ORIX

Annual Report 2000

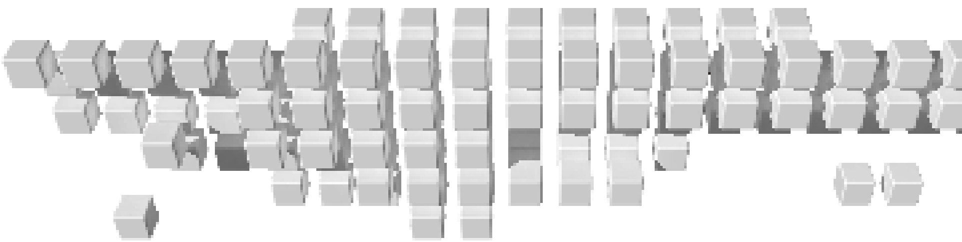
Financial Highlights

ORIX Corporation and Subsidiaries Years Ended March 31, 1998, 1999 and 2000

	Millions of yen			Thousands of U.S. dollars
	1998	1999	**2000**	**2000**
Total revenues	¥ 507,143	¥ 593,941	**¥ 616,513**	**$ 5,807,942**
Income before income taxes	38,412	27,315	**52,048**	**490,325**
Net income	23,731	25,621	**30,642**	**288,667**
Per share data (in yen and dollars):				
Net income Basic	¥ 305.33	¥ 330.43	**¥ 385.27**	**$ 3.63**
Diluted	305.33	330.43	**377.02**	**3.55**
Cash dividends	15.00	15.00	**15.00**	**0.14**
Book value	4,041.87	4,232.02	**5,199.12**	**48.98**
Shareholders' equity	¥ 313,821	¥ 327,843	**¥ 425,671**	**$ 4,010,089**
Total assets	5,574,309	5,347,636	**5,341,542**	**50,320,697**

Notes: 1. The Japanese yen and U.S. dollar amounts are in millions of yen and thousands of U.S. dollars, respectively, except for per share data.
2. The dollar amounts above and elsewhere in this report represent translations of Japanese yen at an exchange rate of ¥106.15 to U.S.$1. All dollar amounts in this report refer to U.S. currency. Billion is used in the American sense of one thousand million.

On the Path to

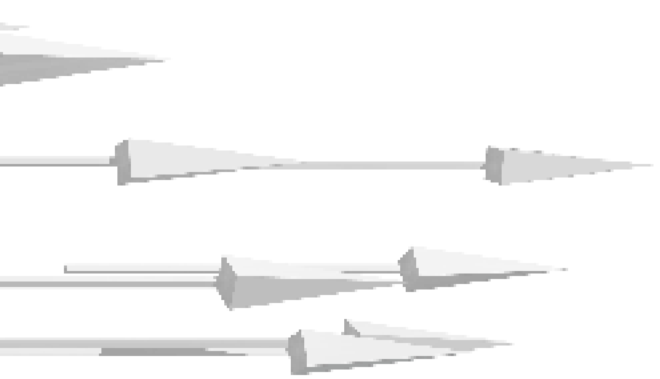


ORIX is contributing to society by generating totally new types of value. While closely monitoring emerging trends and projecting future changes, the Company has positioned itself well to respond flexibly and creatively to opportunities that fall outside its established business framework by providing highly specialized financial services.

ORIX is well prepared for the 21st century.

The Company intends to further strengthen its reputation among customers and promote the idea that ORIX is synonymous with the best in financial services.

Excellence



ORIX One of Japan's Most Innovative

ORIX'S PRINCIPAL OPERATIONS

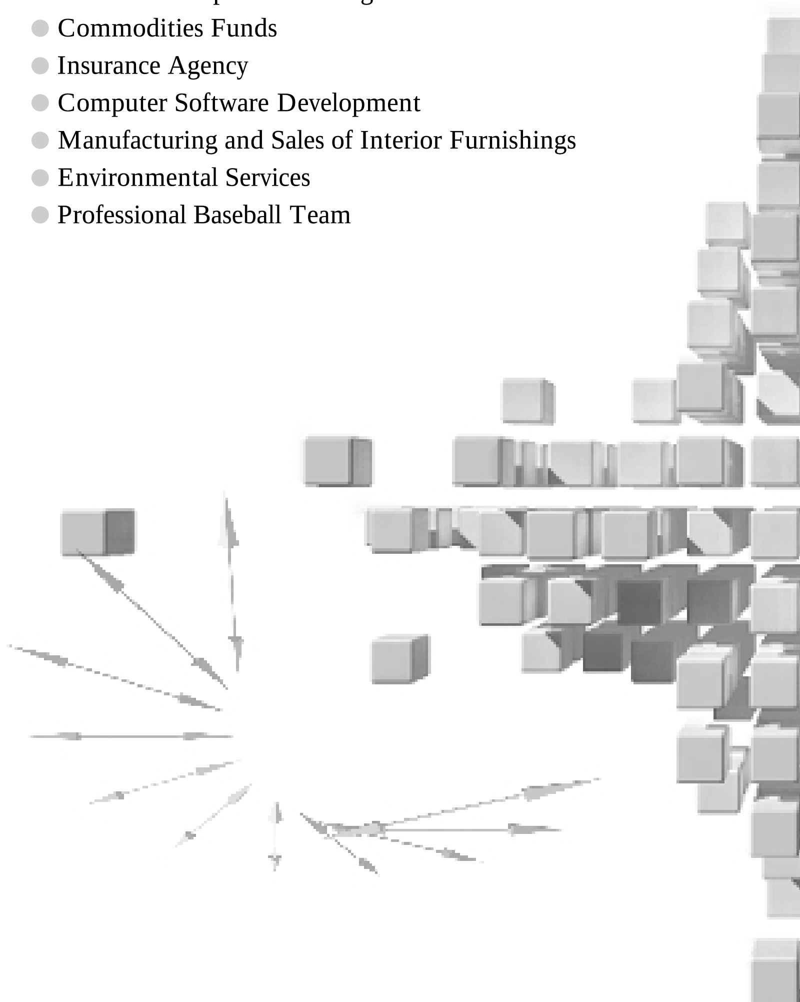
Direct Financing Leases
- Information-Related and Office Equipment
- Industrial Equipment
- Construction and Civil Engineering Machinery
- Commercial Services Equipment
- Automobiles
- Marine Vessels
- Aircraft

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

Installment Loans
- Corporate Finance
- Housing Loans
- Card Loans

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

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



and Diversified Financial Services Institutions

Contents

Yoshihiko Miyauchi,
Chairman and CEO

I am pleased to report on ORIX Corporation's consolidated performance during the fiscal year ended March 31, 2000, as well as on the Company's business strategies and prospects.

Despite the continued weakness of the Japanese economy, ORIX was able to increase its net income for the fifth consecutive year.

Summary of Consolidated Performance

Consolidated net income reached the record level of ¥30.6 billion ($289 million), up 19.6% from the previous fiscal year.

Other highlights of the year's financial results were as follows:

- Earnings per share on a fully diluted basis attained an all-time high of ¥377.02 ($3.55), up 14.1%.
- Income before income taxes surged 90.5%, to ¥52.0 billion ($490 million).
- Reflecting such factors as an equity offering and higher earnings, total shareholders' equity rose 29.8%, to ¥425.7 billion ($4 billion), while book value per share at fiscal year-end was ¥5,199.12 ($48.98), up 22.9%.
- The ratio of shareholders' equity to total assets increased from 6.1% to 8.0%, and return on equity (ROE) grew from 8.0% to 8.1%.

Public Share Issuance and Stock Split

In October 1999, ORIX became the first Japan-based company to make a global offering involving the simultaneous issue of new shares and convertible notes registered with the U.S. Securities and Exchange Commission (SEC) and listed on the New York Stock Exchange (NYSE). One million new shares were issued in the domestic market and 2.3 million shares overseas, while ¥40 billion ($377 million) in yen-denominated convertible notes were issued overseas.

On May 19, 2000, a 1.2-for-1 stock split was made for shareholders registered as of March 31, 2000.

Operating amid Momentous Change

The persistent weakness of domestic consumption continued to prevent full-scale recovery in the Japanese economy during the fiscal year, although signs of an upturn in information technology (IT) related capital investment were seen in selected industries. In contrast, the United States sustained the economic expansion that began in 1991 despite some concerns about future trends.

Against this backdrop, ORIX endeavored to synergistically combine its expertise, develop distinctive financial services businesses, and provide customers with a diverse range of products. The results of the Group's efforts were reflected in the strong consolidated performance figures for the fiscal year.

The 21st century is expected to bring momentous changes spurred by innovative IT and the increasing predominance of competitive free-market economies.

In particular, the development and application of IT has proceeded at an unexpectedly rapid rate, and an era of pervasive e-business seems to be upon us. The development of new financial services businesses and IT are closely related. IT has the potential for bringing about radical changes in flows of information as well as in flows of commodities and capital.

E-business merits close attention in light of its importance and revolutionary ramifications. ORIX has begun proactively developing e-businesses by utilizing IT for the direct provision of services to customers as well as distribution and settlement activities and auction markets.

The growing role of market mechanisms in society has increased the importance of promoting corporate specialization by leveraging existing strengths.

Over many years of operations in Japan, ORIX has developed a strong and unique nationwide customer base with a solid core of small and medium-sized companies. The Company has made the most of this base through cross-selling—the marketing of various additional products to existing customers. During the fiscal year, we further augmented our customer base in such fields as hospitals, pharmaceutical companies, and the hotel industry through merger and acquisition (M&A) activities. In cooperation with the American International Group, we established ORIX Insurance Planning Corporation, a joint venture that handles casualty insurance and will facilitate cross-selling on a still greater scale. We also established presences in several other new fields. For example, responding to the liberalization of Japanese regulations governing electric power sales to large power consumers, we participated in a venture with U.S.-based Enron Corporation and made investments in some companies that market electricity from wind power generation facilities.

To overcome challenges associated with increased market competition and facilitate further growth in cross-selling, ORIX will continue to acquire specialized professional capabilities to offer financial services, develop new niche markets, and strengthen its marketing channels. We anticipate that such moves will effectively leverage our existing strengths and contribute to further rises in profitability.

On the Leading Edge By placing strong emphasis on such management indicators as ROE and ORIX Value Added (OVA), ORIX is constantly reevaluating its operations while striving to increase profitability and more efficiently employ capital.

To strengthen its operating base and effectively promote business development in the 21st century, ORIX implemented further organizational reform and consolidated operations in both corporate and retail business fields. The Company was able to obtain highly profitable operating assets in Japan and overseas and expand its clientele by acquiring companies and asset portfolios.

In efforts to raise efficiency, at the end of the previous fiscal year ORIX divided its Real Estate Business Headquarters into two entities. The new Real Estate Finance Headquarters is employing innovative real estate related financing technology and working to efficiently liquidate and securitize commercial properties. A subsidiary, ORIX Real Estate Corporation (ORE), was established to take over other real estate operations formerly handled by the Real Estate Finance Headquarters and domestic Group companies, such as development, subdivision, leasing and management of office buildings, commercial properties, and condominiums. ORE has effectively consolidated those operations and utilized its capabilities to create new business and help increase consolidated profitability.

A U.S.-based joint venture involved in commercial real estate securitization and servicing operations became a wholly owned subsidiary during the fiscal year, and that company has continued to successfully pursue its highly specialized business. ORIX has also established a domestic servicer company that collaborates on real estate liquidization projects with the Company's real estate departments, securities and trust banking subsidiaries, and other Group units. ORIX has thus created an effective system for bringing together and applying the Group's considerable experience and diverse expertise, both in Japan and overseas, in real estate business.

Taking advantage of changes to the Japanese Commercial Code that regulate stock swaps, ORIX also converted two companies—ORIX Estate Corporation and ORIX Capital Corporation—into wholly owned subsidiaries.

In December 1999, ORIX restructured its International Business Headquarters and reorganized that unit's components as the Investment Banking Headquarters and the Overseas Administration Office. The Investment Banking Headquarters is undertaking the flexible and integrated worldwide development of such niche businesses as M&A activities, aircraft and ship leasing, and bond investment without the organizational barriers that previously segmented some of those businesses.

While several Group companies had been operating their own facilities for handling telephone calls, such operations were consolidated into a newly established call center in Okinawa. The highly efficient call center is expected to promote the growth of various retail businesses.

ORIX also transferred its housing loan operations during the period. These operations are now all handled by ORIX Trust and Banking Corporation, which is well positioned to respond to a broad range of customer needs related to the financing of housing for self-occupancy as well as investment purposes.

For many years, ORIX has had great success in expanding the scope of its business involving corporate customers, but retail operations have been steadily increased by the popularity of life insurance and trust banking products directly marketed to individuals. As the appeal of the ORIX brand is an important factor affecting the growth of retail operations, the Company has begun a brand management program employing advertisements that accentuate ORIX's ability to provide answers and customer solutions unavailable anywhere else. We intend to sustain this program over the long term to foster the image that ORIX is the first place customers should go for advice on financial services.

New Management System In line with its consistently strong emphasis on increasing real value for its shareholders, ORIX intends to maintain efforts to further improve its corporate governance systems. We are confident that our pursuit of highly transparent management processes will lead to rising efficiency and profitability, thereby maximizing long-term shareholder value.

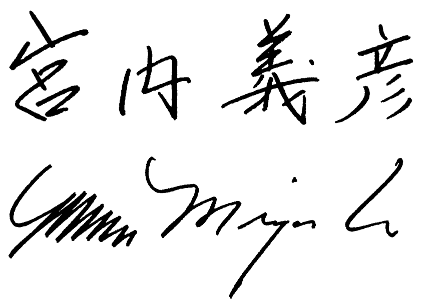
Over the past three years, ORIX has carried out numerous reforms to its managerial structure. These reforms are aimed at adapting the Company to the changes that are expected to characterize its operating environment into the 21st century. The current fiscal year, which began on April 1, 2000, is the first fiscal year of the 21st century. To maintain the momentum of ORIX's diversification into new financial fields and dependably generate additional corporate value in the coming year, we believe it crucial to encourage the continued sound evolution of the Company's unique corporate culture that has been built up since its establishment, while sustaining solid management systems.

On April 1, 2000, I became chairman while retaining the position of chief executive officer (CEO) and Yasuhiko Fujiki became president and chief operating officer (COO). At the same time, Yoshiaki Ishida and Shunsuke Takeda were appointed vice chairman and deputy president, respectively. I am confident that the new management team is highly suitable for seizing the opportunities into the coming century.

Based on the new management structure, we will do our utmost to accurately anticipate and aptly respond to future trends in a wide range of financial services fields. While placing strong emphasis on continual reforms and a comprehensive global perspective, we are striving to ensure ORIX continues its tradition of dynamic development.

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

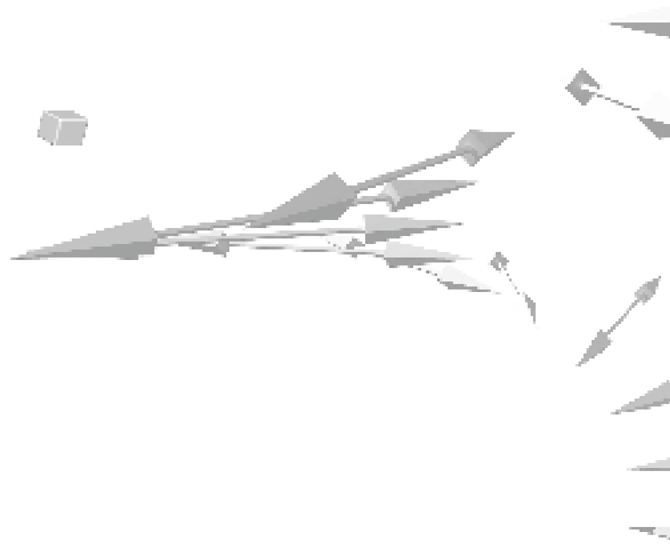
May 17, 2000



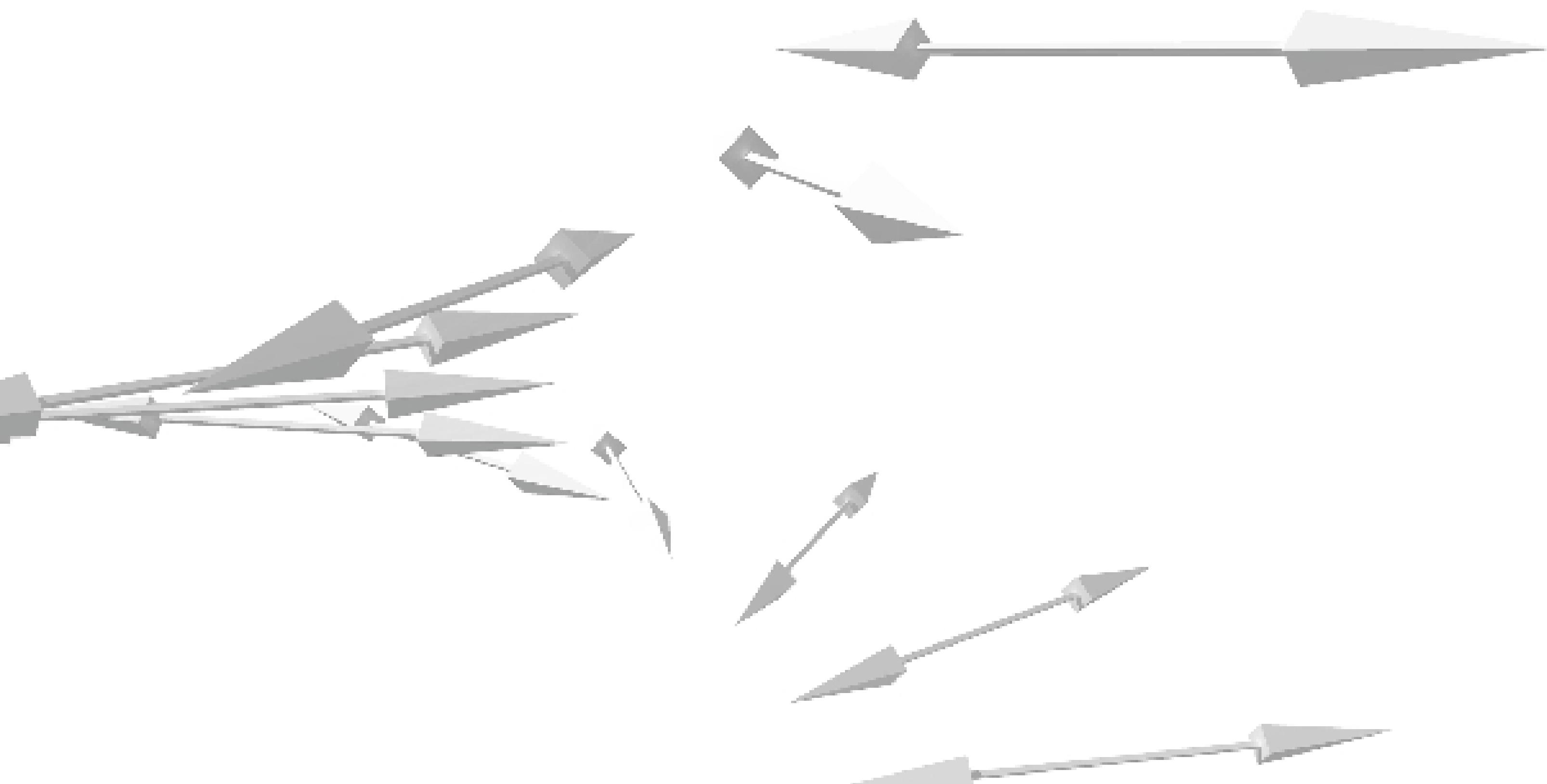
Yoshihiko Miyauchi,
Chairman and CEO

ORIX's New President

Yasuhiko Fujiki,
President and COO



ORIX This is Value



Since its start as the pioneer of lease financing in Japan, ORIX has continually responded to customer needs and changing conditions in its operating environment at home and abroad by expanding the financial products and services that it offers.

The Company now provides direct financing leases and operating leases for a wide array of items. These include office automation (OA) and other information-related equipment; machine tools and other industrial machinery; commercial services equipment; transportation equipment, such as motor vehicles, aircraft, and ships; and real estate.

ORIX has successfully diversified its lending activities as well. ORIX continues to meet the various financing needs of its core customer base of small and medium-sized businesses. In addition to these services, the Company also arranges non-recourse loans for the securitization of real estate assets and is working to upgrade its financial services for individuals, such as housing and consumer loans.

As a result of the expansion from established business areas into neighboring fields, ORIX has broadened its operational scope to encompass new areas where it can make more effective use of management resources and the synergies among Group companies. ORIX now provides a broad portfolio of financial products and services that range from leasing and lending to real estate, securities, venture capital, life insurance, trust banking, and commodities funds.

Leasing Operations in Specialized Fields

ORIX was established in 1964 with the goal of providing leasing services and thereby helping companies in Japan make use of a new fund procurement method for industrial equipment. Since that time, direct financing leases have remained one of ORIX's core business fields. Responding sensitively to various trends and special customer needs, the Company has worked to expand its leasing operations by developing new leasing products with high levels of added value and by providing distinctive services.

❶ ORIX Quick Lease (OQL)

Noting that the small-ticket leasing of such products as PCs, copiers, facsimiles, and telephones can disperse risk and offer attractive profitability, ORIX has developed the OQL system. By consolidating and increasing the efficiency of administrative work with the OQL system, the Company is able to rapidly process lease applications received from registered vendors. In most cases, credit approvals can be completed and responses can be made on the same day the application is received.

Similarly, to increase its responsiveness in the field of nonfleet automobile leasing of less than 10 vehicles, ORIX has developed the Auto Quick Lease (AQL) system, which features simplified procedures for the preparation of estimates and processing of applications.

❷ Comprehensive Support from ORIX Auto Leasing Corporation (OAL)

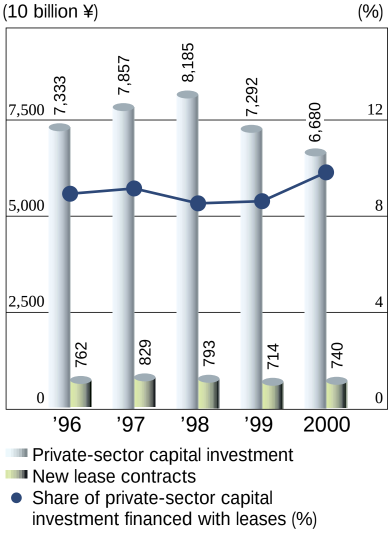
OAL's automobile leasing services relieve customers of such time-consuming activities as negotiations with dealers, maintenance, payment of taxes, and arranging for insurance. These services have been very attractive to customers seeking to outsource administration tasks for large fleets.

