, there was much uncertainty in the U.S. economy in the six months ended September 30, 2002. Although the Asian economy experienced a slowdown in exports to the U.S., its economy performed relatively well.

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On the other hand, the Japanese economy experienced difficulties due to corporate bankruptcies and restructuring, in addition to a high level of unemployment and a sharp fall in stock prices. The authorities have voiced their intention of finding some ways of overcoming deflation, but the future remains uncertain.

Financial Highlights:

Income before Income Taxes	(Y)37,996 million	(up 2% year on year)
Net Income	(Y)22,763 million	(up 14% year on year)
Earnings Per Share (Basic)	(Y)272.12	(up 11% year on year)
Earnings Per Share (Diluted)	(Y)256.34	(up 9% year on year)
Book Value Per Share	(Y)5,973.44	
ROE	9.1%	(September 30, 2001: 8.7%)
ROA	0.73%	(September 30, 2001: 0.69%)

Revenues: (Y)334,728 million (up 1% year on year)

"Interest on loans and investment securities" grew due to an increase in the balance of housing loans and consumer card loans. However, "life insurance premiums and related investment income" decreased by (Y)14 billion due to the emphasis on profitability over revenue growth. As a result, revenues were up 1% year on year to (Y)334,728 million.

Expenses: (Y)300,093 million (up 2% year on year)

Efficient fund procurement from the capital markets and a drop in life insurance revenues resulted in lower "interest expense" and "life insurance costs." On the other hand, "selling, general and administrative expenses" increased due to acquisitions that were made in the second half of the last fiscal year. In addition, the carrying value of a golf course was written down under "write-downs of long-lived assets" because the expected cash flows from the course decreased against the backdrop of lower market prices for golf memberships. As a result, expenses increased slightly by 2% year on year to (Y)300,093 million.

Net Income: (Y)22,763 million (up 14% year on year)

While operating income was down by 8% year on year, it was offset by a gain in "equity in net income (loss) of and gain (loss) on sale of affiliates" compared with a loss in the previous fiscal year combined with recognition of (Y)1,937 million due to "cumulative effect of a change in accounting principle" resulted in a 14% rise in net income year on year to (Y)22,763 million due to the adoption of FASB Statement No. 141 ("Business Combinations") on April 1, 2002.

Operating Assets: (Y)5,302.7 billion

Assets increased in areas related to corporate real estate-related finance and the consumer card loan operations and an increase in the balance of direct financing leases due to acquisitions. However, an overall reduction in the balance of operating assets was achieved through the listing and sale of units of a real estate investment trust (J-REIT), which reduced "other operating assets", the securitization of direct financing lease and loan assets and the reduction in the investment in securities in the life insurance operations. As a result, operating assets were (Y)5,302.7 billion.

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

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Domestic Operations

Corporate Finance:

Segment profits were up 3%, or (Y)656 million, compared to the six months ended September 30, 2001 to (Y)24,500 million. Both an average balance of operating assets and revenues were up as a result of acquisitions. In addition, the automobile leasing operations also enjoyed higher profits.

Equipment Operating Leases:

Segment profits were (Y)2,979 million compared to (Y)5,359 million in the six months ended September 30, 2001. The automobile rental operations performed well, but the rental of precision measuring equipment continued to suffer from the sluggishness in information technology-related industries.

Real Estate-Related Finance:

Segment profits jumped to (Y)9,910 million from (Y)403 million in the six months ended September 30, 2001 due to the continued strong contribution from corporate non-recourse loans, the acquisition of some housing loans in the second half of the last fiscal year, and proceeds from the first quarter listing and sale of a J-REIT.

Real Estate:

Although the condominium development continued to perform strongly and gains were made from the sale of real estate properties, this segment experienced a loss of (Y)8,807 million compared with a profit of (Y)3,433 million in the six-month period ended September 30, 2002 due to a (Y)14,665 million write-down of a golf course.

Life Insurance:

Segment profits came in at (Y)2,976 million compared to (Y)4,236 million in the six months ended September 30, 2001 ((Y)5,764 million for the fiscal year ended March 31, 2002). Segment profits were lower this half as a large contribution from the sale of securities was concentrated in the first half of the previous fiscal year.

Other:

Segment profits jumped to (Y)6,926 million compared to (Y)2,505 million in the six months ended September 30, 2001 thanks to the increase in the balance of consumer card loans as well as a contribution from the securitization of loans in the card loan business.

Foreign Operations

The Americas:

While still profitable, the commercial mortgage-backed securities business in the United States posted lower earnings. In addition, the "provision for doubtful receivables and possible loan losses" and the "write-downs of securities" of high yield and other bonds necessitated by the instability of the U.S. economy resulted in a segment loss of (Y)1,027 million compared to a segment loss of (Y)90 million in the six months ended September 30, 2001.

Asia and Oceania:

The corporate lending and automobile leasing operations performed well

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resulting in an increase in "segment profits" to (Y)4,314 million compared to (Y)3,498 million in the six months ended September 30, 2001.

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Europe:

While the sale of investment securities contributed to profit in the six months ended September 30, 2001, no such gains were made in the first half of this fiscal year. This combined with the decrease in assets for the six months ended September 30, 2002 resulted in a segment loss of (Y)610 million compared to a "segment profit" of (Y)1,521 million in the same period of the previous year.

(2) Summary of Cash flow (Six Months Ended September 30, 2002)

"Cash and cash equivalents" decreased by 40.6% or (Y)143,873 million to (Y)210,875 million compared to March 2002.

"Cash flows from operating activities" were (Y)83,282 million, mainly consisting of "net income" and (Y)57,229 million of "depreciation and amortization".

"Cash flows from investing activities" were (Y)119,027 million, due to inflows associated with "proceeds from sales of available-for-sale securities" and "sales of subsidiaries, net of cash disposed" despite the outflows from an increase in "installment loans".

(Y)345,174 million was used in "cash flows from financing activities," due to the repayment of commercial paper and debt.

Please note that a "consolidated statement of cash flows" was not prepared for the six months ended September 30, 2001 and no comparisons were made regarding the cash flows for operating, investing and financing activities for that period.

(Note) Consumption tax is excluded from the stated amount as described above.

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3. Operating Results

(1) Earnings Summary

Total revenues and profit (loss) by segment at September 30, 2002 are as follows:

	Millions of yen	
	Total	Segment profit
	revenues	(loss)
	-----	-----
Domestic Operations:		
Corporate finance	64,544	24,500
Equipment operating leases	32,967	2,979
Real estate-related finance	25,703	9,910
Real estate	45,314	(8,807)
Life insurance	71,832	2,976
Other	27,159	6,926
	-----	-----
Subtotal	267,519	38,484

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Foreign Operations:		
The Americas	27,275	(1,027)
Asia and Oceania	27,579	4,314
Europe	5,833	(610)
	-----	-----
Subtotal	60,687	2,677
	-----	-----
Difference between Segment Total and Consolidated Amounts	6,522	(3,165)
	-----	-----
Consolidated Amounts	334,728	37,996
	=====	=====

(2) New Business Volumes

New business volumes of direct financing leases, installment loans, operating leases, investment in securities, other operating assets for the six months ended September 30, 2002 are as follows:

	Millions of yen
Direct Financing Leases:	
New receivables added	563,596
New equipment acquisitions	507,941
Installment Loans:	
New loans added	675,208
Operating Leases:	
New equipment acquisitions	61,526
Investment in Securities:	
New securities added	95,228
Other Operating Assets:	
New assets added	50,559

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(3) Operating Assets

Operating assets by segment at September 30, 2002 are as follows:

	Millions of yen	Composition ratio
	-----	-----
Domestic Operations:		
Corporate finance	1,981,237	37.4%
Equipment operating leases	142,964	2.7
Real estate-related finance	908,115	17.1
Real estate	289,919	5.5
Life insurance	570,983	10.8
Other	372,273	7.0

Subtotal	4,265,491	80.5

Foreign Operations:

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The Americas	713,300	13.5
Asia and Oceania	431,966	8.1
Europe	86,024	1.6

Subtotal	1,231,290	23.2

Difference between Segment Total and Consolidated Amounts	(194,055)	(3.7)
Consolidated Amounts	5,302,726	100.0%
	=====	

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4. Overview of Facilities

(1) Facilities for Rent

(a) New equipment acquisitions

In association with operating lease business, the Company and its subsidiaries own facilities for rent. New equipment acquisitions were (Y)61,526 million for the six months ended September 30, 2002.

(b) Details of Facilities for Rent

Details of facilities for rent at September 30, 2002 are as follows:

	Millions of yen	Composition ratio
	-----	-----
Transportation equipment	274,123	41.2%
Measuring equipment and personal computers	145,002	21.8
Real estate and other	246,314	37.0
	-----	-----
Subtotal	665,439	100.0%
Accumulated depreciation	(220,855)	--
	-----	-----
Net	444,584	--
	=====	=====

(Note) "Investment in Operating Leases" in the consolidated balance sheets includes rental receivables of (Y)15,519 million at September 30, 2002.

(c) Plans for acquisition and disposal of facilities

For the six months ended September 30, 2002, there were no acquisition and disposal of facilities, which were planned in the previous fiscal year.

(2) Office Facilities

(a) Overview of Facilities Not for Rent

The Company and its subsidiaries own the following facilities.

Head-office building
 Facilities for rationalizing clerical work and welfare
 Golf course
 Training institute

(b) Significant Change of Facilities Not for Rent

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For the six months ended September 30, 2002, a subsidiary wrote down Kimisarazu Golf Links (golf course) to its fair value under the provisions of FASB Statement No. 144 ("Accounting for the Impairment or Disposal of Long-Lived Assets") and recognized a valuation loss in amount of (Y)14,665 million as "Write-downs of Long-Lived Assets".

(c) Status for acquisition and disposal of office facilities

There were no acquisition and disposal plans of office facilities.

5. Information of Stocks

(1) Information of Outstanding Shares, Common Stock and Additional Paid-in Capital

The information of outstanding shares, common stock and additional paid-in capital during the six months ended September 30, 2002 is as follows:

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In thousands		Millions of yen				Remarks
Number of outstanding shares		Common stock		Additional paid-in capital		
Increase, net	September 30, 2002	Increase, net	September 30, 2002	Increase, net	September 30, 2002	
15	84,319	53	51,908	61	68,731	Exercise of stock acquisition rights

Note: Additional-paid in capital represented as the above is based on Japanese GAAP.

(2) List of Major Shareholders

The following is a list of major shareholders as of September 30, 2002:

Name	Number of shares held (in thousands)	Percentage of total shares issued
Japan Trustee Services Bank, Ltd. (Trust Account) 1-8-11, Harumi, Chuo-ku, Tokyo	8,171	9.69%
The Master Trust Bank of Japan, Ltd. (Trust Account) 2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	5,666	6.72
The Chase Manhattan Bank, N.A. London SL Omnibus Account WOOLGATE HOUSE, COLEMAN STREET LONDON EC2P 2HD, ENGLAND	4,821	5.72
State Street Bank and Trust Company P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A	3,290	3.90
UFJ Trust Bank Limited (Trust Account A)		

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1-4-3, Marunouchi, Chiyoda-ku, Tokyo	3,195	3.79
Boston Safe Deposit BSDT, Treaty Clients Omnibus 31 SAINT JAMES AVENUE BOSTON, MASS 02116 U.S.A	2,963	3.51
The Chase Manhattan Bank, N.A. London WOOLGATE HOUSE, COLEMAN STREET LONDON EC2P 2HD, ENGLAND	2,237	2.65
Nippon Life Insurance Company 1-2-2, Yuraku-cho, Chiyoda-ku, Tokyo	1,534	1.82
UFJ Bank Limited 3-21-24, Nishiki, Naka-ku, Nagoyashi	1,408	1.67
Nichimen Corporation 4-1-23, Shiba, Minato-ku, Tokyo	1,200	1.42
- - - -	-----	-----
Total	34,488	40.90%
	=====	=====

Notes:

- (a) The number of shares held in relation to Trust businesses are given on the list of shareholders.
- (b) Capital Research and Management Company, Capital Guardian Trust Company, Capital International Limited, Capital International, Inc. and Capital International S.A jointly filed a report under Japanese regulation on August 30, 2002 that shows

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their holding shares of the Company as of August 26, 2002. The following is the information and those are not included in the list of major shareholders as of September 30, 2002 because we could not confirm it substantially from the list of shareholders as of September 30, 2002.

Name	Number of shares held (in thousands)	Percentage of total shares in issued
Capital Research and Management Company	673	0.80%
Capital Guardian Trust Company	5,380	6.38
Capital International Limited	663	0.79
Capital International, Inc.	1,668	1.98
Capital International S.A.	46	0.05
	--	----
Total	8,433	10.01%
	=====	=====

On October 7, 2002, these companies filed a report that the number of shares held was changed to 9,285 thousand shares (11.01% of total issued shares).

