ORIX CORP
Form 20-F
June 28, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g)
OF THE SECURITIES EXCHANGE ACT OF 1934
OR
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2002
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission file number: 001-14856

ORIX KABUSHIKI KAISHA
(Exact name of Registrant as specified in our charter)

ORIX CORPORATION
(Translation of Registrant's name into English)

Japan
(Jurisdiction of incorporation or organization)

3-22-8 Shiba, Minato-ku
Tokyo 105-8683, Japan
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
(1) Common stock without par value (the "Shares")	New York Stock Exchange*
(2) American Depository Shares ("ADSs"), each of which represents one-half of one Share	New York Stock Exchange
(3) 0.375% Convertible Notes due 2005 (the "Notes")	New York Stock Exchange
(4) American Depository Notes ("ADNs"), each of which represents one Note in the principal amount of yen2,000,000	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of March 31, 2002, 84,303,985 Shares and 855,720 ADSs are outstanding.

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17 ___ Item 18 X

*Not for trading, but only in connection with the registration of American Depositary Shares.

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CERTAIN DEFINED TERMS, CONVENTIONS AND PRESENTATION OF FINANCIAL INFORMATION

As used in this Annual Report, unless the context otherwise requires, "Company" and "ORIX" refer to ORIX Corporation and "we", "us", "our" and similar terms refer to ORIX Corporation and our subsidiaries.

In this annual report, "subsidiary" and "subsidiaries" refer to consolidated subsidiaries of ORIX, companies in which ORIX owns more than 50%, and "affiliate" and "affiliates" refer to all of our affiliates accounted for by the equity method, companies in which ORIX owns 20-50%.

The consolidated financial statements of ORIX have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Unless otherwise stated or the context otherwise requires, all amounts in such financial statements are expressed in Japanese yen.

References in this Annual Report to "yen" or "yen" are to Japanese yen and references to "$" or "dollars" are to United States dollars.

Certain monetary amounts included in this Annual Report have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be equal to the arithmetic sum of the figures which precede them.

The Company's fiscal year ends on March 31. The fiscal year ended March 31, 2002 is referred to throughout this Annual Report as fiscal 2002 or the 2002 fiscal year, and other fiscal years are referred to in a corresponding manner. References to years not specified as being fiscal years are to calendar years.

FORWARD LOOKING STATEMENTS

This annual report contains statements that constitute "forward-looking statements" within the meaning of Section 21(E) of the Securities Exchange Act of 1934. When included in this Annual Report, the words, "will", "should", "expects", "intends", "anticipates", "estimates" and similar expressions, among others, identify forward looking statements. Such statements, which include statements contained in "Item 5. Operating and Financial Review and Prospects." and "Item 11. Quantitative and Qualitative Disclosure About Market Risk", inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those set forth in such statements. These forward looking statements are made only as of the date of this Annual Report. The Company expressly disclaims any obligation or undertaking to release any update or revision to any forward looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

PART I

Item 1. Identity of Directors, Senior Management and Advisors.

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key information.

Selected Financial Data

The following selected consolidated financial information has been derived from our consolidated financial statements as of each of the dates and for each of the periods indicated below. This information should be read in conjunction with and is qualified in its entirety by reference to our consolidated financial statements, including the notes thereto, included in this Annual Report, which have been audited by Asahi & Co., a member firm of Andersen Worldwide SC, independent accountants.

	Year ended March 31,				
	1998	1999	2000	2001	2002
	(In millions of yen and millions of US dollars except per S				
INCOME STATEMENT DATA					
Total revenues....................	yen507,143	yen593,941	yen616,513	yen586,149	yen658,462
Interest expense..................	142,177	140,846	115,038	109,289	90,348
Selling, general and administrative expenses.........	79,671	82,395	90,961	101,156	126,316
Provision for doubtful receivables and possible loan losses........	49,434	51,845	45,573	44,584	51,367
Operating income..................	31,041	31,042	52,886	57,148	73,369
Equity in net income (loss) of and gain (loss) on sales of affiliates.....................	7,371	(3,727)	(838)	2,088	(330
Income before income taxes.........	38,412	27,315	52,048	59,236	73,039
Net income........................	23,731	25,621	30,642	34,157	40,269
Basic earnings per Share(1)........	305.33	330.43	385.27	417.77	489.19
Diluted earnings per Share(1)......	305.33	330.43	377.02	400.99	467.11
Cash dividends per Share...........	15.00	15.00	15.00	15.00	15.00

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(1) Basic earnings per share and Diluted earnings per share have been retroactively adjusted for a stock split.

1

	As of March 31,				
	1998	1999	2000	2001	2

(In millions of yen and millions of US dollars except number

BALANCE SHEET DATA					
Investment in direct financing leases(1).......	yen2,186,022	yen1,952,842	yen1,744,953	yen1,657,709	yen1
Installment loans(1).........	1,794,825	1,761,887	1,791,439	1,846,511	2
Subtotal....................	3,980,847	3,714,729	3,536,392	3,504,220	3
Investment in operating leases....................	435,066	411,156	397,576	451,171	
Investment in securities.....	500,449	576,206	758,381	942,158	
Other operating assets.......	65,838	73,345	72,472	132,006	
Operating assets(2)..........	4,982,200	4,775,436	4,764,821	5,029,555	5
Allowance for doubtful receivables on direct financing leases and possible loan losses......	(145,741)	(132,606)	(136,939)	(141,077)	
Other assets................	737,850	704,806	713,660	702,833	
Total assets................	yen5,574,309	yen5,347,636	yen5,341,542	yen5,591,311	yen6
Short-term debt.............	2,576,483	2,184,983	1,912,761	1,562,072	1
Long-term debt..............	2,044,570	2,036,028	1,942,784	2,330,159	2
Common stock................	20,180	20,180	41,688	41,820	
Additional paid-in capital...	37,303	37,464	59,285	59,885	
Shareholders' equity.........	313,821	327,843	425,671	461,323	
Number of issued Shares......	64,870,299	64,870,299	68,630,294	82,388,025	84

	1998	1999	2000	200
			(%)	
SELECTED DATA AND RATIOS(3)				
Shareholders' equity ratio..................	5.63	6.13	7.97	8.2
Return on assets............................	0.45	0.47	0.57	0.6
Return on equity............................	7.63	7.99	8.13	7.7
Allowance/investment in direct financing leases and installment loans.............	3.7	3.6	3.9	4.

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(1) The sum of assets considered 90 or more days past due and total impaired assets measured pursuant to Financial Accounting Standards Boards, or FASB Statement 114 amounted to yen271,177 million as of March 31, 2000, yen258,432 million as of March 31, 2001, and yen255,123 million as of March 31, 2002. These sums included investment in direct financing leases considered 90 or more days past due of yen53,743 million as of March 31, 2000, yen53,515 million as of March 31, 2001 and yen67,924 million as of March 31, 2002, installment loans (excluding amounts attributable to treatment under FASB Statement 114) considered 90 or more days past due of yen91,513 million as of March 31, 2000, yen84,827 million as of March 31, 2001, and yen74,199 million as of March 31, 2002, and installment loans considered impaired under the definition contained in FASB Statement 114 of yen125,921 million as of March 31, 2000, yen120,090 million as of March 31, 2001, and yen113,000 million as of March 31, 2002. See "Item 4. Information on the Company--Profile of Businesses--Direct Financing Leases" and "--Installment Loans and Investment Securities".

(2) Operating assets are defined as all assets subject to regular, active sales and marketing activities including the assets shown on the balance sheet as investment in

direct financing leases, installment loans, investment in operating leases, investment in securities and other operating assets. Operating assets are calculated before allowance for doubtful receivables on direct financing leases and possible loan losses.

(3) Shareholders' equity ratio is the ratio as of the period end of shareholders' equity to total assets. Return on assets is the ratio of net income for the period to average total assets during the period. Return on equity is the ratio of net income for the period to average shareholders' equity during the period. Allowance/investment in direct financing leases and installment loans is the ratio as of the period end of the allowance for doubtful receivables on direct financing leases and possible loan losses to the sum of investment in direct financing leases and installment loans.

In certain parts of this Annual Report, we have translated Japanese yen amounts into US dollars for the convenience of readers. The rate that we used for translations was yen133.25 = US$1.00, which was the approximate exchange rate in Japan on March 31, 2002. The following table provides the noon buying rates for Japanese Yen expressed in Japanese Yen per US$1.00 during the periods indicated. No representation is made that the Japanese yen or US dollar amounts referred to herein could have been or could be converted into US dollars or Japanese yen, as the case may be, at any particular rate or at all.

	Year Ended March 31,		
	1998	1999	2000
	(Yen per U.S. dollar)		
High	yen133.99	yen147.14	yen124.45
Low	111.42	108.83	101.53
Average (of noon buying rates available on the last day of each month during the period)	123.57	128.10	110.02
At period-end	133.29	118.43	102.73

The following table provides the high and low noon buying rates for Japanese yen per $1.00 during the months indicated.

	High	Low
2002		
January	yen134.64	yen130.93
February	134.77	132.26
March	133.46	127.07
April	133.40	128.13
May	128.66	123.08
June (through June 21)	125.64	121.23

Risk factors

Our business may continue to be adversely affected by the recession in Japan

Our business may continue to be adversely affected by the recession in Japan. The recession may affect our new business origination volume, the credit quality of our assets and margins on operating assets.

The Japanese economy has shown slow growth or negative growth for most of the last decade. Although from 1995 to early 1997 the economy recovered to some extent, since 1997 recessionary conditions have prevailed.

As a result of adverse economic conditions in Japan, we may be unable to originate more leases and loans and our non-performing assets may increase. Our allowance for doubtful receivables on direct financing leases and possible loan losses may prove to be inadequate. Adverse economic conditions may prevent our customers from meeting their financial obligations. The value of collateral securing our loans and the value of equipment that we lease to customers may decline. Our ability to re-lease or remarket equipment on favorable terms may also be limited by adverse economic conditions in Japan. Any such event may have an adverse effect on our results of operation and financial condition.