By issuing customers an Auto Management Service (AMS) Card that can be used at service stations throughout Japan, ORIX helps customers realize cost reductions by consolidating the process of monitoring fuel expenses, usage, and maintenance data.

❸ Rental of Equipment with Top Quality Guaranteed

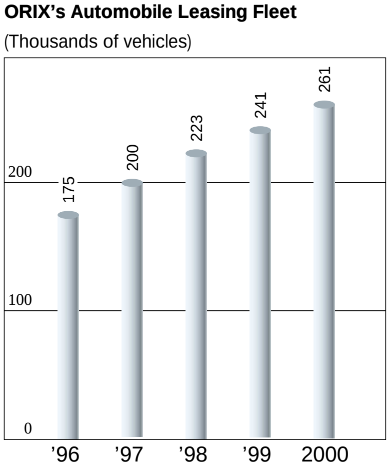
ORIX's direct financing leases led to operating lease activities that, in turn, presented opportunities to develop business in relatively specialized fields. Concentrating on operating leases for measuring equipment, PCs, and other information-related equipment, ORIX Rentec Corporation boasts an extensive inventory of products and a sophisticated quality assurance system. The high level of quality and precision that ORIX Rentec offers enabled it to become the first rental company in Japan to receive ISO 9002 quality assurance certification in December 1992. In view of the potential for electronic equipment to interfere with the operation of pacemakers and other medical equipment, ORIX Rentec has become the first domestic equipment rental company to obtain official U.S. NVLAP certification for its interference

Private-Sector Capital Investment and New Lease Contracts in Japan



Source: Japan Leasing Association

ORIX's Automobile Leasing Fleet



prevention capabilities. The company's Electro Magnetic Compatibility (EMC) Center, which performs duties that include the measurement of electromagnetic waves, obtained the certification in July 1999. As a result, ORIX Rentec is now qualified to replace U.S. government institutions in handling the EMC measurements that companies must perform before marketing equipment in the United States.

❹ A New Leasing Niche

ORIX Media Supply Corporation, established in July 1999 after a major acquisition, engages in business involving the placement and management of rental televisions in hospital and hotel rooms, in addition to more traditional leasing and installment sales operations. Moreover, in September 1999 ORIX obtained all of the shares of Sunleasing Co., Ltd., which leases medical equipment and other items to clinics, hospitals, and pharmaceutical wholesalers. As a result, the ORIX Group has upgraded its leasing operations with the addition of specialized capabilities for adeptly meeting the needs of a new clientele comprising such organizations as medical institutions and hotels.

❺ International Development of Leasing Operations

Since entering the Hong Kong market in 1971, ORIX has actively expanded its leasing operations and other business overseas through the establishment of wholly owned subsidiaries and joint ventures with local leading financial institutions.

ORIX's leasing activities in the United States are mainly those of ORIX Commercial Alliance Corporation, which specializes in lease financing for transportation equipment and construction machinery.

In Asia and Oceania, the ORIX Group has developed its leasing business through 28 companies in 12 countries.

Hong Kong based ORIX Asia Limited engages primarily in leasing business, but has also undertaken debt investments and the provision of credit card services as well as a variety of other financial services.

The business of ORIX Australia Corporation Limited centers on automobile leasing, but it has broadened its operating base through the acquisition of a truck and trailer rental company and other moves to develop specialized capabilities.

In Singapore and Malaysia, similarly, the Group has supplemented its leasing business with growing automobile leasing and equipment rental operations.

With regard to India, ORIX is steadily expanding its presence through a joint venture with a leading local financial institution, principally providing financing related to infrastructure projects.

In the European region, Ireland-based ORIX AVIATION SYSTEMS LIMITED has been developing an aircraft operating lease business for nearly a decade.

Distinctive Real Estate Operations

Drawing on financial and real estate know-how accumulated over many years, ORIX is developing distinctive real estate operations that respond to changing market needs.

In March 1999, ORIX reformed its Real Estate Business Headquarters into two entities—the Real Estate Finance Headquarters and ORIX Real Estate Corporation (ORE)—to enhance the efficiency of real estate finance and consolidate development, subdivision, and leasing and management operations.

In Japan, the Company's Real Estate Finance Headquarters is moving forward from traditional financing activities to business involving project finance, the development of real estate investment products, and the liquidization and securitization of real estate. Working in close cooperation with ORE, ORIX Asset Management and Loan Services Corporation, and other Group units, the headquarters is striving to combine the Group's relevant know-how and experience to develop a highly specialized real estate financing business.

ORE has created a family-type condominium series named "Sanctus" designed to offer spacious and comfortable living environments, and unit sales of that series are rising smoothly. The company is making use of various ORIX Group capabilities to offer additional services—such as car rental and life insurance evaluation services for residents—that help its customers create living environments with a high level of amenity. In addition, ORE develops single-family housing and studio condominium units and participates in large-scale projects with other companies.

ORIX's real estate rental and leasing business encompasses such properties as office buildings and employee dormitories as well as a growing series of condominiums named "Belle Face," located primarily in the greater Tokyo region. The Group's real estate management units are managing such properties as hotels, training facilities, and golf courses.

In the United States, the Group's real estate financing business of ORIX USA CORPORATION (OUC) is complemented by the expanding operations of ORIX Real Estate Equities, Inc. (OREE). OREE's "build-to-suit" approach to real estate development enables it to lock in revenues by negotiating long-term lease contracts or purchase contracts in advance. ORIX increased its ownership of Banc One Mortgage Capital Markets, LLC., from 45% to 100% in July 1999 and subsequently changed the name of the company to ORIX Real Estate Capital Markets, LLC. (ORECM). ORECM combines origination, commercial mortgage-backed securities investment, and servicing functions into a single entity focused on commercial mortgage capital markets. ORECM is a leading servicer of performing mortgage loans and the largest special servicer in the United States providing loan workout and liquidation expertise on securitized and privately held portfolios. The company is the only U.S. servicer with the highest ratings for all categories of commercial servicing (Primary, Master, and Special) from both FITCH and S&P.

Strengthening International Operations

Against the background of the globalization of financial services and the internationalization of ORIX's business, in December 1999 the International Business Headquarters was reorganized into the Investment Banking Headquarters and the Overseas Administration Office.

In the past, the International Business Headquarters was involved in investment banking related operations in a number of countries and across borders that included aircraft and ship leasing, M&A activities, and the structuring and sale of investment products. The Investment Banking Headquarters was established to more clearly define the role of this department to include such activities that are carried out not only overseas but in Japan as well. This will allow ORIX to tap global markets to develop and provide a wider array of products and services to meet customer needs.

The Overseas Administration Office is now in charge of overseeing all the activities of local subsidiaries and affiliates outside Japan where ORIX does business.

Directly Marketing Life Insurance—"ORIX Direct"

ORIX Life Insurance Corporation (OLI) has expanded its operations while developing innovative marketing methods and distinctive products.

For corporate customers, OLI has adopted a life insurance subscription agency system that allows it to maintain close ties with marketing agencies while efficiently providing high-quality services. Eleven ORIX Group companies are registered as OLI's agencies and employ sales staff with the requisite qualifications to broadly market life insurance products.

For individual customers, OLI has marketed the popular "ORIX Direct" range of whole life, endowment, and term life insurance products through direct channels since September 1997. By minimizing administration expenses, OLI is able to offer this insurance at relatively low prices. This and the marketing of products that offer a high level of convenience to policyholders have led to a sustained rise in the outstanding balance of insurance contracts.

Helping Alleviate Environmental Problems

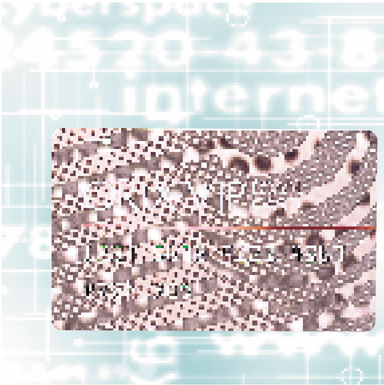
Environment-Related Business

The revision of Japan's laws governing waste disposal has increased companies' responsibilities for ensuring that waste is properly disposed, and ORIX Eco Services Corporation (OES) is helping its customers overcome associated challenges. Having organized a network of dependable waste disposal companies, OES proposes optimal waste disposal programs to its customers and acts as an intermediary between customers and members of its network. To meet the diverse needs of its clientele, OES has created many types of systems ranging from ordinary and industrial waste disposal systems to recycling systems for such products as OA equipment and used paper.

More Efficient Interfacing with Customers— ORIX Call Center

ORIX Call Center Corporation was established in Naha, Okinawa to consolidate and integrate the previously dispersed telephone-based customer liaison operations of ORIX Group companies. Since February 2000, the new unit has been handling administrative work for ORIX's lease contracts and providing customer support activities on behalf of ORIX Rentec and ORIX Credit Corporation by efficiently and precisely responding to customers' inquiries. Plans call for expanding the scope of the center's operations to increase convenience for the Group's retail customers in such business fields as life insurance, trust banking, securities brokerage, and commodities funds.

Financial Services for Individuals



In the field of retail financial services, which we believe has great growth potential, ORIX has developed systems for low-cost operations and is proceeding with the expansion of businesses that utilize such systems.

In May 1999, ORIX Securities Corporation began the “ORIX Online” brokerage service that allows customers to arrange stock trading via the Internet, telephone, or facsimile. The number of customers using the new service has increased steadily. Following Japan’s deregulation of brokerage commissions in October 1999, ORIX Securities greatly reduced the level of its commission rates and introduced a point system whereby customers can obtain additionally discounted rates based on the number of transactions and the balance of assets in their investment accounts. ORIX Securities has taken various steps to increase customer convenience. To help customers unfamiliar with computers, for example, the company has organized PC classes and begun marketing specialized PCs that are simple to operate and facilitate the use of “ORIX Online.”

In March 1999, ORIX Trust and Banking Corporation (OTB) began accepting deposits via its “Direct Deposit” service. As the service allows customers to access OTB via the Internet, telephone, or facsimile and electronically transfer deposits, OTB has been able to reduce its personnel, administration, and other costs. By passing the cost savings back to customers in the form of deposit rates that are higher than those offered by other financial institutions, OTB has rapidly increased its overall balance of deposits. ORIX has begun to shift its housing loan business—previously handled by the Real Estate Finance Headquarters—to OTB. The increasing concentration of such business within OTB is positioning the company to effectively respond to diverse demand for housing loans from owner-occupiers as well as investors. OTB has distinguished itself from others through the provision of order-made loans. For example, because it can evaluate customer creditworthiness on its own, OTB has dispensed with Japanese financial institutions’ standard requirement for a guaranty from a surety/bonding company. Also, the company flexibly responds to customer preferences with regard to interest rates, repayment periods, and collateral.

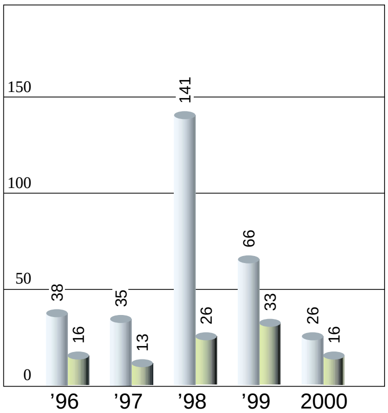
ORIX Credit issues its VIP LOAN CARD to corporate managers with steady incomes as part of its highly convenient card loan services. Interest rates are set at reasonable levels based on consideration of individual customer circumstances, and numerous types of repayment plans are available. Moreover, all these card loan services can be obtained through a nationwide network of ATMs at cooperating banks and other institutions.

Also, ORIX Club Corporation issues the ORIX LOAN CARD, which is targeted at customers who wish to borrow funds to pursue leisure and other activities.

Personal Financial Services (PFS)

Commodities Fund Product Sales

(Billion ¥)



Sales of commodities funds in Japan
Sales of commodities funds by ORIX

Source: Japan Commodities Fund Association

ORIX's PFS Department places strong emphasis on communication with customers and the building of solid relationships based on trust. It provides customers with detailed advice to explain and market diverse financial products.

The PFS Department's insurance evaluation service gives due consideration to a customer's life stage and numerous other relevant circumstances. Team members put themselves in the customer's shoes and provide help in designing an optimal insurance program. After reevaluating a customer's existing insurance policies, the PFS staff goes on to explain and market policies carefully selected from among the products of 16 insurance companies for which ORIX serves as a marketing agency.

Having reduced the minimum size of investment units in its commodities funds to ¥500,000 ($4,700), ORIX has expanded the scope of its commodities fund marketing programs to include individual customers. In light of concerns that the national social security program will not provide adequate coverage due to the rapid aging of Japanese society, the PFS Department has also begun marketing other companies' variable-annuity pension plans for individuals.

Providing New Types of Products

ORIX is constantly striving to develop new products that meet a broad range of customer needs.

In line with this goal, the Company teamed up with one of the world's top insurance groups—the American International Group (AIG)—to establish ORIX Insurance Planning Corporation (OIP) in September 1999. OIP is a domestic casualty insurance agency joint venture that has begun marketing fire and casualty insurance as well as other products that include new types of liability insurance. OLP is developing new casualty insurance products tailored to customers' requirements in cooperation with AIG and organizing distinctive marketing programs for those products.

As a result of Japan's ongoing economic liberalization, regulations governing the sale of electric power to large power consumers were eased in March 2000. Noting the great potential of the domestic power market, ORIX has made investments in a company that markets micro gas turbines and in a number of companies involved in wind power generation. In January 2000, ORIX invested in a power retailing company established by Enron Corporation—the top wholesaler of electric power and natural gas in the United States. As a result, the Company is well positioned to develop such new business as that involving electric power retailing and the financing of electric power related facilities.

E-Business

Beginning with the "ORIX Online" service of ORIX Securities as well as life insurance and time deposits directly marketed to individuals, ORIX has developed and launched a growing range of electronic commerce initiatives.

ORE has begun marketing condominiums over the Internet. As the reduction of marketing costs has enabled ORE to offer condominiums at lower prices, the new marketing method has elicited an enthusiastic response from prospective customers.

ORIX Rentec operates a Web site through which it directly markets PCs and other rental equipment assets, and it provides an auction facility for such equipment.

In April 2000, OAL began an Internet-based support service named "Car Trust" for individual buyers and sellers of used cars. While much potential exists for individual buyers and sellers to directly negotiate agreements to reduce transaction costs, there have been many obstacles to these transactions, such as concerns regarding the guarantees of quality and payment. Besides offering a free vehicle inspection through its network of 7,200 affiliated service stations throughout Japan, OAL supplies a guarantee service and comprehensive support for ownership reregistration procedures.

To make greater use of the distinctive business and customer bases ORIX has created over many years, it is working to launch more direct and auction services like those mentioned above. It is also seeking additional e-business opportunities, such as those related to distribution and settlement services.

1. Performance Summary

● Despite increases in investment in securities and installment loans, ORIX's consolidated operating assets decreased slightly from the previous fiscal year-end, to ¥4,764.8 billion ($44.9 billion). This reflected such factors as the Company's securitization of leasing assets and the appreciation of the yen relative to the U.S. dollar.

● Direct financing lease revenues declined, but ORIX's total revenues advanced 3.8%, to ¥616,513 million ($5,808 million), due to increases in brokerage commissions and gains on investment securities, in life insurance premiums and related investment income, as well as in revenues from housing development operations within the other operating revenues category.

● Life insurance costs and other operating expenses grew commensurately with the expansion of certain types of business, and a rise in the number of companies within the scope of consolidation brought an increase in selling, general and administrative (SG&A) expenses. However, the Company's efforts to reduce funding costs led to a large decline in interest expense. Thus, total expenses amounted to ¥563,627 million ($5,310 million), approximately the same level as in the previous fiscal year.

● Accordingly, income before income taxes surged 90.5%, to ¥52,048 million ($490 million). Net income increased for the fifth consecutive fiscal year, rising 19.6%, to the record level of ¥30,642 million ($289 million).

Revenues and Expenses (Millions of yen)

	1999	2000	Change	Percent change
Total revenues	¥593,941	¥616,513	¥22,572	3.8
Direct financing leases	143,170	130,798	(12,372)	(8.6)
Operating leases	92,407	100,503	8,096	8.8
Interest on loans and investment securities	100,480	97,390	(3,090)	(3.1)
Life insurance premiums and related investment income	196,259	205,829	9,570	4.9
Total expenses	562,899	563,627	728	0.1
Interest expense	140,846	115,038	(25,808)	(18.3)
Life insurance costs	186,775	193,664	6,889	3.7
Selling, general and administrative expenses	82,395	90,961	8,566	10.4
Net income	25,621	30,642	5,021	19.6

Assets (Millions of yen)

	1999	2000	Change	Percent change
Investment in direct financing leases	¥1,952,842	¥1,744,953	¥(207,889)	(10.6)
Installment loans	1,761,887	1,791,439	29,552	1.7
Investment in operating leases	411,156	397,576	(13,580)	(3.3)
Investment in securities	576,206	758,381	182,175	31.6
Other operating assets	73,345	72,472	(873)	(1.2)
Total operating assets	4,775,436	4,764,821	(10,615)	(0.2)
Other	572,200	576,721	4,521	0.8
Total assets	¥5,347,636	¥5,341,542	¥ (6,094)	(0.1)

New Business Volumes

(Millions of yen)

	1999	2000	Change	Percent change
Direct financing leases (new equipment acquisitions)	¥913,221	¥905,898	¥ (7,323)	(0.8)
Installment loans	706,758	807,477	100,719	14.3
Operating leases	92,272	101,020	8,748	9.5
Investment in securities	302,035	333,249	31,214	10.3
Other operating assets	39,733	70,443	30,710	77.3

2. Operating Results

(1) Operating Revenues

● Total revenues grew 3.8%, to ¥616,513 million ($5,808 million). This was attributable to increases of ¥8,096 million ($76 million) in operating leases, ¥12,319 million ($116 million) in brokerage commissions and gains on investment securities, ¥9,570 million ($90 million) in life insurance premiums and related investment income, and ¥10,860 million ($102 million) in the other operating revenues category.

Direct Financing Leases—Revenues from direct financing leases decreased 8.6%, to ¥130,798 million ($1,232 million). In addition to a drop in the balance of investment in direct financing leases due to the securitization of leasing assets, the revenue decline reflected the effects of the appreciation of the yen.

● The balance of investment in direct financing leases fell 10.6%, to ¥1,745.0 billion ($16,439 million). As in the previous fiscal year, the Company securitized ¥263.5 billion ($2,482 million) of domestic and ¥57.1 billion ($538 million) of overseas leasing assets during the year under review. These securitization transactions, accounted for as off balance sheet assets, were a factor in reducing the balance of direct financing leases. Amid slack private-sector capital investment in Japan, the Company maintained a highly selective approach to new domestic business with emphasis on profitability. Despite M&A activities and the acquisition of operating assets, the balance of domestic investment in direct financing leases decreased. Overseas, the Company increased its assets through the acquisition of operating assets and other means, but the appreciation of the yen brought a decline in the yen value of the balance of overseas investment in direct financing leases.

Investment in Direct Financing Leases

(Millions of yen)

	1999	2000	Change	Percent change
Information-related and office equipment	¥ 493,298	¥ 373,281	¥(120,017)	(24.3)
Industrial equipment	444,261	394,581	(49,680)	(11.2)
Commercial services equipment	224,080	194,809	(29,271)	(13.1)
Transportation equipment	414,093	398,521	(15,572)	(3.8)
Other	377,110	383,761	6,651	1.8
	¥1,952,842	¥1,744,953	¥(207,889)	(10.6)

Operating Leases—The strength of IT-related investment in Japan supported solid growth in the rental of measuring, analysis, and information-related equipment. In addition, an increase in the capacity utilization rate and revenue from new business through the acquisition of operating assets helped revenue from operating leases advance 8.8%, to ¥100,503 million ($947 million).

● Because such factors as the sale of an aircraft reduced the balance of transportation equipment assets, the balance of investment in operating leases decreased 3.3%, to ¥397,576 million ($3,745 million).

Investment in Operating Leases (Millions of yen)

	1999	2000	Change	Percent change
Transportation equipment	¥181,886	¥159,548	¥(22,338)	(12.3)
Measuring equipment and personal computers	58,552	58,431	(121)	(0.2)
Real estate and other	170,718	179,597	8,879	5.2
	¥411,156	¥397,576	¥(13,580)	(3.3)

Interest on Loans and Investment Securities—Despite an increase in the balance of installment loans in Japan, factors including a decline in domestic interest rates and a decrease in yen-dominated revenue of overseas operations due to the higher average value of the yen during the year caused interest on loans and investment securities to slip 3.1%, to ¥97,390 million ($917 million).

● Regarding installment loans, the Company successfully marketed new loans to corporate customers in Japan. For domestic loans to individuals, the balance of card loans grew and the balance of loans for margin stock trading rose due to active trading in the stock market. The appreciation of the yen at period-end was among the factors that caused an 8.4% decrease in the balance of overseas installment loans. Consequently, the total balance of installment loans rose 1.7%, to ¥1,791.4 billion ($16, 876 million).

● A steady increase in operating assets invested by ORIX Life Insurance Corporation; investment in commercial mortgage securities by ORIX Real Estate Capital Markets, LLC. (ORECM), which was accounted for by the equity method for the previous fiscal year; and a large rise in unrealized gains at period-end caused the balance of investment in securities to surge 31.6%, to ¥758,381 million ($7,144 million).