6. Financial Information

- (1) Condensed Consolidated Balance Sheets (Unaudited)

	September 30, 2002	September 30,
Assets	Millions of yen	Millions of Comp yen
	Composition	ratio

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Cash and Cash Equivalents	210,875	3.5%	201,244
Restricted Cash and Cash Equivalents	20,936	0.3	22,694
Time Deposits	1,229	0.0	8,727
Investment in Direct Financing Leases	1,669,623	27.6	1,821,868
Installment Loans	2,326,189	38.4	1,996,542
Allowance for Doubtful Receivables on Direct Financing Leases and Possible Loan Losses	(136,961)	(2.3)	(145,856)
Investment in Operating Leases	460,103	7.6	468,841
Investment in Securities	717,500	11.9	972,816
Other Operating Assets	129,311	2.1	130,409
Investment in Affiliates	102,271	1.7	59,491
Other Receivables	132,047	2.2	94,181
Advances	175,917	2.9	144,352
Prepaid Expenses	42,157	0.7	35,215
Office Facilities	76,879	1.3	78,282
Other Assets	122,214	2.1	113,209
Total	6,050,290	100.0%	6,002,015

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(1) Condensed Consolidated Balance Sheets (Unaudited) (Continued)

Liabilities and Shareholders' Equity	September 30, 2002		September 30,	
	Millions of yen	Composition ratio	Millions of yen	Compo n
Short-Term Debt	1,397,228	23.1%	1,596,936	
Deposits	266,446	4.4	207,810	
Trade Notes and Accounts Payable	219,601	3.6	247,945	
Accrued Expenses	88,785	1.5	78,382	
Policy Liabilities	601,815	10.0	598,871	
Income Taxes	145,791	2.4	144,444	
Deposits from Lessees	69,241	1.1	68,190	
Long-Term Debt	2,761,657	45.6	2,604,290	
Total Liabilities	5,550,564	91.7	5,546,868	
Common Stock	51,908	0.9	41,980	
Additional Paid-in Capital	69,877	1.1	60,185	
Retained Earnings:				
Legal reserve	2,220	0.0	2,220	
Retained earnings	421,684	7.0	379,942	
Subtotal	423,904	7.0	382,162	
Accumulated Other Comprehensive Loss:				
Net unrealized gains				

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on investment in securities	4,824	0.1	21,593
Minimum pension liability adjustments	(5,826)	(0.1)	(4,489)
Foreign currency translation adjustments	(27,918)	(0.5)	(29,315)
Net unrealized loss on derivative instruments	(8,880)	(0.1)	(8,694)
	-----		-----
Subtotal	(37,800)	(0.6)	(20,905)
	-----		-----
Treasury Stock, at cost	(8,163)	(0.1)	(8,275)
	-----		-----
Shareholders' Equity	499,726	8.3	455,147
	-----		-----
Total	6,050,290	100.0%	6,002,015
	=====		=====

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(2) Condensed Consolidated Statements of Income (Unaudited)

	The six months ended September 30, 2002		The six months ended September 30, 2001	
	Millions of yen	Percentage	Millions of yen	Percentage
	-----		-----	
Revenues:				
Direct financing leases	63,479		58,527	
Operating leases	61,079		58,643	
Interest on loans and investment securities	64,041		56,758	
Brokerage commissions and gains				
On investment securities	7,927		8,496	
Life insurance premiums and related investment income	71,832		85,912	
Residential condominium sales	29,742		33,019	
Interest income on deposits	312		1,010	
Other operating revenues	36,316		30,178	
	-----		-----	
Total revenues	334,728	100.0%	332,543	
	-----		-----	
Expenses:				
Interest expense	36,704		49,976	
Depreciation - operating leases	38,853		37,383	
Life insurance costs	64,424		78,929	
Costs of residential condominium sales	25,712		27,536	
Other operating expenses	18,149		14,304	
Selling, general and administrative expenses	69,829		58,259	
Provision for doubtful receivables and possible loan losses	24,967		20,188	
Write-downs of long-lived assets	14,665		1,386	
Write-downs of securities	5,742		7,251	
Foreign currency transaction loss, net	1,048		(297)	
	-----		-----	
Total expenses	300,093	89.7	294,915	
	-----		-----	
Operating Income.	34,635	10.3	37,628	

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Equity in Net Income (Loss) of and Gain (Loss) on Sales of Affiliates	3,361	1.0	(428)
Income before Income Taxes	37,996	11.3	37,200
Provision for Income Taxes	17,170	5.1	17,297
Income before Cumulative Effect of a Change in Accounting Principle	20,826	6.2	19,903
Cumulative Effect of a Change in Accounting Principle	1,937	0.6	133
Net Income	22,763	6.8%	20,036

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Per Share Data (Unaudited)

	The six months ended September 30, 2002	T m Se 30
	Yen	
Earnings per share-Basic:		
Income before cumulative effect of a change in accounting principle	248.97	
Cumulative effect of a change in accounting principle	23.15	
Net income	272.12	
Earnings per share-Diluted:		
Income before cumulative effect of a change in accounting principle	234.58	
Cumulative effect of a change in accounting principle	21.76	
Net income	256.34	

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(3) Condensed Consolidated Statements of Shareholders' Equity (Unaudited)

	Millions of yen	
	Six months ended September 30, 2002	Six month September
Common Stock:		
Beginning balance	51,854	
Issuance during the year	54	

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Ending balance	51,908	
Additional Paid-in Capital:		
Beginning balance	69,823	
Issuance during the year and other increase, net	54	
Ending balance	69,877	
Legal Reserve:		
Beginning balance	2,220	
Transfer from retained earnings	-	
Ending balance	2,220	
Retained Earnings:		
Beginning balance	400,175	3
Cash dividends	(1,254)	
Transfer to legal reserve	-	
Net income	22,763	
Ending balance	421,684	3
Accumulated Other Comprehensive Loss:		
Beginning balance	(13,440)	
Net decrease in net unrealized gains on investment in securities	(9,932)	(
Net decrease in minimum pension liability adjustments	1,008	
Net decrease in cumulative translation adjustments	(13,118)	
Net increase in net unrealized losses on derivative instruments	(2,318)	
Ending balance	(37,800)	(
Treasury Stock:		
Beginning balance	(8,124)	
(Increase) decrease, net	(39)	
Ending balance	(8,163)	
Total Shareholders' Equity:		
Beginning balance	502,508	4
Decrease, net	(2,782)	
Ending balance	499,726	4
Summary of Comprehensive Loss:		
Net income	22,763	
Other comprehensive loss	(24,360)	(
Comprehensive loss	(1,597)	

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	Millions of yen

Cash Flows from Operating Activities:	
Net income	22,763
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	57,229
Provision for doubtful receivables and possible loan losses	24,967
Decrease in policy liabilities	(849)
Gains on securitization	(3,665)
Equity in net income of and gain on sales of affiliates	(3,361)
Gains on sales of available-for-sale securities	(4,204)
Write-downs of long-lived assets	14,665
Write-downs of securities	5,742
Increase in restricted cash and cash equivalents	(1,034)
Increase in other operating assets held for sales, including advance payments	(13,648)
Increase in prepaid expenses	(3,853)
Decrease in accrued expenses	(195)
Increase in deposit from lessees	1,148
Other, net	(12,423)

Net cash provided by operating activities	83,282

Cash Flows from Investing Activities:	
Purchases of lease equipment, including advance payments	(465,874)
Principal payments received under direct financing leases	389,630
Net proceeds from securitization of lease and loan receivables	92,803
Installment loans made to customers	(622,872)
Principal collected on installment loans	532,142
Proceeds from sales of operating lease assets	32,474
Investment in and dividends received from affiliates, net	(902)
Purchases of available-for-sale securities	(67,406)
Proceeds from sales of available-for-sale securities	144,800
Maturities of available-for-sale securities	54,256
Purchases of other securities	(20,941)
Proceeds from sales of other securities	17,759
Purchases of other operating assets	(1,067)
Proceeds from sales of other operating assets	14,830
Acquisitions of subsidiaries, net of cash acquired	(10,607)
Sales of subsidiaries, net of cash disposed	37,018
Other, net	(7,016)

Net cash provided by investing activities	119,027

(Continued)

	Millions of yen

Cash Flows from Financing Activities:	
Repayment of short-term debt, net	(41,950)
Repayment of commercial paper, net	(282,590)
Proceeds from long-term debt	370,233
Repayment of long-term debt	(425,885)
Net increase in deposits due to customers	41,203

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Issuance of common stock	108
Dividends paid	(1,254)
Net decrease in call money	(5,000)
Other, net	(39)

Net cash used in financing activities	(345,174)

Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,008)

Net Decrease in Cash and Cash Equivalents	(143,873)
Cash and Cash Equivalents at Beginning of Period	354,748

Cash and Cash Equivalents at End of Period	210,875
	=====

The accompanying notes to consolidated financial statement are an integral part of this statement.

Notes To Consolidated Financial Statements

1. Overview of Accounting Principles Utilized

In preparing the accompanying consolidated financial statements, ORIX Corporation ("the Company") and its subsidiaries have complied with requirements of accounting principle, procedures and disclosure related to issuing American Depositary Receipts, and generally accepted accounting principles in the United States of America ("U.S. GAAP"), modified for the accounting for stock splits (see Note 2 (k)).

Since the Company listed on the New York Stock Exchange in September 1998, the Company has prepared the consolidated financial statements based on terms, formats and preparations pursuant to the rules regarding issuing American Depositary Receipts and registered with the Securities and Exchange Commission.

Significant differences between U.S. GAAP and generally accepted accounting principles in Japan ("Japanese GAAP") are as follows:

(a) Direct financing leases

Under U.S. GAAP, a lessor accounts for a lease that transfers substantially all of the benefits and risks of ownership to the lessee as a sale or a financing, the Company and its subsidiaries account for ORIX's lease transaction as a financing ("direct financing leases"). Certain direct lease origination costs ("initial direct costs") are being deferred and amortized over the lease term as a yield adjustment.

Under Japanese GAAP, financing leases are accounted for as an ordinary sale in principle, while financing leases where the ownership of the property is not deemed to be transferred to a lessee can be accounted for in the same manner as operating leases if necessary information is disclosed in the notes to the consolidated financial statements.

Regarding the securitization of direct financing lease receivables, under U.S. GAAP, the Company and its subsidiaries account for the securitization as a sale if it meets the conditions required in FASB Statement No. 140 ("Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities"). Under Japanese GAAP, in the case of accounting for financing leases in the same manner as operating leases, the securitization is accounted as a financing transaction secured by the future lease payments.

(b) Origination cost on installment loans

Under U.S. GAAP, certain loan origination costs are being deferred and amortized over the loan term using the interest method.

On the other hand, under Japanese GAAP, those origination costs are recognized as expenses at the inception.

(c) Depreciation of operating leases properties

Under U.S. GAAP, operating lease assets are depreciated over their estimated useful lives mainly on a straight-line method.

On the other hand, Japanese GAAP allows that operating assets are depreciated using either constant percentage method or straight-line method.

(d) Impairment of long-lived assets

Under U.S. GAAP, 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.

It is expected that a similar accounting principal will be adopted in Japan.

(e) Accounting for life insurance operations

Based on FASB Statement No. 60 ("Accounting and Reporting by Insurance Enterprises"), certain costs associated with writing insurances ("deferred policy acquisition costs") are being deferred and amortized over the respective policy periods in proportion to anticipated premium revenue. Under Japanese GAAP, such costs are recorded as expenses currently in earnings in each accounting period.

In addition, under U.S. GAAP, although policy liabilities for future policy benefits are established for by the net level premium method, based on actuarial estimates of the amount of future policyholder benefits, these are calculated by the methodology which relevant authorities accept in Japan.

(f) Derivative Financial Instruments and Hedging

In principal, under both U.S. GAAP and Japanese GAAP, derivative instruments are carried at fair value with changes included in the current period income or loss unless certain hedge accounting criteria are met. The accounting treatment for hedging differs between U.S. GAAP and Japanese GAAP (see Note 2 (i)).

Under U.S. GAAP, hedging relationships must be designated individually, and accounting treatment differs between fair value hedge and cash flow hedge.

On the other hand, Japanese GAAP allows the changes in fair value of hedging instruments to be deferred until the hedging relationship ceases, if

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derivative instruments are used for hedging purposes either as fair value hedge or cash flow hedge and meet certain hedging criteria.