Our credit losses on exposures to Japanese real estate-related companies and construction companies may exceed our allowances for these loans

At March 31, 2002, we had loans outstanding of yen311,609 million to real estate-related companies and construction companies. Of that amount, we maintained an allowance for possible loan losses of yen31,045 million. Our allowance for doubtful receivables on direct financing leases and possible loan losses may be inadequate to cover credit losses on our loans to real estate related companies and construction companies.

Japanese real estate-related companies and construction companies have been severely affected by the collapse of the bubble economy in Japan. Because of the large declines in real estate prices, these companies have suffered enormous losses on investments in real estate and loans secured by real estate. Some of these losses have been recognized in the financial statements of these companies and some have not. Companies in these sectors are suffering from other difficult business conditions resulting from the collapse of the bubble economy, including the lack of liquidity in the real estate market and a decrease in major development projects. Therefore, these companies may have difficulty paying amounts due on loans. In addition, the value of real estate collateral securing our loans from real estate-related companies and construction companies may further decline. This may prevent us from fully recovering our loans to those companies if they default on their obligations.

Our business may continue to be adversely affected by adverse economic conditions in the United States

A portion of our revenue is derived from our operations in the United States, and we have significant investments in securities of US issuers. The US economy has shown slow growth since the second half of the year ended March 31, 2001, accompanied by declining stock prices and corporate earnings, and according to some authorities is currently in recession. Our results of operations have been and may continue to be adversely affected by adverse economic conditions in the United States. Adverse effects on our US operations might include:

- an increase in provisions for doubtful receivables and possible loan losses if the financial condition of our US customers deteriorates;

- an increase in write-downs of securities and other investments if the market values of securities continue to decline and such declines are not expected to be temporary or as a consequence of the insolvency of issuers; and

- an increase of losses on sale of or unrealized loss on real estate holdings if the value of our real estate in the United States declines significantly.

Adverse developments affecting other Asian economies may continue to adversely affect our business

The economies of Hong Kong, Indonesia, Malaysia, Korea and other Asian countries where we operate have experienced problems since the second half of 1997. Although economic conditions in some of these countries have improved, we may suffer losses on investments in these countries and poor operating results on our businesses in these countries if these countries experience

- declines in the value of the local currency,

- declines in gross domestic product,

- declines in corporate earnings,

- political turmoil, or

- stock market volatility.

These and other factors could result in

- lower demand for our services,

- further deterioration of credit quality of our customers in Asian markets,

- the need to provide financial support to our Asian subsidiaries or affiliates, or

- further write-offs of Asian assets.

Changes in market interest rates and currency exchange rates could adversely affect our assets and our financial condition and results of operations

We are subject to risks relating to changes in market rates of interest and currency exchange rates.

Significant increases in market interest rates, or the perception that an increase may occur, could adversely affect our ability to originate new transactions, including direct financing leases and loans, and our ability to grow.

On the other hand, a decrease in interest rates could result in faster prepayments of loans. In addition, changes in market interest rates could affect the interest income that we receive on interest-earning assets differently than the interest rates we pay on interest-bearing liabilities. This could increase our interest expense more than our revenues. An increase in market interest rates could make some of our floating-rate loan customers default on our loans to them.

Not all of our assets and liabilities are matched by currency. As a consequence, rapid or significant changes in currency exchange rates could have an adverse impact on our assets and our financial condition and results of operations.

We may suffer losses on our investment portfolio

We hold large investments in debt and equity securities, mainly in Japan and the United States. At March 31, 2002, the book value of our investments in securities was yen861,336 million. We may suffer losses on these investments because of changes in market prices, defaults or other reasons. 6.2% of our investment in securities at March 31, 2002 was marketable equity securities, mainly common stock of Japanese listed companies. The market values of these equity securities are volatile and have declined substantially in recent years. Unrealized gains and losses on equity securities are generally recorded in shareholders' equity, net of income taxes, and are not directly charged to income. However, declines in market value on available-for-sale securities are charged to income if we believe that these declines are other than temporary. We recorded yen10,848 million in charges of this kind in the year ended March 31, 2001 and yen19,742 million in charges of this kind in the year ended March 31, 2002. We may have to record more charges of this kind in the future.

We have substantial investments in debt securities, mainly long-term corporate bonds with fixed interest rates. We may realize losses on investments in debt securities as a result of issuer defaults or deterioration in issuers' credit quality. We may also realize losses on our investment portfolio if market interest rates increase. Current market interest rates for yen-denominated obligations are particularly low.

We may suffer losses if we are unable to remarket leased equipment returned to us

We lease equipment under direct financing leases and operating leases. In both cases there is a risk that we will suffer losses at the end of the lease if we are unable to realize the residual value of the equipment that is estimated at the beginning of the lease. This risk is particularly significant in operating leases, because the lease term is much shorter than the useful life of the equipment. If we are unable to sell or re-lease the equipment at the end of the lease, it may not recover our investment in the equipment and it may suffer losses. Our estimates of the residual value of equipment are based on current market values of used equipment and estimates of when and how much equipment will become obsolete. If equipment values and product market trends differ from our expectations, such estimates may prove to be wrong.

Our allowance for doubtful receivables on direct financing leases and possible loan losses may be insufficient

We maintain an allowance for doubtful receivables on direct financing leases and possible loan losses. This allowance reflects our judgment of the loss potential, after considering factors such as:

o the nature and characteristics of obligors,

o economic conditions and trends,

- charge-off experience,
- delinquencies,
- future cash flows, and
- the value of underlying collateral and guarantees.

We cannot be sure that our allowance for doubtful receivables on direct financing leases and possible loan losses will be adequate over time to cover credit losses in these portfolios. This allowance may turn out to be inadequate if adverse changes in the Japanese economy or other economies in which we compete or discrete events adversely affect specific customers, industries or markets. If our allowance for doubtful receivables on direct financing leases and possible loan losses is insufficient to cover these changes or events, we could be adversely affected.

We may lose market share or suffer reduced interest margins if our competitors compete with us on pricing and other terms

We compete primarily on the basis of pricing, terms and transaction structure. Other important competitive factors include industry experience, client service and relationships. From time to time, our competitors seek to compete aggressively on the basis of pricing and terms and we may lose market share if we are unwilling to match our competitors because we want to maintain our interest margins. Because some of our competitors are larger than us and have access to capital at a lower cost than we have, they may be better able to maintain profitable interest margins while still reducing prices. To the extent that we match our competitors' pricing or terms, we may experience lower interest margins.

Our access to liquidity and capital may be restricted by economic conditions

Our primary sources of funds are cash flow from operations, borrowings from banks and other institutional lenders, and funding from capital markets activities, such as offerings of commercial paper, medium-term notes, straight bonds, asset-backed securitizations and other debt securities. A downgrade in our credit ratings could result in an increase in our interest expense and could have an adverse impact on our ability to access the commercial paper market or the public and private debt markets, which could have an adverse effect on our financial position and liquidity. Even if we are unable to access these markets on acceptable terms, we have access to other sources of liquidity, including bank borrowings, cash flow from our operations and sales of our assets. We cannot be sure, however, that these other sources will be adequate if our credit ratings are downgraded or other adverse conditions arise.

We continue to rely significantly on short-term funding from Japanese commercial banks. Only a portion of this funding is provided under committed facilities. We also rely on the capital markets as a funding source, including the commercial paper and corporate bond markets. We are taking steps to reduce refinancing risks by diversifying our funding sources and increasing committed credit facilities from Japanese banks and foreign banks. Despite these efforts, committed credit facilities are subject to financial and other covenants and conditions to drawdown, including minimum net worth requirements, and the risk that we will be unable to roll over other short-term funding remains.

Inability to assert claims against independent auditors

Our consolidated financial statements as of March 31, 2001, and 2002 and for the three years ended March 31, 2002 included in this Annual Report have been audited by Asahi & Co., independent public accountants and a member firm of Andersen Worldwide SC.

It has been reported in the press that Arthur Andersen LLP, which is the US member firm of Andersen Worldwide SC, is under investigation by various agencies of the US government for its role as independent auditors of Enron Corp. and its subsidiaries ("Enron") and that Arthur Andersen LLP has been convicted in a US federal court on obstruction of justice charges. It has also been reported that shareholders and employees of Enron have commenced legal proceedings against Arthur Andersen LLP seeking substantial damages related to its audit of Enron. Arthur Andersen LLP may suffer significant financial and reputational loss as a result of such investigations and actions, including as a result of substantial damage or settlement payments and loss of audit clients and employees, which may ultimately lead to its insolvency and dissolution.

Asahi & Co. has informed ORIX that:

- while it receives certain technical assistance and support from Arthur Andersen LLP as a member firm of Andersen Worldwide SC in connection with its audit of our financial statements which are prepared in accordance with US GAAP, Asahi & Co. is a legal entity separate from Arthur Andersen LLP and therefore does not expect to incur any direct or indirect liability as a result of any investigations or legal actions against Arthur Andersen LLP;

- Asahi & Co. may seek an affiliation with, or pursue a merger or other combination with another accounting firm in Japan affiliated with, one of the other leading US accounting firms; and

- Asahi & Co. has entered into a binding cooperation agreement with KPMG International to provide Asahi & Co. with technical and other services.

However, there is no assurance that developments affecting Arthur Andersen LLP will not have a material adverse effect on the financial condition of Asahi & Co. Asahi & Co. may not be able to establish a relationship with one of the other leading US accounting firms, through a combination with another Japanese accounting firm or otherwise. Furthermore, it is possible that the entity resulting from any such combination will not legally succeed to or otherwise assume the liabilities of Asahi & Co. Accordingly, there is no assurance that investors in ORIX securities will be able to assert any claims against, or recover any damages from, Asahi & Co. or its legal successors in respect of this Annual Report, including the consolidated financial statements of ORIX included herein.

Efforts by other companies to reduce their cross-shareholdings may adversely affect market prices for the Shares

Many companies in Japan have announced plans to reduce their cross-shareholdings in other companies. Our own dispositions of other companies' shares could encourage those companies to dispose of Shares. Dispositions by other companies of Shares may adversely affect market prices for the Shares.