Installment Loans (Millions of yen)

		1999	2000	Change	Percent change
Domestic borrowers:					
Consumers:	Housing loans	¥ 411,215	¥ 396,748	¥(14,467)	(3.5)
	Card loans	118,347	121,272	2,925	2.5
	Other	43,663	56,461	12,798	29.3
		573,225	574,481	1,256	0.2
Commercial:	Real estate related companies	188,085	203,537	15,452	8.2
	Commercial and industrial companies	614,988	657,355	42,367	6.9
		803,073	860,892	57,819	7.2
		1,376,298	1,435,373	59,075	4.3
Foreign commercial, industrial and other borrowers		368,661	337,754	(30,907)	(8.4)
Loan origination costs, net		16,928	18,312	1,384	8.2
		¥1,761,887	¥1,791,439	¥ 29,552	1.7

Investment in Securities

(Millions of yen)

	1999	2000	Change	Percent change
Trading securities	¥ 414	¥ 390	¥ (24)	(5.8)
Available-for-sale securities	507,510	689,638	182,128	35.9
Held-to-maturity securities	16,542	11,404	(5,138)	(31.1)
Other securities	51,740	56,949	5,209	10.1
	¥576,206	¥758,381	¥182,175	31.6

Brokerage Commissions and Gains on Investment Securities—The strength of the Japanese stock market boosted the brokerage commissions of ORIX Securities Corporation to a considerably higher level than in the previous fiscal year. The Company also earned income on the sale of securities in Japan and overseas. As a result, brokerage commissions and gains on investment securities jumped 166.9%, to ¥19,700 million ($186 million).

Life Insurance Premiums and Related Investment Income—The life insurance premiums and related investment income of ORIX Life Insurance Corporation grew 4.9%, to ¥205,829 million ($1,939 million). The sustained popularity of "ORIX Direct" life insurance products supported growth in life insurance premiums, and the successful management of investment in securities led to a steady rise in investment income.

Other Operating Revenues—Revenues from the domestic condominium development business continued to rise, and the aggregate value of various types of commission income grew steadily. This, combined with an increase in income related to the securitization of real estate loans of ORECM enabled other operating revenues to advance 22.8%, to ¥58,409 million ($550 million).

(2) Expenses

● In line with growth in revenues, increases were recorded in operating expenses for each business segment. Due to the large decline in interest expense, however, total expenses were restrained to ¥563,627 million ($5,310 million), approximately the same level as in the previous fiscal year.

Interest Expense—Interest expense fell 18.3%, to ¥115,038 million ($1,084 million), against the background of lower borrowings that accompanied the Company's moves to reduce the balance of operating assets through such measures as the securitization of lease assets. Another principal factor behind the fall in interest expense was the Company's proactive moves to diversify its funding operations and reduce funding costs through the increased use of direct funding methods, such as the issuance of shares, bonds, commercial paper (CP), and medium-term notes (MTNs).

Depreciation of Operating Leases—Reflecting a 9.5% rise in new investment in operating leases, depreciation of operating lease assets grew 5.8%, to ¥60,750 million ($572 million).

Life Insurance Costs—Owing to a rise in the number of outstanding policies and related liabilities, life insurance costs advanced 3.7%, to ¥193,664 million ($1,824 million).

Other Operating Expenses—Other operating expenses principally comprise the cost of condominium marketing operations. Reflecting a rise in housing sales, other operating expenses jumped 21.5%, to ¥38,302 million ($361 million).

SG&A Expenses—Personnel expenses account for approximately half of SG&A expenses, with the remaining half consisting of such general expenses as real estate rental, communications, and travel expenses. ORIX increased its shareholdings in a number of affiliates that were previously accounted for by the equity method, but are now included within the scope of consolidation. This change, along with M&A activities and other factors, caused an increase in the number of consolidated companies. Consequently, SG&A expenses rose 10.4%, to ¥90,961 million ($857 million).

Provision for Doubtful Receivables and Possible Loan Losses—In leasing operations, ORIX's strategy to disperse risk by focusing on small-ticket leases has kept the incidence of doubtful receivables low and maintained a high degree of profitability, although the persistent domestic economic slowdown kept past-due receivables to approximately the same level as in the previous fiscal year. In the installment loan business, the Company has carefully extended new loans based on strict credit evaluation standards, thereby expanding its portfolio of solid operating assets.

● With regard to problem assets created during Japan's bubble economy period, based on FASB Statement No. 114 ("Accounting by Creditors for Impairment of a Loan") ORIX made substantial provisions for its valuation losses on loans during the period from fiscal 1996 through fiscal 1998.

● In light of the rising incidence of corporate and personal bankruptcies amid Japan's protracted recession, the Company strictly investigated the likelihood of asset recovery. Accordingly, it added ¥45,573 million ($429 million) to provisions charged to income in fiscal 2000.

● During fiscal 1999, ORIX used a portion of its reserves for possible loan losses to write off a large amount of loans covered by FASB Statement No. 114. As a result, charge-offs of the allowance for doubtful receivables on direct financing leases and possible loan losses amounted to ¥70,705 million for fiscal 1999, and such charge-offs for fiscal 2000 totaled ¥37,697 million ($355 million).

● At period-end, the balance of allowance for doubtful receivables on direct financing leases and possible loan losses stood at ¥136,939 million ($1,290 million), and the ratio of this figure to the balance of investment in direct financing leases and installment loans was 3.9%.

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

(Millions of yen)

	1999	2000
Beginning balance	¥ 145,741	¥ 132,606
Provisions charged to income	51,845	45,573
Charge-offs	(70,705)	(37,697)
Recoveries	399	354
Other*	5,326	(3,897)
Ending balance	¥ 132,606	¥ 136,939
Investment in direct financing leases and installment loans	¥3,714,729	¥3,536,392
Allowance for doubtful receivables on direct financing leases and possible loan losses/investment in direct financing leases and installment loans	3.6%	3.9%

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

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

Write-downs of securities—Having concluded that the current drop in the market prices of certain securities is not temporary, the Company recorded a loss on the revaluation of such securities.

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

● Despite the renewed profitability of operations in the Asian region, the Company's equity in net income (loss) of affiliates for the period amounted to a loss of ¥838 million ($8 million) due to such factors as the conversion of a U.S.-based affiliate into a consolidated subsidiary, a downturn in the performance of a Bermuda-based company involved in managing futures operations, and losses on the sale of certain domestic companies.

(4) Provision for Income Taxes

● While the level of fiscal 1999 income taxes was affected by a ¥14,582 million reduction in deferred tax liabilities in line with changes made to the normal income tax rate in Japan, the fiscal 2000 provision for income taxes was calculated based on the normal income tax rate.

(5) Net Income

● Operating income totaled ¥52,886 million ($498 million), up 70.4% from the previous fiscal year, and income before income taxes was ¥52,048 million ($490 million), up 90.5%. Net income grew 19.6%, to ¥30,642 million ($289 million), representing the fifth consecutive year of higher profits. After adjustment to give effect to a 1.2-for-1 stock split, net income per share on a diluted basis was ¥377.02 ($3.55), up from ¥330.43 the previous year.

3. Cash Flows

● Net cash provided by operating activities increased 11.1%, to ¥318,631 million ($3,002 million), while increase in policy liabilities rose 2.1%, to ¥137,902 million ($1,299 million). Total revenues advanced 3.8%, to ¥616,513 million ($5,808 million), with interest expense decreasing 18.3%, to ¥115,038 million ($1,084 million).

● Net cash used in investing activities was ¥292,858 million ($2,759 million). As a result of the issuance of 3.3 million new shares domestically and overseas and ¥40 billion ($377 million) in yen-denominated convertible notes overseas, net cash used in financing activities fell 97.8%, to ¥6,053 million ($57 million).

● ORIX has increased its securitization of leasing assets and issuance of domestic CP, bonds, and overseas MTNs, thereby raising the share of its funding procured directly from capital markets to 56.8%, from 48.9% in the previous fiscal year.

● Cash and cash equivalents at the end of the fiscal year stood at ¥265,956 million ($2,505 million), up 5.4%.

4. Segment Information

● At the end of the fiscal year, ORIX had invested more than ¥3.6 trillion ($34.1 billion), or approximately 75% of total segment assets, in domestic business segments, which generate a large share of the Company's revenue and income before income taxes. Corporate finance is the largest of ORIX's business segments, and the Company had invested more than ¥1.9 trillion ($18.5 billion), or approximately 40% of total assets, in that segment.

● Regarding overseas business segments, the Company had invested approximately ¥691 billion ($6,513 million), or 14.3% of total segment assets, in the Americas; approximately ¥370 billion ($3,481 million), or 7.6%, in Asia and Oceania; and approximately ¥160 billion ($1,504 million), or 3.3%, in Europe.

Segment Profit (Loss)

(Millions of yen)

	1999	2000	Change	Percent change
Domestic Business Segments				
Corporate finance	¥35,240	¥40,918	¥ 5,678	16.1
Equipment operating leases	6,923	7,823	900	13.0
Real estate related finance	(11,013)	(3,415)	7,598	—
Real estate	(2,236)	(8,241)	(6,005)	—
Life insurance	3,813	5,455	1,642	43.1
Other	(4,266)	(1,036)	3,230	—
Subtotal	28,461	41,504	13,043	45.8
Overseas Business Segments				
The Americas	20,590	18,775	(1,815)	(8.8)
Asia and Oceania	(11,729)	3,371	15,100	—
Europe	264	278	14	5.3
Subtotal	9,125	22,424	13,299	145.7
Total	37,586	63,928	26,342	70.1
Adjustments	(10,271)	(11,880)	(1,609)	—
Consolidated income before income taxes	¥27,315	¥52,048	¥24,733	90.5

Segment Assets

(Millions of yen)

	1999	2000	Change	Percent change
Domestic Business Segments				
Corporate finance	¥2,046,516	¥1,968,590	¥(77,926)	(3.8)
Equipment operating leases	109,772	113,389	3,617	3.3
Real estate related finance	573,767	597,274	23,507	4.1
Real estate	273,504	276,494	2,990	1.1
Life insurance	334,836	425,335	90,499	27.0
Other	248,872	242,280	(6,592)	(2.6)
Subtotal	3,587,267	3,623,362	36,095	1.0
Overseas Business Segments				
The Americas	634,101	691,403	57,302	9.0
Asia and Oceania	440,872	369,540	(71,332)	(16.2)
Europe	178,559	159,608	(18,951)	(10.6)
Subtotal	1,253,532	1,220,551	(32,981)	(2.6)
Total	4,840,799	4,843,913	3,114	0.1
Adjustments	(65,363)	(79,092)	(13,729)	—
Total consolidated operating assets	¥4,775,436	¥4,764,821	¥(10,615)	(0.2)

(1) Domestic Business Segments

Corporate Finance—ORIX's domestic corporate finance operations center on direct financing leases and installment loans, excluding real estate, for corporate customers. For this business segment, revenue was maintained at approximately the same level as in the previous fiscal year. Because of a large decline in interest expense, however, segment profit surged 16.1%, to ¥40,918 million ($385 million).

● The balance of segment assets decreased 3.8%, to ¥1,968.6 billion ($18.5 billion). Amid the continued sluggishness of domestic private-sector capital investment, ORIX proactively increased segment assets through M&A activities. At the same time, however, the Company moved to tighten its credit standards for new contracts and emphasized profitability in its highly selective approach to new business proposals. As a result, the volume of new receivables added grew compared with fiscal 1999, but the balance of domestic direct financing leases decreased due to factors including the securitization of ¥263.5 billion ($2,482 million) in assets accounted for as off balance sheet assets.

● The ORIX Group continued to position automobile leasing as a strategic growth business. In particular, the Company has targeted corporate customers that desire to outsource vehicle management tasks. As a result, the number of vehicles leased by ORIX at fiscal year-end was approximately 261,000, up 8.3% from the previous fiscal year.

● ORIX boosted its new domestic loans to corporate customers, and the balance of such loans of this segment increased.

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

● In fiscal 2000, segment profit rose 13.0%, to ¥7,823 million ($74 million), and the balance of segment assets increased 3.3%, to ¥113,389 million ($1,068 million).

● In measuring equipment, OA equipment, and PC rental operations, the Company worked to broaden and diversify the range of products handled while giving emphasis to such technical support services as those involving measuring services. Reflecting the strength of domestic IT investment, segment profitability improved.

Real Estate Related Finance—ORIX's domestic real estate related finance business encompasses real estate loans for corporate customers and housing loans for individuals. To improve its capabilities for responding to a broad range of needs related to housing loans for individuals, including owner-occupiers as well as investors, the Company shifted housing loan operations to ORIX Trust and Banking Corporation. With regard to real estate loans for corporate customers, the Company continued to closely monitor conditions in the uncertain domestic market while maintaining strict credit standards and selectively marketing new loans. Segment assets of real estate related finance were up 4.1%, to ¥597,274 million ($5,627 million). Reflecting a decline in interest expense and lower provisions for nonperforming assets, the Company greatly reduced its segment loss to ¥3,415 million ($32 million), compared with a loss of ¥11,013 million in the previous fiscal year.

Real Estate—ORIX's domestic real estate business consists mainly of condominium development and office rental activities as well as the operation of such facilities as hotels, employee dormitories, and training facilities. The Company's segment loss in such business grew ¥6,005 million compared with the previous year, amounting to a loss of ¥8,241 million ($78 million). This was principally due to write-downs of long-lived real estate assets in accordance with FASB Statement No. 121, which offset the continued strong business performance by ORIX's series of condominiums, named "Sanctus." The balance of real estate segment assets increased 1.1%, to ¥276,494 million ($2,605 million).

Life Insurance—"ORIX Direct" life insurance products for individuals launched in 1997 as well as ORIX's existing products continued to perform strongly as the Company shifted from marketing programs focused on volume expansion to programs emphasizing profitability. As a result, segment profit jumped 43.1%, to ¥5,455 million ($51 million). The outstanding balance of segment assets surged 27.0%, to ¥425,335 million ($4,007 million).

Other—In addition to the venture capital operations of ORIX Capital Corporation, ORIX expects demand for financial services from individuals to increase and is endeavoring to meet such demand by building a strong operating base for ORIX Securities Corporation and other new business. During fiscal 2000, the strength of the Japanese stock market supported growth in brokerage commissions of ORIX Securities as well as the gains of ORIX Capital on its sales of securities. Reflecting this, segment performance greatly improved, although a ¥1,036 million ($10 million) loss was posted due to start-up costs for new businesses. The outstanding balance of segment assets declined 2.6%, to ¥242,280 million ($2,282 million).

(2) Overseas Business Segments

The Americas—During fiscal 2000, segment profit in the Americas decreased 8.8%, to ¥18,775 million ($177 million). Against the backdrop of positive conditions in the U.S. economy, a major contribution to performance was made by the commercial mortgage-backed loan securitization operations of ORECM, a company in which ORIX increased its share from 45% to 100% in July 1999. A generally strong performance was also recorded in direct financing lease operations, although yen-denominated segment profit decreased due to such factors as the strength of the yen, while the realization of gains on the sale of an office building boosted profits during the previous fiscal year.

● Segment assets amounted to ¥691,403 million ($6,513 million) at fiscal year-end, up 9.0%.

Asia and Oceania—While the effects of the Asian currency crises caused ORIX to record a loss for the Asia and Oceania segment during the previous fiscal year, the Company generated ¥3,371 million ($32 million) in segment profit during fiscal 2000. Segment assets amounted to ¥369,540 million ($3,481 million) at fiscal year-end, down 16.2%.

● Of segment assets, ¥271,673 million ($2,559 million) was invested in Asia, and the portion denominated in currencies other than U.S. dollars was ¥119,677 million ($1,127 million).

Europe—A decline in revenue and a commensurate decrease of interest expenses resulted in a segment profit in Europe of ¥278 million ($2.6 million), approximately the same level as in fiscal 1999. Segment assets amounted to ¥159,608 million ($1,504 million) at fiscal year-end, a decline of 10.6%.

5. Funding and Liquidity

(1) Funding Strategy

● ORIX's funding operations include borrowings from financial institutions and direct fund procurement from capital markets. Among its diverse borrowing sources are city banks, long-term credit banks, trust banks, regional banks, life insurance companies, foreign banks, and other institutional lenders. The Company procures funds directly from capital markets through the issuance of corporate bonds, CP, and MTNs as well as the securitization of leasing assets and other assets. By diversifying its funding, the Company has maintained stable access to low-cost funds.

● To facilitate funding operations, ORIX has obtained credit ratings for its bonds and CP. ORIX's domestically issued unsecured bonds have been assigned an AA- rating from the Japan Credit Rating Agency, Inc. (JCR), and Japan Rating and Investment Information Inc. (R&I).

● ORIX's domestic CP is rated J-1+ by JCR and a-1+ by R&I for amounts up to ¥1.3 trillion ($12.2 billion), rising from the previous limit of ¥1.1 trillion.

● Besides diversifying its funding methods, ORIX uses asset-liability management (ALM) systems to manage risks associated with fluctuations in interest rates and liquidity levels. As a result, the Company has maintained stable and timely access to the funds it requires. It is continuing to build a solid foundation for increasingly efficient funding operations.

(2) Diversification of Funding Methods

● As deregulation gains momentum in Japan, ORIX has been diversifying its fund procurement to secure ample and stable funding. The share of ORIX's combined short- and long-term funds procured directly from capital markets was 48.9% at the end of fiscal 1999 and rose to 56.8% at the end of fiscal 2000. At March 31, 2000, the balance of outstanding bonds other than convertible notes was ¥721,253 million ($6,795 million), and the balance of CP was ¥977,436 million ($9,208 million).

● ORIX has been a forerunner in taking advantage of the deregulation of Japan's capital markets. While the usage of funds raised by nonbanks through the issuance of such securities as bonds and CP had been restricted, in May 1999 the so-called Nonbank Debenture Law eliminated such restrictions for lenders that meet certain conditions. As a result, ORIX has been able to issue bonds, CP, and other securities since June 1999, without restrictions on the applications of funds raised.

● Prohibition on the issuance of CP by financial companies was eliminated in June 1993. The following month, ORIX was the first in its industry to issue domestic CP. From July 1996, the relaxation of regulations governing CP proceeded further, increasing authorized issuance volumes and eliminating restrictions on rollovers.

● In April 1998, the sale of CP directly to investors without the assistance of dealers was made possible by additional deregulation. ORIX has energetically worked to increase the number of investors to whom it directly sells CP and has maintained stable CP issuance.

● The so-called Business Asset Securitization Law, which took effect in June 1993, has promoted the securitization of leasing and installment-sales receivables. Even prior to this change, in January 1992 ORIX became the first company in Japan to securitize leasing assets. Subsequently, the Company has actively proceeded with asset securitization domestically and overseas. As of March 31, 2000, the outstanding balance of ORIX's securitized leasing assets and other assets on a consolidated basis stood at ¥423,363 million ($3,988 million). Of this figure, the portion accounted for as off balance sheet assets was ¥367,329 million ($3,460 million).

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

● Euro MTN issuance is determined based on the funding needs of overseas Group companies under the supervision of the parent company's Treasury Department. Also, a U.S.-based Group company, ORIX Commercial Alliance Corporation, has separately established a program for the issuance of MTNs within the United States. As of March 31, 2000, the outstanding balance of ORIX's Euro and U.S. MTNs stood at ¥328,221 million ($3,092 million).

● ORIX's overseas CP was mainly issued in the United States.

● In October 1999, ORIX became the first Japan-based company to make a global offering involving the simultaneous issue of new shares and convertible notes registered with the U.S. Securities and Exchange Commission (SEC) and listed on the New York Stock Exchange (NYSE). The newly issued shares included one million shares issued in Japan and 2.3 million shares issued overseas, all at the price of ¥12,034 per share. The Company also completed the overseas issuance of ¥40 billion ($377 million) in yen-denominated convertible notes with an initial conversion price of ¥14,200. As of April 1, 2000, the conversion price was adjusted to ¥11,833.30 to reflect a share split.

(3) Increasing Liquidity

● During the fiscal year, the Company obtained short-term committed credit lines of ¥294,500 million ($2,774 million) in Japan to enhance liquidity as stipulated in the Commitment Line Law that came into effect in March 1999.

● Total committed lines for the Company and subsidiaries were ¥208,054 million and ¥549,525 million ($5,177 million) at March 31, 1999 and 2000, respectively, and of these lines, ¥198,108 million and ¥509,379 million ($4,799 million) were available at March 31, 1999 and 2000, respectively. Of the total committed lines, ¥61,302 million ($578 million) were long-term committed credit lines at March 31, 1999 and 2000.

● While ¥144,895 million and ¥436,505 million ($4,112 million) of the committed lines at March 31, 1999 and 2000, respectively, are for CP backup purposes, no borrowings have been made under these lines.

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

● Shareholders' equity grew 29.8%, or ¥97,828 million, from the previous year-end, to ¥425,671 million ($4,010 million). This increase principally reflected the October 1999 public share offering—which boosted common stock and additional paid-in capital ¥38,810 million ($366 million), increased retained earnings ¥29,564 million ($279 million), and reduced accumulated other comprehensive loss ¥26,133 million ($246 million).

● The shareholders' equity ratio rose from 6.1% to 8.0%. Basic earnings per share were up 16.6%, to ¥385.27 ($3.63), and diluted earnings per share amounted to ¥377.02 ($3.55), up 14.1%. Book value surged 22.9%, to ¥5,199.12 ($48.98).

Shareholders' Equity, ROA, and ROE

(Millions of yen)

	1999	2000
Shareholders' equity ratio	6.13%	7.97%
Return on assets	0.47%	0.57%
Return on equity	7.99%	8.13%
Net income	¥ 25,621	¥ 30,642
Shareholders' equity	327,843	425,671
Total assets	5,347,636	5,341,542

Notes: 1. The shareholders' equity ratio equals shareholders' equity at fiscal year-end divided by total assets at fiscal year-end.
2. Return on assets equals net income for the fiscal year divided by the average level of total assets during the fiscal year.
3. Return on equity equals net income for the fiscal year divided by the average level of shareholders' equity during the fiscal year.

Per Share Data

	1999	2000
Net income (basic earnings per share)	¥ 330.43	¥ 385.27
Net income (diluted earnings per share)	330.43	377.02
Cash dividends	15.00	15.00
Book value	4,232.02	5,199.12

(Yen)

(1) Capital and Additional Paid-in Capital

● The sum of common stock and additional paid-in capital rose ¥43,329 million, to ¥100,973 million ($951 million).

(1) On April 1, 1999, with the goal of improving operational efficiency, ORIX absorbed ORIX Interior Corporation, a subsidiary previously listed on the Osaka Securities Exchange. The issuance of approximately 90,000 new shares on this occasion resulted in increases of ¥5 million ($47,000) in common stock and ¥800 million ($7.5 million) in additional paid-in capital.