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In addition, for the leasing industry, if hedging relationships designated before March 2001 are effective in total, these transactions can be accounted for as hedging under deferral hedging accounting treatment on condition that the relationships meet certain hedging criteria.

In connection with the accounting treatment of conversion options, under U.S. GAAP, conversion options are bifurcated from the convertible bonds and are recorded as stand-alone derivative contracts. On the other hand, under Japanese GAAP, convertible bonds are required to be accounted for ordinary bonds.

(g) Accounting for business combinations, goodwill and other intangible assets

Under U.S. GAAP, all business initiated combinations after June 30, 2001 are accounted for using the purchase method. Accounting for business combinations using the pooling of interests method is no longer allowed.

Goodwill and intangible assets that have indefinite useful lives are not amortized and tested at least annually for impairment.

Under Japanese GAAP, goodwill is amortized over appropriate period within twenty years.

(h) Accounting for Pension Plans

Under U.S. GAAP, the Company and its subsidiaries adopted FASB Statement No.87 ("Employer's Accounting for Pensions") and recorded pension costs based on amounts determined using actuarial methods. Minimum pension liabilities are recorded when the accumulated benefit obligation exceeded the fair value of plan assets and accrued pension costs. A corresponding amount is recognized as an intangible asset to the extent of the unrecognized prior service cost, and the balance is recorded as a component of accumulated other comprehensive income, net of tax.

Under U.S. GAAP, unrealized net actuarial loss is amortized using a corridor test. But under Japanese GAAP, the unrealized net actuarial loss is amortized over a certain term within the average remaining service period of employees expected to receive related benefits.

(i) Accounting for debt discounts and expenses

U.S. GAAP requires that a bond, offset by debt discount and expenses, is recorded as liability in the statements of financial position. U.S. GAAP also requires that the amortization of debt discounts and expenses is computed using the interest method over the redemption term.

In general, a bond is recorded at face value under Japanese GAAP. Also, debt discounts and expenses are deferred and amortized using the straight-line method from the effective date to the redemption date.

(j) Segment Information

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In accordance with FASB Statement No. 131 ("Disclosure about Segment of an Enterprise and Related information"), segment financial information based on that which is regularly used by management for evaluating segment performance and deciding how to allocate .

Japanese GAAP requires disclosure of the information according to kind on the enterprise on the basis of products, the information according to location on the basis of the location of a selling agency, and the overseas sales information on the basis of a customer's location.

(k) Classification in Consolidated Statement of Cash Flows

Classification in the statement of cash flows under U.S. GAAP is based on FASB Statement No. 95 ("Statement of Cash Flows"), which differs from Japanese GAAP. As significant differences, purchase of lease equipment and principal payments received under direct financing leases, proceeds from sales of operating lease assets, installment loans made to customers and principal collected on installment loans are included in "Cash Flows from Investing Activities" in U.S. GAAP while they are classified as "Cash Flows from Operating Activities" in Japanese GAAP.

In addition, net proceeds from securitization of lease receivables are accounted for as a sale, and loan receivables are classified as "Cash Flows from Investing Activities" in U.S. GAAP, while net proceeds from securitization of lease receivables and its repayments are included in "Cash Flows from Financing Activities", and net proceeds from securitization of loan receivables are classified as "Cash Flows from Operating Activities" under Japanese GAAP.

2. Significant Accounting and Reporting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries, and investments in affiliates are accounted for by using the equity method.

Subsidiaries with closing dates different from that of the Company close their books with necessary adjustments for consolidation purpose at the closing date.

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

(b) 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. The Company has identified five areas where it believes assumptions and estimates are particularly critical to the financial statements. These are the determination of the allowance for doubtful receivables on direct financing leases and possible loan losses (see (f)), the determination of impairment of investment in securities (see (g)), the determination of impairment of long-lived assets and goodwill (see (t)), the determination and periodic reassessment of the unguaranteed residual value for direct financing leases and operating leases (see (d)), and the determination and reassessment of insurance policy liabilities and deferred policy acquisition costs (see(e)).

(c) Foreign currencies translation

The Company and its subsidiaries maintain their accounting records in

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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

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functional currencies of these companies. Foreign currency translation adjustments reflected in accumulated other comprehensive loss in shareholders' equity are from the translation of foreign currency financial statements into Japanese yen.

(d) Recognition of revenues

Direct financing leases--Direct financing leases consist of full-payout leases for various equipment types, including office equipment, industrial machinery and transportation equipment (aircraft, vessels and automobiles). The excess of aggregate lease rentals plus the estimated unguaranteed residual value over the cost of the leased equipment constitutes the unearned lease income to be taken into income over the lease term. The estimated residual values represent estimated proceeds from the disposition of equipment at the time the lease is terminated. Estimates of unguaranteed residual values are based on current market values of used equipment and estimates of when and how much equipment will become obsolete. 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.

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. Estimates of residual values are based on current market values of used equipment and estimates of when and how much equipment will become obsolete.

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

(e) Insurance premiums and expenses

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Premium income from life insurance policies are recognized as earned premiums when due.

Life insurance benefits are recorded as expenses when they are incurred. Policy liabilities for future policy benefits are established for by the net level premium method, based on actuarial estimates of the amount of future policyholder benefits.

FASB Statement No. 60 ("Accounting and Reporting by Insurance Enterprises") requires insurance companies to defer certain costs associated with writing insurances ("deferred policy acquisition costs") and amortize over the respective policy periods in proportion to anticipated premium revenue. Amortizations charged to income for the six months ended September 30, 2002 amounted to (Y)5,894 million.

(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.

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Developing the allowance for doubtful receivables on direct financing leases and possible loan losses is subject to numerous estimates and judgments. In evaluating the adequacy of the allowance, management considers various factors, including the nature and characteristics of the obligor, current economic conditions, credit concentrations or deterioration in pledged collateral, historical loss experience, delinquencies and future cash flows expected to be received. Generally, large-balance non-homogeneous loans are evaluated based on the present value of expected future cash flows and the fair value of the collateral securing the loans. Smaller-balance homogeneous loans and lease receivables are evaluated considering current economic conditions and trends, the value of the collateral underlying the loans and leases, prior charge-off 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. The Company and its subsidiaries do not have a practice of charging loans off after they are past due for a specific arbitrary period, for example, six months or one year.

(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 a similar event. In addition, the Company and its subsidiaries charge against income losses related to securities in certain other situations where, even though the market value has not remained below the carrying value for twelve months, the decline in the market value of a security is based on economic conditions and not just general declines in equity markets and where it is considered unlikely that the market value of the security will recover in the

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next twelve months. 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 twelve 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 twelve 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, the assets to be securitized are sold to special-purpose entities that 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 gains or losses 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.

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(i) Derivative financial instruments

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. 138, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts used for hedging activities. All derivatives are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, all changes in the fair value of the derivative and changes in the fair value of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded in net unrealized losses on derivative instruments, which is a part of accumulated other comprehensive income (loss) and recognized in the statements of income when the hedged item affects earnings. The ineffective portions of cash flow hedges are immediately recognized in earnings. Derivative transactions that do not qualify as hedge are carried at fair value with changes in value included currently in earnings. Realized and 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). Trading instruments used for trading purposes are recorded at fair value, realized and

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unrealized gains and losses are recognized in brokerage commissions and gains on investment securities.

(j) Income taxes

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

(k) Stock splits

Stock splits implemented prior to October 1, 2001 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 (the "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.

Based on an amendment to the Code, effective on October 1, 2001, the above-mentioned method of accounting based on the regulation has become unnecessary.

In the United States, stock splits in comparable circumstances are considered to be stock dividends and are accounted for by transferring from retained earnings 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, 2002 would have increased by approximately (Y)24,674 million, with a corresponding decrease in retained earnings. Total shareholders' equity would have remained unchanged.

(l) 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.

(m) 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.

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(n) 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 (Y)22,695 million as of September 30, 2002.

(o) Other assets

Other assets consist primarily of the unamortized excess of purchase prices over the net assets acquired in acquisitions (goodwill), deferred policy acquisition costs which are amortized over the contract periods, other intangible assets and leasehold deposits.

As of September 30, 2002, the unamortized intangible assets and goodwill were (Y)22,018 million and (Y)15,846 million, respectively.

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(p) 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.

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

(r) Earnings per share

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

Earnings per share is adjusted for any stock splits and stock dividends retroactively.

(s) New accounting pronouncement

In June 2001, FASB Statement No. 141 ("Business Combinations") and FASB Statement No. 142 ("Goodwill and Other Intangible Assets") were issued.

FASB Statement No. 141 revises the financial accounting and reporting for business combinations and FASB Statement No. 142 revises the financial accounting and reporting for goodwill and other intangible assets. FASB Statement No. 141 requires that all business combinations be accounted for using the purchase method. Accounting for business combinations using the pooling of interests method is no longer allowed. FASB Statement No. 141 also requires that intangible assets acquired in a business combination be recognized apart from goodwill if the intangible assets meet one of two criteria--either the contractual-legal criterion or the separability criterion. The provisions of FASB Statement No. 141 apply to all business combinations initiated after June 30, 2001 or business combinations accounted for by the purchase method for which the date of acquisition is July 1, 2001, or later. On April 1, 2002, as a result of the adoption of FASB Statement No. 141, the Company and its subsidiaries recorded a transition gain, as an effect of a change in accounting principle, due to the write-off of unamortized deferred credits of approximately (Y)1,937 million existing as of March 31, 2002. The deferred credits relate to an excess of net assets acquired over cost arising from business combinations completed and investments accounted for by the equity method acquired before July 1, 2001.

FASB Statement No. 142 establishes how intangible assets (other than those acquired in a business combination) should be accounted for upon acquisition. It also addresses how goodwill and other intangible assets should be accounted for subsequent to their acquisition. Both goodwill and intangible assets that have indefinite useful lives will no longer be amortized but will be tested at least annually for impairment. Intangible assets with finite lives will continue

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to be amortized over their useful lives. The provisions of FASB Statement No. 142 were required to be adopted in their entirety by the Company and its subsidiaries as of April 1, 2002. Impairment losses that arise due to the initial application of FASB Statement No. 142 were required to be reported as a change in accounting principle. FASB Statement No. 142 required the Company and its subsidiaries to complete the transitional goodwill impairment test by September 30, 2002. The Company and its subsidiaries have completed the transitional impairment test for goodwill. No impairment loss was recorded for goodwill upon adoption of FASB Statement No. 142. The Company and its subsidiaries ceased to amortize goodwill, including equity method goodwill, on April 1, 2002.

In August 2001, the FASB issued Statement No. 144 ("Accounting for the Impairment or Disposal of Long-Lived Assets"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While Statement No. 144 supersedes FASB Statement No. 121 ("Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of"), it retains many of the fundamental provisions of that Statement. Statement No. 144 also supersedes the accounting and reporting provisions of APB Opinion No. 30 ("Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions"), for the disposal of a segment of a business. However, it retains the requirement in Opinion No. 30 to report separately discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. This Statement is effective for fiscal years beginning after December 15, 2001. This adoption did not have a significant effect on the Company and subsidiaries' operations or financial position.

In April 2002, the FASB issued Statement No. 145 ("Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections"), which rescinds certain authoritative pronouncements and amends, clarifies the applicability of others. This Statement is effective for fiscal years beginning after May 15, 2002, but the provisions related to the amendment of Statement No. 13 are effective for transactions occurring after May 15, 2002. This adoption does not have a significant effect on the Company and its subsidiaries' operations or financial position.

In June 2002, FASB Statement No. 146 ("Accounting for Costs Associated with Exit or Disposal Activities") was issued. FASB Statement No. 146 requires that a liability for costs associated with exit or disposal activities be recognized when the liability is incurred. Existing generally accepted accounting principles provide for the recognition of such costs at the date of management's commitment to an exit plan. In addition, FASB Statement No. 146 requires that the liability be measured at fair value. The provisions of the new standard are effective for exit or disposal activities initiated after December 31, 2002.

In October 2002, FASB Statement No. 147 ("Acquisitions of Certain Financial Institutions--an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9") was issued. FASB Statement No. 72 ("Accounting for Certain Acquisitions of Banking or Thrift Institutions") and FASB Interpretation No. 9 (Applying APB Opinions No. 16 and 17 When a Savings and Loan Association or a Similar Institution Is Acquired in a Business Combination Accounted for by the Purchase Method), provided interpretive guidance on the application of the purchase method to acquisitions of financial institutions. Except for transactions between two or more mutual enterprises, this Statement removes acquisitions of financial institutions from the scope of both FASB Statement No. 72 and Interpretation No. 9 and requires that those transactions be accounted for in accordance with FASB Statement No. 141 and FASB Statement No. 142. The provisions of the new standard are applied from October 1, 2002.