We expect to be treated as a passive foreign investment company

We expect, for the purpose of US federal income taxes, to be treated as a passive foreign investment company because of the composition of our assets and the nature of our income. If an investor in our securities is a US person, because we are a passive foreign investment company, such investor will be subject to special US federal income tax rules that may have negative tax consequences on a disposition of such securities or on receipt of certain distributions on such securities and will require annual reporting.

If you hold fewer than 100 shares, you will not have all the rights of shareholders with 100 or more shares

100 shares constitute one "unit". A holder who owns fewer than 100 shares, or ADRs evidencing fewer than 200 ADSs, will own less than a whole unit. The Japanese Commercial Code restricts the rights of a shareholder who holds shares of less than a whole unit. In general, holders of shares constituting less than a unit do not have the right to vote, to bring derivative actions or to examine the books and records of the issuer. Transfers of shares constituting less than one unit are significantly limited. Under the unit share system, holders of shares constituting less than a unit have the right to require us to purchase their shares. However, holders of ADRs are unable to withdraw underlying shares representing less than one unit. Therefore, as a practical matter, they cannot require us to purchase these underlying shares. As a result, holders of ADRs with shares in lots of less than one unit may not have access to

the Japanese markets through the withdrawal mechanism to sell their shares. The unit share system does not affect the transfer of ADSs, which may be transferred in lots of any size.

Foreign Exchange Fluctuations May Affect the Value of the ADSs and Dividends

Market prices for the ADNs or ADSs may fall if the value of the yen declines against the U.S. dollar. In addition, the amount of principal, interest and other payments made to holders of ADNs or cash dividends and other cash payments made to holders of ADSs would be reduced if the value of the yen declines against the U.S. dollar.

Item 4. Information on the Company.

General

ORIX Corporation is a corporation (kabushiki kaisha) formed under Japanese law. Our principal place of business is at 3-22-8 Shiba, Minato-ku, Tokyo 105-8683, 813-5419-5000. E-mail: koho@orix.co.jp; URL: www.orix.co.jp

Corporate History

ORIX was founded as a Japanese corporation in 1964 in Osaka, Japan as Orient Leasing Co., Ltd., a specialist in equipment leasing. We have grown over the succeeding decades to become one of Japan's largest and most innovative financial services companies, providing a broad range of commercial and consumer finance products and services.

Our historical development has until recently closely paralleled the expansion and globalization of the Japanese economy. Our initial expansion occurred just prior to a period of sustained economic growth in Japan that began in 1965 and lasted through the early 1970s. The Japanese leasing industry gradually matured over the course of the 1970s. During this period, we continued to grow rapidly by expanding and diversifying our range of products and services, as well as through overseas expansion. In 1971 we established our first overseas office in Hong Kong, which became a base for regional expansion. In April 1970 ORIX listed its shares on the second section of the Osaka Securities Exchange. From February 1973 the shares have been listed on the first sections of the Tokyo, Osaka, and Nagoya stock exchanges.

In 1973, to respond to the outsourcing needs of our corporate clients for automobile management, we established ORIX Auto Leasing Corporation, which exclusively leases automobiles. In 1976, we entered the domestic rental segment as we established ORIX Rentec Corporation, which rents measurement equipments to corporations.

In the 1980s, the Japanese financial sector began a process of gradual deregulation, while the yen became a significant international currency. New entrants and competition within the leasing industry increased, prompting us and other leasing companies to provide more specialized and sophisticated services and to increase international leasing activities. During this period, we continued to expand our range of products and services, and placed increased emphasis on identifying and exploiting synergies among our various business units to make optimal use of corporate resources. In March 1986, we acquired ORIX Securities Corporation (then Akane Securities K.K.) and expanded the range of our financial products and services. In 1989, we changed our name to ORIX Corporation, reflecting our increasingly international profile and diversification from the leasing business.

Since the early 1990s, the Japanese economy has experienced a protracted period of economic stagnation and, in recent years, instability within the financial sector. However, we have continued to diversify into other financial activities. For example, in 1990, we commenced the structuring and sale of commodities funds within Japan and, in 1991, we entered the life insurance business. We have also actively pursued real estate development, finance and management operations, using a variety of resources to provide total solutions to our customers' financing needs.

We have also sought to enter into Japan's personal financial services markets. In this regard, in 1997, we established a Personal Financial Services Department. In April 1998, we acquired ORIX Trust and Banking Corporation (then Yamaichi Trust & Bank, Ltd.). This acquisition provided us with a general banking license, which

includes permission to accept deposits, and a trust business license. Our housing loan and card loan operations have grown to become a significant part of these retail operations.

In September 1998, we became the twelfth Japanese company to list our shares on the New York Stock Exchange.

Deregulation in Japan has produced a more dynamic market environment that we believe will bring significant changes in our principal businesses. To sustain our position in financial services and support profitability, we are working to augment our specialized capabilities and to exploit business opportunities presented by this environment. For example, we have reorganized our Investment Banking Headquarters and Real Estate Finance Headquarters to ensure that the extensive experience and sophisticated know-how gained over many years can be effectively utilized to develop and provide value-added and specialized services.

Capital Expenditures

We are a financial institution with significant leasing, real estate development and other operations based on investment in tangible assets. As such, we are continually acquiring and building such assets as part of our business. A detailed discussion of these activities is presented elsewhere in this annual report, including in "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects."

We also have made a number of acquisitions of significant investments in other companies. Some of our more significant recent transactions are described below.

In July 1999, we acquired the lease and rental operations of NEC Home Electronics Lease Ltd., consisting primarily of direct financing lease receivables, for approximately yen55 billion. These operations were conducted by ORIX Media Supply. Financing lease receivables were subsequently transferred to ORIX, and in April 2001 we sold this subsidiary to Sogo Medical Corporation.

In July 1999, we acquired the remaining stake in Banc One Mortgage Capital Markets, LLC in the United States, previously our joint venture with Bank One Corporation, a major US bank holding company, to increase our securitization capability and ability to service commercial property loans. As a result, investment in securities and installment loans increased $363 million and $149 million respectively. Banc One Mortgage Capital Markets, LLC has been renamed and currently operates as ORIX Capital Markets, LLC.

In September 2000, a consortium led by us, Softbank Corporation and The Tokio Marine and Fire Insurance Company, Ltd. purchased all the shares of common stock of the Aozora Bank, Ltd. (then Nippon Credit Bank of Japan) from the Japanese Deposit Insurance Corporation. We acquired a 14.99% stake in the bank, and our investment amounted to approximatelyyen15 billion.

In April 2001, we acquired the operating assets and employees of Nihon Jisho. The assets include office buildings and residential rental properties owned and operated by Nihon Jisho, land for residential subdivision development, and shares in subsidiaries involved in building maintenance and real estate appraisal businesses. At the date of the acquisition, these assets amounted to yen23 billion.

In July 2001, we acquired a 100%-owned leasing subsidiary of Senko Co., Ltd., a major transportation company based in Osaka. The acquisition of this subsidiary, with yen15 billion in total assets, marked our initial entry into the truck leasing market, a strategic priority. Shortly afterward, we significantly expanded on this market entry with the acquisition in September 2001 of an 80% interest in IFCO Inc. ("IFCO") from Isuzu Motors Limited, which continues to hold the remaining 20% interest. We acquired our 80% interest at a price of yen20 billion. IFCO is a truck leasing company with approximately 67,000 vehicles under lease and approximately yen300 billion in total assets as of September 30, 2001.

We purchased yen132 billion of housing loans from Asahi Mutual Life Company ("Asahi Mutual Life") in December 2001.

In March 2002, we acquired 22.14% of the outstanding common shares of Fuji Fire and Marine Insurance Co. Ltd. ("Fuji Fire & Marine"). Under this agreement, the American International Group ("AIG") also obtained a similar 22.14% stake in Fuji Fire & Marine. We purchased 108,768,000 shares at yen166 per share, for approximately yen18 billion.

Prior to and during the year ended March 31, 2002, we purchased approximately yen100 billion of real estate in connection with our establishment of a real estate investment corporation sponsored by ORIX ("the JREIT"), the investment units of which have been listed on the Tokyo Stock Exchange in June 2002. This real estate is included in other operating assets. Subsequent to completion of the offering of investment units of the JREIT, these assets no longer remain on our consolidated balance sheets. We retained approximately 20% of the investment units of the JREIT. In connection with the public offering of the investment units, we received the proceeds of approximately yen50 billion.

In March 2002, we reached an agreement with Hiroshima Sogo-Bank, Ltd. to form a strategic business alliance in which we purchased 95% of the outstanding shares of Hiroshima Sogo Leasing Co., Ltd. with Hiroshima Sogo-Bank, Ltd. retaining the remaining 5%. Hiroshima Sogo Leasing Co., Ltd. has assets of approximatelyyen27 billion.

On May 24, 2002, we announced that it had reached a basic agreement with Nippon Steel Corporation and Nippon Steel Trading Co., Ltd. to purchase 90% and 10% of the outstanding shares of Nittetsu Lease Co., Ltd. and Nittetsu Leasing Auto Co., Ltd., respectively, from Nippon Steel Trading Co., Ltd. The purchase is scheduled to be completed in July 2002. Nittetsu Lease Co., Ltd. had a book value in total assets of approximatelyyen137 billion as of March 31, 2002.

In general, we seek to expand and deepen our product and service offerings and enhance our financial performance by pursuing acquisition opportunities. Particularly in the current economic market environment in Japan, we believe there are numerous attractive potential acquisitions. We are continually reviewing acquisition opportunities, and is selectively pursuing several such opportunities. We have in the past deployed a significant amount of capital for acquisition activities, and expects to continue to do so.

Our Portfolio

The following chart shows the breakdown of our portfolio of businesses as of March 31, 2002.