(2) Since fiscal 1998, ORIX has introduced warrant and stock option plans to its performance-linked remuneration system. During fiscal 2000, the exercise of these plans increased the number of shares to approximately 357,000, ¥1,647 million ($15.5 million) in common stock, and ¥1,504 million ($14.2 million) in additional paid-in capital. Under the warrant plans, the Company issued warrants during the fiscal year and this produced a rise of ¥333 million ($3.1 million) in additional paid-in capital.

(3) Using the share exchange system of Japan's revised Commercial Code, ORIX increased its shareholding ratio in two companies—ORIX Capital and ORIX Estate—to 100%. To enable the exchange of ORIX stock for the minority holdings in those two companies, approximately 12,000 shares were issued, leading to rises of ¥617 thousand ($5,812) in common stock and ¥230 million ($2.2 million) in additional paid-in capital.

(4) In October 1999, ORIX issued 3.3 million shares in Japan and overseas through a public offering. As a result, common stock and additional paid-in capital grew ¥19,856 million ($187 million) and ¥18,954 million ($179 million), respectively.

● At the same time as the October 1999 public share offering, ORIX issued ¥40 billion ($377 million) in yen-denominated convertible notes. At April 1, 2000, the conversion price stood at ¥11,833.30, and the conversion period is from October 1999 through March 2005. None of the convertible notes had been converted as of the end of March 2000.

(2) Other

● With regard to other components of shareholders' equity, net unrealized gains on investment in securities increased ¥41,551 million, to ¥45,704 million ($431 million). This reflected a rise in unrealized gains due to the strengthening of Japanese stock prices—the Nikkei average rose from ¥15,836.59 at March 31, 1999, to ¥20,337.32 ($191.6) at March 31, 2000—as well as a decrease in unrealized losses due to a ¥12,297 million ($116 million) write-down on securities believed to be undergoing more than a temporary price decline.

● Cumulative translation adjustments (debit balance) increased to ¥43,636 million ($411 million), primarily due to the appreciation of the yen—the yen-dollar exchange rate rose from ¥118.43=$1 at March 31, 1999, to ¥106.15=$1 at March 31, 2000.

● The Company purchased its own shares in line with its stock option scheme, and the balance of treasury stock of ¥4,103 million ($39 million) at fiscal year-end was subtracted from shareholders' equity.

7. Risk Management

(1) Credit Risk Management

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

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

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

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

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

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

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

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

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

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

(2) Interest Rate Risk Management

● ORIX is in the process of developing a new ALM system. During the fiscal year, ORIX, ORIX Alpha, ORIX Auto Lease, and ORIX Credit completed the creation of an ALM system that manages the domestic yen-denominated assets and liabilities of all four companies in a consolidated manner. Those four companies account for approximately 60% of the ORIX Group's operating assets.

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

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

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

● Derivative instruments are used as one method within interest rate risk hedging operations. The derivative instruments used are unambiguously employed as interest rate hedging methods, however, and the hedge effect is measured at regular intervals.

● Plans call for steadily increasing the number of companies encompassed by ALM risk management systems. In Japan, ORIX Trust and Banking and ORIX Life Insurance have already begun independently developing new ALM systems. As a result, it is expected that an ALM risk management system covering domestic Group companies including the two just mentioned will be completed during the fiscal year ending March 31, 2001.

● Development of a more precise ALM system covering overseas operations is also under consideration, and ORIX's goal is to ultimately create a consolidated ALM system that encompasses both domestic and overseas operations.

(3) Exchange Rate Risk Management

● ORIX enters into foreign exchange forward contracts and foreign currency swap agreements to hedge risks that are associated with certain assets and obligations denominated in foreign currencies due to potential changes in foreign currency exchange rates. Foreign exchange forward contracts and foreign currency swap agreements are agreements between two parties to purchase and sell a foreign currency for a price specified on the contract date, with delivery and settlement in the future. In principle, ORIX hedges foreign currency risk related to its foreign currency denominated marketing transactions and overseas investments, and overseas Group companies procure funds locally. However, certain positions involving foreign currency risk are managed individually.

(4) Derivatives Management

● ORIX enters into and manages derivatives transactions while strictly complying with authorized limits determined by the Board of Directors and with internal management regulations. Departments executing transactions are separated from administrative management departments to create a system of internal checks and restraints. Each quarter, departments executing transactions calculate the fair values of transactions with individual counterparties and transactions with counterparties of given credit ratings. In addition, these departments make other calculations as part of a management system capable of responding rapidly to sharp market changes and other unexpected developments. Administrative management departments undertake the external verification of all transactions and perform checks to ensure the absence of discrepancies in the terms of the transactions. In addition, each quarter these departments prepare reports that include compilations of such information as the notional principal associated with each counterparty and type of transaction for presentation to the director responsible for the Treasury Department. Further, the Audit Office examines derivatives-related accounts and performs checks to ensure that relevant regulations are observed.

8. Corporate Governance

(1) Reform of Management Structure

● Since its June 1997 establishment of an Advisory Board that includes experienced and resourceful individuals from outside the Company as well as management specialists, ORIX has implemented a variety of structural management reforms aimed at maximizing long-term shareholder value.

● In June 1998, the Company introduced a Corporate Executive Officer system to help separate strategic decision-making functions from day-to-day administrative operations. Since June 1999, ORIX has reduced the number of members of the Board of Directors, arranged for the three Advisory Board members to fill two positions as independent directors and one position as an advisor to the Board, and phased out the Advisory Board. In addition, the Executive Appointment and Compensation Committee has been established to operate as a support unit for the Board of Directors.

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

(2) ORIX Value Added (OVA)

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

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

OVA = divisional net income – (risk capital × hurdle rate)

= risk capital × (RORAC – hurdle rate)

Notes: 1. The hurdle rate for capital utilization efficiency represents an assumed rate of return expected by shareholders on capital.

2. Divisional profitability is calculated by adjusting the value of net income after taxes in light of such factors as the size of interdivisional transactions and internal profit.

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

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

	Years Ended March 31	
	1991	1992
Financial Position		
Investment in Direct Financing Leases	¥1,627,211	¥1,656,677
Installment Loans	2,373,204	1,988,033
Investment in Operating Leases	149,588	191,811
Investment in Securities	355,990	342,521
Other Operating Assets	18,617	20,053
Operating Assets	¥4,524,610	¥4,199,095
Allowance for Doubtful Receivables on Direct Financing Leases and Possible Loan Losses	¥ (48,937)	¥ (51,068)
Allowance/Investment in Direct Financing Leases and Installment Loans	1.2%	1.4%
Short-Term Debt, Long-Term Debt and Deposits	¥4,677,456	¥4,089,587
Shareholders' Equity	¥ 200,190	¥ 213,544
Total Assets	¥5,212,365	¥4,646,609
Revenues and Expenses		
Total revenues	¥ 472,811	¥ 443,109
Interest expense	¥ 340,685	¥ 306,235
Selling, general and administrative expenses	¥ 54,109	¥ 63,429
Income before Income Taxes	¥ 40,482	¥ 40,439
Net Income	¥ 20,109	¥ 20,381
Operations		
Direct Financing Leases:		
New receivables added	¥ 879,534	¥ 921,857
New equipment acquisitions	¥ 670,669	¥ 713,808
Installment Loans:		
New loans added	¥3,266,706	¥1,054,862
Operating Leases:		
New equipment acquisitions	¥ 54,751	¥ 85,436
Investment in Securities:		
New securities added	¥ 51,606	¥ 33,447
Other Operating Assets:		
New assets added	¥ 2,681	¥ 7,717
Number of Employees	6,233	6,842

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

Millions of yen

Years Ended March 31							
1993	1994	1995	1996	1997	1998	1999	2000
¥1,688,374	¥1,691,730	¥1,715,177	¥1,913,836	¥2,067,616	¥2,186,022	¥1,952,842	¥1,744,953
1,799,569	1,687,475	1,619,397	1,628,916	1,700,697	1,794,825	1,761,887	1,791,439
229,432	298,653	342,058	413,419	465,737	435,066	411,156	397,576
260,187	258,133	278,807	345,935	434,488	500,449	576,206	758,381
39,833	41,858	42,162	55,161	58,193	65,838	73,345	72,472
¥4,017,395	¥3,977,849	¥3,997,601	¥4,357,267	¥4,726,731	¥4,982,200	¥4,775,436	¥4,764,821
¥ (49,292)	¥ (48,806)	¥ (47,400)	¥ (81,886)	¥ (117,567)	¥ (145,741)	¥ (132,606)	¥ (136,939)
1.4%	1.4%	1.4%	2.3%	3.1%	3.7%	3.6%	3.9%
¥3,928,622	¥3,770,731	¥3,755,538	¥3,986,809	¥4,217,334	¥4,628,670	¥4,274,280	¥4,010,468
¥ 218,839	¥ 230,081	¥ 238,050	¥ 276,251	¥ 308,584	¥ 313,821	¥ 327,843	¥ 425,671
¥4,480,854	¥4,371,789	¥4,405,556	¥4,751,756	¥5,089,975	¥5,574,309	¥5,347,636	¥5,341,542
¥ 405,457	¥ 362,988	¥ 362,702	¥ 382,603	¥ 428,294	¥ 507,143	¥ 593,941	¥ 616,513
¥ 239,241	¥ 192,237	¥ 167,937	¥ 138,394	¥ 130,743	¥ 142,177	¥ 140,846	¥ 115,038
¥ 63,209	¥ 59,639	¥ 58,561	¥ 61,569	¥ 70,902	¥ 79,671	¥ 82,395	¥ 90,961
¥ 36,805	¥ 34,231	¥ 33,629	¥ 35,027	¥ 36,889	¥ 38,412	¥ 27,315	¥ 52,048
¥ 18,931	¥ 18,031	¥ 17,072	¥ 18,003	¥ 19,044	¥ 23,731	¥ 25,621	¥ 30,642
¥ 903,164	¥ 787,570	¥ 888,931	¥1,022,267	¥1,050,849	¥1,227,719	¥1,076,387	¥1,073,074
¥ 718,514	¥ 652,816	¥ 731,632	¥ 847,774	¥ 886,806	¥1,093,519	¥ 913,221	¥ 905,898
¥ 606,919	¥ 583,158	¥ 539,145	¥ 503,627	¥ 593,074	¥ 715,030	¥ 706,758	¥ 807,477
¥ 106,621	¥ 121,726	¥ 97,895	¥ 95,802	¥ 92,932	¥ 98,566	¥ 92,272	¥ 101,020
¥ 49,796	¥ 107,625	¥ 75,551	¥ 114,199	¥ 135,324	¥ 217,225	¥ 302,035	¥ 333,249
¥ 1,019	¥ 4,896	¥ 8,692	¥ 26,617	¥ 24,336	¥ 35,898	¥ 39,733	¥ 70,443
6,924	6,731	6,723	6,991	7,594	8,203	9,037	9,503

Consolidated Balance Sheets

ORIX Corporation and Subsidiaries March 31, 1999 and 2000

ASSETS	Millions of yen 1999	Millions of yen 2000	Thousands of U.S. dollars 2000
Cash and Cash Equivalents	¥ 252,290	¥ 265,956	$ 2,505,473
Restricted Cash and Cash Equivalents	2,250	13,666	128,742
Time Deposits	8,861	7,698	72,520
Investment in Direct Financing Leases	1,952,842	1,744,953	16,438,559
Installment Loans	1,761,887	1,791,439	16,876,486
Allowance for Doubtful Receivables on Direct Financing Leases and Possible Loan Losses	(132,606)	(136,939)	(1,290,052)
Investment in Operating Leases	411,156	397,576	3,745,417
Investment in Securities	576,206	758,381	7,144,428
Other Operating Assets	73,345	72,472	682,732
Investment in Affiliates	77,160	63,312	596,439
Other Receivables	67,540	70,345	662,694
Advances	62,079	89,676	844,805
Prepaid Expenses	24,584	24,813	233,754
Office Facilities	78,355	74,770	704,381
Other Assets	131,687	103,424	974,319
	¥5,347,636	¥5,341,542	$50,320,697

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 1999	2000	Thousands of U.S. dollars 2000
Short-Term Debt	¥2,184,983	¥1,912,761	$18,019,416
Deposits	53,269	154,923	1,459,472
Trade Notes and Accounts Payable	165,019	151,477	1,427,009
Accrued Expenses	63,364	72,733	685,191
Policy Liabilities	356,541	494,443	4,657,965
Income Taxes:			
Current	9,054	5,688	53,585
Deferred	106,497	135,218	1,273,839
Deposits from Lessees	45,038	45,844	431,879
Long-Term Debt	2,036,028	1,942,784	18,302,252
Total liabilities	5,019,793	4,915,871	46,310,608
Commitments and Contingent Liabilities			
Shareholders' Equity:			
Common stock, par value ¥50 per share:			
authorized 259,000,000 shares			
issued 64,870,299 shares in 1999 and			
68,630,294 shares in 2000	20,180	41,688	392,727
Additional paid-in capital	37,464	59,285	558,502
Legal reserve	1,860	1,970	18,559
Retained earnings	298,684	328,248	3,092,303
Accumulated other comprehensive loss	(27,550)	(1,417)	(13,349)
Treasury stock, at cost:			
314,247 shares in 1999 and 402,223 shares in 2000	(2,795)	(4,103)	(38,653)
	327,843	425,671	4,010,089
	¥5,347,636	¥5,341,542	$50,320,697

Consolidated Statements of Income

ORIX Corporation and Subsidiaries   For the Years Ended March 31, 1998, 1999 and 2000

	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Revenues:				
Direct financing leases	¥149,369	¥143,170	¥130,798	$1,232,200
Operating leases	97,668	92,407	100,503	946,802
Interest on loans and investment securities	95,033	100,480	97,390	917,475
Brokerage commissions and gains on investment securities	8,071	7,381	19,700	185,586
Life insurance premiums and related investment income	126,031	196,259	205,829	1,939,039
Interest income on deposits	3,429	6,695	3,884	36,590
Other operating revenues	27,542	47,549	58,409	550,250
Total revenues	507,143	593,941	616,513	5,807,942
Expenses:				
Interest expense	142,177	140,846	115,038	1,083,731
Depreciation—operating leases	59,222	57,405	60,750	572,303
Life insurance costs	115,876	186,775	193,664	1,824,437
Other operating expenses	13,841	31,522	38,302	360,829
Selling, general and administrative expenses	79,671	82,395	90,961	856,910
Provision for doubtful receivables and possible loan losses	49,434	51,845	45,573	429,326
Write-downs of long-lived assets	8,752	644	7,881	74,244
Write-downs of securities	858	11,077	12,297	115,846
Foreign currency transaction loss (gain), net	6,271	390	(839)	(7,904)
Total expenses	476,102	562,899	563,627	5,309,722
Operating Income	31,041	31,042	52,886	498,220
Equity in Net Income (Loss) of and Gain (Loss) on Sales of Affiliates (¥6,825 million gain in 1998, ¥3,978 million gain in 1999 and ¥1,503 million ($14,159 thousand) loss in 2000)	7,371	(3,727)	(838)	(7,895)
Income before Income Taxes	38,412	27,315	52,048	490,325
Provision for Income Taxes	14,681	1,694	21,406	201,658
Net Income	¥ 23,731	¥ 25,621	¥ 30,642	$ 288,667

	Yen			U.S. dollars
Amounts per Share of Common Stock:				
Net income Basic (Notes 1 (x) and 16)	¥305.33	¥330.43	¥385.27	$3.63
Diluted (Notes 1 (x) and 16)	305.33	330.43	377.02	3.55
Cash dividends	15.00	15.00	15.00	0.14

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

Consolidated Statements of Shareholders' Equity

ORIX Corporation and Subsidiaries For the Years Ended March 31, 1998, 1999 and 2000

	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Common Stock:				
Beginning balance (64,870,299 shares)	¥ 20,180	¥ 20,180	¥ 20,180	$ 190,108
Common stock issued in public offering (3,300,000 shares)	—	—	19,856	187,056
Exercise of warrants (357,175 shares)	—	—	1,647	15,516
Common stock issued for acquisitions of minority interests of subsidiaries (102,820 shares)	—	—	5	47
Ending balance (68,630,294 shares in 2000)	¥ 20,180	¥ 20,180	¥ 41,688	$ 392,727
Additional Paid-in Capital:				
Beginning balance	¥ 37,093	¥ 37,303	¥ 37,464	$ 352,935
Compensation cost of stock option granted	49	—	—	—
Value ascribed to warrants attached to 0.1% bonds issued	161	—	—	—
Value ascribed to warrants attached to 1.925% bonds issued	—	161	—	—
Value ascribed to warrants attached to 1.22% bonds issued	—	—	333	3,137
Common stock issued in public offering	—	—	18,954	178,559
Exercise of warrants and stock options	—	—	1,504	14,168
Common stock issued for acquisitions of minority interests of subsidiaries	—	—	1,030	9,703
Ending balance	¥ 37,303	¥ 37,464	¥ 59,285	$ 558,502
Legal Reserve:				
Beginning balance	¥ 1,640	¥ 1,750	¥ 1,860	$ 17,523
Transfer from retained earnings	110	110	110	1,036
Ending balance	¥ 1,750	¥ 1,860	¥ 1,970	$ 18,559
Retained Earnings:				
Beginning balance	¥251,496	¥274,144	¥298,684	$2,813,792
Cash dividends	(973)	(971)	(968)	(9,120)
Transfer to legal reserve	(110)	(110)	(110)	(1,036)
Net income	23,731	25,621	30,642	288,667
Ending balance	¥274,144	¥298,684	¥328,248	$3,092,303
Accumulated Other Comprehensive Loss:				
Beginning balance	¥ (1,825)	¥ (18,079)	¥ (27,550)	$ (259,539)
Net increase (decrease) in net unrealized gains on investment in securities	(9,931)	1,442	41,551	391,437
Net increase in minimum pension liability adjustments	—	—	(3,485)	(32,831)
Net decrease in cumulative translation adjustments	(6,323)	(10,913)	(11,933)	(112,416)
Ending balance	¥ (18,079)	¥ (27,550)	¥ (1,417)	$ (13,349)
Treasury Stock:				
Beginning balance	¥ —	¥ (1,477)	¥ (2,795)	$ (26,331)
Purchases of treasury stock	(1,477)	(1,318)	(1,811)	(17,061)
Exercise of stock options	—	—	503	4,739
Ending balance	¥ (1,477)	¥ (2,795)	¥ (4,103)	$ (38,653)
Total Shareholders' Equity:				
Beginning balance	¥308,584	¥313,821	¥327,843	$3,088,488
Increase, net	5,237	14,022	97,828	921,601
Ending balance	¥313,821	¥327,843	¥425,671	$4,010,089
Summary of Comprehensive Income:				
Net income	¥ 23,731	¥ 25,621	¥ 30,642	$ 288,667
Other comprehensive income (loss)	(16,254)	(9,471)	26,133	246,190
Comprehensive income	¥ 7,477	¥ 16,150	¥ 56,775	$ 534,857

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

Consolidated Statements of Cash Flows

ORIX Corporation and Subsidiaries For the Years Ended March 31, 1998, 1999 and 2000

	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Cash Flows from Operating Activities:				
Net income	¥ 23,731	¥ 25,621	¥ 30,642	$ 288,667
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	90,245	88,914	93,203	878,031
Provision for doubtful receivables and possible loan losses	49,434	51,845	45,573	429,326
Increase in policy liabilities	72,432	135,086	137,902	1,299,124
Deferred income taxes, net	1,664	(10,346)	6,464	60,895
Equity in net (income) loss of and (gain) loss on sales of affiliates	(7,371)	3,727	838	7,895
Gains on sales of available-for-sale securities	(5,775)	(5,276)	(13,893)	(130,881)
Write-downs of long-lived assets	8,752	644	7,881	74,244
Write-downs of securities	858	11,077	12,297	115,846
Increase (decrease) in accrued expenses	12,461	(898)	11,886	111,974
Increase (decrease) in deposits from lessees	2,053	(4,477)	1,828	17,221
Net increase in restricted cash and cash equivalents	—	(2,250)	(11,702)	(110,240)
Other, net	(1,924)	(6,913)	(4,288)	(40,396)
Net cash provided by operating activities	246,560	286,754	318,631	3,001,706
Cash Flows from Investing Activities:				
Purchases of lease equipment, including advance payments	(1,221,978)	(1,034,901)	(1,022,279)	(9,630,513)
Principal payments received under direct financing leases	859,795	894,692	710,485	6,693,217
Net proceeds from securitization of lease and loan receivables	44,127	224,960	185,530	1,747,810
Installment loans made to customers	(696,031)	(706,758)	(801,959)	(7,554,960)
Principal collected on installment loans	614,779	635,022	681,908	6,424,004
Proceeds from sales of operating lease assets	60,032	45,150	37,013	348,686
Investment in and dividends received from affiliates, net	(11,676)	(1,592)	(8,945)	(84,268)
Proceeds from sales of affiliates	14,611	10,877	2,881	27,141
Purchases of available-for-sale securities	(198,693)	(301,575)	(263,679)	(2,484,023)
Proceeds from sales of available-for-sale securities	177,832	182,338	177,157	1,668,931
Maturities of available-for-sale securities	5,634	38,345	18,403	173,368
Maturities of held-to-maturity securities	—	—	3,089	29,100
Purchases of other securities	(92,078)	(54,902)	(14,382)	(135,488)
Proceeds from sales of other securities	67,754	46,242	3,759	35,412
Other, net	(7,349)	(3,944)	(1,839)	(17,325)
Net cash used in investing activities	(383,241)	(26,046)	(292,858)	(2,758,908)
Cash Flows from Financing Activities:				
Repayment of short-term debt, net	(68,667)	(278,186)	(248,386)	(2,339,953)
(Repayment of) proceeds from commercial paper, net	90,189	(76,143)	(16,426)	(154,743)
Proceeds from long-term debt	620,973	567,166	722,069	6,802,346
Repayment of long-term debt	(321,043)	(525,534)	(604,360)	(5,693,453)
Net increase in deposits due to customers	—	45,353	101,654	957,645
Issuance of common stock	—	—	41,346	389,505
Purchases of treasury stock	(1,477)	(1,318)	(1,811)	(17,061)
Dividends paid	(973)	(971)	(968)	(9,120)
Other, net	210	161	829	7,811
Net cash provided by (used in) financing activities	319,212	(269,472)	(6,053)	(57,023)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(3,207)	(7,161)	(6,054)	(57,033)
Net Increase (Decrease) in Cash and Cash Equivalents	179,324	(15,925)	13,666	128,742
Cash and Cash Equivalents at Beginning of Year	88,891	268,215	252,290	2,376,731
Cash and Cash Equivalents at End of Year	¥ 268,215	¥ 252,290	¥ 265,956	$2,505,473

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

1. Significant Accounting and Reporting Policies

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

(a) Basis of presenting financial statements

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

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and reflect certain adjustments. The principal adjustments relate to accounting for direct financing leases (see (e)), additional provisions for doubtful receivables on direct financing leases and possible loan losses, impairment of long-lived assets and long-lived assets to be disposed of, translation of current and non-current assets and liabilities denominated in foreign currencies at the exchange rates prevailing as of each balance sheet date, adoption of the straight-line method of depreciation for operating lease equipment, accounting for pension plans, accounting for investment in securities, deferral of life insurance policy acquisition cost and an additional provision for policy liabilities, and a reflection of the income tax effect on such adjustments.