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Management does not expect a significant effect from this adoption to the Company and subsidiaries' operations or financial position.

3. Acquisitions

In March 2002, the Company acquired approximately 22% interest in The Fuji Fire and Marine Insurance Company Limited for (Y)18,105 million. Also in July 2002, the Company acquired a 90% interest in Nittetsu Lease Co., Ltd. for (Y)4,974 million.

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The Company has recorded its share of earnings for each entity by the equity method or consolidation, as applicable, from their respective acquisition dates forward. In this regard, the Company has reflected certain preliminary estimates of the valuation of the underlying net assets of each of the entities in the accompanying consolidated financial statements. Any required adjustments to these estimates will be recorded as valuations are finalized, including the determination of positive or negative goodwill, if any.

4. Cash Flow Information

Cash payments of interest and income taxes for six months ended September 30, 2002 are as follows:

	Millions of yen
Interest	38,396
Income taxes	14,043

5. Investment in Direct Financing Leases

Investment in direct financing leases at September 30, 2002 consists of the following:

	Millions of yen
Minimum lease payments receivable	1,725,899
Estimated residual value	93,367
Initial direct costs	23,260
Unearned lease income	(172,903)

	1,669,623
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At September 30, 2002, the amounts of minimum lease payments receivable (including guaranteed residual values and subordinated interests retained) due within one year and more than one year are as follows:

Millions of yen		
Within 1 year	More than 1 year	Total
699,040	1,026,859	1,725,899

Gains and losses from the disposition of direct financing lease assets are not significant for the six months ended September 30, 2002.

6. Investment in Operating Leases

Investment in operating leases at September 30, 2002 consists of the

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following:

	Weighted average useful life	Millions of yen
	Years	
Transportation equipment	12	274,123
Measuring equipment and personal computers	3	145,002
Real estate and other	40	246,314
Accumulated depreciation		(220,855)
Net		444,584
Rental receivables		15,519
		460,103

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For the six months ended September 30, 2002, gains from the disposition of operating lease assets are (Y)3,981 million, and are included in operating lease revenues in the consolidated statements of income.

The operating lease contracts include non-cancelable lease terms. The minimum future rentals on non-cancelable operating leases are as follows:

Million of yen		
Within 1 year	More than 1 year	Total
44,584	75,799	120,383

7. Installment Loans

The composition of installment loans by domicile and type of borrower at September 30, 2002 is as follows:

Millions of yen	
Domestic borrowers:	
Consumers--	
Housing loans	551,861
Card loans	264,529
Other	38,800
	855,190
Commercial--	
Real estate related companies	298,958
Commercial and industrial companies	757,218
	1,056,176
Foreign commercial, industrial and other borrowers	393,907
Loan origination costs, net	20,916
	2,326,189

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

Included in interest on loans and investment securities in the consolidated statements of income is interest income on loans of (Y)55,526 million for the Six months ended September 30, 2002.

8. 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 the six months ended September 30, 2002 are as follows:

	Millions of yen
Beginning balance	152,887
Provisions charged to income	24,967
Charge-offs	(43,447)
Recoveries	1,033
Other*	1,521

Ending balance	136,961
	=====

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*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 September 30, 2002 is as follows:

	Millions of yen
Balance of allowance related to:	
Direct financing leases	46,719
Installment loans	90,242

Total	136,961
	=====

 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 that are collectively evaluated for impairment (these include individual housing loans and card loans) and lease receivables, are exempt from this measuring of individual loans. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance.

The recorded investments in loans considered impaired are (Y)95,689 million as of September 30, 2002. Of these amounts, it was determined that a valuation allowance was required with respect to loans which had outstanding

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balances of (Y)58,987 million as of September 30, 2002. The Company and its subsidiaries recorded a valuation allowance of (Y)36,353 million as of September 30, 2002. 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.

9. Investment in Securities

Investment in securities at September 30, 2002 consists of the following:

	Millions of yen
Trading securities	13,820
Available-for-sale securities	561,822
Held-to-maturity securities	12,815
Other securities	129,043
	717,500

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

The amortized cost basis amounts, gross unrealized holding gains, gross unrealized holding losses and fair values of available-for-sale and held-to-maturity securities in each major security type at September 30, 2002 are as follows:

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	Millions of yen			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair
Available-for-sale:				
Japanese and foreign government bond securities	25,254	225	(78)	2
Japanese prefectural and foreign municipal bond securities	12,396	226	(881)	1
Corporate debt securities	366,903	3,711	(8,271)	36
Mortgage-backed and other asset-backed securities	114,903	4,833	(3,159)	11
Funds in trust	4,731	--	(593)	4
Equity securities	26,894	17,651	(2,923)	4
	551,081	26,646	(15,905)	56
Held-to-maturity:				
Japanese and foreign government bond securities	207	1	--	1
Asset-backed securities	12,587	--	--	1
Corporate debt securities	21	--	--	1
	12,815	1	--	1

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Included in interest on loans and investment securities in the consolidated statements of income is interest income on investment securities of (Y)8,515 million for the six months ended September 30, 2002.

10. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the six months ended September 30, 2002 are as follows:

	Millions of yen
Personnel expenses	32,125
Selling expenses	10,881
Administrative expenses	25,244
Depreciation, amortization and other expenses	1,579
Total	69,829

11. Write-downs of Long-Lived Assets

For the six months ended September 30, 2002, a subsidiary wrote down golf course to its fair value under the provision of FASB Statement No. 144 and recognized a valuation loss in amount of (Y)14,665 million as "Write-downs of Long-Lived Assets". The loss was included in the real estate segment in on segment information.

While the revenues per player have fallen, the operations of the golf course are doing well due to successful efforts to attract more players. In consideration of the overall drop in the current market value of golf memberships, the Company decided that the possibility of offering the memberships at the price previously planned to sell in August 2003 was low.

The Company, therefore, considered the probability-weighted gross cash flows including additional scenarios involving both a lower offering price and a different method of offering the memberships, for the first time, were lower than the carrying value of the golf course. Therefore, a write-down was needed.

The estimated fair value of the golf course was calculated using a discounted cash flow method.

12. Per Share Data

A reconciliation of the differences between basic and diluted earnings per share (EPS) in the six months ended of September 30, 2002 is as follows:

	Millions of yen
Income before cumulative effect of a change in accounting principal	20,826
Cumulative effect of a change in accounting principal	1,937
Net income	22,763

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Effect of dilutive securities--	
Convertible notes	43

Net income for diluted EPS computation	22,806
	=====

Thousands of share

Weighted- average shares	83,653
Effect of dilutive securities--	
Warrants	24
Convertible notes	5,273
Treasury stock held for stock options	17

Weighted- average shares for diluted EPS computation	88,967
	=====

Yen

Basic EPS--	
Income before cumulative effect of a change in accounting principal	248.97
Cumulative effect of a change in accounting principal	23.15
Net income	272.12
Diluted EPS--	
Income before cumulative effect of a change in accounting principal	234.58
Cumulative effect of a change in accounting principal	21.76
Net income	256.34

The computation of diluted income before cumulative effect of a change in accounting principle per share for the six months ended September 30, 2002 uses the same weighted-average shares used for the computation of diluted EPS, and reflects the effects of assumed conversion of convertible bonds in diluted income before cumulative effect of a change in accounting principle.

Book value per share at September 30, 2002 is as follows.

	Yen

Book value per share	5,973.44

13. Derivative Financial Instruments and Hedging

The Company and its subsidiaries are party to derivative financial instruments that use in the normal course of business to reduce exposure to fluctuations in interest and foreign currency rates.

(a) Cash flow hedges

The Company and its subsidiaries designate interest rate swap agreements as cash flow hedges for variability of cash flows originated from floating rate borrowings.

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(b) Fair value hedges

The Company and its subsidiaries use financial instruments designated as fair value hedges to hedge their exposure to interest rate risk and foreign currency exchange risk. The Company and its subsidiaries designate foreign currency swap agreements and foreign exchange forward contracts to minimize

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foreign currency exposures on operating assets including lease receivables, loan receivables and borrowings. A subsidiary hedges a portion of the interest rate exposure of the fair values of certain asset-backed securities using sales of future contracts on treasury securities. The Company's subsidiaries, which issued medium-term notes, use interest rate swap contracts to hedge interest rate exposure of the fair values of these medium-term notes. In case that medium-term notes were denominated in other than the subsidiaries' local currency, foreign currency swap agreements are used to hedge foreign exchange rate exposure.

(c) Hedges of net investment in foreign operations

The Company uses foreign exchange forward contracts, foreign currency swap agreements and borrowings denominated in the subsidiaries' local currencies to hedge the foreign currency exposure of net investment in foreign subsidiaries.

(d) Trading and other derivatives

Certain of the Company's subsidiaries engage in trading activities with various future contracts. For risk management purposes, the Company and certain subsidiaries entered into interest rate swap agreements, caps and collars, which are not qualified for hedge accounting under FASB Statement No. 133. In accordance with FASB Statement No. 133, conversion options were bifurcated from the Company and certain subsidiaries' convertible bonds, and are recorded as stand-alone derivative contracts. At September 30, 2002, the total face amount was (Y)110,733 million and the fair value of conversion option was (Y)695 million.

The following table provides the information of derivative instruments as of September 30, 2002. The notional amounts of derivatives do not represent amounts exchanged by the parties and, thus, are not a measure of the exposure to market risk or credit risk.

	Millions of yen		
	Notional amount	Carrying amount	Estimated fair value
Interest rate risk management:			
Interest rate swap agreements	513,781	(16,272)	(16,272)
Options, caps, floors and collars held	28,187	(41)	(41)
Futures	116,801	(949)	(949)
Foreign exchange risk management:			
Foreign exchange forward contracts	59,391	(346)	(346)
Foreign currency swap agreements	361,930	(5,050)	(5,050)
Trading activities:			
Futures	78,561	283	283
Interest rate swap agreements	2,000	7	7
Options, caps, floors and collars held	10,543	3	3
Options, caps, floors and collars written	3,600	(2)	(2)

14. Commitments and Contingent Liabilities

Commitments, guarantees and contingencies--As of September 30, 2002, the Company and its subsidiaries had commitments for the purchase of equipment to be leased, having a cost of approximately (Y)19,230 million.

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

Millions of yen		
Within 1 year	More than 1 year	Total

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1,168	3,958	5,126
-------	-------	-------

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The Company and its subsidiaries lease office space under operating lease agreements, which are primarily cancelable, and made rental payments totaling (Y)3,506 million for the six months ended September 30, 2002.

The Company and its subsidiaries have commitments to fund estimated construction costs to complete ongoing real estate development projects and other commitments, amounting in total to (Y)18,423 million as of September 30, 2002.

As of September 30, 2002, the Company and its subsidiaries were contingently liable as guarantor for borrowings of (Y)51,967 million by customers, principally on consumer loans, and by employees. The Company and its subsidiaries have agreements under which they are committed to execute loans as long as the agreed-upon terms are met. As of September 30, 2002, the total unused credit available amount is (Y)128,758 million.

Litigation--The Company and its subsidiaries are 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.

Collateral--The short-term and long-term debt payable to financial institutions are secured by the following assets as of September 30, 2002:

	Millions of yen
Minimum lease payments, loans and future rentals	102,865
Investment in securities	114,957
Other operating assets and office facilities, net	7,970

	225,792
	=====

As of September 30, 2002, securities and other assets of (Y)32,692 million were pledged for collateral security deposits.

In addition, the payables of (Y)29,925 million as of September 30, 2002 under lease receivable securitization programs that are not accounted for as sales are included in long-term debt. The minimum lease payments receivable of (Y)29,257 million and cash collateral of (Y)2,593 million are included in investment in direct financing leases and other assets in the consolidated balance sheets as of September 30, 2002.

Under agreements with customers on brokerage business, the Company and its subsidiaries received customers' securities with an approximate value of (Y)17,429 million as of September 30, 2002, that may be sold or repledged by the Company and its subsidiaries. As of September 30, 2002, (Y)11,815 million at market value of the securities are repledged as collateral for the short-term debt.

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

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such requests from the lenders.

15. Segment Information

The following table presents segment financial information on the basis that is regularly used by management for evaluating segment performance and deciding how to allocate resources. The reportable segments are identified on the nature of services for domestic operations and on geographic area for foreign operations. As to the segment 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.

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Corporate finance operations are primarily corporate direct financing leases and lending operations other than real estate lending. Equipment operating lease operations comprised operating leases over measuring equipment, information-related equipment and automobiles. Real estate related finance operations include corporate 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 building, 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 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 operation, other. They primarily include securities transactions, venture capital operations and card loans.