Business profile	Major customers	Major operating c
Direct financing leases		
Information-related and office equipment	Middle market corporate customers	ORIX Corporation
	Shipping companies	ORIX Auto Leasing Corpo
Industrial equipment	Airline companies	ORIX Alpha Corporation
Construction and civil engineering machinery		IFCO Inc.
		ORIX Asia Limited
Commercial services equipment		ORIX Financial Services
Automobiles		ORIX Leasing Malaysia B
Marine vessels		PT. ORIX Indonesia Fina
Aircraft		ORIX Leasing Pakistan L
		ORIX Australia Corporat
		ORIX Europe Limited

Operating leases		
Measuring and analytical	Middle market corporate customers	ORIX Corporation
equipment	Shipping companies	ORIX Rentec Corporation
Automobiles	Airline companies	ORIX Rent-A-Car Corpora
Marine vessels		ORIX Real Estate Corpor
Aircraft		ORIX Australia Corporat
Real estate		ORIX Aviation Systems L
Installment loans		
Corporate finance	Middle market corporate customers	ORIX Corporation
Housing loans	Consumers	ORIX Trust and Banking
Card loans		ORIX Credit Corporation
Other consumer loans		ORIX Club Corporation
		ORIX Asia Limited
		ORIX Leasing Malaysia B
		PT. ORIX Indonesia Fina
		ORIX Financial Services
		ORIX Europe Limited
		ORIX IRELAND LIMITED
Life insurance		
Life insurance products sold	Middle market corporate customers	ORIX Life Insurance Cor
through agents and directly	Consumers	
to consumers		
Other operations		
Securities brokerage	Consumers	ORIX Corporation
Trust banking	Middle market corporate customers	ORIX Securities Corpora
Securities investment		ORIX COMMODITIES Corpor
Venture capital investment		ORIX Capital Corporatio
Securities and futures trading		ORIX Estate Corporation
Alternative investment		

Business profile	Major customers	Major operating c
Commodities funds		ORIX Real Estate Corpor
Insurance agency services		ORIX Asset Management C
Ship management		ORIX Asset Management a
Real estate development and		Services Corporation
management		ORIX Investment Corpora
Asset management		ORIX Trust and Banking
Leisure facility management		ORIX USA Corporation
Golf course management		ORIX Asia Limited
Training facilities management		ORIX Capital Markets, L
Driving school		ORIX Real Estate Equiti
Commercial mortgage servicing		ORIX Investment and Man
Hotel management		Private Limited
Professional baseball team		ORIX Europe Limited
Environmental services		ORIX IRELAND LIMITED

The following table sets out certain information as of March 31, 2002 with respect to the Company's significant subsidiaries including for each subsidiary the name, country of incorporation of residence, and proportion of ownership interest (direct or indirect) by ORIX:

Company	Principal business	Country
Japan		
ORIX Alpha Corporation..........	Leasing, Lending	Japan
ORIX Auto Leasing Corporation...	Automobile Leasing	Japan
ORIX Rentec Corporation.........	Precision Measuring and OA Equipment Rentals	Japan
ORIX Credit Corporation.........	Consumer Loans	Japan
ORIX Capital Corporation........	Venture Capital	Japan
ORIX Rent-A-Car Corporation.....	Automobile Rentals	Japan
ORIX Securities Corporation.....	Securities Brokerage and Online Trading	Japan
ORIX Estate Corporation.........	Real Estate and Leisure Facility Management	Japan
ORIX COMMODITIES Corporation....	Securities and Futures Trading	Japan
ORIX Club Corporation...........	Consumer Loans	Japan
ORIX Life Insurance Corporation.	Life Insurance	Japan
ORIX Trust and Banking Corporation..................	Trust, Banking Services and Housing Loans	Japan
ORIX Real Estate Corporation....	Real Estate Development and Management	Japan
ORIX Asset Management and Loan Services Corporation.........	Loan Servicing	Japan
ORIX Investment Corporation.....	Alternative Investment	Japan
ORIX Asset Management Corporation..................	REIT Management	Japan
IFCO Inc........................	Automobile Leasing	Japan
Asia & Oceania		
ORIX Investment and Management Private Limited.............	Venture Capital	Singapore

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Company	Principal business	Country
ORIX Asia Limited...............	Leasing and Investment Banking	China (Hong Kong)
ORIX Leasing Malaysia Berhad....	Leasing, Lending, Hire Purchase	Malaysia
PT. ORIX Indonesia Finance......	Leasing, Automobile Leasing	Indonesia
ORIX Australia Corporation Limited......................	Leasing, Automobile Leasing and Rentals	Australia
Middle East & North Africa		
ORIX Leasing Pakistan Limited...	Leasing, Automobile Leasing, Lending	Pakistan
North America		
ORIX Capital Markets, LLC.......	Loan Servicing, Corporate Debt Investment	USA
ORIX USA Corporation............	Investment Banking, Leasing	USA
ORIX Real Estate Equities, Inc..	Real Estate Development and Management	USA
ORIX Financial Services, Inc....	Leasing, Lending	USA
Europe		

ORIX Europe Limited............	Corporate Financing	UK
ORIX IRELAND LIMITED...........	Accounting and Administration Services	Ireland
ORIX Aviation Systems Limited...	Aircraft Leasing	Ireland

Strategy

Business strategy

Strengthening core middle market cross selling activities

The key to our strategy in Japan is a nation-wide corporate network that allows us to serve a core customer base comprised mainly of small and medium-sized companies. This client base forms the foundation of our strategy of cross-selling a variety of products and services to our clients. We are working to further strengthen these cross-selling activities by increasing our client base and expanding the range of innovative and value-added financial solutions that we can provide.

In efforts to increase the client base, we are pursuing three strategies. First, we continue to leverage our existing sales force, which includes the sales personnel of the parent company and those of subsidiaries and affiliates, to search out new contacts. Second, ORIX has a program called ORIX Quick Lease, in which small-ticket leases are offered through vendors and other distributors. In this program, the vendors are in direct contact with customers and ORIX carries out the credit evaluation and administration. ORIX evaluates the applications for such leases, identifying and contacting potential candidates for other products that ORIX provides. Management believes that this strategy should continue to allow ORIX to efficiently search out new opportunities for cross-selling. Third, ORIX has made a number of substantial acquisitions in recent years, which has allowed it to expand our customer base. From these acquisitions ORIX can approach the existing clients of the acquired company to offer our other products and services.

Members of our sales force act as both marketing agents and collectors of information on market demand. After meeting with customers and assessing their needs, sales personnel offer suitable products from specialized sections within ORIX such as ORIX Auto Leasing, ORIX Life Insurance, ORIX Trust and Banking, ORIX Securities, the Investment Banking Headquarters or the Real Estate Finance Headquarters. The marketing staff also provides

information on market developments to these specialized sections in order that they can develop products tailored to customer demands.

Increasing profitability through greater specialization

Our efforts to provide more innovative and value-added products support our strategy of increasing profitability through greater specialization. The demands of our customers are diverse and require sophisticated solutions. A traditional approach to financing, especially in the low-margin environment prevailing in Japan, would not enable ORIX to meet financial objectives. In order to satisfy the increasingly sophisticated financing needs of our customers and increase profitability, ORIX continues to expand our areas of specialization by offering training to existing employees, employing outside specialists and implementing organizational reforms to promote synergies amongst different sectors within ORIX. In addition, ORIX has made a number of acquisitions of companies with specialist capabilities. Recent examples include two building maintenance companies, and IFCO, a specialist truck lessor.

An important component of this focus on specialization is to increase the fee component of financial services. Particularly in Japan, where interest rates remain at record low levels and competition in the financing business is intense, it is necessary to create value by concentrating on providing value-added services along with financing. For example, ORIX Auto Leasing provides automobile fleet leasing to corporate clients that includes not only financing, but also service contracts that increase the overall profitability of the auto leasing business.

Pursuing investment banking opportunities

Based on our extensive experience in corporate finance and real estate-related businesses, we are pursuing a number of investment banking opportunities. These activities are conducted primarily by the Investment Banking Headquarters and the Real Estate Finance Headquarters located in the parent company, ORIX Corporation. Both these areas are important components of efforts to increase profitability through greater specialization. ORIX will continue to leverage our existing marketing network to gather information and provide investment banking services to our core customer base of small and medium-sized enterprises and pursue new sources of revenues, including investment banking and advisory fee businesses.

In order to promote more synergies, ORIX established the Investment Banking Headquarters in August 2000 by combining a number of teams and specialists that were spread throughout the company and were involved in investment banking activities. Our sales staff began receiving incentives based on the information that they gather for the investment banking business and it believes the potential in this area is substantial.

Part of our investment banking strategy includes making selective equity investments in existing companies. ORIX intends to provide the necessary expertise, information and human resources from the ORIX network, with the goal of raising the market value of the companies in which it invests and realizing capital gains when such companies are listed or sold.

Related to this investment banking focus is the strengthening of our real estate-related finance operations. ORIX formed the Real Estate Finance Headquarters to restructure and concentrate resources from a number of subsidiaries into one specialized section and to leverage our existing strengths in order to better position ourself to take advantage of deregulation and structural changes in the real estate market in Japan and the opportunities created thereby. We are one of the few companies in Japan that have the expertise to handle both the financing as well as the development, leasing and management of real estate. In addition, ORIX has been able to transfer know-how from our real estate operations in the United States and combine such experience with our expertise in the Japanese market.

In addition, with the restructuring of financial markets in Japan and deregulation that has opened up more opportunities for loan servicing companies, we have expanded our operations in loan servicing via our wholly-owned subsidiary, ORIX Asset Management and Loan Services Corporation ("OAMLS") that was established in 1999. OAMLS is now a major player in the distressed asset business in Japan. OAMLS also became the first company to be rated as a master, primary and special servicer in Japan, receiving the second highest ranking in all three categories by Standards and Poor's. ORIX expects the loan servicing business to become an important fee business in the coming years. In 2000, ORIX also established ORIX Asset Management to engage in the management of JREITs.

Growing retail financial services

ORIX believes that the retail financial services market in Japan has strong growth potential, aided by deregulation and growing consumer demand for innovative and attractive products and services. The range of products now offered by ORIX includes:

- Life insurance and medical insurance
- Bank deposits
- Housing loans
- Consumer card loans
- Small-lot commodities funds
- Discount brokerage services

We are taking advantage of direct marketing methods and technologies to make our products available and attractive to retail customers on a cost-effective basis. For example, ORIX Life Insurance markets life insurance through newspaper advertisements and the Internet rather than through sales offices and agents, thereby reducing costs and insurance premiums. ORIX Trust and Banking also reduces our administrative costs for direct deposits by servicing our customers over the Internet and by telephone, thus allowing it to offer higher interest rates on our deposits.