(b) Principles of consolidation

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

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

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

(c) Use of estimates

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

(d) Foreign currencies translation

The Company and its subsidiaries maintain their accounting records in their functional currency.

Transactions in foreign currencies are recorded in the entity's functional currency based on the prevailing exchange rates on the transaction date.

The financial statements of foreign subsidiaries and affiliates are translated into Japanese yen by applying the exchange rates in effect at the end of each fiscal year to all assets and liabilities. Income and expenses are translated at the average rates of exchange prevailing during the fiscal year. The currencies in which the operations of the foreign subsidiaries and affiliates are conducted are regarded as the functional currencies of these companies. Cumulative translation adjustments reflected in accumulated other comprehensive loss in shareholders' equity are from translation of foreign currency financial statements into Japanese yen.

(e) Recognition of revenues

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

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

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

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

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

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

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

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

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

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

(g) Investment in securities

Trading securities are reported at fair value with unrealized gains and losses included in income.

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

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

(h) Derivative financial instruments

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

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

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

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

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

(i) Income taxes

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

(j) Policy liabilities

Policy liabilities of the life insurance operations for future policy benefits are computed by the net level premium method, based upon estimated future investment yields, withdrawals, mortality and other assumptions appropriate at the time the policies were issued. The average rates of assumed investment yields are 4.4%, 3.7% and 3.3% for fiscal 1998, 1999 and 2000, respectively.

(k) Capitalization of interest costs

The Company and certain subsidiaries capitalized interest costs of ¥1,041 million, ¥966 million and ¥2,132 million ($20,085 thousand) in fiscal 1998, 1999 and 2000, respectively, related to specific long-term development projects.

(l) Stock splits

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

In the United States, stock splits in comparable circumstances are considered to be stock dividends and are accounted for by transferring from retained earnings amounts equal to the fair market value of the shares issued and by increasing additional paid-in capital by the excess of the market value over par value of the shares issued. Had such stock splits in prior years been accounted for in this manner, additional paid-in capital as of March 31, 2000 would have increased by approximately ¥24,674 million ($232,445 thousand), with a corresponding decrease in retained earnings; total shareholders' equity would have remained unchanged. A stock split to be implemented on May 19, 2000 (see Note 16) was excluded from the above pro forma information because the stock split is not considered to be stock dividends under generally accepted accounting principles in the United States of America.

(m) 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.

(n) 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 in a certain domestic subsidiary and deposits related to servicing agreements in a certain foreign subsidiary.

(o) Other operating assets

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

(p) Other receivables

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

(q) Advances

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

(r) Office facilities

Office facilities are stated at cost less accumulated depreciation. Depreciation is calculated on a declining-balance basis or straight-line basis over the estimated useful lives of the assets. Accumulated depreciation is ¥17,482 million and ¥17,666 million ($166,425 thousand) as of March 31, 1999 and 2000, respectively.

(s) Other assets

Other assets consist primarily of the unamortized excess of purchase prices over the net assets acquired in acquisitions of ¥14,431 million and ¥14,388 million ($135,544 thousand) as of March 31, 1999 and 2000, respectively, deferred insurance acquisition costs, which are amortized over the contract periods, and leasehold deposits.

(t) 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, by using undiscounted future cash flows expected to be generated by the assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During fiscal 1998, 1999 and 2000, the Company and certain subsidiaries wrote down certain real estate development projects included in investment in operating leases and advances in the consolidated balance sheets to their fair values. And an impairment loss is recognized by using the amount by which the carrying amount of the asset exceeds the fair value of assets determined by external appraisal.

(u) Advertising

The costs of advertising are expensed as incurred. The total amounts charged to advertising expense in fiscal 1998, 1999 and 2000 are ¥2,973 million, ¥4,860 million and ¥6,916 million ($65,153 thousand), respectively.

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

As a convenience to readers, the consolidated financial statements are also presented in U.S. dollars by arithmetically translating all Japanese yen amounts at ¥106.15 to U.S.$1, the exchange rate at March 31, 2000.

(w) New accounting pronouncement

In June 1998, FASB Statement No. 133 (“Accounting for Derivative Instruments and Hedging Activities”) was issued. FASB Statement No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge. This Statement amends portions of FASB Statements No. 52 and No. 107. It supersedes FASB Statements No. 80, No. 105 and No. 119. This Statement is effective for fiscal years beginning after June 15, 1999. However, FASB Statement No. 137 (“Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133”) was issued in June 1999, to defer the effective date of FASB Statement No. 133 to fiscal years beginning after June 15, 2000. The expected impact of the adoption of this Statement is not known and cannot be reasonably estimated until further study is completed.

(x) Earnings per share

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

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

(y) Reclassifications

Certain amounts in the 1998 and 1999 consolidated financial statements have been reclassified to conform with the 2000 presentation.

2. Acquisitions

In June 1997, the Company purchased contract receivables of ¥288 billion from Crown Leasing Corporation, which is in bankruptcy, consisting of direct financing leases of ¥257 billion and loan contracts of ¥31 billion. The purchase price was ¥254 billion, which was adjusted based on the outstanding remaining contract receivables as of May 31, 1997 and other conditions provided for in the agreement.

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

3. Cash Flow Information

Cash payments for interest and income taxes during fiscal 1998, 1999 and 2000 are as follows:

	Millions of yen			Thousands of U.S. dollars
	1998	1999	**2000**	**2000**
Interest	¥135,563	¥146,073	**¥119,285**	**$1,123,740**
Income taxes	15,358	6,904	**17,785**	**167,546**

4. Investment in Direct Financing Leases

Investment in direct financing leases at March 31, 1999 and 2000 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	**2000**	**2000**
Minimum lease payments receivable	¥2,107,393	**¥1,889,224**	**$17,797,683**
Estimated residual value	52,368	**49,965**	**470,702**
Initial direct costs	29,374	**26,042**	**245,332**
Unearned lease income	(236,293)	**(220,278)**	**(2,075,158)**
	¥1,952,842	**¥1,744,953**	**$16,438,559**

Minimum lease payments receivable (including guaranteed residual values) are due in periodic installments through 2022. At March 31, 2000, the amounts due in each of the next five years and thereafter are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥ 629,871	$ 5,933,782
2002	483,156	4,551,635
2003	341,198	3,214,301
2004	225,720	2,126,425
2005	99,230	934,809
Thereafter	110,049	1,036,731
Total	¥1,889,224	$17,797,683

During fiscal 1998, a subsidiary entered into a securitization and a revolving securitization arrangement whereby the subsidiary securitizes selected contracts on a monthly basis. During fiscal 1999 and 2000, the subsidiary securitized ¥20,731 million and ¥29,918 million ($281,846 thousand) principal balance of its receivables, respectively. As of March 31, 1999 and 2000, the securitized receivables had an unpaid principal balance outstanding of ¥35,707 million and ¥34,292 million ($323,052 thousand), respectively, which is excluded from the consolidated financial statements. In connection with these transactions, as of March 31, 1999 and 2000, ¥2,512 million and ¥2,236 million ($21,065 thousand), respectively, of cash collateral was required and is included in other receivables in the consolidated balance sheets. The subsidiary's exposure is limited to the amount of the servicing assets, the excess spread assets and the balance of the required cash collateral which aggregate ¥3,824 million and ¥3,489 million ($32,869 thousand) at March 31, 1999 and 2000, respectively, and are included in other receivables in the consolidated balance sheets.

In fiscal 2000, the subsidiary entered into another securitization. The payables under securitized lease receivables of ¥48,580 million ($457,654 thousand) are included in long-term debt, the minimum lease payment receivables of ¥47,817 million ($450,466 thousand) and cash collateral of ¥2,936 million ($27,659 thousand) are included in investment in direct financing leases and other assets in the consolidated balance sheets as of March 31, 2000, respectively.

During fiscal 1999 and 2000, the Company and another subsidiary securitized ¥202,806 million and ¥290,748 million ($2,739 million) principal balance of their receivables, respectively. As of March 31, 1999 and 2000, cash collateral and excess spread assets amounted to ¥5,018 million and ¥189 million, ¥8,675 million ($81,724 thousand) and ¥0, respectively, which are included in other receivables in the consolidated balance sheets, and the securitized receivables had an unpaid principal balance outstanding of ¥199,542 million and ¥319, 652 million ($3,011 million), which are excluded from the consolidated balance sheets. Among these transactions, as the servicing fees adequately compensate the Company, no servicing asset or liability has been recorded.

Under a securitization introduced by the Company and another subsidiary in fiscal 1998 and 1999, the payables under securitized lease receivables of ¥194,243 million and ¥7,454 million ($70,221 thousand) are included in long-term debt, the minimum lease payments receivable of ¥223,179 million and ¥9,790 million ($92,228 thousand) are included in investment in direct financing leases in the consolidated balance sheets as of March 31, 1999 and 2000, respectively.

Gains and losses from the disposition of direct financing lease assets are not significant for fiscal 1998, 1999 and 2000.

5. Investment in Operating Leases

Investment in operating leases at March 31, 1999 and 2000 consists of the following:

	Weighted average useful life	Millions of yen		Thousands of U.S. dollars
	Years	1999	2000	2000
Transportation equipment	12	¥255,745	¥234,831	$2,212,256
Measuring equipment and personal computers	3	106,889	109,533	1,031,870
Real estate and other	40	192,239	204,503	1,926,548
		554,873	548,867	5,170,674
Accumulated depreciation		(156,073)	(165,018)	(1,554,574)
Net		398,800	383,849	3,616,100
Rental receivables		12,356	13,727	129,317
		¥411,156	¥397,576	$3,745,417

For fiscal 1998, 1999 and 2000, gains from the disposition of operating lease assets are ¥1,298 million, ¥2,356 million and ¥4,144 million ($39,039 thousand), respectively, and are included in operating lease revenues in the consolidated statements of income.

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

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥ 40,969	$385,954
2002	26,980	254,169
2003	15,676	147,678
2004	8,816	83,052
2005	5,818	54,809
Thereafter	5,007	47,169
Total	¥103,266	$972,831

6. Installment Loans

The composition of installment loans by domicile and type of borrowers at March 31, 1999 and 2000 is as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Domestic borrowers:			
Consumers—			
Housing loans	¥ 411,215	¥ 396,748	$ 3,737,617
Card loans	118,347	121,272	1,142,459
Other	43,663	56,461	531,898
	573,225	574,481	5,411,974
Commercial—			
Real estate related companies	188,085	203,537	1,917,447
Commercial and industrial companies	614,988	657,355	6,192,699
	803,073	860,892	8,110,146
	1,376,298	1,435,373	13,522,120
Foreign commercial, industrial and other borrowers	368,661	337,754	3,181,856
Loan origination costs, net	16,928	18,312	172,510
	¥1,761,887	¥1,791,439	$16,876,486

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

At March 31, 2000, the contractual maturities of installment loans for each of the next five years and thereafter are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥ 532,334	$ 5,014,922
2002	262,948	2,477,136
2003	181,645	1,711,211
2004	168,755	1,589,779
2005	151,600	1,428,168
Thereafter	475,845	4,482,760
Total	¥1,773,127	$16,703,976

Included in interest on loans and investment securities in the consolidated statements of income is interest income on loans of ¥79,486 million, ¥88,003 million and ¥83,321 million ($784,936 thousand) for fiscal 1998, 1999 and 2000, respectively.

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

Changes in the allowance for doubtful receivables on direct financing leases and possible loan losses for fiscal 1998, 1999 and 2000 are as follows:

	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Beginning balance	¥117,567	¥145,741	¥132,606	$1,249,232
Provisions charged to income	49,434	51,845	45,573	429,326
Charge-offs	(24,019)	(70,705)	(37,697)	(355,129)
Recoveries	680	399	354	3,335
Other*	2,079	5,326	(3,897)	(36,712)
Ending balance	¥145,741	¥132,606	¥136,939	$1,290,052

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

The balance of the allowance broken down into direct financing leases and installment loans at March 31, 1999 and 2000 are as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Balance of allowance related to:			
Direct financing leases	¥ 23,867	¥ 35,783	$ 337,099
Installment loans	108,739	101,156	952,953
Total	¥132,606	¥136,939	$1,290,052

The recorded investments in loans considered impaired are ¥130,226 million and ¥125,921 million ($1,186 million) as of March 31, 1999 and 2000, respectively. Of these amounts, it was determined that a valuation allowance was required with respect to loans which had outstanding balances of ¥114,525 million and ¥83,408 million ($785,756 thousand) as of March 31, 1999 and 2000, respectively. The Company and its subsidiaries recorded a valuation allowance of ¥62,109 million and ¥51,791 million ($487,904 thousand) as of March 31, 1999 and 2000, respectively. This valuation allowance is included in the allowance for doubtful receivables on direct financing leases and possible loan losses in the accompanying consolidated balance sheets.

The average recorded investments in impaired loans for fiscal 1998, 1999 and 2000 were ¥181,074 million, ¥170,838 million and ¥128,658 million ($1,212 million), respectively.

The Company and its subsidiaries recognized interest income on impaired loans of ¥1,551 million, ¥1,577 million and ¥1,429 million ($13,462 thousand), and collected in cash interest on impaired loans of ¥1,288 million, ¥1,297 million and ¥1,061 million ($9,995 thousand) in fiscal 1998, 1999 and 2000, respectively.

As of March 31, 1999 and 2000, the Company and its subsidiaries suspended income recognition pursuant to its non-accrual policy on investment in direct financing leases of ¥41,565 million and ¥43,047 million ($405,530 thousand), and on installment loans other than impaired loans of ¥89,869 million and ¥84,550 million ($796,514 thousand), respectively.

8. Investment in Securities

Investment in securities at March 31, 1999 and 2000 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Trading securities	¥ 414	¥ 390	$ 3,674
Available-for-sale securities	507,510	689,638	6,496,825
Held-to-maturity securities	16,542	11,404	107,433
Other securities	51,740	56,949	536,496
	¥576,206	¥758,381	$7,144,428

Gains and losses realized from the sale of trading securities and net unrealized holding gains or losses on trading securities are included in gains on investment securities (see Note 17). For fiscal 1998, 1999 and 2000, net unrealized holding losses on trading securities are ¥5 million, ¥1 million, and ¥3 million ($28 thousand), respectively.

During fiscal 1998 and 1999, the Company and its subsidiaries sold available-for-sale securities for aggregate proceeds of ¥177,832 million and ¥182,338 million, resulting in gross realized gains of ¥9,951 million and ¥6,801 million and gross realized losses of ¥4,176 million and ¥1,525 million, respectively. During fiscal 2000, the Company and its subsidiaries sold available-for-sale securities for aggregate proceeds of ¥177,157 million ($1,669 million), resulting in gross realized gains of ¥17,726 million ($166,990 thousand) and gross realized losses of ¥3,833 million ($36,109 thousand). The cost of the securities sold was based on the average cost of each such security held at the time of the sale.

During fiscal 1998, 1999 and 2000, the Company and its subsidiaries charged losses on securities of ¥858 million, ¥11,077 million and ¥12,297 million ($115,846 thousand), respectively, to income for declines in market value of available-for-sale securities where the decline was classified as other than temporary.

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

The amortized cost basis amounts, gross unrealized holding gains, gross unrealized holding losses and fair values of available-for-sale and held-to-maturity securities in each major security type at March 31, 1999 and 2000 are as follows:

March 31, 1999

	Millions of yen			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:				
Japanese and foreign government bond securities	¥ 20,930	¥ 86	¥ (415)	¥ 20,601
Japanese prefectural and foreign municipal bond securities	20,215	561	(308)	20,468
Corporate debt securities	408,041	8,783	(18,071)	398,753
Mortgage-backed and other asset-backed securities	7,345	—	(550)	6,795
Funds in trust	5,574	1,016	(462)	6,128
Equity securities	38,202	21,910	(5,347)	54,765
	¥500,307	¥32,356	¥(25,153)	¥507,510
Held-to-maturity:				
Corporate debt securities	¥ 16,542	¥ —	¥ (27)	¥ 16,515
	¥ 16,542	¥ —	¥ (27)	¥ 16,515

March 31, 2000

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

	Thousands of U.S. dollars			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:				
Japanese and foreign government bond securities	$ 122,185	$ 820	$ (1,526)	$ 121,479
Japanese prefectural and foreign municipal bond securities	304,324	7,357	(603)	311,078
Corporate debt securities	4,470,646	116,910	(42,883)	4,544,673
Mortgage-backed and other asset-backed securities	511,267	15,478	(13,556)	513,189
Funds in trust	18,842	4,512	—	23,354
Equity securities	342,383	692,737	(52,068)	983,052
	$5,769,647	$837,814	$(110,636)	$6,496,825
Held-to-maturity:				
Corporate debt securities	$ 107,433	$ —	$ —	$ 107,433
	$ 107,433	$ —	$ —	$ 107,433

The following is a summary of the contractual maturities of debt securities classified as available-for-sale and held-to-maturity securities held at March 31, 2000:

	Millions of yen		Thousands of U.S. dollars	
	Amortized cost	Fair value	Amortized cost	Fair value
Available-for-sale:				
Due within one year	¥ 32,181	¥ 32,774	$ 303,165	$ 308,752
Due after one to five years	173,323	179,960	1,632,812	1,695,337
Due after five to ten years	234,382	234,448	2,208,027	2,208,648
Due after ten years	134,218	135,626	1,264,418	1,277,682
	¥574,104	¥582,808	$5,408,422	$5,490,419
Held-to-maturity:				
Due after ten years	¥ 11,404	¥ 11,404	$ 107,433	$ 107,433
	¥ 11,404	¥ 11,404	$ 107,433	$ 107,433

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

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

Included in interest on loans and investment securities in the consolidated statements of income is interest income on investment securities of ¥15,547 million, ¥12,477 million and ¥14,069 million ($132,539 thousand) for fiscal 1998, 1999 and 2000, respectively.

9. Investment in Affiliates

Investment in affiliates at March 31, 1999 and 2000 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Common stock, at equity value	¥57,592	¥51,869	$488,639
Loans	19,568	11,443	107,800
	¥77,160	¥63,312	$596,439

Certain Asia and Oceania affiliates are listed on stock exchanges. The aggregate investment in and quoted market value of those affiliates amounted to ¥1,107 million and ¥1,467 million as of March 31, 1999, respectively, and ¥1,040 million ($9,797 thousand) and ¥644 million ($6,067 thousand) as of March 31, 2000, respectively.

In fiscal 1998, 1999 and 2000, the Company received dividends from affiliates of ¥3,428 million, ¥825 million and ¥1,091 million ($10,278 thousand), respectively.

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

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

Combined and condensed financial information with respect to the major affiliates (KDLC, Stockton Holdings Limited—30% owned, Bradesco Leasing S.A. Arrendamento Mercantil—25% owned and ORECM) accounted for by the equity method is as follows.

	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Operations:				
Total revenues	¥107,983	¥ 50,453	¥ 54,563	$ 514,018
Income before income taxes	4,107	13,235	2,293	21,602
Net income	6,188	12,177	1,532	14,432
Financial position:				
Total assets	886,093	393,589	356,742	3,360,735
Total liabilities	770,001	296,210	276,799	2,607,621
Shareholders' equity	116,092	97,379	79,943	753,114

The Company had no significant transactions with these companies.

On May 9, 2000, the Company agreed to sell the shares of Bradesco Leasing S.A. Arrendamento Mercantil. This sale will not have a significant impact on results of operations.

10. Short-Term and Long-Term Debt

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

The composition of short-term debt and the weighted average interest rate on short-term debt at March 31, 1999 and 2000 are as follows:

March 31, 1999

	Millions of yen	Weighted average rate
Short-term debt in Japan, mainly from banks	¥ 889,412	1.4%
Short-term debt outside Japan, mainly from banks	282,170	6.5%
Commercial paper in Japan	826,150	0.6%
Commercial paper outside Japan	187,251	5.6%
	¥2,184,983	2.1%

March 31, 2000

	Millions of yen	Thousands of U.S. dollars	Weighted average rate
Short-term debt in Japan, mainly from banks	¥ 674,708	$ 6,356,175	1.5%
Short-term debt outside Japan, mainly from banks	260,617	2,455,177	6.1%
Commercial paper in Japan	851,223	8,019,058	0.2%
Commercial paper outside Japan	126,213	1,189,006	6.7%
	¥1,912,761	$18,019,416	1.9%

In fiscal 2000, the Company obtained short-term committed credit lines of ¥294,500 million ($2,774 million) in Japan to enhance liquidity as stipulated in the Commitment Line Law that came into effect in March 1999.

Total committed lines for the Company and subsidiaries were ¥208,054 million and ¥549,525 million ($5,177 million) at March 31, 1999 and 2000, respectively, and of these lines, ¥198,108 million and ¥509,379 million ($4,799 million) were available at March 31, 1999 and 2000, respectively. Of the total committed lines, ¥61,302 million ($578 million) were long-term committed credit lines at March 31, 1999 and 2000.

While ¥144,895 million and ¥436,505 million ($4,112 million) of the committed lines at March 31, 1999 and 2000 were for commercial paper backup purposes, no borrowings have been made under these lines.