Financial information as of and for the segments for the six months ended September 30, 2002 is as follows:

	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	E
Revenues	64,544	32,967	25,703	45,314	71,832	27,159	27,275	27,579	5
Segment profit (loss)	24,500	2,979	9,910	(8,807)	2,976	6,926	(1,027)	4,314	
Segment assets	1,981,237	142,964	908,115	289,919	570,983	372,273	713,300	431,966	86

Accounting policies of the segments are almost the same as those described in Note 2 ("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 profit or loss before income tax. Gains and losses that management does not consider for evaluating the

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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 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.

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The reconciliation of segment totals to consolidated financial statement amounts for the six months ended September 30, 2002 is as follows:

	Millions of yen

Revenues:	
Total revenues for segments	328,206
Revenue related to corporate assets	6,522

Total consolidated revenues	334,728
	=====
Segment profit:	
Total profit for segments	41,161
Unallocated interest expenses, general and administrative expenses	(2,673)
Adjustment of income tax expenses to equity in net income and minority income	(450)
Unallocated write-downs of securities	(837)
Unallocated other gain or loss	795

Total consolidated income before income taxes	37,996
	=====
Segment assets:	
Total assets for segments	5,496,781
Advances	(175,917)
Investment in affiliates (not including loans)	(88,506)
Corporate assets	70,368

Total consolidated operating assets	5,302,726
	=====

FASB Statement No.131 ("Disclosure about Segment of an Enterprise and Related Information") requires disclosure of information about geographic areas as enterprise-wide information. Since each 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

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principally the location of the foreign subsidiaries and foreign affiliates.

For the six months ended September 30, 2002, revenues from foreign customers are as follows.

Millions of yen				
	The Americas	Asia and Oceania	Europe	Total
Revenues from foreign customers	27,918	28,276	6,421	62,615
Total consolidated revenues				334,728
Ratio of revenues from foreign customers to total consolidated revenues	8.3%	8.4%	1.9%	18.7%

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The following is segment information for the six months ended September 30, 2001 to as reference:

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	E
Revenues	54,317	34,123	12,853	42,399	87,304	22,521	37,638	30,350	
Segment profit (loss)	23,844	5,359	403	3,433	4,236	2,505	(90)	3,498	
Segment assets	2,158,006	136,713	647,889	333,394	583,579	322,082	777,428	400,978	13

16. Subsequent Events

(a) Stock Acquisition Rights

On November 5, 2002, the Company issued stock acquisition rights for 453,300 shares to directors, corporate auditors and some employees of the Company, subsidiaries and affiliated companies under a stock option plan.

The exercise price of the stock acquisition rights is (Y)7,452 and the exercisable period is over eight years, from June 27, 2004 to June 26, 2012.

(b) Investment in Korea Life Insurance Co., Ltd.

The Company entered into a consortium with Hanwha Group (a middle-sized conglomerate in the Republic of Korea), and Macqarie Life Limited (a life insurance company in Australia). The consortium entered into a stock purchase agreement ("purchase agreement") with Korea Deposit Insurance Corporation on October 28, 2002, and acquired 51% of the outstanding shares of Korea Life

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Insurance Co., Ltd. ("KLI"). Pursuant to the purchase agreement, the Company acquired 17% of the outstanding shares for 275,550 million won and made the payment for half of the purchase price in the amount of 137,275 million won on December 12, 2002. With respect to the other half of the payment, the Company is required to make it in two years from the date of the Purchase Agreement. The stock Purchase Agreement also provides that the Company has the right to transfer 50% of the purchased shares and the payment obligation to Hanwha Group. The Company plans to sell two thirds of the purchased shares to third party investors. Since the Company, through the Consortium Agreement and the Shareholders Agreement, has the ability to influence the operations and the financial policies of KLI, the Company will account for this investment by the equity method.

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SECTION II

Financial Information (Japanese GAAP)

(1) Consolidated Balance Sheets (Japanese GAAP) (Unaudited)

Assets	September 30, 2001		March 31, 2002	
	Millions of yen	%	Millions of yen	%
Current Assets:				
Cash and bank deposits	178,244		339,911	
Installment sales receivables	337,254		291,595	
Installment loans	2,318,833		2,618,032	
Securities	100,349		102,583	
Others	326,268		338,087	
Allowance for doubtful receivables and possible loan losses	(104,267)		(107,970)	
Total Current Assets	3,156,682	51.1	3,582,238	54.3
Fixed Assets:				
Tangible Assets:				
Leasing equipment	1,594,456		1,543,899	
Advances for leasing equipment	20,939		24,826	
Subtotal	1,615,395		1,568,726	
Other tangible assets	133,416		239,823	
Total tangible assets	1,748,811	28.3	1,808,550	27.4
	14,960	0.2	16,313	0.3
Intangible Assets				
Investment and Other Assets:				
Investment in securities	944,193		836,279	
Others	330,980		368,179	
Allowance for doubtful receivables				

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and possible loan losses	(15,640)		(18,001)	
	-----		-----	
Subtotal	1,259,532	20.4	1,186,458	18.0
	-----		-----	
Total Fixed Assets	3,023,304	48.9	3,011,322	45.7
	-----		-----	
Deferred Assets	339	0.0	120	0.0
	---		---	
Total	6,180,327	100.0	6,593,681	100.0
	=====		=====	

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(1) Consolidated Balance Sheets (Japanese GAAP) (Unaudited) (continued)

	September 30, 2001		March 31, 2002	
	Millions of yen	%	Millions of yen	%
Liabilities				
Current Liabilities:				
Trade notes and accounts payable	140,432		133,184	
Short-term debt	657,613		631,332	
Current portion of Long-term debt	285,072		311,974	
Commercial paper	935,850		1,013,229	
Current portion of Bonds	398,026		334,752	
Others	602,219		619,415	
	-----		-----	
Total current liabilities	3,019,214	48.9	3,043,888	46.1
	-----		-----	
Non-current Liabilities:				
Bonds	807,027		851,516	
Long-term debt	1,073,442		1,283,499	
Liabilities for retirement benefits	12,117		12,289	
Policy liabilities	601,860		606,311	
Others	399,409		475,707	
	-----		-----	
Total non-current liabilities	2,893,857	46.8	3,229,324	49.0
	-----		-----	
Total Liabilities	5,913,071	95.7	6,273,213	95.1
	-----		-----	
Minority Interest	5,178	0.1	5,262	0.1
Shareholders' Equity:				
Common stock	41,980	0.7	51,854	0.8
Additional paid-in capital	58,536	0.9	68,669	1.0
Retained earnings	174,859	2.8	199,684	3.0
Net unrealized gains on investment in securities	23,064	0.4	16,309	0.3
Cumulative translation adjustments	(28,089)	(0.5)	(13,188)	(0.2)
	-----		-----	
Subtotal	270,351	4.3	323,329	4.9
Treasury stock, at cost	(8,274)	(0.1)	(8,123)	(0.1)
	-----		-----	
Total shareholders' equity	262,076	4.2	315,205	4.8
	-----		-----	
Total	6,180,327	100.0	6,593,681	100.0

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2

Consolidated Statements of Income (Japanese GAAP) (Unaudited)

Liabilities	Six months ended September 30, 2001		The fiscal year ended March 31, 2002	
	Millions of yen	%	Millions of yen	%
Revenues	685,576	100.0	1,445,925	100.0
Expenses	546,145	79.7	1,144,960	79.2
Gross profit	139,431	20.3	300,964	20.8
Selling, general and administrative expenses	105,450	15.4	224,879	15.6
Operating Income	33,981	4.9	76,084	5.2
Non-operating income:				
Interest income	3,403		6,639	
Dividend income	636		1,558	
Foreign exchange gains	-		994	
Other income	1,668		4,592	
Subtotal	5,708	0.8	13,785	1.0
Non-operating expenses:				
Interest expenses	2,280		4,583	
Foreign exchange losses	657		-	
Equity in net losses	160		134	
Other expenses	3,489		9,661	
Subtotal	6,587	0.9	14,379	1.0
Ordinary income	33,102	4.8	75,491	5.2
Extraordinary income:				
Gains on sales of subsidiaries	3,163		3,363	
Gains on sales of investment in securities	855		3,414	
Others	85		411	
Subtotal	4,105	0.6	7,188	0.5
Extraordinary losses:				
Write-downs on securities	2,154		5,301	
Losses on sales of investment in securities	315		2,645	
Others	205		562	
Subtotal	2,675	0.4	8,509	0.6
Income before income taxes and minority interest	34,532	5.0	74,170	5.1
Provision for income taxes	15,627	2.3	31,321	2.2
Minority interest	172	0.0	274	0.0

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Net Income	----- 18,732 =====	2.7	----- 42,574 =====	2.9
------------	--------------------------	-----	--------------------------	-----

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(3) Consolidated Statements of Retained Earnings (Japanese GAAP) (Unaudited)

	Millions of yen	
	Six months ended September 30, 2001	

Balance at March 31,2001	160,000	
Decrease in retained earnings:		
Cash dividends	1,225	
Bonuses to directors (included bonus paid to corporate auditors of (Y)3 million)	46	

Decrease in retained earnings based on U.S. GAAP	2,602	

Subtotal	3,874	

Net Income	18,732	

Balance at September 30,2001	174,859	
	=====	

	Millions of yen	
	The fiscal year ended March 31, 2002	

Balance at March 31,2001	160,000	
Decrease in retained earnings:		
Cash dividends	1,225	
Bonuses to directors (included bonus paid to corporate auditors of (Y)3 million)	46	

Decrease in retained earnings based on U.S. GAAP	1,618	

Subtotal	2,891	

Net Income	42,574	

Balance at March 31,2002	199,684	
	=====	

(Note) "Decrease in retained earnings based on U.S. GAAP" in the six months ended September 30, 2001 and the fiscal year ended March 31, 2002 were related to FASB Statement No. 133 which subsidiaries in the United States of America had applied. Under the statements, the unrealized gain (loss) of the derivative instruments which meet to cash flow hedge requirements were recorded as a change in retained earnings.

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(4) Consolidated Statements of Cash Flows (Japanese GAAP) (Unaudited)

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	Millions of yen	
	Six months ended September 30, 2001	The fiscal year ended March 31, 2002
Cash Flows from Operating Activities:		
Income before income taxes and minority interest	34,532	74,111
Depreciation and amortization	246,020	522,111
Acquisition and disposal of leasing equipments	(204,152)	(415,111)
Decrease in installment sales (net of unrealized gross profit)	22,918	67,111
Increase in installment loans	(95,718)	(303,111)
(Increase) decrease in securities	(59,593)	71,111
Gains on sales of securities, net	(539)	1,111
Write-downs of securities	2,154	5,111
Equity in net losses and dividends received from affiliates	415	1,111
Gains on sales of subsidiaries	(3,163)	(3,111)
Decrease in allowance for doubtful receivables and possible loan losses	(2,305)	1,111
Increase in policy liabilities	35,246	39,111
Increase in deposits due to customers	29,496	46,111
Interest and dividend income	(4,039)	(8,111)
Interest expenses	48,849	94,111
Other, net	31,069	3,111
Subtotal	81,190	194,111
Interest and dividend received	3,915	8,111
Interest paid	(50,164)	(98,111)
Income taxes paid	(7,368)	(13,111)
Net cash provided by operating activities	27,573	91,111
Cash Flows from Investing Activities:		
Proceeds from sale or redemption of securities	2,104	2,111
Purchase of investment in securities	(10,564)	(67,111)
Proceeds from sale or redemption of investment in securities	16,879	41,111
Purchase of other tangible assets	(2,432)	(83,111)
Acquisition of subsidiaries, net of cash acquired	9,889	3,111
Other, net	333	1,111
Net cash provided (used) by investing activities	16,209	(102,111)

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(4) Consolidated Statements of Cash Flows (Japanese GAAP) (Unaudited)
(continued)

	Millions of yen	
	Six months ended	The fiscal year ended March 31, 2002

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	September 30, 2001	2002

Cash Flows from Financing Activities:		
Repayment of short-term debt, net	(87,935)	(183)
Increase in commercial paper, net	21,007	101
Proceeds from long-term debt	217,095	590
Repayment of long-term debt	(140,854)	(307)
Proceeds from issuance of bonds	233,585	406
Redemption of bonds	(173,440)	(411)
Proceeds from secured borrowings	20,633	206
Repayment of payables under secured borrowings	(86,544)	(212)
Dividend paid	(1,225)	(1)
Issuance of common stock	318	19
Other, net	11	

Net cash provided by financing activities	2,651	208

Effect of Exchange Rate Changes on Cash and Cash Equivalents	(600)	1

Net Increase in Cash and Cash Equivalents	45,833	199
Cash and Cash Equivalents at Beginning of Period	155,411	155

Cash and Cash Equivalents at End of Period	201,244	354
	=====	

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2. Notes to Consolidated Financial Statement for the Six Months Ended

September 30, 2001 and Fiscal Year Ended March 31, 2002 under Japanese GAAP

Basis of Presentation and Significant Accounting Policies for Consolidated Financial Statement for the Six Months Ended September 30, 2001

1. Scope of consolidation

The accompanying consolidated financial statement include 175 subsidiaries, which consist of 87 domestic and 88 foreign subsidiaries.