As part of this retail strategy, We are also making efforts to strengthen the ORIX brand. ORIX Create Corporation was established in 1999 to build and manage the ORIX brand and has focused our efforts on creating, maintaining and promoting the ORIX brand in the retail financial markets.

Pursuing selected international opportunities

By actively pursuing selected business opportunities in the Americas, Asia-Oceania, Europe, the Middle East and Northern Africa, ORIX has been able to take advantage of our expertise in leasing and other financial services to expand into these local markets while diversifying our sources of income. International operations have also allowed ORIX to introduce new products and services from overseas markets into the Japanese market.

The United States, where ORIX has operated since 1974, is likely to continue to be the largest single concentration of international operations, and ORIX expects to continue the strategy of focusing on selected specialized areas in leasing, corporate lending, real estate development and management, the corporate and real estate debt market, and commercial mortgage-backed securities business.

Despite recent economic deterioration in a number of Asian markets where ORIX operates, ORIX intends generally to maintain our present operations, and may pursue selected opportunities to expand our business in these markets if attractive opportunities arise.

In all geographic areas, ORIX will focus on areas where it expects to be able to utilize our existing expertise to expand operations or acquire specialized knowledge in particular financial services in order to pursue opportunities outside of Japan.

The Leasing Market in Japan

The Japanese leasing industry is highly fragmented, with 310 companies registered with the Japan Leasing Association as of March 31, 2002. In addition to these companies, a number of large credit companies not registered with the Japan Leasing Association also finance installment sales, which from the customer's perspective are economically similar to lease contracts. Except as otherwise noted, the data below is derived from data published by the Japan Leasing Association. Comparable data is not available for installment sales.

In fiscal 2002, the total annual value of new lease contracts reported by the Japan Leasing Association was yen7,734 billion. The value of new lease contracts in fiscal 2002 based on purchase costs represented 8.71% of total private fixed investment in Japan, as estimated by the Cabinet Office, a ministry of the Central Japanese Government. These leases include only financing leases as defined under Japanese GAAP, and as a result do not include installment sales contracts classified under U.S. GAAP, and by us, as direct financing leases.

The largest segment of financing leases in fiscal 2002 was information-related equipment (including computers and related equipment), which represented 39.8% of the total value of lease contracts, followed by industrial equipment (17.8%) and commercial service equipment (14.4%).

Small and medium-sized companies represented 45.1% of the total customer base in Japan as measured by value of lease contracts, while large companies comprised 47.7% of the customer base.

The following tables contain some additional information regarding the Japanese leasing market. The figures for the year ended March 31, 2002 in the Annual New Lease Contracts table are preliminary estimates. The figures for private fixed investments are estimates provided by the Cabinet Office.

Lease Financings by Equipment Type

	Years ended March 31,			
	1998	1999	2000	200
Information-related equipment...............	42.4%	44.0%	43.6%	39.
Industrial equipment.......................	18.1	16.7	18.4	18.
Commercial service equipment................	14.6	14.5	13.8	15.
Office equipment...........................	8.7	8.1	8.1	8.
Transportation equipment....................	7.2	6.6	6.5	7.
Medical equipment..........................	3.4	3.8	3.9	4.
Other......................................	5.6	6.3	5.8	7.

Annual New Lease Contracts

Year ended March 31,

	1998	1999	2000	20
		(Billions of yen)		
Total receivables under new lease contracts..	yen7,930	yen7,145	yen7,402	yen7
Annual new lease contracts (cost basis)......	7,018	6,315	6,586	6
Private fixed investment.....................	83,571	77,797	75,232	79
Annual new lease contracts as a percentage of private fixed investment..............	8.40%	8.12%	8.75%	8

Overview of Activities

Scope of domestic operations

Domestically our group is comprised as of March 31, 2002 of the Company, 100 subsidiaries, and a number of investments in affiliates. As of that date, we employed approximately 8,250 staff in Japan excluding our affiliates, and our domestic operations were serviced by a network of approximately 650 offices throughout Japan.

Approximately 78% of our revenues in the year ended March 31, 2002 were generated by our domestic operations. Activities conducted principally through subsidiaries include our automobile leasing business conducted by ORIX Auto Leasing and our operating lease business for high-precision measuring equipment and personal computers conducted by ORIX Rentec.

In addition to our leasing business, we have developed major operations in areas such as the life insurance business conducted by ORIX Life Insurance and real estate management and development conducted by ORIX Real Estate.

Scope of international activities

Since the establishment of our first overseas subsidiary in Hong Kong in 1971, we have competed in selected international markets through subsidiaries and investments in joint ventures as affiliates. At March 31, 2002, we operated in 21 countries outside Japan through 94 subsidiaries and affiliates. Our overseas operations, including the affiliates, employ approximately 4,500 staff, and include a network of approximately 200 offices.

ORIX USA is our base for operations in the Americas. Stockton Holdings Limited, an affiliate, conducts reinsurance operations and trades in futures. In July 1999, we increased our ownership of Banc One Mortgage Capital Markets, LLC from 45% to 100% and renamed the operations as ORIX Capital Markets, LLC, which services commercial mortgage loans and corporate debt.

In the Asia and Oceania region, ORIX Asia, a Hong Kong operating subsidiary, is engaged in leasing and installment sales operations and makes housing loans. Singapore has also become an important center for our business in the region.

ORIX also engages in leasing activities in other countries. Some of our domestic subsidiaries, such as ORIX Rentec and ORIX Auto Leasing, have also established overseas operations.

Profile of Businesses

Domestic operations are conducted by ORIX and a number of subsidiaries and affiliates.

In general, our domestic sales staff sells the full range of our products. However, some staff, such as the real estate staff, have specialized functions. Domestic subsidiaries, such as ORIX Auto Leasing, ORIX Rentec and ORIX Life Insurance, offer opportunities for cross-selling and other coordinated activities with our companies. Other subsidiaries serve more specialized functions. Products and services of these subsidiaries are handled by their dedicated sales staff, whose specialized training and experience are required in the markets they serve.

Our main customer base is comprised of small and medium-sized businesses. However, it has expanded our client base to large corporations in some business segments, such as leasing of high-precision measuring equipment. We have also targeted individual customers as a growth area in various business segments, such as the card loan, housing loan, rent-a-car and life insurance businesses.

Through our various product lines and distribution channels, we provide a variety of financing solutions responsive to the varying financing needs of our customers. We offer financing alternatives that accommodate specific maintenance, asset risk, cash flow, accounting, tax and other requirements of our customers. In many of our financing operations, we are able to offer a variety of financing alternatives for the same asset, including direct financing leases, operating leases or installment loans. We also offer options such as fixed or variable interest rates, principal installments and varying prepayment or cancellation options.

The extensive experience of our staff in leasing and secured financing allows them to effectively evaluate residual value risk and to manage equipment and residual value risks by locating alternative users or purchasers. See "--Management of residual assets".

Direct financing leases

Direct financing leases are one of our core business activities. The table below provides a geographical breakdown of our investment in direct financing leases as of March 31, 2002:

	As of March 31,	
	2002	
	(In millions of yen)	direc
Investment in direct financing leases in:		
Japan..	yen1,255,537	
Overseas...	403,132	
Total..	yen1,658,669	

As of March 31, 2002, the total balance of our investment in direct financing leases represented 30.0% of our total operating assets.

The table below provides a geographical breakdown of revenues from our direct financing leases for the year ended March 31, 2002:

	Year ended March 3	
	2002	
	(In millions of yen)	direc
Revenues from direct financing leases in:		
Japan	yen84,151	
Overseas	37,763	
Total	yen121,914	

Our revenues from direct financing leases represented 18.5% of our total revenues in the year ended March 31, 2002.

The typical direct financing lease is for one specific user, with financial terms designed to recoup most, if not all, of the initial cost of the equipment during the initial contractual lease term. Payments are usually made monthly in a fixed amount. A direct financing lease is generally non-cancellable during the term of the lease. The term of a typical direct financing lease in Japan is approximately five years. We engage in direct financing lease operations in Japan and in most countries in which we have operations. Our direct financing lease operations cover most types of equipment, broadly categorized into information-related and office equipment, industrial equipment, commercial services equipment, transportation equipment, and other equipment.

The following table shows the balance of direct financing lease assets by category of equipment:

	As of March 31,			
	1998	1999	2000	2001
	(In millions of yen)			
Information-related and office equipment	yen 623,203	yen 493,298	yen 373,281	yen 334,
Industrial equipment	473,140	444,261	394,581	372,
Commercial services equipment	273,730	224,080	194,809	193,
Transportation equipment	443,486	414,093	398,521	415,
Other	372,463	377,110	83,761	342,
Total	yen2,186,022	yen1,952,842	yen1,744,953	yen1,657,

The balance of investment in direct financing leases as of March 31, 2002 is essentially unchanged from that of the prior fiscal year-end, as a sharp increase in the balance of transportation equipment leases primarily due to acquisitions was offset by declines in other categories due to the securitization of lease assets and a decline in the level of new contracts compared with the previous fiscal year.

The above table does not include securitized lease assets. If securitized assets were included the total balance of direct financing lease assets would be yen1,968,872 million as of March 31, 2001, and yen2,033,818 million as of March 31, 2002.

At March 31, 2002, no single lessee represented more than 1% of our total portfolio of direct finance leases. As of March 31, 2002, approximately 75.7% of our direct financing leases were to lessees located in Japan, and approximately 15.0% of our direct financing leases were to lessees located in the United States.