Long-term debt at March 31, 1999 and 2000 consists of the following:

March 31, 1999

	Due	Millions of yen
Commercial banks:		
Fixed rate: 1.6% to 9.3%	2000–2005	¥ 240,913
Floating rate: principally based on LIBOR plus 0.2% to 1.1%	2000–2009	165,323
Government-sponsored agencies in Japan:		
Fixed rate: 4.2% to 6.2%	2000–2007	10,313
Floating rate: principally based on LIBOR plus 0.0% to 0.1%	2000–2003	48,607
Insurance companies and others:		
Fixed rate: 1.1% to 9.0%	2000–2009	375,908
Floating rate: principally based on LIBOR plus 0.0% to 0.5%	2000–2008	173,352
Unsecured 1.4% to 8.5% bonds	2000–2013	569,590
Unsecured 0.1% to 1.9% bonds with warrants	2002–2003	5,200
Unsecured notes under medium-term note program:		
0.8% to 7.3%	2000–2009	244,591
Zero Coupon	2000–2006	7,988
Payables under securitized lease receivables,		
floating rate based on LIBOR plus 0.3% to 0.7%	2002	194,243
		¥2,036,028

March 31, 2000

	Due	Millions of yen	Thousands of U.S. dollars
Commercial banks:			
Fixed rate: 1.6% to 9.9%	2001–2005	¥ 143,890	$ 1,355,536
Floating rate: principally based on LIBOR plus 0.3% to 0.6%	2001–2009	106,266	1,001,093
Government-sponsored agencies in Japan:			
Fixed rate: 4.2% to 6.2%	2001–2007	7,931	74,715
Floating rate: principally based on LIBOR plus 0.0% to 0.1%	2001–2003	41,522	391,163
Insurance companies and others:			
Fixed rate: 0.8% to 9.4%	2001–2009	330,219	3,110,871
Floating rate: principally based on LIBOR plus 0.0% to 0.5%	2001–2008	167,448	1,577,466
Unsecured 1.1% to 8.5% bonds	2001–2013	712,553	6,712,699
Unsecured 0.4% convertible notes	2005	40,000	376,825
Unsecured 0.1% to 1.9% bonds with warrants	2002–2004	8,700	81,959
Unsecured notes under medium-term note program:			
0.1% to 8.2%	2001–2010	316,733	2,983,825
Zero Coupon	2001–2006	11,488	108,224
Payables under securitized lease receivables,			
0.7% to 7.8%	2001–2004	56,034	527,876
		¥1,942,784	$18,302,252

The repayment schedule for the next five years and thereafter for long-term debt at March 31, 2000 is as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥ 480,636	$ 4,527,894
2002	458,442	4,318,813
2003	347,373	3,272,473
2004	207,476	1,954,555
2005	272,979	2,571,634
Thereafter	175,878	1,656,883
Total	¥1,942,784	$18,302,252

Certain agreements relating to long-term debt provide that the Company is required to submit proposals as to the appropriations of earnings (including payment of dividends) if requested to do so by the lenders for their review and approval prior to presentation to the shareholders. To date, the Company has not received such requests from its lenders. In addition, the agreements related to debt payable to banks provide that the bank under certain circumstances may request additional security for these loans and has the right to offset cash deposited against any short-term or long-term debt that becomes due, and in case of default and certain other specified events, against all other debt payable to the bank. Whether such provisions can be enforced will depend upon the factual circumstances.

In addition to the minimum lease payments receivable related to the payables under securitized lease receivables described in Note 4, the short-term and long-term debt payable to financial institutions are secured by the following assets as of March 31, 2000:

	Millions of yen	Thousands of U.S. dollars
Time deposits	¥ 7,618	$ 71,766
Minimum lease payments, loans and future rentals	40,261	379,284
Investment in securities	7,902	74,442
Other operating assets and office facilities, net	4,080	38,436
	¥59,861	$563,928

In addition, under agreements with customers on brokerage business, customers' securities of ¥4,394 million ($41,394 thousand) at market value are pledged as collateral for the short-term debt as of March 31, 2000.

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

The following short-term and long-term debt is guaranteed by commercial banks and an insurance company as of March 31, 2000:

	Millions of yen	Thousands of U.S. dollars
Commercial paper	¥16,690	$157,230
Government-sponsored agencies in Japan	4,480	42,204

11. Deposits

Deposits at March 31, 1999 and 2000, consist of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Time deposits	¥49,588	¥148,162	$1,395,780
Other deposits	3,681	6,761	63,692
Total	¥53,269	¥154,923	$1,459,472

The balances of time deposits, including CDs, issued in amounts of ¥10 million ($94 thousand) or more were ¥47,977 million and ¥127,911 million ($1,205 million) at March 31, 1999 and 2000, respectively.

The maturity schedule of time deposits at March 31, 2000 is as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥130,027	$1,224,936
2002	11,685	110,080
2003	6,450	60,764
Total	¥148,162	$1,395,780

12. Income Taxes

Income before income taxes and the provision for income taxes in fiscal 1998, 1999 and 2000 are as follows:

	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Income before income taxes:				
Domestic	¥28,186	¥15,728	¥33,245	$313,189
Foreign	10,226	11,587	18,803	177,136
	¥38,412	¥27,315	¥52,048	$490,325
Provision for income taxes:				
Current—				
Domestic	¥ 4,964	¥ 5,633	¥ 6,803	$ 64,089
Foreign	8,053	6,407	8,139	76,674
	13,017	12,040	14,942	140,763
Deferred—				
Domestic	5,072	(14,153)	7,913	74,545
Foreign	(3,408)	3,807	(1,449)	(13,650)
	1,664	(10,346)	6,464	60,895
Provision for income taxes	¥14,681	¥ 1,694	¥21,406	$201,658

The normal income tax rate in Japan was approximately 51%, 48% and 42% in fiscal 1998, 1999 and 2000, respectively. The effective income tax rate is different from the normal income tax rate primarily because of certain permanent non-deductible expenses and inclusion in income of equity in net income of affiliates.

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

Reconciliations of the differences between tax provision computed at the normal rate and consolidated provisions for income taxes in fiscal 1998, 1999 and 2000 are as follows:

	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Income before income taxes	¥38,412	¥27,315	¥52,048	$490,325
Tax provision computed at normal rate	¥19,744	¥13,029	¥21,860	$205,935
Increases (reductions) in taxes due to:				
Application of the equity method	(1,170)	2,846	150	1,413
Permanent non-deductible expenses	1,050	858	677	6,378
Effect of a change in tax rates	(6,315)	(14,582)	—	—
Amortization of goodwill	663	(459)	(115)	(1,083)
Effect of lower tax rate than normal in a domestic subsidiary	(334)	(267)	(373)	(3,514)
Other, net	1,043	269	(793)	(7,471)
Provision for income taxes	¥14,681	¥ 1,694	¥21,406	$201,658

Total income taxes recognized in fiscal 1998, 1999 and 2000 are as follows:

	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Provision for income taxes	¥14,681	¥1,694	¥21,406	$201,658
Income tax on other comprehensive income (loss):				
Net unrealized gains (losses) on investment in securities	(10,500)	1,414	28,435	267,876
Minimum pension liability adjustment	—	—	(2,515)	(23,693)
Cumulative translation adjustments	20	(528)	(958)	(9,025)
Total income taxes	¥ 4,201	¥2,580	¥46,368	$436,816

The tax effects of temporary differences giving rise to the deferred tax assets and liabilities at March 31, 1999 and 2000 are as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Assets:			
Net operating loss carryforwards	¥ 15,266	¥ 14,184	$ 133,622
Allowance for doubtful receivables on direct financing leases and possible loan losses	31,852	30,181	284,324
Installment loans	4,006	3,360	31,653
Policy liabilities	1,840	704	6,632
Accrued expenses	3,973	4,381	41,272
Other	2,703	2,218	20,895
	¥ 59,640	¥ 55,028	$ 518,398
Liabilities:			
Investment in direct financing leases	¥119,916	¥122,591	$1,154,885
Investment in operating leases	14,499	12,386	116,684
Investment in securities	5,551	32,616	307,263
Deferred life insurance acquisition costs	5,941	6,856	64,588
Undistributed earnings	13,111	11,623	109,496
Other	4,619	2,950	27,790
	¥163,637	¥189,022	$1,780,706
Net deferred tax liability	¥103,997	¥133,994	$1,262,308

Certain subsidiaries have recognized deferred tax assets from net operating loss carryforwards totaling ¥37,889 million ($356,938 thousand) as of March 31, 2000, which expire as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥ 1,318	$ 12,417
2002	2,016	18,992
2003	6,034	56,844
2004	5,602	52,774
2005	5,723	53,914
Thereafter	17,196	161,997
Total	¥37,889	$356,938

Undistributed earnings of certain foreign subsidiaries for which deferred income taxes were not provided amounted to ¥54,148 million ($510,108 thousand) as of March 31, 2000. Since the management decided that the undistributed earnings are permanently reinvested, no provision for income taxes has been provided.

Net deferred tax assets and liabilities at March 31, 1999 and 2000 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Other Assets	¥ 2,500	¥ 1,224	$ 11,531
Income Taxes: Deferred	106,497	135,218	1,273,839
Net deferred tax liability	¥103,997	¥133,994	$1,262,308

13. Pension Plans

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

Effective April 1, 1998, the Company and its subsidiaries adopted FASB Statement No. 132 ("Employers' Disclosures about Pension and Other Postretirement Benefits"), which revised disclosure about pension and other postretirement plans. The following disclosures reflect the requirements of the new rule.

The funded status of the defined benefit pension plans, a substantial portion of which consists of domestic pension plans, as of March 31, 1999 and 2000 is as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Change in benefit obligation:			
Benefit obligation at beginning of year	¥28,070	¥30,805	$290,203
Service cost	2,140	2,360	22,233
Interest cost	1,297	1,460	13,754
Plan participants' contributions	445	458	4,314
Plan amendments	46	218	2,054
Actuarial loss	57	12,145	114,413
Foreign currency exchange rate change	(250)	(325)	(3,062)
Benefits paid	(1,000)	(986)	(9,289)
Plan curtailment	—	(70)	(659)
Benefit obligation at end of year	¥30,805	¥46,065	$433,961
Change in plan assets:			
Fair value of plan assets at beginning of year	¥26,122	¥30,936	$291,437
Actual return on plan assets	152	3,716	35,007
Employer contribution	5,313	4,844	45,633
Plan participants' contributions	445	458	4,314
Benefits paid	(876)	(840)	(7,913)
Foreign currency exchange rate change	(220)	(291)	(2,741)
Fair value of plan assets at end of year	¥30,936	¥38,823	$365,737
The funded status of the plans:			
Funded status	¥ 131	¥ (7,242)	$ (68,224)
Unrecognized prior service cost	44	253	2,383
Unrecognized net actuarial loss	7,450	17,232	162,336
Unrecognized net transition obligation	561	472	4,447
Net amount recognized	¥ 8,186	¥10,715	$100,942
Amount recognized in the consolidated balance sheets consists of:			
Prepaid benefit cost	¥10,095	¥10,077	$ 94,931
Accrued benefit liability	(2,322)	(5,564)	(52,416)
Intangible asset	413	202	1,903
Accumulated other comprehensive income, gross of tax	—	6,000	56,524
Net amount recognized	¥ 8,186	¥10,715	$100,942

The aggregate projected benefit obligations, aggregate accumulated benefit obligations and aggregate fair values of plan assets for the plans with the accumulated benefit obligations in excess of plan assets were ¥3,054 million, ¥2,090 million and ¥419 million, respectively, at March 31, 1999, and ¥19,829 million ($186,802 thousand), ¥16,230 million ($152,897 thousand) and ¥10,899 million ($102,675 thousand), respectively, at March 31, 2000.

Net pension cost of the plans for fiscal 1998, 1999 and 2000 consists of the following:

	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Service cost	¥1,784	¥2,140	¥2,360	$22,233
Interest cost	1,127	1,297	1,460	13,754
Expected return on plan assets	(1,071)	(1,369)	(1,565)	(14,744)
Amortization of unrecognized transition obligation	24	45	35	330
Amortization of unrecognized net actuarial loss	244	175	237	2,233
Amortization of unrecognized prior service cost	—	2	10	94
Plan curtailment	—	—	(43)	(405)
Net periodic pension cost	¥2,108	¥2,290	¥2,494	$23,495

Significant assumptions of domestic and foreign pension plans used to determine these amounts for fiscal 1998, 1999 and 2000 are as follows:

Domestic	1998	1999	2000
Discount rate	4.4%	4.4%	3.0%
Rate of increase in compensation levels	2.7%	2.6%	2.6%
Expected long-term rate of return on plan assets	4.5%	4.4%	3.0%

Foreign	1998	1999	2000
Discount rate	7.3%	6.8%	7.8%
Rate of increase in compensation levels	4.0%	4.0%	5.0%
Expected long-term rate of return on plan assets	9.3%	9.3%	9.3%

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

Total provisions charged to income for all the plans including the defined benefit plans are ¥3,019 million, ¥2,942 million and ¥3,431 million ($32,322 thousand) in fiscal 1998, 1999 and 2000, respectively.

14. Stock-Based Compensation

The Company has introduced stock option plans for all executive officers and key employees. Under the plans, the right is granted to purchase the treasury shares of the Company at a certain purchase price. The exercise price was determined based on a formula linked to a stock price of the shares on the Tokyo Stock Exchange. Under the plan, the options vest 100% on the grant date and are exercisable for 5 years, 9.75 years and 9.7 years from that date in fiscal 1998, 1999 and 2000, respectively. The Company acquired 168,000, 146,000 and 145,000 shares of its common stock for the plan during fiscal 1998, 1999 and 2000, respectively. The Board of Directors intends to obtain approval from the shareholders, at the next general meeting, to be held on June 29, 2000, for the acquisition by the Company of 319,100 shares of its common stock for a total consideration not exceeding ¥7,000 million ($65,944 thousand) for an additional grant of stock options during fiscal 2001.

FASB Statement No.123 ("Accounting for Stock-Based Compensation") defines a fair value based method of accounting for a stock option. This statement gives entities a choice of recognizing related compensation expense by adopting the new fair value method or to continue to measure compensation using the intrinsic value approach under APB Opinion No. 25 ("Accounting for Stock Issued to Employees"), the former standard. The Company chose to use the measurement prescribed by APB Opinion No. 25 and recognized compensation expense of ¥49 million, ¥0 and ¥0 in fiscal 1998, 1999 and 2000, respectively. Had compensation cost for the Company's stock option plans been determined consistent with FASB Statement No. 123, net income and earnings per share in fiscal 1998, 1999 and 2000 would have been as follows:

	1998	1999	2000	2000
Net income (millions of yen and thousands of U.S. dollars)	¥23,385	¥25,102	¥29,761	$280,367
Basic earnings per share (yen and U.S. dollars)	¥300.88	¥323.74	¥374.19	$3.53
Diluted earnings per share (yen and U.S. dollars)	¥300.88	¥323.74	¥365.66	$3.44

The following table summarizes information about stock option activity for fiscal 1998, 1999 and 2000:

	Number of shares	Weighted average exercise price		Weighted average remaining life	Exercise price	
		Yen	U.S. dollars		Low	High
Outstanding at March 31, 1997	—	—				
Granted	168,000	¥7,665				
Exercised	—	—				
Forfeited or expired	—	—				
Outstanding at March 31, 1998	168,000	7,665				
Granted	146,000	7,784				
Exercised	—	—				
Forfeited or expired	—	—				
Outstanding at March 31, 1999	314,000	7,720				
Granted	145,000	10,393	$97.91			
Exercised	57,000	7,686	72.41			
Forfeited or expired	—	—	—			
Outstanding at March 31, 2000	402,000	8,689	81.86	6.88 Years	¥7,665	¥10,393

All of the options outstanding at March 31, 1998, 1999 and 2000 are exercisable. Exercise prices of all the granted options were adjusted on April 1, 2000 for a 1.2-for-1 stock split to be implemented on May 19, 2000.

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

	1998	1999	2000
Grant-date fair value	¥2,356	¥3,552	¥6,078 ($57.26)
Expected life	5 Years	10 Years	8.55 Years
Risk-free rate	1.21%	0.81%	1.72%
Expected volatility	24.56%	29.74%	35.53%
Expected dividend yield	0.158%	0.161%	0.149%

The Company has also introduced warrant plans to corporate auditors and key employees (not including employees who were option holders under the stock option plan) of the Company and directors of its certain subsidiaries since fiscal 1998. Under the plans, the Company granted warrants to purchase 311,110 shares, 315,593 shares and 302,484 shares by repurchasing warrants attached to bonds with warrants issued by the Company during fiscal 1998, 1999 and 2000, respectively. Grant-date fair value was ¥516, ¥510 and ¥1,100 ($10.36), and exercise price was ¥7,939, ¥6,885 and ¥11,291 ($106.37) in fiscal 1998, 1999 and 2000, respectively. Exercise price of the warrants granted in fiscal 1998 has been adjusted since November 14, 1998, by issuance of bonds with warrants in fiscal 1999 by the Company. Exercise prices of all the granted warrants were adjusted on April 1, 2000, for a 1.2-for-1 stock split to be implemented on May 19, 2000.

Subject to the final approval by the Board of Directors of the Company, the Company intends to introduce a fiscal 2001 warrant plan. Under the plan, warrants to purchase approximately 112,500 shares will be granted to corporate auditors of the Company, directors, corporate auditors and key employees of its certain subsidiaries by repurchasing warrants attached to bonds with warrants to be issued by the Company during fiscal 2001. The exercise price of the warrants will be determined based on a formula linked to a stock price when the terms for issuing the bonds with warrants are determined.

15. Accumulated Other Comprehensive Loss

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

Comprehensive income (loss) and its components have been reported, net of tax, in the consolidated statements of shareholders' equity.

Changes in each component of accumulated other comprehensive loss in fiscal 1998, 1999 and 2000 are as follows:

	Millions of yen			
	Net unrealized gains on investment in securities	Minimum pension liability adjustments	Cumulative translation adjustments	Accumulated other comprehensive income (loss)
Balance at April 1, 1997	¥12,642	¥ —	¥(14,467)	¥ (1,825)
Net unrealized gains (losses) on investment in securities, net of tax of ¥10,500 million	(9,931)			(9,931)
Foreign currency translation adjustments, net of tax of ¥(20) million			(6,323)	(6,323)
Current period change	¥ (9,931)	¥ —	¥ (6,323)	¥(16,254)
Balance at March 31, 1998	¥ 2,711	¥ —	¥(20,790)	¥(18,079)
Net unrealized gains (losses) on investment in securities, net of tax of ¥1,317 million	(1,096)			(1,096)
Reclassification adjustment for losses included in net income, net of tax of ¥(2,731) million	2,538			2,538
Foreign currency translation adjustments, net of tax of ¥892 million			(16,118)	(16,118)
Reclassification adjustment for losses included in net income, net of tax of ¥(364) million			5,205	5,205
Current period change	¥ 1,442	¥ —	¥(10,913)	¥ (9,471)
Balance at March 31, 1999	¥ 4,153	¥ —	¥(31,703)	¥(27,550)
Net unrealized gains (losses) on investment in securities, net of tax of ¥(28,919) million	42,699			42,699
Reclassification adjustment for gains included in net income, net of tax of ¥484 million	(1,148)			(1,148)
Minimum pension liability adjustments, net of tax of ¥2,515 million		(3,485)		(3,485)
Foreign currency translation adjustments, net of tax of ¥1,219 million			(12,184)	(12,184)
Reclassification adjustment for losses included in net income, net of tax of ¥(261) million			251	251
Current period change	¥41,551	¥(3,485)	¥(11,933)	¥ 26,133
Balance at March 31, 2000	¥45,704	¥(3,485)	¥(43,636)	¥ (1,417)

	Thousands of U.S. dollars			
	Net unrealized gains on investment in securities	Minimum pension liability adjustments	Cumulative translation adjustments	Accumulated other comprehensive income (loss)
Balance at March 31, 1999	$ 39,124	$ —	$(298,663)	$(259,539)
Net unrealized gains (losses) on investment in securities, net of tax of $(272,435) thousand	402,252			402,252
Reclassification adjustment for gains included in net income, net of tax of $4,560 thousand	(10,815)			(10,815)
Minimum pension liability adjustments, net of tax of $23,693 thousand		(32,831)		(32,831)
Foreign currency translation adjustments, net of tax of $11,484 thousand			(114,781)	(114,781)
Reclassification adjustment for losses included in net income, net of tax of $(2,459) thousand			2,365	2,365
Current period change	$391,437	$(32,831)	$(112,416)	$ 246,190
Balance at March 31, 2000	$430,561	$(32,831)	$(411,079)	$ (13,349)

16. Shareholders' Equity

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

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

The Board of Directors intends to recommend to the shareholders, at the next general meeting, to be held on June 29, 2000, the declaration of a cash dividend totaling ¥1,023 million ($9,637 thousand), which will be paid in that month to the shareholders of record as of March 31, 2000, covering fiscal 2000, and the related appropriation of retained earnings to the legal reserve of ¥120 million ($1,130 thousand).

The amount of retained earnings legally available for distribution (and for the requisite appropriation to the legal reserve) is that recorded in the Company's books and amounted to ¥87,436 million ($823,702 thousand) as of March 31, 2000. However, there is a restriction on the payment of dividends relating to the treasury stock acquired for the stock option plan, amounting to ¥4,099 million ($38,615 thousand) as of March 31, 2000.

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

17. Brokerage Commissions and Gains on Investment Securities

Brokerage commissions and gains on investment securities in fiscal 1998, 1999 and 2000 consist of the following:

	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Brokerage commissions	¥1,400	¥1,165	¥ 3,089	$ 29,100
Gains on investment securities, net	6,671	6,216	16,611	156,486
	¥8,071	¥7,381	¥19,700	$185,586

Trading activities—Gains on investment securities, net, include net trading revenue on trading securities amounting to ¥574 million, ¥679 million and ¥1,390 million ($13,095 thousand) for fiscal 1998, 1999 and 2000, respectively. Gains of ¥303 million and ¥561 million, and a loss of ¥15 million ($141 thousand) of derivative trading instruments are also included in gains on investment securities, net, for fiscal 1998, 1999 and 2000, respectively.

18. Life Insurance Operations

Life insurance premiums and related investment income in fiscal 1998, 1999 and 2000 consist of the following:

	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Life insurance premiums	¥118,856	¥186,629	¥190,758	$1,797,061
Life insurance related investment income	7,175	9,630	15,071	141,978
	¥126,031	¥196,259	¥205,829	$1,939,039

Benefits and expenses of the life insurance operations, included in life insurance costs in the consolidated statements of income, are associated with earned premiums so as to result in recognition of profits over the life of contracts. This association is accomplished by means of the provision for future policy benefits and the deferral and subsequent amortization of policy acquisition costs (principally commissions and certain other expenses relating to policy issuance and underwriting). These policy acquisition costs are amortized in proportion to premium revenue recognized. Amortization charged to income for fiscal 1998, 1999 and 2000 amounted to ¥7,020 million, ¥8,428 million and ¥9,756 million ($91,908 thousand), respectively.