During the six months ended September 30, 2001, 7 companies were established, 24 companies were acquired, 1 company was liquidated and 3 companies were excluded by sale.

Major companies are ORIX Auto Leasing Corporation and ORIX USA Corporation.

2. Affiliates accounted for by the equity method

58 affiliates (41 domestic and 17 foreign) are accounted for by the equity method with major companies including Casco Co., Ltd. and Stockton Holdings Limited.

During the six months ended September 30, 2001, 1 company was established, 3 companies were added by new investment, and 1 company was deducted by liquidation.

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3. The date of subsidiaries' interim closing

ORIX Leasing Pakistan Limited (interim closing date is December 31), ORIX Polska S.A. (interim closing date is June 30) and another 23 subsidiaries have different interim closing dates from the Company. These 25 subsidiaries close their books with necessary adjustments for consolidation purpose at interim closing date.

4. Accounting principles in foreign subsidiaries and affiliates

Financial statement of foreign subsidiaries and affiliates have been prepared in conformity with their local commercial code and local generally accepted accounting principles. Significant differences between Japanese GAAP and those local GAAP include accounting for leases based on U.S. GAAP and International Accounting Standards.

5. Accounting Policies

(1) Valuation basis and method for principal assets

Investment in securities:

Securities held for sale

Fair value (The cost of sales is primarily calculated based on a moving average cost method.)

Securities held to maturity

Amortized cost method

Other securities:

Marketable securities-

Fair value based on the market price at the end of the interim period (any balance resulting from evaluation of securities is directly entered into the capital account, while any cost of sales of marketable securities is calculated based on a moving average cost method)

Non-Marketable securities-

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The cost method on the basis of the moving average cost method for stocks and the amortized cost method for debt securities

Derivative instruments

Fair value

Funds in trust

Fair value

(2) Method of depreciation of fixed assets

Tangible assets:

Leasing equipment:

Financing lease equipment-

Lease equipment is depreciated mainly over the lease contract period using straight-line method, without the estimated residual value at the end of the contract period.

In addition, for the contracts for, which the future lease payments due to lessee's default are expected not to be collected, additional depreciation is recorded to cover the future losses from sales of the leased equipment. For the six months ended September 30, 2001, additional depreciation expenses were recorded in the amount of (Y)1,208 million and the accumulated depreciation was (Y)14,061 million as of September 30, 2001.

Operating lease equipment-

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Operating lease equipment is depreciated mainly on the constant percentage method. However, aircraft are depreciated over their estimated useful lives on the straight-line method.

In addition, the depreciation of buildings (other than facilities attached to the building) acquired from April 1, 1998 is computed using the straight-line method.

The major estimated useful life is between 2 and 50 years for buildings and equipment.

Other tangible assets:

Other tangible assets are depreciated mainly using the constant percentage method. The depreciation of buildings (other than facilities attaching to the building) acquired from April 1, 1998 and the tangible assets owned by foreign subsidiaries is computed using the straight-line method.

The major estimated useful life is between 3 and 50 years for buildings and equipment.

Intangible assets:

Intangible assets are depreciated using the straight-line method.

In addition, for internal use software, amortization is computed using the straight-line method on an estimated useful life of 5 years.

(3) Accounting for allowance and liabilities for retirement benefits

(a) Allowance for doubtful receivables and possible loan losses

The Company classifies the customers into normal, special mention, substantially bankrupt and bankrupt. General reserve for receivables from normal and special mention customers are computed based on the historical loss ratio. For effectively bankrupt and bankrupt obligors, specific reserve is calculated based on estimated

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provable losses for every obligor.

(b) Liabilities for retirement benefits

Liabilities for retirement benefits to be paid to employees is accounted as an expense incurred for the six months ended September 30, 2001 based on the calculation of the estimated amount of the projected benefit obligation and the plan assets at March 31, 2002.

Unrecognized prior service cost is amortized within the average remaining service period of 13 years on a straight-line method.

Unrecognized actuarial net gain or loss will be amortized from the next fiscal year within the average remaining service period of 5 to 21 years using a straight-line method.

(c) Allowance for directors' retirement benefits

A required amount of directors' retirement benefits determined in accordance with the internal policy as of the balance sheet date is accounted in liabilities for retirement benefits.

(4) Translation of assets and liabilities denominated in foreign currencies into Japanese yen

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen using the exchange rates at the balance sheet date and exchange gain or loss is charged to income. Assets, liabilities, income and expenses of subsidiaries in foreign countries are translated into Japanese yen using the exchange rates at the balance sheet date and its translation adjustments are included in "cumulative translation adjustments" in shareholders' equity.

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(5) Accounting for leases

Financing leases other than those where the ownership of the leased property is deemed to be transferred to the lessee are accounted for in the same manner as operating leases.

(6) Method for significant hedge accounting

Method for hedge accounting

The Company and its subsidiaries adopt principally deferral hedging accounting treatment. Certain derivative transactions are generally used to control the risks of change in the cash flows occurred from financial liabilities, which is due to the mismatch of interest structure between leases revenue based on long-term fixed rates and funding costs based on short-term variable interest rates. Deferral hedging accounting treatment for "portfolio hedge for liabilities" is applied for these derivative transactions, which is provided by "Transitional treatment in accounting and auditing regarding to applying accounting standard of financial instrument for lease industry" (The Japanese Institute of Certified Public Accountants - Audit committee report Statement 19, November 14, 2000).

The transaction thereof is as follows:

Type	Millions of yen		
	Contract amounts	Fair value	Unrealized loss
Interest rate swap agreements receive-variable, pay-fixed	61,450	(6,690)	(6,690)

Hedge instruments and hedged items:

Hedge instruments-

Borrowings denominated in foreign currencies, currency rate swaps, interest rate swaps and caps

Hedged items-

Equity investments in foreign subsidiaries and foreign affiliated companies, borrowings and corporate bonds

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Hedging policies

The hedging policies are based on the internal regulation of risk management in markets and the risks of change in interest rates are properly controlled through assets and liabilities management. The risk of changes in foreign currency exchange rates are controlled not through hedging but through management of currency position of assets and liabilities.

Method of assessing hedge effectiveness

Effectiveness of each derivative transaction and groups of derivative transaction based on the hedging categories is assessed regularly by comparing cumulative changes in cash flows and changes in market prices for both hedging instruments and hedged items.

(7) Accounting for consumption tax

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Consumption tax is excluded from the stated amount of revenues and expenses. In addition, consumption tax payables are included in "Others" of current liabilities in the consolidated balance sheet as of September 30, 2001.

6. Cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows include cash on hand, deposits which can be drawn on demand and short-term highly liquid investments with original maturities of three months or less with insignificant risk of changes in the value of principal.

7. Others

Securities held for operation

Certain securities with fixed income are included in "Securities" in current assets and "Investment in securities" in fixed assets in the amount of (Y)73,037 million and (Y)764,721 million, respectively in the consolidated balance sheet. The gains and losses related to the securities are included in "Revenues" and "Expenses" in the consolidated statement of income.

Changes in Presentation of Consolidated Financial Statement

Consolidated statement of cash flows

In cash flows from financing activities, "Purchase of treasury stock" is included in "Other, net" since the amount is not significant for the six months ended September 30, 2001.

Notes to Consolidated Balance Sheet as of September 30, 2001

1. Promissory notes for future payments under lease and installment sales contracts deposited from the customers of (Y)115,612 million were held by the Company and its subsidiaries.

2. Accumulated depreciation of tangible fixed assets is as follows:

	Millions of yen
Accumulated depreciation of leasing equipment	2,170,912
Accumulated depreciation of other tangible fixed asset	32,098

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3.

(1) Installment loans and other types of assets of (Y)161,506 million were pledged for short-term debt, current maturities of long-term debt and long-term debt. In addition, the lease receivables related to leasing equipment of (Y)9,888 million were pledged as collateral.

(2) Securities and other assets of (Y)20,741 million were pledged for guarantees on certain operating transactions.

4. Contingent Liabilities

The Company and its subsidiaries were contingently liable as guarantor for borrowing by customer, principally on consumer loans, and by employees as follows:

Millions of yen

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Employees (principally for mortgage loan)	1,177
Others (11,437 contracts)	38,374
Total	39,551

5. Financial institutions were closed at September 30, 2001, therefore, the following receivables and payables due on September 30, 2001 were not processed by them. They are included in the consolidated balance sheet at September 30, 2001 as follows:

	Millions of yen
Accounts receivable for installment sales	2,462
Installment loans	7,711
Notes receivable (included in "Others" of current assets)	635
Accounts receivable for rents (included in "Others" of current assets)	22,667
Notes payable (included in "Trade notes and accounts payable")	4,634

6. The total unused commitment amount related to loan operations, such as card loans, was (Y)101,555 million. Some contracts require credit reviews of the borrowers upon the subsequent use of the commitment. Therefore it is not certain that all of the unused commitment amount will be lent to the borrowers.
7. As part of margin transaction on brokerage business, a subsidiary received customers' securities with a fair value of (Y)17,110 million as of September 30, 2001, that may be sold or repledged by the subsidiary. As of September 30, 2001, of which (Y)6,901 million were repledged as collateral.

Note to Consolidated Statement of Income for the Six Months Ended September 30, 2001

1. Selling, general and administrative expenses for the six months ended September 30, 2001 are as follows:

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	Millions of yen
Selling expenses	12,199
Administrative expenses	21,667
Personnel expenses	40,215
Provision for doubtful receivables and possible loan losses	27,038
Depreciation of other tangible fixed assets	4,329
Total	105,450

Note to Consolidated Statement of Cash Flows for the Six Months Ended September 30, 2001

Cash and cash equivalents recorded in the consolidated statement of cash flows and balance sheet as of September 30, 2001 are reconciled as follows:

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	Millions of yen
Cash and bank deposits in the consolidated balance sheet	178,244
Time deposits with original maturities of more than three months	(8,727)
Restricted cash and cash equivalents (*)	(22,694)
Short-term highly liquid investment in securities	54,421

Cash and cash equivalents in the consolidated statement of cash flows	201,244
	=====

(*) Representing cash in customer asset reserve accounts in securities business.

Lease Transactions

Finance Leases Other Than Those Where the Ownership of the Leased Property is Deemed to be Transferred to the Lessee:

1. Lessee side

- (1) Estimated acquisition cost, estimated accumulated depreciation and estimated ending balance of leased assets are as follows:

Equipment	Millions of yen
Estimated acquisition cost	944
Less: estimated accumulated depreciation	478

Estimated ending balance	466
	=====

Estimated acquisition cost is calculated with interest payables included since the aggregate future minimum lease payment is not significant to tangible assets as of September 30, 2001.

- (2) Estimated obligations under financing leases are as follows:

Millions of yen		
Due within one year	Due after one year	Total
2,359	5,004	7,364

Estimated obligations under finance leases are calculated with interest payables included since the aggregate future minimum lease payment is not significant to tangible assets as of September 30, 2001

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- (3) Lease payments and estimated depreciation expense are as follows:

	Millions of yen
Lease payments	16
Estimated depreciation expense	16

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(4) Calculation of estimated depreciation expenses

The estimated depreciation expenses are computed by the straight-line method with the lease term as useful life and residual value of zero.

2. Lessor side

(1) Acquisition cost, accumulated depreciation and book values of leased assets as of September 30, 2001 are as follows:

	Millions of yen			
	Information- related and office equipment	Industrial and construction equipment	Automobile and other	Total
Acquisition cost	1,439,413	439,690	1,256,932	3,136,035
Less: accumulated depreciation	916,487	344,586	725,223	1,986,297
Book value	522,925	95,103	531,708	1,149,737

(2) Future minimum lease receivables are as follows:

Millions of yen		
Due within one year	Due after one year	Total
463,164	828,320	1,291,485

The amount included the estimated receivables of (Y)6,789 million (receivables due within one year were (Y)2,104 million) which have been subleased and represent the obligations to the sublessor.

(3) Collection of lease receivables, depreciation expense and estimated interest income are as follows:

	Millions of yen
Collection of lease receivables	281,100
Depreciation expense	213,358
Estimated interest income	37,207

(4) Calculation of estimated interest income The estimated interest income is allocated to each period using the interest method.