The following table shows a breakdown of the components of investment in direct financing leases:

	As of March 31,			
	1998	1999	2000	2001
	(In millions of yen)			
Minimum lease payments receivable............	yen2,348,361	yen2,100,934	yen1,881,289	yen1,
Estimated residual value.....................	64,052	58,827	57,900	
Initial direct costs.........................	28,294	29,374	26,042	
Unearned lease income........................	(254,685)	(236,293)	(220,278)	(
Total..................................	yen2,186,022	yen1,952,842	yen1,744,953	yen1,

Information-related and office equipment

Information-related and office equipment includes computers and related equipment, as well as communication-related equipment. Japanese companies have significantly increased investment in information systems, and outsourcing by Japanese firms has increased the importance of lease financing. This category represents a major portion of our direct financing lease portfolio, reflecting our strategy to focus on profitable small-ticket leasing. Profitability was emphasized and contracted lease balances were stringently monitored. In addition, due to the small-lot nature of this type of agreement, lease assets in this market were often securitized, causing a decline in balance. We have also employed vendor programs in this sector to improve the efficiency of our origination activities, and we have systematized the contract process and automated credit evaluation. In the small-ticket lease sector we compete mainly with captive and non-captive credit companies rather than traditional leasing firms. We compete with these firms by maintaining a nationwide network of sales offices. We have been successful in penetrating the market. In particular we have developed a new customer base through our relationships with dealers and distributors. We also provide a range of complementary products and services.

Industrial equipment

Industrial equipment primarily consists of construction and heavy equipment, and pulp and paper milling equipment. The balance of investment in industrial machinery has decreased in line with the lower level of new contracts compared to previous year due to depressed domestic demand and the slowdown of the US economy.

Commercial services equipment

Commercial services equipment includes gaming machines, cash registers, showcases and point-of-sales systems. Despite an overall decline in Japanese personal consumption, the balance of investment in commercial services equipment has declined only slightly.

Transportation equipment

Transportation equipment within the direct financing lease portfolio consists almost entirely of automobile fleet leasing to corporate clients. ORIX Auto Leasing and IFCO, 80% of which was acquired in September 2001, are our main companies handling domestic operations. We also have automobile leasing companies in several countries in Asia and Oceania. This segment has become important in the direct financing lease portfolio as the demand for auto leasing services has increased both in Japan and in our overseas markets. Domestic demand for automobile leasing services has increased due to the general trends towards outsourcing and greater acceptance of fleet leasing by corporate customers. In addition, there is an increasing trend for Japanese companies not to own their own vehicle fleets, particularly when dealer negotiation, maintenance and the payment of taxes, insurance and other costs can be handled by one vendor, such as us.

We maintain a nationwide service network of approximately 8,000 agents and repair shops with which we have entered into arrangements to provide services for our leased automobiles. To further upgrade automobile maintenance capabilities, we supply ORIX-brand low-cost, high-quality automobile replacement parts to cooperating auto repair facilities. In addition, in a joint arrangement with three oil refining and distribution companies in 1998, we began to issue an Auto Management Service Card that can be used anywhere in Japan to allow customers to monitor fuel costs on a centralized basis and obtain other data services. Moreover, to deal with legal, labor-related, accident, and other types of risks, we provide comprehensive risk management services and

assist customers, from a variety of perspectives, in effectively managing and controlling costs related to automobile usage.

We are coordinating the marketing activities of our various business lines and subsidiaries to promote automobile leasing. In recent periods we have increased the scope of our corporate fleet leasing operations. As of March 31, 2002, we had a total of approximately 390,000 vehicles under lease. Based on the year ended March 31, 2001 data, we had a market share of approximately 12% of the domestic automobile leasing industry, which we believe made us the largest independent automobile lessor in Japan. We believe that our value-added services relating to vehicle maintenance and post-accident procedures enable us to provide quick and efficient comprehensive maintenance services. In order to diversify our access to secondary markets, and increase the returns on the eventual sale of vehicles from our fleet on which leases have expired, we have established five specialist automobile auction sites in Japan. These sites handled the sale of approximately 40,000 vehicles in the year ended March 31, 2002.

Other equipment

Other equipment that we lease to Japanese clients includes a wide range of medical equipment.

Quality of our assets

The following table provides information about our past due receivables and provisions for direct financing leases. Average balances are calculated on the basis of fiscal quarter-end balances:

	As of Marc	
	2000	2001
	(In millions of yen, except per	
90+ days past due direct financing leases...............	yen53,743	yen53,515
90+ days past due direct financing leases as a percentage of the balance of investment in direct financing leases..................................	3.1%	3.2%
Provisions as a percentage of average balance of investment in direct financing leases...............	1.1%	1.3%
Allowance for direct financing leases..................	yen35,783	yen40,885
Allowance for direct financing leases as a percentage of the balance of 90+ days past due direct financing leases..	66.6%	76.4%
Allowance for direct financing leases as a percentage of the balance of investment in direct financing leases..	2.05%	2.47%

The allowance for direct financing leases increased at March 31, 2002 mainly due to the consolidation of IFCO which was acquired by ORIX in September 2001. See "--Direct financing leases".

We believe that the ratio of allowance for doubtful receivables as a percentage of the balance of investment in direct financing leases was adequate as of March 31, 2002, because:

- lease receivables are generally diversified and the amount of the realized loss on each contract is likely to be relatively small;

- all the lease contracts are collateralized by the underlying leased equipment and we can expect to recover at least a portion of the outstanding lease receivables by selling the underlying equipment; and

- the allowance for doubtful receivables on direct financing leases as a percentage of the balance of 90+ days past due direct financing leases was 74.8% as of March 31, 2002.

The ratio of charge-offs as a percentage of the balance of the investment in direct financing leases averaged 0.95% for the three years ended March 31, 2002. We recognize that, due to our charge-off policy, historical ratios of charge-offs as a percentage of the balance of our investment in direct financing leases may be lower than if we had taken charge-offs on a more timely basis. Accordingly, in evaluating whether the ratio of allowance for doubtful receivables as a percentage of the balance of our investment in direct financing leases is adequate, we do not give as much weight to historical charge-off ratios as we do to the other factors discussed above.

Operating leases

Operating leases constitute another of our principal business activities. The table below provides a geographical breakdown of our operating lease assets as of March 31, 2002:

	As of March 31, 200	
	(In millions of yen)	(per op
Investment in operating leases in:		
Japan	yen338,719	
Overseas	135,772	
Total	yen474,491	

As of March 31, 2002, our total operating lease assets represented 8.6% of our total operating assets.

The table below provides a geographical breakdown of revenues from our operating leases for the year ended March 31, 2002:

	Year ended March 31	
	(In millions of yen)	(percenta from
Revenues from operating leases in:		
Japan	yen 87,732	
Overseas	33,075	
Total	yen120,807	

In the year ended March 31, 2002, our revenues from operating leases represented 18.3% of our total revenues.

Operating leases differ from direct financing leases in that they are generally cancellable by the lessee. The lessor does not substantially recoup the initial cost of the item through lease payments during the initial lease term.

Therefore, the lessor usually leases out the same item sequentially to more than one customer (or to the same customer under successive lease contracts) during its useful life. In the Japanese marketplace, operating leases are often referred to as rentals. The lessor in an operating lease bears the inventory risk. This means that the lessor must always maintain strong links to secondary markets for the purchase and sale of used equipment. The principal participants in these informal, unregulated markets are brokers and dealers who specialize in the purchase and sale of used equipment.

Our operating lease operations cover most types of equipment. These are broadly classified into three principal market segments: transportation equipment, measuring equipment and personal computers, and real estate and other.

The following table shows the balance of operating lease assets by segment:

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	As of March 31,			
	1998	1999	2000	200
	(In millions of yen)			
Transportation equipment.....................	yen195,392	yen181,886	yen159,548	yen165
Measuring equipment and personal computers...	59,989	58,552	58,431	77
Real estate and other........................	179,685	170,718	179,597	208
Total..................................	yen435,066	yen411,156	yen397,576	yen451

The balance of our total investment in operating leases increased by 5.2%, or yen23,320 million, from March 31, 2001 to March 31, 2002.

Transportation equipment

Transportation equipment that we lease out under operating leases consists mainly of aircraft, automobiles and oceangoing vessels. Our fleet of aircraft as of March 31, 2002 stood at 23 owned and 39 managed aircraft. These are leased principally to European and North American carriers. We own 21 Airbus 320s, one Airbus 340 and one Boeing 737. We have limited our investment to these types of aircraft due to their relative liquidity in the leasing market. Our aircraft lease operations are managed by ORIX Aviation Systems. The weighted average useful life of our transportation equipment is 12 years.

Our two principal markets for automobile operating leases are Japan and Australia, although we also maintain automobile operating lease operations in several Asian countries.

Measuring equipment and personal computers

We have developed a strong position in the domestic measuring equipment and personal computer rental sector. We believe that we are the industry leader in the domestic market for measuring equipment. Our customers include major domestic and overseas electronics companies. We rent measuring equipment and personal computers primarily through a specialist subsidiary, ORIX Rentec. We believe that our inventory of more than 380,000 pieces of measuring and diagnostic equipment is the largest of its kind in Japan.

Our measuring and diagnostic equipment is used mainly in manufacturing facilities and research and development centers. This includes:

- equipment for testing emissions from cellular phones and personal handyphones;
- equipment for testing noise emissions;
- equipment for testing compliance of electrical circuitry with prescribed standards;
- laboratory and field use meteorological and environmental testing equipment (pollution monitoring equipment); and
- equipment for monitoring, testing and evaluating the electromagnetic performance of printed circuit boards and the efficiency of microprocessors.

ORIX Rentec maintains a website for the auction of used personal computers and measuring equipment. The weighted average useful life for our measuring equipment and personal computers is three years.

Real estate and other

We maintain a portfolio of 57 rental dormitories, which we rent to major domestic corporations for use by their staff. We also own and operate for rental purposes office buildings, approximately 2,000 apartment units, and a number of other real estate properties, located mainly in or near Tokyo and Osaka. The weighted average useful life for our real estate and other is 40 years.

Installment loans and investment securities

In the year ended March 31, 2002, our revenues from interest on loans and investment securities were yen121,962 million representing 18.5% of our total revenues. As of March 31, 2002, the balance of installment loans was yen2,273,280 million and the balance of investment in securities was yen861,336 million.