19. Other Operations

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

20. Per Share Data

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

In fiscal 1998, the Company adopted FASB Statement No. 128 ("Earnings per Share"), which requires companies to present basic EPS and diluted EPS. The application of this statement did not have an effect on basic and diluted EPS in fiscal 1998 and 1999 as diluted EPS is equal to basic EPS in each period.

A reconciliation of the differences between basic and diluted EPS in fiscal 2000 is as follows:

	Millions of yen	Thousands	Yen	U.S. dollars
	Net income	Weighted-average shares	EPS	EPS
Basic EPS:				
Net income available to common stockholders	¥30,642	79,534	¥385.27	$3.63
Effect of dilutive securities—				
Warrants	—	160		
Convertible notes	43	1,560		
Treasury stock	—	133		
Diluted EPS:				
Net income for computation	¥30,685	81,387	¥377.02	$3.55

EPS has been adjusted for the stock splits retroactively (see notes 1 (x) and 16).

21. Derivative Financial Instruments and Risk Management

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

(a) Interest rate risk management

The Company and certain subsidiaries have entered into various types of interest rate contracts in managing their interest rate risk as of March 31, 1999 and 2000, as indicated in the following table:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
	Notional amount	Notional amount	Notional amount
Interest rate swap agreements	¥1,132,831	¥957,398	$9,019,293
Options, caps, floors and collars held	76,232	57,447	541,187
Futures	—	14,233	134,084

Under interest rate swap agreements, the Company and certain subsidiaries agree with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. Certain agreements are combinations of interest rate and foreign currency swap transactions. The Company and such subsidiaries pay the fixed rate and receive the floating rate under the majority of their swaps. Because the size of swap positions needed to reduce the impact of market fluctuations on net interest expense varies over time, the Company and certain subsidiaries have also entered into swaps in which they receive the fixed rate and pay the floating rate when necessary to reduce their net swap positions.

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

(b) Loan commitments

Loan commitments are agreements to make loans as long as the agreed-upon terms are met. The outstanding amounts of those loan commitments as of March 31, 1999 and 2000 are set out in the following table:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
	Outstanding contract amount	Outstanding contract amount	Outstanding contract amount
Loan commitments	¥18,726	¥10,273	$96,778

(c) Foreign exchange risk management

The Company and certain subsidiaries have entered into foreign exchange forward contracts and foreign currency swap agreements in managing their foreign exchange risk as of March 31, 1999 and 2000, as indicated in the following table:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
	Notional amount	Notional amount	Notional amount
Foreign exchange forward contracts	¥ 30,954	¥ 36,617	$ 344,955
Foreign currency swap agreements	288,796	330,491	3,113,434

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

(d) Other derivative instruments

The Company and certain subsidiaries have entered into various types of contracts for the purpose of trading activities as of March 31, 1999 and 2000, as indicated in the following table:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
	Notional amount	Notional amount	Notional amount
Futures	¥34,973	¥15,347	$144,578
Interest rate swap agreements	2,000	7,060	66,510
Options, caps, floors and collars held	7,080	9,080	85,539
Options, caps, floors and collars written	10,697	12,265	115,544
Foreign exchange forward contracts	2,768	938	8,837

22. Significant Concentrations of Credit Risk

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

At March 31, 1999 and 2000, no concentration with a single obligor exceeded 1% of consolidated total assets. With respect to the Company and its subsidiaries' credit exposures on a geographic basis, approximately ¥3,420 billion, or 75%, at March 31, 1999 and approximately ¥3,490 billion ($32,878 million), or 76%, at March 31, 2000 of the credit risks arising from all financial instruments are attributable to customers located in Japan. The largest concentration of credit risks as to foreign countries is exposure attributable to the United States of America.

The Company and its subsidiaries make direct financing lease and operating lease contracts mostly with the lessees in commercial industries for their office, industry, commercial service, transport and other equipment. At March 31, 1999 and 2000, the Company and its subsidiaries had concentrations in certain equipment types included in investment in direct financing leases and operating leases which exceeded 10% of the consolidated total assets. The percentages of consolidated total assets invested in transportation equipment, and information-related, office and measuring equipment were 11.1% and 10.3% as of March 31, 1999, respectively, and the percentage of consolidated total assets invested in transportation equipment was 10.4% as of March 31, 2000. Most of the lease payments are made at fixed rates.

23. Estimated Fair Value of Financial Instruments

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

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

March 31, 1999

	Millions of yen	
	Carrying amount	Estimated fair value
Trading instruments		
Trading securities	¥ 414	¥ 414
Futures:		
Assets	99	99
Options and other derivatives:		
Assets	192	192
Liabilities	54	54
Non-trading instruments		
Assets:		
Cash and cash equivalents	252,290	252,290
Restricted cash and cash equivalents	2,250	2,250
Time deposits	8,861	8,861
Installment loans	1,761,887	1,772,448
Allowance for doubtful receivables on possible loan losses	(108,739)	(108,739)
Investment in securities:		
Practicable to estimate fair value	524,052	524,025
Not practicable to estimate fair value	51,740	51,740
Liabilities:		
Short-term debt	2,184,983	2,184,983
Deposits	53,269	53,269
Long-term debt	2,036,028	2,066,592
Foreign exchange forward contracts:		
Assets	383	383
Liabilities	589	589
Foreign currency swap agreements:		
Assets	—	16,497
Liabilities	—	7,905
Interest rate swap agreements:		
Assets	—	14,294
Liabilities	—	27,510
Options and other derivatives:		
Assets	109	(6)

March 31, 2000

	Millions of yen		Thousands of U.S. dollars	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Trading instruments				
Trading securities	¥ 390	¥ 390	$ 3,674	$ 3,674
Futures:				
Assets	53	53	499	499
Options and other derivatives:				
Assets	90	90	848	848
Liabilities	38	38	358	358
Non-trading instruments				
Assets:				
Cash and cash equivalents	265,956	265,956	2,505,473	2,505,473
Restricted cash and cash equivalents	13,666	13,666	128,742	128,742
Time deposits	7,698	7,698	72,520	72,520
Installment loans	1,791,439	1,791,449	16,876,486	16,876,580
Allowance for doubtful receivables on possible loan losses	(101,156)	(101,156)	(952,953)	(952,953)
Investment in securities:				
Practicable to estimate fair value	701,042	701,042	6,604,258	6,604,258
Not practicable to estimate fair value	56,949	56,949	536,496	536,496
Liabilities:				
Short-term debt	1,912,761	1,912,761	18,019,416	18,019,416
Deposits	154,923	155,492	1,459,472	1,464,833
Long-term debt	1,942,784	1,964,017	18,302,252	18,502,280
Foreign exchange forward contracts:				
Assets	463	463	4,362	4,362
Liabilities	20	20	188	188
Foreign currency swap agreements:				
Assets	—	23,154	—	218,125
Liabilities	—	3,140	—	29,581
Interest rate swap agreements:				
Assets	—	11,680	—	110,033
Liabilities	—	12,815	—	120,725
Options and other derivatives:				
Assets	78	(12)	735	(113)
Liabilities	5	101	47	951

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

Estimation of fair value

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

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

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

Investment in securities—For trading securities and available-for-sale securities, the estimated fair values, which are also the carrying amounts recorded in the balance sheets, were generally based on quoted market prices or quotations provided by dealers. For held-to-maturity securities, the estimated fair values were based on quoted market prices, if available. If a quoted market price was not available, estimated fair values were determined using quoted market prices for similar securities or the carrying amounts (where carrying amounts were believed to approximate the estimated fair values).

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

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

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

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

24. Commitments and Contingent Liabilities

Commitments, guarantees and contingencies—As of March 31, 2000, the Company and its subsidiaries had commitments for the purchase of equipment to be leased, having a cost of approximately ¥13,471 million ($126,905 thousand).

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

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥ 491	$ 4,626
2002	476	4,484
2003	402	3,787
2004	293	2,760
2005	257	2,421
Thereafter	877	8,262
Total	¥2,796	$26,340

The Company and its subsidiaries lease office space under operating lease agreements, which are primarily cancelable, and made rental payments totaling ¥6,446 million, ¥6,996 million and ¥5,674 million ($53,453 thousand) in fiscal 1998, 1999 and 2000, respectively.

As of March 31, 2000, the Company and its subsidiaries were contingently liable as guarantor for borrowings of ¥24,495 million ($230,758 thousand) by customers, principally on consumer loans, and by employees.

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

25. Segment Information

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

Corporate finance operations are primarily corporate direct financing leases and lending operations other than real estate related lending. Equipment operating lease operations are comprised of operating leases over measuring equipment, information-related equipment and automobiles. Real estate related finance operations include corporate real estate financing activities as well as personal housing loan lending operations. Real estate operations primarily comprise residential subdivision developments as well as the rental and management of office buildings, hotels and training facilities. Life insurance operations include direct and agency life insurance sales and related activities. The three foreign operating segments, the Americas, Asia and Oceania, and Europe, include direct financing lease operations, investment in securities, collateralized real property lending and aircraft and ship financial operations. Other operations, which are not deemed by management to be sufficiently material to disclose as separate items and do not fall into the above segment categories, are reported under domestic other operations. They primarily include securities transactions and venture capital operations.

Financial information of the segments for fiscal 1998, 1999 and 2000 is as follows:

Year ended March 31, 1998

	Millions of yen									
	Domestic operations						Foreign operations			
	Corporate finance	Equipment operating leases	Real estate related finance	Real estate	Life insurance	Other	The Americas	Asia and Oceania	Europe	Total
Revenues	¥ 120,939	¥ 50,189	¥ 19,102	¥ 19,203	¥125,767	¥ 20,631	¥ 71,485	¥ 55,750	¥ 21,966	¥ 505,032
Interest revenue	14,107	25	18,428	460	—	13,864	24,727	16,397	9,949	97,957
Interest expense	40,343	1,328	11,171	4,296	—	4,274	36,202	27,157	15,138	139,909
Depreciation and amortization	27,333	28,197	2,363	3,717	223	2,466	6,065	12,481	7,400	90,245
Other significant non-cash items:										
Provision for doubtful receivables and possible loan losses	12,013	81	29,014	—	—	2,824	3,235	2,184	83	49,434
Write-downs of long-lived assets	—	—	—	5,910	—	—	2,842	—	—	8,752
Increase in policy liabilities	—	—	—	—	72,432	—	—	—	—	72,432
Equity in net income (loss) of and gain (loss) on sales of affiliates	(20)	(10)	—	—	—	3,121	8,454	(3,644)	—	7,901
Segment profit (loss)	44,097	8,407	(23,071)	(8,392)	5,762	1,891	21,263	(8,441)	(2,123)	39,393
Segment assets	2,233,448	103,435	649,511	297,880	196,378	243,607	668,742	459,042	251,759	5,103,802
Long-lived assets	36,775	65,554	3,396	276,124	—	4,546	35,882	77,897	102,013	602,187
Expenditures for long-lived assets	14,329	38,695	2,627	12,982	—	526	4,708	30,187	3,684	107,738
Investment in affiliates	134	13	—	—	—	8,561	41,326	21,606	181	71,821

Year ended March 31, 1999

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

Year ended March 31, 2000

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

Year ended March 31, 2000

	Thousands of U.S. dollars									
	Domestic operations						Foreign operations			
	Corporate finance	Equipment operating leases	Real estate related finance	Real estate	Life insurance	Other	The Americas	Asia and Oceania	Europe	Total
Revenues	$ 1,143,806	$499,293	$ 162,920	$ 422,732	$1,928,837	$ 290,928	$ 702,072	$ 468,573	$ 172,021	$ 5,791,182
Interest revenue	153,801	28	153,255	6,981	—	173,198	254,216	140,198	63,401	945,078
Interest expense	295,073	11,936	73,245	40,236	—	24,720	318,907	207,282	90,287	1,061,686
Depreciation and amortization	293,887	292,953	14,122	30,268	5,181	19,265	41,498	125,803	55,054	878,031
Other significant non-cash items:										
Provision for doubtful receivables and possible loan losses	205,350	57	93,867	47	—	58,154	42,440	24,748	4,663	429,326
Write-downs of long-lived assets	—	—	1,404	69,694	—	—	3,146	—	—	74,244
Increase in policy liabilities	—	—	—	—	1,299,124	—	—	—	—	1,299,124
Equity in net income (loss) of and gain (loss) on sales of affiliates	347	104	264	—	—	(15,817)	358	10,184	179	(4,381)
Segment profit (loss)	385,473	73,697	(32,171)	(77,635)	51,390	(9,760)	176,872	31,757	2,619	602,242
Segment assets	18,545,360	1,068,196	5,626,698	2,604,748	4,006,924	2,282,431	6,513,452	3,481,300	1,503,608	45,632,717
Long-lived assets	372,691	594,649	34,074	2,375,205	30,692	50,419	521,074	722,317	569,807	5,270,928
Expenditures for long-lived assets	181,970	329,750	34,074	322,025	31,041	820	394,753	278,003	9	1,572,445
Investment in affiliates	1,554	207	895	—	—	118,126	280,066	86,255	1,536	488,639

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

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

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

	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Revenues:				
Total revenues for segments	¥ 505,032	¥ 592,468	¥ 614,734	$ 5,791,182
Revenue related to corporate assets	2,111	1,473	1,779	16,760
Total consolidated revenues	¥ 507,143	¥ 593,941	¥ 616,513	$ 5,807,942
Segment profit:				
Total profit for segments	¥ 39,393	¥ 37,586	¥ 63,928	$ 602,242
Unallocated interest expenses, general and administrative expenses	(4,386)	(4,189)	(3,374)	(31,785)
Adjustment of income tax expenses to equity in net income and minority income	(1,741)	(375)	(537)	(5,059)
Unallocated write-downs of securities	—	(8,383)	(9,772)	(92,058)
Unallocated other gain or loss	5,146	2,676	1,803	16,985
Total consolidated income before income taxes	¥ 38,412	¥ 27,315	¥ 52,048	$ 490,325
Segment assets:				
Total assets for segments	¥5,103,802	¥4,840,799	¥4,843,913	$45,632,717
Advances	(101,282)	(62,079)	(89,676)	(844,805)
Investment in affiliates (not including loans)	(71,821)	(57,592)	(51,869)	(488,639)
Corporate assets	51,501	54,308	62,453	588,349
Total consolidated operating assets	¥4,982,200	¥4,775,436	¥4,764,821	$44,887,622

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

FASB Statement No. 131 requires disclosure of revenues from external customers for each product and service as an enterprise-wide information. The consolidated statements of income in which the revenues are categorized based on the nature of business, includes the required information. No single customer accounted for 10% or more of the total revenues for fiscal 1998, 1999 and 2000.

Report of Independent Public Accountants

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

We have audited the accompanying consolidated balance sheets of ORIX Corporation (a Japanese corporation) and its subsidiaries as of March 31, 1999 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2000, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ORIX Corporation and its subsidiaries as of March 31, 1999 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

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

Arthur Andersen

Tokyo, Japan
May 17, 2000

Japanese Region

● Domestic Operations

Leasing and Installment Loans

	Principal Business	
ORIX Corporation	Providing direct financing leases and operating leases for OA equipment, computers, industrial equipment, plants, aircraft, and other equipment; providing installment loans.	Tokyo Sales Headquarters 3-22-8, Shiba, Minato-ku, Tokyo 105-8683, Japan *Corporate Executive Vice President:* Katsuo Kawanaka Kinki (Osaka) Sales Headquarters Nihon Kasai-Osaka Building, 1-11-4, Edobori, Nishi-ku, Osaka 550-0002, Japan *Corporate Executive Vice President:* Teruo Isogai *Corporate Executive Officer:* Kozo Endo District Sales Headquarters 3-22-8, Shiba, Minato-ku, Tokyo 105-8683, Japan *Corporate Senior Vice President:* Masahiro Matono *Corporate Executive Officer:* Tamio Umaki

	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX Alpha Corporation	Leasing and financing furnishings and equipment for retailers, hotels, restaurants, and other users; providing mediatory and consulting services.	1972	100	Karuko-zaka MN Building, 2-1, Ageba-cho, Shinjuku-ku, Tokyo 162-8570 Tel: 03-5228-5300 Fax: 03-5228-5310 *President:* Kunitoshi Masuda
ORIX Auto Leasing Corporation	Auto lessor in Japan active mainly in fleet leasing but with growing business in auto leases for individuals.	1973	100	3-22-8, Shiba, Minato-ku, Tokyo 105-0014 Tel: 03-5419-5600 Fax: 03-5419-5903 *Chairman:* Hiroshi Furukawa *President:* Akira Fukushima
ORIX Aircraft Corporation	Aircraft leasing.	1986	100	3-22-8, Shiba, Minato-ku, Tokyo 105-8683 Tel: 03-3455-0874 *President:* Takeshi Sato
ORIX Media Supply Corporation	Placement and management of rental televisions in hospitals and hotels; leasing and installment sales.	1999	100	Durban Building, 8-8-20, Nishi-Gotanda, Shinagawa-ku, Tokyo 141-0031 Tel: 03-3779-8855 Fax: 03-3779-2695 *President:* Tsutomu Kawanishi
Sunleasing Co., Ltd.	Leasing for pharmaceutical wholesalers and medical institutions.	(1999)	100	Nihon Seika Building, 2-4-9, Bingo-cho, Chuo-ku, Osaka 541-0051 Tel: 06-6229-2535 Fax: 06-6229-1708 *President:* Masao Dohi

Real Estate Related Business

ORIX Corporation	Principal Business	
Real Estate Business Headquarters	Brokering real estate and other real estate related services, such as dormitory leasing.	Real Estate Business Headquarters World Trade Center Building, 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6135, Japan Tel: 03-3435-3200 Fax: 03-3435-3300 *Corporate Senior Vice President:* Hiroaki Nishina
Real Estate Finance Headquarters	Financing, project finance, real estate investment product development, real estate liquidization, real estate securitization.	Real Estate Finance Headquarters World Trade Center Building, 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6135, Japan Tel: 03-3435-3000 Fax: 03-3435-3001 *Corporate Executive Officer:* Masaaki Tashiro

	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX Real Estate Corporation	Real estate development and management.	1999	100	World Trade Center Building, 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6135 Tel: 03-3435-3200 Fax: 03-3435-3300 *President:* Hiroaki Nishina
ORIX Asset Management and Loan Services Corporation	Commercial mortgage servicing.	1999	100	World Trade Center Building, 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6135 Tel: 03-3435-3240 Fax: 03-3435-3314 *President:* Masaaki Tashiro
ORIX Estate Corporation	Managing real estate and leisure facilities.	(1986)	100	1-7-20, Nishi-Tenma, Kita-ku, Osaka 530-0047 Tel: 06-6316-7606 Fax: 06-6316-7604 *President:* Masanori Kisaka
Rentals				
ORIX Rentec Corporation	Rental supplier of high-precision measuring equipment.	1976	100	5-7-21, Kita-Shinagawa, Shinagawa-ku, Tokyo 141-8681 Tel: 03-3473-7561 Fax: 03-3473-7549 *President:* Shunji Sasaki
ORIX Rent-A-Car Corporation	Rent-a-car business.	1985	100	Shin-Osaki Kangyo Building, 1-6-4, Osaki, Shinagawa-ku, Tokyo 141-8606 Tel: 03-3779-2201 Fax: 03-3779-3910 *President:* Kazuo Yokoyama
X-Rent-A-Car Corporation	Rent-a-car business.	(1999)	100	Kinoshita Shoji Building, 4-43, Masago-cho, Naka-ku, Yokohama 231-0016 Tel: 045-664-4541 Fax: 045-664-4544 *President:* Toshio Saruwatari
Hotel Management and Training Facilities Management				
BlueWave Corporation	Hotel and training facilities management.	1991	100	2-33-7, Asakusa, Taitou-ku, Tokyo 111-0032 Tel: 03-5828-4321 Fax: 03-5828-6421 *President:* Hiroyuki Kobatake

Consumer Finance	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX Credit Corporation	Consumer credit company engaged in business centered on shopping credit and consumer finance.	1979	100	HI Gotanda Building, 2-11-17, Nishi-Gotanda, Shinagawa-ku, Tokyo 141-8510 Tel: 03-5487-7111 Fax: 03-3490-1582 *President:* Takafumi Kanda
ORIX Club Corporation	Consumer loans.	1990	100	HI Gotanda Building, 2-11-17, Nishi-Gotanda, Shinagawa-ku, Tokyo 141-8552 Tel: 03-5487-7500 Fax: 03-3490-4025 *President:* Tsutomu Mori
ORIX Club Corporation	Consumer loans.	1994	100	Umeda Pacific Building, 2-5-10, Sonezaki, Kita-ku, Osaka 530-0057 Tel: 06-6314-2311 Fax: 06-6314-2530 *President:* Kentaro Takahashi
Computer Software				
ORIX Computer Systems Corporation	Software engineering house.	1984	100	Osaki CN Building, 5-10-10, Osaki, Shinagawa-ku, Tokyo 141-8618 Tel: 03-5434-7800 Fax: 03-5434-1345 *President:* Nobuyuki Kobayashi
Securities Brokerage				
ORIX Securities Corporation	Securities house.	(1986)	100	Grande Building, 2-26-9, Hachobori, Chuo-ku, Tokyo 104-0032 Tel: 03-3297-5411 Fax: 03-3555-3010 Telex: 252-2680 *President:* Koichiro Muta
Venture Capital				
ORIX Capital Corporation	Management of venture capital investment funds.	1983	100	TOC Osaki Building, 1-6-1, Osaki, Shinagawa-ku, Tokyo 141-0032 Tel: 03-5434-1361 Fax: 03-5434-1360 *President:* Tsutomu Matsuzaki
Marine Transport				
ORIX Maritime Corporation	Shipping and ship management services.	1977	100	3-22-8, Shiba, Minato-ku, Tokyo 105-0014 Tel: 03-5419-5871 Fax: 03-5419-5959 Telex: 242-3504 ORIXTN J *President:* Makoto Taguchi
Life Insurance				
ORIX Life Insurance Corporation	Life insurance.	1991	100	Shinjuku Chuo Building, 5-17-5, Shinjuku, Shinjuku-ku, Tokyo 160-0022 Tel: 03-5272-2700 Fax: 03-5272-2720 *Chairman:* Shogo Kajinishi *President:* Shinobu Shiraishi
Insurance Agency				
ORIX Insurance Services Corporation	Agency services for casualty and life insurance.	1976	100	World Trade Center Building, 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6135 Tel: 03-3435-6618 Fax: 03-3435-6686 *President:* Moriaki Usami
ORIX Insurance Planning Corporation	Agency services for casualty insurance.	1999	50	3-22-8, Shiba, Minato-ku, Tokyo 105-0014 Tel: 03-5419-5140 Fax: 03-5419-5980 *President:* Takashi Ashibe
Interior Products				
ORIX Interior Corporation	Manufacturer of carpet and other interior products.	1998	100	5-9-1, Harayamadai, Sakai, Osaka 590-0132 Tel: 0722-97-5551 Fax: 0722-97-3090 *President:* Yutaka Shiraishi