Operating leases:

1. Lessee side

Obligations under operating leases are as follows:

Millions of yen		
Due within one year	Due after one year	Total

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525 2,821 3,347

2. Lessor side

Receivables under operating leases are as follows:

Millions of yen		
Due within one year	Due after one year	Total
41,161	72,393	113,555

Securities

1. Marketable securities held to maturity

	Millions of yen		
	Carrying amount	Fair value	Differences
Government bonds and municipal bonds	126	132	5
Corporate debt securities	15,185	15,185	-
Others	-	-	-
Total	15,311	15,317	5

2. Other marketable securities

	Millions of yen		
	Carrying amount	Fair value	Differences
Equity securities	38,240	64,872	26,631
Bonds:			
Government bonds and municipal bonds	61,778	63,571	1,792
Corporate debt securities	617,819	625,074	7,254
Others	105,143	107,991	2,847
Other securities	505	379	(125)
Total	823,487	861,888	38,400

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3. Non-marketable securities

Other securities:

Millions of yen	
Unlisted stocks (excluding over-the-counter stocks)	63,943
Unlisted foreign securities	5,766
Beneficiary certificates of bond investment trusts (MMF)	54,421
Preferred subscription certificates	1,569

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Derivative Transactions

Status of contract amounts, fair value and unrealized gain or loss

		Millions of yen		
Types of hedged items	Types of transaction	Contract amounts	Fair value	Unrealized gain or (loss)
Currency	Futures	3,568	3,556	15
	Foreign exchange forward contracts	78,099	78,172	152
	Swap agreements	447,597	(391)	(391)
Interest rate	Futures	90,012	89,988	79
	Swap agreements	503,483	(12,808)	(12,808)
	Caps	83,310	0	0
	Collars	3,784	(81)	(81)
Bonds	Futures	99,607	102,264	(2,596)
Total		-	-	(15,630)

Notes:

1. Calculation method of fair values
For derivative transactions through the market, the fair values are calculated based on closing prices in the market thereof. For other than the above derivative transactions, the fair values are calculated based on the present values of future cash flows using proper market interest rates.
2. Supplementary explanations for hedge effectiveness
Derivative transactions are used mainly to hedge risk of changes in interest rates inherent to operating and funding activities and foreign currency exchange rates related to assets and liabilities denominated in foreign currencies. Therefore, derivative transactions thereof are made in order to hedge risks of change in market quotations of interest rate or foreign currency exchange rate related to assets and liabilities hedged or risk of change in cash flow. The hedge effectiveness is assessed regularly.
3. In addition to the derivative transaction listed above, the Company and its subsidiaries entered into the derivative transactions, of which underlying is stocks or commodities. Those derivatives are immaterial as to unrealized gains or losses and the contract amounts.

Segment Information

1. Information about products and services

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Millions of yen			
Lease/ installment	Life	Eliminations	Consolidated

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	sales	Loan	insurance	Other	Subtotal	and corporate	amounts
	-----	-----	-----	-----	-----	-----	-----
Net revenue							
Customers	438,428	69,854	92,774	84,519	685,576	-	685,576
Intersegment	-	-	-	10,500	10,500	(10,500)	-
Total	438,428	69,854	92,774	95,019	696,076	(10,500)	685,576
Operating expenses	410,720	70,441	90,956	87,366	659,484	(7,889)	651,595
Operating income (loss)	27,707	(586)	1,817	7,653	36,591	(2,610)	33,981

Notes:

1. The above classification was determined based on the type of business.
 2. Unallocated operating expenses in eliminations and corporate was (Y)2,610 million, which mainly consist of administrative expenses of the head office.
2. Information about geographic areas

Millions of yen						
	Japan	America	Oceania	Europe	Subtotal	Eliminations and corporate
	-----	-----	-----	-----	-----	-----
Net revenue						
Customers	608,524	34,949	33,646	8,455	685,576	-
Intersegment	-	-	-	-	-	(-)
Total	608,524	34,949	33,646	8,455	685,576	(-)
Operating expenses	578,577	37,249	28,286	7,481	651,595	(-)
Operating income (loss)	29,947	(2,299)	5,359	974	33,981	(-)

Notes:

1. The classification of a country or an area is based on the degree of geographical proximity.
2. The main countries or areas other than Japan are as follows:

(1) America	the United States of America
(2) Asia and Oceania	Hong Kong, Indonesia, Singapore, Australia
(3) Europe	the United Kingdom, Ireland

3. Information about overseas revenue

Millions of yen				
	America	Asia and Oceania	Europe	Total
	-----	-----	-----	-----
Overseas revenue	38,124	35,084	9,131	82,340
Consolidated revenue				685,576

The rate of the overseas

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revenues to consolidated revenue	5.6%	5.1%	1.3%	12.0%
=====				

Notes:

1. The classification of a country or an area is based on the degree of geographical proximity.

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2. The main countries or areas other than Japan are as follows:

(1) America	the United States of America
(2) Asia and Oceania	Hong Kong, Indonesia, Singapore, Australia
(3) Europe	the United Kingdom, Ireland
3. Overseas revenues are revenues of the Company and its subsidiaries in the countries and areas other than Japan.

Per Share Information

	Yen

Book Value Per Share	3,205.91
Basic Earnings Per Share	229.22
Diluted Earnings Per Share	220.24

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Basis of Presentation and Significant Accounting Policies for Consolidated Financial Statement for the Fiscal Year Ended March 31, 2002

1. **Scope of Consolidation**
 The accompanying consolidated financial statement include 188 subsidiaries, which consist of 101 domestic and 87 foreign subsidiaries.

 For the year ended March 31, 2002, 27 companies were established, 26 companies were acquired, 8 companies were excluded by liquidation and 5 companies were excluded by sale.
2. **Affiliates accounted for by the equity method**
 61 affiliates (44 domestic and 17 foreign) are accounted for by the equity method with major companies including Casco Co., Ltd. and Stockton Holdings Limited.

 For the year ended March 31, 2002, 4 companies were established, 4 companies were added by new investment, and 2 companies were excluded from group by sale and liquidation.
3. **The date of subsidiaries' fiscal year closing**
 ORIX Leasing Pakistan Limited (fiscal year-end closing date is June 30), SCGC Car Service Co., Ltd (fiscal year-end closing date is December 31) and another 30 subsidiaries have different fiscal year-end closing dates from the Company. These 32 subsidiaries close their books with necessary adjustments for consolidation purpose at fiscal year-end closing date.
4. **Accounting principles in foreign subsidiaries and affiliates.**
 Financial statement of foreign subsidiaries and affiliates have been prepared in conformity with their local commercial code and local generally

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accepted accounting principles. Significant differences between Japanese GAAP and those local GAAP include accounting for leases based on U.S. GAAP and International Accounting Standards.

5. Accounting Policies

(1) Valuation basis and method for principal assets

Investment in securities:

Securities held for sale

Fair Value (The cost of sales is primarily calculated based on a moving average cost method.)

Securities held to maturity

Amortized cost method

Other securities:

Marketable securities-

Fair value based on the market price at the fiscal year ended (any balance resulting from evaluation of securities is directly entered into the capital account, while any cost of sales of marketable securities is calculated based on a moving average cost method)

Non-Marketable securities-

The cost method on the basis of the moving average cost method for stocks and the amortized cost method for debt securities

Derivative instruments

Fair value

Funds in trust

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Fair value

(2) Method of depreciation of fixed assets

Tangible assets:

Leasing equipment:

Financing lease equipment-

Lease equipments is depreciated mainly over the lease contract period using straight-line method, without the estimated residual value at the end of the contract period.

In addition, for the contracts for, which the future lease payments due to lessee's default are expected not to be collected, additional depreciation is recorded to cover the future losses from sales of the leased equipment. For the fiscal year ended March 31, 2002, additional depreciation expenses were recorded in the amount of (Y)4,955 million and the accumulated depreciation was (Y)17,436 million as of March 31, 2002.

Operating lease equipment-

Operating lease equipment is depreciated mainly on the constant percentage method. However, aircraft are depreciated over their estimated useful lives on the straight-line method.

In addition, the depreciation of buildings (other than facilities attached to the building) acquired from April 1, 1998 is computed using the straight-line method.

The major estimated useful life is between 2 and 50 years for buildings and equipment.

Other tangible assets:

Other tangible assets are depreciated mainly using the constant percentage method. The depreciation of buildings (other than facilities attaching to the building) acquired from April 1, 1998 and the tangible assets owned by foreign subsidiaries is computed using the straight-line method.

The major estimated useful life is between 3 and 50 years for

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buildings and equipment.

Intangible assets:

Intangible assets are depreciated using the straight-line method.

In addition, for internal use soft-ware, amortization is computed using the straight-line method based on an estimated useful life of 5 years.

(3) Accounting for allowance and liabilities for retirement benefits

(a) Allowance for doubtful receivables and possible loan losses

The Company classifies the customers into normal, special mention, substantially bankrupt and bankrupt. General reserve for receivables from normal and special mention customers are computed based on the historical loss ratio. For effectively bankrupt and bankrupt obligors, specific reserve is calculated based on estimated provable losses for every obligor.

(b) Liabilities for retirement benefits

Liabilities for retirement benefits to be paid to employees is accounted for based on the estimated amount of the projected benefit obligation and the plan assets at March 31, 2002.

Unrecognized prior service cost is amortized within the average remaining service

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period of 12 to 17 years on a straight-line method.

Unrecognized actuarial net gain or loss will be amortized from the next fiscal year within the average remaining service period of 5 to 20 years on a straight-line method.

(c) Liabilities for directors' retirement benefits

A required amount of directors' retirement benefits determined in accordance with the internal policy as of the balance sheet date is accounted in liabilities for retirement benefits.

(4) Translation of assets and liabilities denominated in foreign currencies into Japanese yen

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen using the exchange rates at the balance sheet date and exchange gain or loss is charged to income. Assets, liabilities, income and expenses of subsidiaries in foreign countries are translated into Japanese yen using the exchange rates at the balance sheet date and its translation adjustments are included in "cumulative translation adjustments" in shareholders' equity.

(5) Accounting for leases

Financing leases other than those where the ownership of the leased property is deemed to be transferred to the lessee are accounted for in the same manner as operating leases.

(6) Method for significant hedge accounting

Method for hedge accounting

The Company and its subsidiaries adopt principally deferral hedging accounting treatment.

Certain derivative transactions are generally used to control the risks of

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change in the cash flows occurred from financial liabilities, which is due to the mismatch of interest structure between leases revenue based on long-term fixed rates and funding costs based on short-term variable interest rates. Deferral hedging accounting treatment for "portfolio hedge for liabilities" is applied for these derivative transactions, which is provided by "Transitional treatment in accounting and auditing regarding to applying accounting standard of financial instrument for lease industry" (The Japanese Institute of Certified Public Accountants - Audit committee report Statement 19, November 14, 2000).

The transaction thereof is as follows:

Type	Millions of yen		
-----	Contract amounts	Fair value	Unrealized loss
-----	-----	-----	-----
Interest rate swap agreements			
receive-variable, pay-fixed	76,000	(6,299)	(6,299)

Hedge instruments and hedged items:

Hedge instruments-

Borrowings denominated in foreign currencies, currency rate swaps, interest rate swaps and caps

Hedged items-

Equity investments in foreign subsidiaries and foreign affiliated companies, borrowings, corporate bonds

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Hedging policies

The hedging policies are based on the internal regulation of risk management in markets and the risk of changes in interest rates are properly controlled through assets and liabilities management. The risks of change in foreign currency exchange rates are controlled not through hedging but through management of currency position of assets and liabilities.

Method of assessing hedge effectiveness

Effectiveness of each derivative transaction and groups of derivative transaction based on the hedge categories is assessed regularly by comparing to cumulative changes in cash flows and changes in market prices for both hedging instruments and hedged items

(7) Accounting for consumption tax

Consumption tax is excluded from the stated amount of revenues and expenses. In addition, consumption tax payables are included in "Others" of current liabilities in the consolidated balance sheet as of March 31, 2002.

6. Cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows include cash on hand, deposits which can be drawn on demand and short-term highly liquid investments with original maturities of three months or less with insignificant risk of changes in the value of principal.

7. Others

Securities held for operation

Certain securities with fixed income are included in "Securities" in current assets and "Investment in securities" in fixed assets in the amount of (Y)100,151 million and (Y)624,898 million, respectively in the consolidated balance sheet. The gains and losses related to the securities are included in

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"Revenues" and "Expenses" in the consolidated statement of income.

Notes to Consolidated Balance Sheet as of March 31, 2002

1. Promissory notes for future payments under lease and installment sales contracts deposited from the customers of (Y)111,541 million were held by the Company and its subsidiaries.