Installment loans

The table below provides a geographical breakdown of investment in installment loans as of March 31, 2002:

	As of March 31, 2002	
	(In millions of yen)	(percen instal
Investment in installment loans:		
Japan	yen1,840,289	
Overseas	432,991	
Total	yen2,273,280	

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The following table shows the balance of installment loans by domicile and type of borrowers.

	As of March 31,			
	1998	1999	2000	20
	(In millions of yen)			
Domestic consumer:				
Housing loans..........................	yen 426,559	yen 411,215	yen 396,748	yen 39
Card loans.............................	98,187	118,347	121,272	18
Other..................................	55,811	43,663	56,461	4
Subtotal...............................	580,557	573,225	574,481	61
Domestic commercial:				
Real estate related companies...........	213,911	188,085	203,537	22
Commercial and industrial companies.....	607,952	614,988	657,355	62
Subtotal...............................	821,863	803,073	860,892	85
Total domestic consumer and commercial..	1,402,420	1,376,298	1,435,373	1,46
Foreign commercial, industrial and other borrowers................................	377,761	368,661	337,754	35
Direct loan origination costs, net...........	14,644	16,928	18,312	2
Total..	yen1,794,825	yen1,761,887	yen1,791,439	yen1,84

As of March 31, 2002, we had no concentration of loans to borrowers in a single industry, other than loans to real estate related companies. At March 31, 2002, it had loans outstanding of yen311,609 million to real estate related companies and construction companies. Of that amount, a valuation allowance was required for loans with an outstanding balance of yen31,045 million. The remaining outstanding balance represents performing loans or the portion of loans secured by collateral.

As of March 31, 2002, approximately 81% of loans were to borrowers in Japan and approximately 11% were to borrowers in the United States.

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The above table does not include securitized assets. If securitized assets were included, the total balance of installment loans would be yen1,887,596 million as of March 31, 2001 and yen2,349,242 million as of March 31, 2002.

Loans to domestic consumer borrowers

We have three distinct categories of domestic consumer lending: housing loans, card loans and other lending. We select the type of borrower, undertake systematic credit and risk analysis, and tailor products to meet specific customer needs. Our lending experience in the real estate development sector has enabled us to form strong relationships with developers which provide us with attractive housing loan opportunities.

Substantially all of our card loans and small-lot consumer loans are unsecured. Despite the relatively small size of these loans, we have emphasized the selection of borrower type, and has developed products that differentiate it from our competitors. For example, it provides card loans that offer higher credit-quality individuals lower interest rates than those offered by consumer finance companies. It also undertakes rigorous credit evaluation procedures.

We distribute our housing loans principally through contacts with real estate developers and brokers while we distribute other consumer loan products through direct mail, print media and the Internet.

In the year ended March 31, 2000, we transferred our housing loan business from our Real Estate Finance Headquarters to ORIX Trust and Banking in order to respond effectively to diverse demands for housing loans from owners-occupiers as well as investors.

In September 2001, the Company, ORIX Trust and Banking and Asahi Mutual Life reached a preliminary agreement for ORIX Trust and Banking to purchase housing loan assets from Asahi Mutual Life. The purchase was completed at the end of December 2001 (approximately 14,400 loans totaling yen132 billion).

Loans to domestic commercial borrowers

Loans to domestic commercial borrowers include loans to real estate-related companies, as well as general corporate lending. Historically, a substantial portion of loans extended by ORIX were to real estate-related companies. However, in recent years, we have made few new loans to real estate-related companies. Reflecting changing industry trends, we receive financing proposals more for short-term bridge finance for homes and other real estate than for long-term project finance. We expect steady demand to continue for this type of lending in the short-to-medium term. Commercial lending covers the spectrum of Japanese corporate lending, including loans to the leisure industry, loans to consumer finance companies, and loans to the Japanese retail sector. Despite sluggish economic conditions in Japan, we have been able to achieve moderate growth in this segment by offering financing products that meet our customers' diverse needs.

Loans to foreign borrowers

Loans to foreign borrowers include our overseas ship finance operations and general corporate lending. These borrowers are primarily in the United States and Hong Kong. Substantially all of our overseas installment loans are to corporate customers, such as multinational shipping companies and North American corporate customers.

Quality of our assets

We classify past due installment loans into two categories: installment loans considered impaired under the definitions contained in FASB Statement 114 and 90+ days past due loans excluding amounts attributable to treatment under FASB Statement 114.

The following table provides information about our recorded investment in loans considered impaired under the definition contained in FASB Statement 114. The valuation allowance for each period is the required valuation allowance less the value of the collateral from impaired loans, calculated under FASB Statement 114.

	As of March 31,	
	2000	2001
	(In millions of yen)	
Impaired loans..	yen125,921	yen120,090
Impaired loans requiring a valuation allowance.........	83,408	73,636
Valuation allowance....................................	51,791	47,037

The allowance for impaired loans accounted for under FASB Statement 114 relates mainly to non-performing assets resulting from the collapse of the Japanese real estate market in and following 1992. Following the adoption of FASB Statement 114 in the year ended March 31, 1996, we increased the allowance for the category, principally as a result of a decline in the value of real estate collateral supporting these loans, despite the absence of significant change in the level of total outstanding value of these loans. In the year ended March 31, 2002, a charge-off of impaired loans amounting to yen8,475 million resulted in a decrease in the outstanding balances of impaired loans as of March 31, 2002 compared to March 31, 2001.

The following table provides the outstanding balances of impaired loans by region and type of borrowers. Domestic consumer loans in the "Others" category primarily consist of loans secured by stock and golf club memberships:

	As of March 31	
	2000	2001
	(In millions of y	
Domestic consumer:		
Housing loans..................................	yen --	yen --
Card loans.....................................	--	--
Others...	646	625
Subtotal....................................	646	625
Domestic commercial:		
Real estate related companies....................	49,432	48,527
Commercial and industrial companies..............	64,131	59,288
Subtotal....................................	113,563	107,815
Foreign, commercial, industrial and other borrowers....	11,712	11,650
Total..	yen125,921	yen120,090

The following table provides information as to past due loans and allowance for installment loans, excluding amounts attributable to treatment under FASB Statement 114. Average balances are calculated on the basis of fiscal quarter-end balances:

As of March

	2000	2001
	(In millions of yen, excep	
90+ days past due loans not attributable to treatment under FASB Statement 114............................	yen91,513	yen84,82
90+ days past due loans not attributable to treatment under FASB Statement 114 as a percentage of the balance of installment loans excluding FASB Statement 114 loans................................	5.4%	4.9
Provisions as a percentage of average balance of installment loans..................................	1.1%	1.0
Allowance for possible loan losses not attributable to treatment under FASB Statement 114..................	yen49,365	yen53,15

	As of March	
	2000	2001
	(In millions of yen, excep	
Allowance for loans not attributable to treatment under FASB Statement 114 as a percentage of the balance of 90+ days past due loans not attributable to treatment under FASB Statement 114..................	53.9%	62.7
Allowance for loans not attributable to treatment under FASB Statement 114 as a percentage of the balance of installment loans excluding FASB Statement 114 loans.	2.96%	3.08

At March 31, 2002, the allowance for loans not attributable to treatment under FASB Statement 114 as a percentage of 90+ days past due loans not attributable to treatment under FASB Statement 114 loans increased, reflecting a decline in value of collateral underlying assets and overall economic conditions in Japan with remained stagnant.

The following table shows the balance of 90+ days past due loans not attributable to treatment under FASB Statement 114 by domicile and type of borrowers:

	As of March 31,	
	2000	2001
	(In millions of yen)	
Domestic consumer:		
Housing loans....................................	yen67,066	yen60,316
Card loans and other.............................	16,825	14,832
Domestic commercial:		
Real estate related companies....................	191	808
Commercial and industrial companies..............	2,103	2,050
Foreign, commercial, industrial and other borrowers....	5,328	6,821
Total..	yen91,513	yen84,827

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The majority of these past-due loans were domestic housing loans to consumers secured by collateral (mostly first mortgages) where we received partial payments. A significant majority of these housing loans are to consumers who purchased condominiums for investment purposes. We make provisions against losses in this portfolio by way of general reserves for installment loans included in allowance for doubtful receivables. We make allowance for domestic housing loans after careful evaluation of the value of collateral underlying the loans, past loss experience and any economic conditions that may affect the default rate. These conditions include corporate and personal bankruptcies and increased unemployment rates.

We determine the allowance for card loans and other on the basis of past loss experience, general economic conditions and the current portfolio composition. In addition, we determine the amounts of necessary charge-offs and these amounts are added to provision against losses.

We believe that the level of the allowance as of March 31, 2002 was adequate because:

- we expect to recover a portion of the outstanding balance for 90+ days past due loans (excluding FASB Statement 114 loans) primarily because most 90+ days past due loans are domestic housing loans, which are generally made to individuals and generally secured by first mortgages; and

- the allowance for possible loan losses not attributable to treatment under FASB Statement 114 as a percentage of the balance of 90+ days past due loans not attributable to treatment under FASB Statement 114 was 75.7% as of March 31, 2002.

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The ratio of charge-offs as a percentage of the balance of installment loans averaged 0.93% for the three years ended March 31, 2002. We recognize that, due to our charge-off policies, historical ratios of charge-offs as a percentage of the balance of our investment in installment loans may be lower than if we had taken charge-offs on a more timely basis. Accordingly, in evaluating whether the ratio of allowance for possible loan losses as a percentage of the balance of installment loans is adequate, we do not give as much weight to historical charge-off ratios as we do to the other factors discussed above.