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

●Investment Banking

ORIX Corporation	Principal Business	
Investment Banking Headquarters	Supervising ORIX's entire international operations and providing an extensive range of financial and investment banking services adapted to the characteristics of each market.	3-22-8, Shiba, Minato-ku, Tokyo 105-8683, Japan Tel: 03-5419-5158 Fax: 03-5419-5919 Telex: J24642 *Corporate Senior Vice President:* Takeshi Sato *Corporate Executive Officer:* Yoshio Ono *Managing Director:* Takahide Sato
Overseas Administration Office	Keeping up the worldwide Group network and being responsible for centralized planning and administrative support for international operations.	*General Manager:* Takahisa Sato
Capital Product Group	Arranging a variety of structured finance products for aviation, shipping, and other industries; development of capital products meeting the needs of ORIX's extensive customer base.	*Managing Director:* Tatsuro Suzuki (Aviation) *Vice President and General Manager:* Yoichi Mikami (Shipping)
Marine Business Group	Providing a full range of financial services to the shipping industry, including arrangement of debt finance and equity investment; brokering sales and purchases of ships and acting as an intermediary for the building of new ships.	*Managing Director:* Makoto Taguchi
Corporate Finance Group	Arranging diversified structured finance products, including securitizations; providing corporate financial advisory services; investing in international capital and money market products.	*Vice President and General Manager:* Makoto Inoue
M&A Group	Planning and development of new business and investments, including mergers and acquisitions overseas.	*Vice President and General Manager:* Motokazu Kakizaki

Asia & Oceania Region

	Country	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX Investment and Management Private Limited	Singapore	Venture capital investment.	1981	100	250 North Bridge Road, #19-01 Raffles City Tower, Singapore 179101 Tel: 7928000 Fax: 3397123 *Managing Director:* Nagaaki Esaki
ORIX Leasing Singapore Limited	Singapore	Equipment leasing, hire-purchase, and other financial services.	1972	50	331 North Bridge Road, #19-01/06 Odeon Towers, Singapore 188720 Tel: 3393622 Fax: 3393966 *Managing Director:* Kwek Chye Teck
ORIX CAR RENTALS PTE. LTD.	Singapore	Rent-a-car business and auto leasing.	1981	45	30 Bukit Batok East Avenue 6, Singapore 659761 Tel: 4691455 Fax: 4691842 *Group General Manager and CEO:* Michael Choo
ORIX COMMODITIES SINGAPORE PTE. LIMITED	Singapore	Trading futures and options for proprietary and client accounts.	1990	100	250 North Bridge Road, #19-01 Raffles City Tower, Singapore 179101 Tel: 3391976 Fax: 3391981 *Director:* Nagaaki Esaki
ORIX Rentec (Singapore) Pte. Limited	Singapore	Equipment rental.	1995	100	140 Paya Lebar Road, #05-07/08/09 A-Z Building, Singapore 409015 Tel: 7454515 Fax: 7456595 *Managing Director:* Masaki Iiyama

	Country	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX Asia Limited	China (Hong Kong)	Leasing and investment banking in Hong Kong and throughout Southeast Asia.	1971	100	30th Floor, United Centre, 95 Queensway, Hong Kong, S.A.R., China Tel: 28629268 Fax: 25279688 *Managing Director:* Kotaro Takamori
ORIX HOTELS INTERNATIONAL PRIVATE LIMITED (Registered in Singapore)	China (Hong Kong)	Hotel management and development business.	1991	100	c/o ORIX Asia Limited Hotel Management & Development Dept., 30th Floor, United Centre, 95 Queensway, Hong Kong, S.A.R., China Tel: 28629268 Fax: 25279688
China Orient Leasing Co., Ltd.	China	Equipment leasing.	1981	50	Rooms 409-410, Dongyi Commercial Office Building, No. 23 Xibahe Xili, Beisanhuan Dong Road, Chaoyang District, Beijing 100028, China Tel: 10-6427-9988 Fax: 10-6427-5753 *President:* Takumi Kato
Korea Development Leasing Corporation*	South Korea	Equipment leasing and other financing services.	1975	1.4	11th-20th Floors, Suhrin Building, #88 Suhrin-Dong, Chongro-ku, Seoul, Korea Tel: 2-3700-0114 Fax: 2-3700-0019 *President and CEO:* In Sik Shin *Deputy CEO:* Yuki Oshima
GLOBAL RENTAL COMPANY LIMITED	South Korea	Equipment rental.	1995	42	4th Floor, Dongshin Bldg., 141-28, Samsung-Dong, Kangnam-ku, Seoul, Korea Tel: 2-557-5656 Fax: 2-562-0958 *President and CEO:* Tae Young Chung
Korea Rental Corporation	South Korea	Rental of office equipment, measuring instruments, etc.	(1996)	23	7th-9th Floors, Buok-Bldg., 648-18, Yeoksam-Dong, Kangnan-ku, Seoul, Korea Tel: 2-554-9696 Fax: 2-556-4343 *President:* Hyeok Keun Yoo
ORIX Taiwan Corporation	Taiwan	Hire-purchase services and equipment leasing services.	1990	95	10th Floor, 217, Nan King E. Road, Sec. 3, Taipei, Taiwan, R.O.C. Tel: 2-2715-5458 Fax: 2-2713-2448 *President:* Kazunori Okimoto
ORIX Auto Leasing Taiwan Corporation	Taiwan	Auto leasing.	1998	100	10th Floor, 217, Nan King E. Road, Sec. 3, Taipei, Taiwan, R.O.C. Tel: 2-2719-5166 Fax: 2-2545-0870 *Chairman:* Kazunori Okimoto
Consolidated ORIX Leasing and Finance Corporation	Philippines	Lease financing and mortgage loans.	1977	40	19th Floor, Solidbank Building, 777 Paseo de Roxas, 1226 Makati City, The Philippines Tel: 2-8920481 Fax: 2-8173529 *President and CEO:* Eduardo R. Alvarez *Director:* Yasuhiro Nakai
Thai ORIX Leasing Co., Ltd.	Thailand	Equipment leasing, hire-purchase, and factoring services.	1978	49	313 C.P. Tower, 24th Floor, Silom Road, Bangrak, Bangkok 10500, Thailand Tel: 2-2310589 Fax: 2-2310661 *President:* Suvit Arunanondchai *Executive Director:* Junichi Hayashi
ORIX Leasing Malaysia Berhad	Malaysia	Equipment leasing and other financing services.	1973	80	12th Floor, Menara Promet, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia Tel: 3-2418355 Fax: 3-2487344 *Deputy Chairman:* Masafumi Aoyama
ORIX CAR RENTALS SDN. BHD.	Malaysia	Rent-a-car business.	1989	54	16-1, Jalan 6/91, Taman Shamelin Perkasa, 56100 Kuala Lumpur, Malaysia Tel: 3-9847799 Fax: 3-9861799 *Director:* Masafumi Aoyama

*Listed company

	Country	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX Rentec (Malaysia) Sdn. Bhd.	Malaysia	Equipment rental.	1996	94	1st Floor, Wisma Domain, 18A (Lot 318) Jalan 51A/223, 46100 Petaling Jaya, Selangor Darul Ehsan, Malaysia Tel: 3-758-1388 Fax: 3-758-6388 *Director:* Masafumi Aoyama
PT. ORIX Indonesia Finance	Indonesia	Equipment leasing and other financing services.	1975	83	Wisma Kyoei Prince, 24th Floor, Jl. Jend. Sudirman Kav. 3-4, Jakarta 10220, Indonesia Tel: 21-5723041 Fax: 21-5723071 *President Director:* Yoshinori Matsuoka
INFRA-STRUCTURE LEASING & FINANCIAL SERVICES LIMITED	India	Infrastructure commercial-ization, equipment leasing, and other financing services.	(1993)	20	The IL&FS Financial Centre, Plot C-22, G Block, Bandra Kurla Complex, Bandra East, Mumbai 400-051, India Tel: 22-4935127 Fax: 22-4930080 *Vice Chairman & Managing Director:* Ravi Parthasarathy *Senior Vice President:* Masatoshi Yokota
ORIX AUTO FINANCE (INDIA) LIMITED	India	Auto leasing and fleet management.	1995	60	Plot No. 94, Marol Co-operative Industrial Estate, Andheri-Kurla Road, Andheri (East), Mumbai 400-086, India Tel: 22-8528677 Fax: 22-8528549 *Chief Executive Officer:* Richard Miranda
Investsmart India Limited	India	Securities brokerage business.	1997	38	The IL&FS Financial Centre, Plot C-22, G Block, Bandra Kurla Complex, Bandra East, Mumbai 400-051, India Tel: 22-4936534 Fax: 22-4974253 *Managing Director:* Hemang Raja
Lanka ORIX Leasing Company Limited*	Sri Lanka	Equipment leasing services.	1980	30	No. 100/1, Sri Jayawardenapura Mawatha, Rajagirya, Sri Lanka Tel: 1-865604 Fax: 1-865602 *Managing Director:* V.R. de Silva
ORIX Australia Corporation Limited	Australia	Equipment leasing, vehicle operating leases, and other financing services.	1986	100	No. 1 Eden Park Drive, Waterloo Road, North Ryde, NSW 2113, Australia Tel: 2-9856-6000 Fax: 2-9856-6500 *Managing Director:* John Patrick Sweeney *Executive Manager:* Haruhiko Umetani
Ranger Truck Rental and Leasing Pty Limited	Australia	Truck rental and vehicle operating leases.	(1998)	100	42 Molan Street, Ringwood, VIC 3134, Australia Tel: 3-9870-6100 Fax: 3-9870-8842 *Chairman:* John Patrick Sweeney
AUSTRAL MERCANTILE COLLECTIONS PTY LIMITED	Australia	Debt servicing.	1998	50	Level 7, 222 Pitt Street, Sydney, NSW 2113, Australia Tel: 2-9283-1400 Fax: 2-9283-1425 *Chairman:* Bruce James Williams
ORIX Hire Pty Limited (Krueger Hire)	Australia	Trailer leasing and rental services.	1999	90	No. 1, Eden Park Drive, Waterloo Road, North Ryde, NSW 2113, Australia Tel: 2-9856-6000 Fax: 2-9856-6500 *Chairman:* Bruce James Williams
ORIX New Zealand Limited	New Zealand	Equipment leasing, vehicle operation leases, car and truck rentals, and other financing services.	(1988)	100	32 Manukau Road, Level 3, Newmarket, Auckland, New Zealand Tel: 9-520-9700 Fax: 9-520-9790 *Managing Director:* Peter Byers

*Listed company

Middle Eastern & North African Region

Regional General Manager, Middle East: Humayun Murad

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

*Listed company

Americas Region

Corporate Executive Officer and Regional Chief Executive: Yoshio Ono

	Country	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX USA CORPORATION New York Office	U.S.A.	Equipment leasing, asset-based lending, real estate leasing, and general corporate financing.	1981	100	1177 Avenue of the Americas, 10th Floor, New York, NY 10036, U.S.A. Tel: 212-739-1600 Fax: 212-739-1701 Web Address: http://www.orixusa.com *Chairman:* Yoshio Ono *President and CEO:* John H. Moss *Deputy President:* Kensuke Ishibashi *Advisor:* Edward Guay Wintonbury Risk Management *Advisor:* D.E. Mundell Director, ORIX USA Corporation
Los Angeles Office					550 South Hope Street, Suite 1600, Los Angeles, CA 90071, U.S.A. Tel: 213-955-6500 Fax: 213-955-6530 *Senior Vice President:* Hiroyuki Sakai
San Francisco Office					One Bush Street, Suite 250, San Francisco, CA 94104, U.S.A. Tel: 415-433-0300 Fax: 415-433-7343 *Branch Manager:* William Hoge

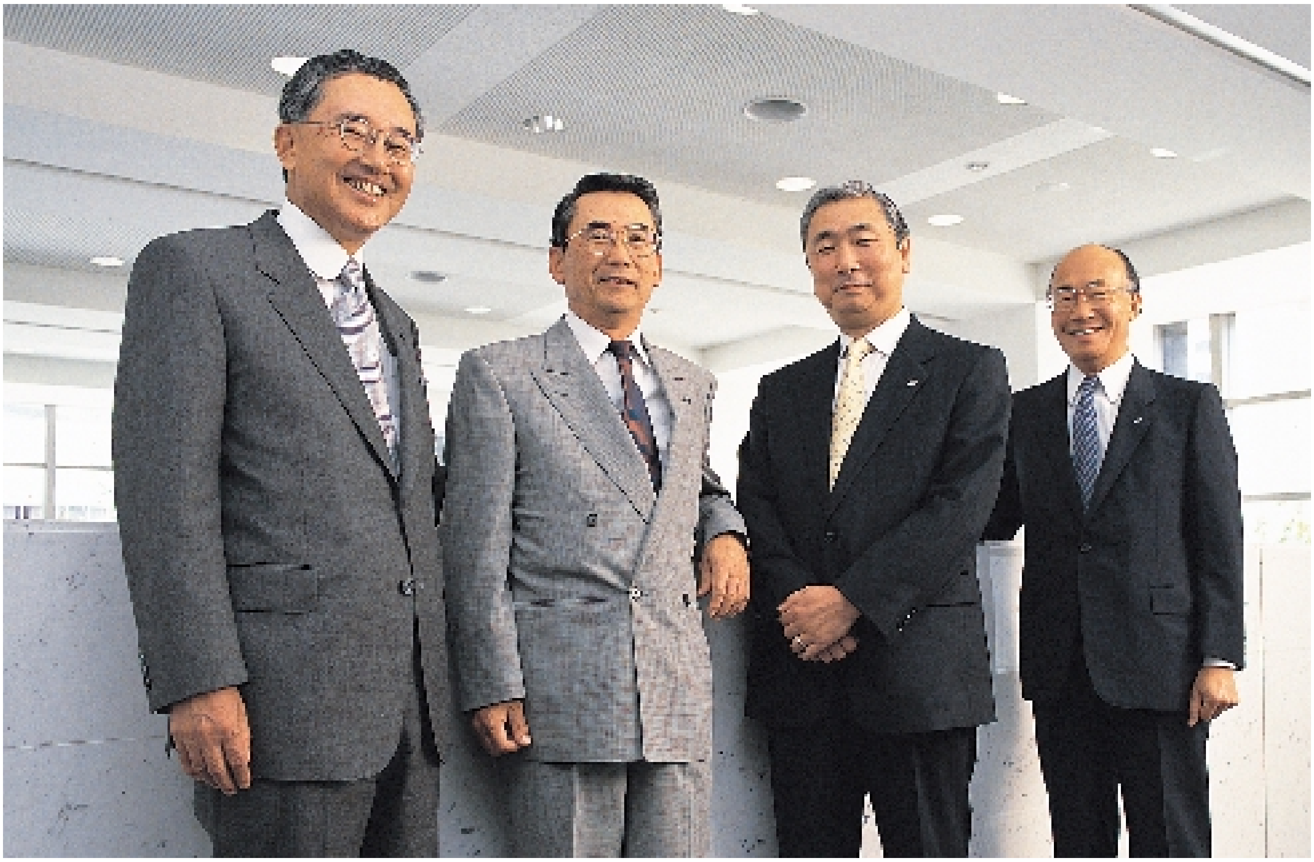
	Country	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX Real Estate Equities, Inc.	U.S.A.	Commercial real estate development and investment.	(1987)	100	100 North Riverside Plaza, Suite 1400, Chicago, IL 60606, U.S.A. Tel: 312-669-6400 Fax: 312-669-6464 Web Address: http://www.oree.com *Vice Chairman:* Kensuke Ishibashi *President and CEO:* James H. Purinton
ORIX Commercial Alliance Corporation	U.S.A.	Installment financing.	(1989)	100	300 Lighting Way, Secaucus, NJ 7096-1525, U.S.A. Tel: 201-601-9000 Fax: 201-601-9100 Web Address: http://www.ocac.com *President and CEO:* John H. Moss
ORIX Real Estate Capital Markets, LLC.	U.S.A.	Commercial mortgage servicing, issuance of MBS, and real estate investment.	1997	100	1717 Main Street, #1400, Dallas, TX 75201, U.S.A. Tel: 214-237-2305 Fax: 214-237-2034 Web Address: http://www.orecm.com *CEO:* James R. Thompson *Managing Director:* Eisuke Toma
EnCom Corporation	U.S.A.	Electric power business.	(2000)	20	780 Third Avenue, 28th Floor, New York, NY 10017, U.S.A. Tel: 212-223-6750 Fax: 212-223-6749 *President and CEO:* Bruce J. Wrobel
Stockton Holdings Limited	Bermuda	Trading in global futures markets for proprietary and client accounts.	(1989)	30	Stockton House, 55 Par-la-Ville Road, P.O. Box HM 3218, Hamilton HM NX, Bermuda Tel: 441-299-7400 Fax: 441-299-7488 *President and CEO, Chairman:* Robert G. Easton

European Region

	Country	Principal Business	Established (equity interest acquired)	ORIX Group's Ownership (%)	
ORIX Europe Limited	U.K.	Corporate and asset-based finance and investment.	1982	100	33 Lombard Street, London EC3V 9BQ, U.K. Tel: 171-623-0100 Fax: 171-623-1039 *Managing Director:* Yasushi Ichikawa
ORIX Corporate Finance Limited	U.K.	Investment banking focusing on capital market and structured finance.	1989	100	33 Lombard Street, London EC3V 9BQ, U.K. Tel: 171-283-0505 Fax: 171-283-5289 *Director:* Yasushi Ichikawa
ORIX IRELAND LIMITED	Ireland	Investment in and trade of securities and loans; general corporate finance and asset-based finance.	1988	100	3rd Floor, AIG Centre, North Wall Quay, Dublin 1, Ireland Tel: 1-6700622 Fax: 1-6700644 *Managing Director:* Akira Kashi
ORIX AVIATION SYSTEMS LIMITED	Ireland	Operating/finance leases for aircraft and other related services.	1991	100	3rd Floor, AIG Centre, North Wall Quay, Dublin 1, Ireland Tel: 1-6700633 Fax: 1-6700644 *Managing Director:* Hideo Ichida
ORIX Polska S.A.	Poland	Equipment leasing services.	1995	88	Ul. Stawki 2, Intraco, VI p., 00-193, Warsaw, Poland Tel: 48-22-635-5162 Fax: 48-22-635-5343 *President:* Georges Bitner *Vice President:* Minoru Ohsawa

(As of June 29, 2000)

Directors and Auditors



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

Katsuo Kawanaka

Teruo Isogai

Takeshi Sato

Hiroaki Nishina

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

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

Advisor to the Board

Yoshinori Yokoyama
Director, McKinsey & Company, Inc.

Corporate Auditors

Hiroshi Nakamura

Naoaki Fujiyama

Yasuo Hama

Hirotaka Takeuchi
Dean, Hitotsubashi University, Graduate School of International Corporate Strategy

Corporate Executive Officers


Kenji Kajiwara


Masahiro Matono


Hiroyuki Harada


Hiroshi Nakajima


Yoshio Ono


Akira Fukushima


Masaru Hattori


Nobuyuki Kobayashi


Shunji Sasaki


Shinobu Shiraishi


Masaaki Tashiro


Tamio Umaki


Kozo Endo


Shintaro Agata

Chairman and Chief Executive Officer

Yoshihiko Miyauchi

President and Chief Operating Officer

Yasuhiko Fujiki

Vice Chairman

Yoshiaki Ishida
Responsible for overseas activities

Deputy President

Shunsuke Takeda
Chief Financial Officer

Corporate Executive Vice Presidents

Katsuo Kawanaka
Tokyo Sales Headquarters

Teruo Isogai
Kinki (Osaka) Sales Headquarters

Corporate Senior Vice Presidents

Takeshi Sato
Investment Banking Headquarters
Overseas Administration Office

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

Kenji Kajiwara
Project Leader

Masahiro Matono
District Sales Headquarters

Hiroyuki Harada
Credit Department

Corporate Executive Officers

Hiroshi Nakajima
Head of Compliance
General Affairs Department

Yoshio Ono
Investment Banking Headquarters
Regional Chief Executive, Americas Region

Akira Fukushima
President, ORIX Auto Leasing Corporation

Masaru Hattori
Office of Corporate Planning
Accounting Department

Nobuyuki Kobayashi
Office of Corporate Reengineering
PFS Department
President, ORIX Computer Systems Corporation
President, ORIX Call Center Corporation

Shunji Sasaki
President, ORIX Rentec Corporation

Shinobu Shiraishi
President, ORIX Life Insurance Corporation

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

Tamio Umaki
District Sales Headquarters

Kozo Endo
Kinki (Osaka) Sales Headquarters

Shintaro Agata
Treasury Department

Counselor and Special Advisor

Shogo Kajinishi

Advisor

D.E. Mundell

(As of June 29, 2000)

Corporate Information

ORIX Corporation

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

Established: April 17, 1964

Shareholders' Equity: ¥425,671 million

Number of Employees: 9,503

Shareholder Information

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

Total Number of Shares Outstanding:
68,630,294 shares

Number of Shareholders: 10,349

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

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

Stock Exchange Listings

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

New York Stock Exchange
Trading Symbol: IX

(As of March 31, 2000)

For further information, please write to:

Corporate Communications,
Office of Assistant to the President,
ORIX Corporation
3-22-8, Shiba, Minato-ku,
Tokyo 105-8683, Japan
Tel: 81-3-5419-5102
Fax: 81-3-5419-5901
E-mail: koho@orix.co.jp
Homepage: www.orix.co.jp

To U.S. Holders:

PFIC

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

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

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

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

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

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GROUP COMPANIES

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ORIX Corporation

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