2. Accumulated depreciation of tangible fixed assets is as follows:

	Millions of yen
-----	-----
Accumulated depreciation of leasing equipment	2,186,784
Accumulated depreciation of other tangible fixed assets	34,579
-----	-----

3.

(1) Installment loans and other types of assets of (Y)356,797 million were pledged for short-term debt, current maturities of long-term debt and long-term debt. In addition, the lease receivables related to leasing equipment of (Y)39,352 million were pledged as collateral.

(2) Securities and other assets of (Y)22,999 million were pledged for guarantees on certain business transactions.

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4. Contingent Liabilities

The Company and its subsidiaries were contingently liable as guarantor for borrowing by customer, principally on consumer loans, and by employees as follows:

	Millions of yen
-----	-----
Employees (principally for mortgage loan)	1,387
Others (15,447 contracts)	41,388

Total	42,775
	=====
-----	-----

5. Financial institutions were closed at March 31, 2002, therefore, the following receivables and payables due on March 31, 2002 were not processed. They are included in the consolidated balance sheet at March 31, 2002 as follows:

	Millions of yen
-----	-----
Accounts receivable for installment sales	2,353
Installment loans	9,854
Notes receivable (included in "Others" of current assets)	564
Accounts receivable for rents (included in "Others" of current assets)	22,328
Notes payable (included in "Trade notes and accounts payable")	1,633
-----	-----

6. The total unused commitment amount related to loan operations, such as card loans, was (Y)123,747 million. Some contracts require credit reviews

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of borrowers upon the subsequent use of the commitment. Therefore it is not certain that all of the unused commitment amount will be lent to the borrowers.

7. As part of margin transaction on brokerage business, a subsidiary received customers' securities with a fair value of (Y)17,785 million as of March 31, 2002, that may be sold or repledged by the subsidiary. As of March 31, 2002, of which (Y)12,492 million at market value of the securities were repledged as collateral.

Note to Consolidated Statement of Income for the Fiscal Year Ended March 31, 2002

1. Selling, general and administrative expenses for the fiscal year ended March 31, 2002 are as follows:

	Millions of yen
Selling expenses	26,462
Administrative expenses	46,830
Personnel expenses	85,623
Provision for doubtful receivables and possible loan losses	58,178
Depreciation of other tangible fixed assets	7,784
Total	224,879

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Note to Consolidated Statement of Cash Flows for the Fiscal Year Ended March 31, 2002

Cash and cash equivalents recorded in the consolidated statement of cash flows and balance sheet as of March 31, 2002 are reconciled as follows:

	Millions of yen
Cash and bank deposits in the consolidated balance sheet	339,911
Time deposits with original maturities of more than three months	(1,050)
Restricted cash and cash equivalents (*)	(20,189)
Short-term highly liquid investment in securities	36,076
Cash and cash equivalents in the consolidated statement of cash flows	354,748

(*) Representing cash in the customer asset reserve trust accounts in securities business.

Lease Transactions

Finance Leases Other Than Those Where the Ownership of the Leased Property is Deemed to be Transferred to the Lessee:

1. Lessee side
 (1) Estimated acquisition cost, estimated accumulated depreciation, and estimated ending balance of leased assets are as follows:

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Equipment	Millions of yen
Estimated acquisition cost	502
Less: estimated accumulated depreciation	286
Estimated ending balance	216

Estimated acquisition cost is calculated with interest payables included since the aggregate future minimum lease payment is not significant to tangible assets as of March 31, 2002.

(2) Estimated obligations under financing leases are as follows:

Millions of yen		
Due within one year	Due after one year	Total
2,288	4,416	6,704

Estimated obligations under finance leases are calculated with interest payables included since the aggregate future minimum lease payment is not significant to tangible assets as of March 31, 2002.

(3) Lease payments and estimated depreciation expense are as follows:

	Millions of yen
Lease payments	72
Estimated depreciation expense	72

(4) Calculation of estimated depreciation expenses

The estimated depreciation expenses are computed by the straight-line method with the lease term as useful life and residual value of zero.

2. Lessor side

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(1) Acquisition cost, accumulated depreciation, and book values of leased assets as of March 31, 2002 are as follows:

	Millions of yen			
	Information-related and office equipment	Industrial and construction equipment	Automobile and other	Total
Acquisition cost	1,379,192	425,345	1,283,859	3,088,396
Less: accumulated depreciation	895,524	340,784	749,416	1,985,724
Book values	483,667	84,560	534,443	1,102,670

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(2) Future minimum lease receivables are as follows:

Millions of yen		
Due within one year	Due after one year	Total
455,822	802,245	1,258,067

The amount included the estimated receivables of (Y)5,964 million (receivables due within one year were (Y)2,007 million) which have been subleased and represent the obligations to the sublessor.

(3) Collection of lease receivables, depreciation expense and estimated interest income are as follows:

	Millions of yen
Collection of lease receivables	590,614
Depreciation expense	449,832
Estimated interest income	79,412

(4) Calculation of the estimated interest income
The estimated interest income is allocated using the interest method to each period.

Operating leases:

1. Lessee side

Obligations under operating leases are as follows:

Millions of yen		
Due within one year	Due after one year	Total
1,192	4,450	5,642

2. Lessor side

Receivables under operating leases are as follows:

Millions of yen		
Due within one year	Due after one year	Total
47,907	85,408	133,315

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Securities

1. Marketable securities held to maturity

	Millions of yen
Carrying	

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	amount	Fair value	Differences
Government bonds and municipal bonds	182	204	22
Corporate debt securities	15,825	17,513	1,687
Others	-	-	-
Total	16,008	17,718	1,709

2. Other marketable securities

	Millions of yen		
	Carrying amount	Fair value	Differences
Equity securities	25,660	52,907	27,246
Bonds:			
Government bonds and municipal bonds	49,402	49,617	214
Corporate debt securities	506,795	503,387	(3,407)
Others	110,138	111,089	950
Other securities	505	459	(46)
Total	692,502	717,461	24,958

3. Non-marketable securities

Other securities:

	Millions of yen
Unlisted stocks (excluding over-the-counter stocks)	72,281
Unlisted foreign securities	5,186
Beneficiary certificates of bond investment trusts (MMF)	36,076
Preferred subscription certificates	24,534
Beneficiary certificates of loan trust	1,000

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Derivative Transactions

Status of contract amounts, fair value and unrealized gain or loss

(1) Currency related

	Millions of yen			
	Contract amounts			Fair value
Types	Total	Over 1 year		
Marketable transactions				
Futures				

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Written				
U.S. Dollar	1,625	-	1,614	
Held				
U.S. Dollar	2,630	-	2,650	
Other than marketable transactions				
Foreign exchange forward contracts				
Written				
U.S. Dollar	74,993	43	76,261	
Others	3,527	-	4,189	
Held				
U.S. Dollar	16,608	187	16,693	
Others	2,295	-	2,232	
Swap agreements				
Receive-Yen, pay-USD	314,203	117,500	(26,562)	
Receive-USD, pay-Yen	4,121	2,733	378	
Others	67,434	37,073	(4,344)	
	-----	-----	-----	-----
Total	-	-	-	(
	=====	=====	=====	=====

(2) Interest rate related

Types	Millions of yen			Unr ga (
	Contract amounts			
	Total	Over 1 year	Fair value	

Marketable transactions				
Futures				
Written	75,710	-	75,683	
Held	44,150	-	44,137	
Other than marketable transactions				
Swap agreements				
Receive-fixed, pay-variable	77,299	60,990	4,542	
Receive-variable, pay-fixed	402,415	354,780	(13,925)	
Receive-variable, pay-variable	4,415	2,815	65	
Caps				
Written	3,600	3,600	4	
Held	39,751	21,747	10	
Collars				
Held	1,586	1,586	(34)	
	-----	-----	-----	-----
Total	-	-	-	(
	=====	=====	=====	=====

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(3) Bond related

Millions of yen				
Types	Contract amounts			Unrealized gains (losses)
	Total	Over 1 year	Fair value	
Marketable transactions				
Futures				
Written	98,248	-	95,863	
Held	3,066	-	3,068	
Total	-	-	-	

Notes:

- Calculation method of fair values
For derivative transactions through the market, the fair values are calculated based on closing prices in the market thereof. For other than the above derivative transactions, the fair values are calculated based on the present values of future cash flows using proper market interest rates.
- Supplementary explanations for hedge effectiveness
Derivative transactions are used mainly to hedge risk of changes in interest rates inherent to operating and funding activities and foreign currency exchange rates related to assets and liabilities denominated in foreign currencies. Therefore, derivative transactions thereof are made in order to hedge risks of change in market quotations of interest rate or foreign currency exchange rate related to assets and liabilities hedged or risk of change in cash flow. The hedge effectiveness is assessed regularly.
- In addition to the derivative transaction listed above, the Company and its subsidiaries entered into the derivative transactions, of which underlying is stocks or commodities. Those derivatives are immaterial as to unrealized gains or losses and the contract amounts.

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Segment Information

- Information about products and services

Millions of yen						
Lease/ installment sales	Loan	Life insurance	Other	Subtotal	Eliminations and corporate	
-----	-----	-----	-----	-----	-----	

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Net revenue							
Customers	952,400	153,138	165,977	174,409	1,445,925	-	
Intersegment	-	-	-	21,779	21,779	(21,779)	
Total	952,400	153,138	165,977	196,188	1,467,704	(21,779)	
Operating expenses	901,966	144,966	160,169	177,715	1,384,818	(14,978)	
Operating income (loss)	50,433	8,171	5,807	18,472	82,885	(6,800)	

Notes:

- The above classification was determined based on the type of business.
- Unallocated operating expenses in eliminations and corporate was (Y)6,800 million, which mainly consisted of administration expenses of the head office.

2. Information about geographic areas

	Millions of yen						
	Japan	America	Asia and Oceania	Europe	Sub total	Eliminations and corporate	Con
Net revenue							
Customers	1,272,636	79,543	77,345	16,399	1,445,925	-	1,44
Intersegment	-	-	-	-	-	(-)	
Total	1,272,636	79,543	77,345	16,399	1,445,925	(-)	1,44
Operating expenses	1,203,065	81,995	69,238	15,541	1,369,840	(-)	1,36
Operating income (loss)	69,571	(2,452)	8,107	858	76,084	(-)	7

Notes:

- The classification of a country or an area is based on the degree of geographical proximity.
- The main countries or areas other than Japan are as follows:
 - America the United States of America
 - Asia and Oceania Hong Kong, Indonesia, Singapore, Australia
 - Europe the United Kingdom, Ireland

3. Information about overseas revenue

	Millions of yen			
	America	Asian and Oceania	Europe	Total
Overseas revenue	84,866	79,137	17,294	181,298
Consolidated revenue				1,445,925

The rate of the overseas revenues

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to consolidated revenue 5.9% 5.4% 1.2% 12.5%

Notes:

1. The classification of a country or an area is based on the degree of geographical proximity.
2. The main countries or areas other than Japan are as follows:
 - (1) America the United States of America
 - (2) Asia and Oceania Hong Kong, Indonesia, Singapore, Australia
 - (3) Europe the United Kingdom, Ireland

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3. Overseas revenues are revenues of the Company and its subsidiaries in the countries and areas other than Japan.

Per Share Information

	Yen
Book Value Per Share	3,768.30
Basic Earnings Per Share	517.19
Diluted Earnings Per Share	497.19

Financial Highlights (Japanese GAAP)

	Millions of yen			
	The six months ended September 2000	The six months ended September 2001	The fiscal year ended March 31, 2001	The year ended March
Total Revenues	677,809	685,576	1,381,137	1,44
Income before Income Taxes	17,740	33,102	32,288	7
Net Income	9,032	18,732	19,734	4
Shareholders' Equity	228,297	262,076	255,818	31
Total Assets	5,616,580	6,180,327	5,812,636	6,59
Book Value Per Share (yen)	2,794.61	3,205.91	3,130.95	3,7
Basic Earnings Per Share (yen)	110.41	229.22	241.37	5
Diluted Earnings Per Share (yen)	106.37	220.24	232.47	4
Shareholders' Equity Ratio (%)	4.06	4.24	4.40	
Cash Flows from Operating Activities	(32,702)	27,573	51,074	9
Cash Flows from Investing Activities	(17,826)	16,209	(20,338)	(10
Cash Flows from Financing Activities	(69,716)	2,651	(146,966)	20
Cash and Cash Equivalents at End of Period	145,526	201,244	155,411	35
Number of Employees	9,819	11,359	9,529	1

Notes:

- (1) Consumption tax is excluded from the stated amount of total revenues.
- (2) The Company completed 1.2-for-1.0 stock splits on May 19, 2000. All share and per share information reflected these stock splits.