Investment securities

We maintain a sizable investment in various securities. The largest segment of this portfolio is the investment of the reserves in our life insurance operations. This is approximately 53.1% of our total investment in securities as of March 31, 2002. These reserves are generally invested in corporate debt. Overseas, we also have substantial holdings in corporate debt in the United States as well as emerging markets in Latin America, Eastern Europe and Southeast Asia. The following table shows our investment in securities by category of investment:

As of March 31,

	2000		2001		
	(In millions of yen, except percentage data)				
Trading securities..............	yen 390	0.1%	yen 581	0.1%	yen
Available-for-sale securities...	689,638	90.9	841,409	89.3	71
Held-to-maturity securities.....	11,404	1.5	13,005	1.4	1
Other securities................	56,949	7.5	87,163	9.2	12
Total......................	yen758,381	100.0%	yen942,158	100.0%	yen86

Corporate debt securities consist of general obligation and fixed interest rate instruments. Our portfolio included investments by our US operations in high yield debt securities with a balance of yen45,649 million and in commercial mortgage-backed securities with a balance of yen109,930 million as of March 31, 2002. Trading securities include securities held in the trading portfolio of ORIX Securities, ORIX Commodities and ORIX Capital Markets.

The following table provides the fair value of available-for-sale and held-to-maturity securities in each major security type:

	As of March 31,	
	2000	2001
	(In millions of yen)	
Available-for-sale securities:		
Japanese and foreign government bond securities........	yen 12,895	yen 25,431
Japanese prefectural and foreign municipal bond securities..	33,021	39,692
Corporate debt securities............................	482,417	604,145
Mortgage-backed and other asset-backed securities......	54,475	94,236
Funds in trust..	2,479	5,508
Equity securities....................................	104,351	72,397
	yen689,638	yen841,409
Held-to-maturity securities:		
Japanese and foreign government bond securities........	yen --	yen 142
Asset-backed securities...............................	11,404	12,864
	yen 11,404	yen 13,006

At March 31, 2002, marketable equity securities amounted to approximately 6.2% of our total investment in securities. We make these equity investments mainly to strengthen business relationships with customers.

Life insurance

Our life insurance business includes insurance underwriting and agency sales. Our life insurance underwriting business is conducted by our subsidiary

ORIX Life Insurance. Our life insurance agency sales business is conducted by the Company. Revenues from life insurance premiums and related investment income for the year ended March 31, 2002 were yen152,333 million ($1,143 million), or 23.1% of our total revenues.

ORIX Life Insurance

ORIX Life Insurance is a full-line life insurance underwriter, with total value of insurance contracts in force at March 31, 2002 amounting to yen3,653 billion. ORIX Life Insurance traditionally distributed our products through agents, including ORIX as well as independent agents. In September 1997 ORIX Life Insurance initiated ORIX Direct. ORIX Direct is Japan's first product suite that includes whole life, endowment, and term life insurance products offered through direct channels. Since this insurance is sold via newspaper advertisements, the Internet, and other direct channels, administration expenses such as agent fees and marketing office expenses are lower than for agency-based businesses.

The following table shows a breakdown of the balance of investments by ORIX Life Insurance as of March 31, 2002:

	As of March 31, 2002
	(In millions of yen)
Fixed income securities	yen433,463
Marketable equity securities	73
Other securities	23,596
Total investment in securities	457,132
Other investments	86,606
Total	yen543,738

Investments by ORIX Life Insurance other than securities consisted principally of real estate for rental and loans.

Real estate development and management

In addition to our real estate lending operations, we are involved in a range of property development and property management services. We own, operate and provide management services, including tenant and rental income management, for a number of commercial and other properties in Japan, including a corporate training facility, golf courses and hotels. Following our acquisition of Nihon Jisho in April 2001, we also own office building and residential property owned and operated by Nihon Jisho and land for subdivision development, and have subsidiaries involved in building maintenance and real estate appraisal business.

In August 2001, we acquired the majority of Kansai Maintenance, a building maintenance company through a tender offer. We expect that the acquisition of Kansai Maintenance will strengthen our ability to provide property operations and management services. In March 2002, we acquired the rest of Kansai Maintenance through a share exchange. The building maintenance business of Nihon Jisho and Kansai Maintenance were combined under a holding company called ORIX Facilities Corporation in May 2002.

We actively engage in real estate development. We have earned substantial profit from the planning and development of condominium buildings in Japan. In the year ended March 31, 2002, operating revenues from the condominium business accounted for approximately 48% of other operating revenues. In the United States, ORIX Real Estate Equities engages in real estate development, focusing on "build-to-suit" real estate development. This type of development enables us to secure the profitability of new projects through the prior arrangement of long-term leases and sales contracts.

Our real estate development activities cover both the residential and commercial property markets in Japan. We completed the subdivision and sale of approximately 1,100 residential apartment units in the year ended March 31,

2001 and approximately 1,900 units in the year ended March 31, 2002. We are also involved in commercial real estate development. The expertise that we have accumulated in more than 16 years in the Japanese real estate market, coupled with our financing capabilities, allow us to create one-stop development packages.

Since the adoption of the Law Concerning Securitization of Specified Assets by Special Purpose Companies in September 1998, we have actively engaged in the securitization of real estate assets. In this area, we draw on our experience from US operations and other expertise in handling leases, loans to corporations, and real estate business as we actively work to expand our securitization of real estate and other types of assets as well as developing our loan servicing operations.

On May 7, 2002, ORIX JREIT Inc. submitted a filing to the Tokyo Stock Exchange indicating our intention to make an initial public offering of units in the JREIT, 100% of which are presently owned by us. Prior to and during the year ended March 31, 2002, we acquired approximately yen100 billion in real property that was subsequently sold to JREIT. Subsequent to completion of the offering of investment units of the JREIT, these assets no longer remain on our consolidated balance sheets. We retained approximately 20% of the investment units of the JREIT. In connection with the public offering of the investment units, we received proceeds of approximately yen50 billion.

Other operations

Our other operations include the sale and structuring of commodities funds, securities brokerage, the sale of life and non-life insurance products offered by insurance companies other than ORIX Life Insurance, and several other businesses.

Securities brokerage

ORIX Securities Corporation is engaged primarily in equity and other securities brokerage activities. As financial sector deregulation proceeds in Japan, we expect that there will be significant opportunities to offer products and services that capitalize on synergies with our other affiliated companies. ORIX Securities has seats on the Tokyo Stock Exchange and the Osaka Securities Exchange.

Taking advantage of the deregulation of brokerage commissions in October 1999, ORIX Securities is offering discount brokerage services to individual investors. As part of this move to further develop our activities, ORIX Securities in May 1999 began to offer "ORIX ONLINE," an equity trading service available via telephone and the Internet.

Venture capital

In 1983 we established ORIX Capital to provide venture capital and related consultancy services for companies that are potential candidates for initial public offerings in Japan. As of March 31, 2002, assets under ORIX Capital's management were approximately yen20,342 million, consisting entirely of equity securities.

Insurance agency sales

We engage in life insurance agency sales through our network of approximately 1,900 registered sales agents. We serve as a sales agent for ORIX Life Insurance. ORIX Life Insurance also contracts with independent specialized insurance sales agents to market our products. ORIX Life Insurance's sales agents market through customer visits.

In September 1999, we formed a joint venture with the American International Group (AIG) to operate in the Japanese nonlife insurance sector. ORIX Insurance Planning Corporation is a domestic nonlife insurance agency that provides various types of nonlife insurance products such as fire and casualty insurance and other products including new types of liability insurance. ORIX Insurance Planning is developing new nonlife insurance products tailored to customers' requirements in cooperation with AIG and organizing distinctive marketing programs for those products.

Personal financial services

In 1997, we established our Personal Financial Services Department to examine the potential for it to enter the Japanese financial services sector. This market sector has been highly regulated with little product differentiation in Japan, and, consequently, offered us few opportunities. However, with the advent of financial deregulation in Japan, we expect that there will be many opportunities for us to enter the market, and capitalize on the brand recognition that we have built to date. We provide financial consulting and financial products tailored to meet the needs of Japanese consumers.

The Personal Financial Services Department began to offer Life Insurance Diagnostic Services in July 1997. These services provide detailed advice to customers regarding the type of insurance most suited to their individual lifetime financial plans. In addition, based on the data gathered while providing these services, the Personal Financial Services Department makes proposals for insurance products tailored to individual customers.

General and trust banking

ORIX Trust and Banking provides us with a general banking license and a trust business license. We engage primarily in direct marketing of deposit products and housing loans. As of March 31, 2002, the balance of deposits was approximately yen225 billion and the balance of these housing loans was approximately yen318 billion.

Waste management

We established ORIX Eco Services Corporation in 1998 to help our leasing clients deal with their waste management problems. Our activities include organizing a network of waste disposal companies and introducing as well as acting as intermediary between our customers and these waste disposal companies.

Loan Servicing

Through our subsidiary ORIX Capital Markets, we engage in the servicing of commercial mortgage loans collateralized primarily by real estate. As of March 31, 2002, ORIX Capital Markets serviced commercial loan portfolios on behalf of itself and outside investors with unpaid principal balances of approximately yen4,957 billion.

Other financial services

We maintain a network of leasing affiliates throughout Japan that have been established in cooperation with leading regional banks and other financial institutions.

Other activities

We own the ORIX Baseball Club, a professional baseball team named ORIX BlueWave which we acquired in 1988, as part of an overall initiative to promote our corporate image.

Management of Residual Assets

Our personnel have extensive experience in managing equipment over its full life cycle. We have the expertise to provide or arrange for required maintenance and repairs, to obtain required regulatory permits and to repossess equipment or real estate from defaulting credits. Although the estimated residual value of equipment under direct financing leases is on average approximately 3% of total receivables, this figure is greater for operating leases which carry inherently higher obsolescence and resale risks.

We have established relationships with service, repair and resale facilities throughout Japan, which reduce these risks. For example, ORIX Auto Leasing maintains alliances with approximately 8,000 servicing agents and repair facilities throughout Japan.

ORIX Rentec maintains two fully automated facilities that offer repair, servicing and recalibration services on personal computers and measuring equipment, as well as its own Internet auction site for used personal computers

and measuring equipment. We also maintain a relationship with a major personal computer manufacturer for personal computer servicing. We also coordinate the disposal of items that are of no further commercial use.

Environmental services provided by ORIX Eco Services include those which systematize the ultimate disposal of used leasing equipment.

International Operations

Since the establishment of our first overseas subsidiary in Hong Kong in 1971, we have competed in selected international markets through our subsidiaries and investments in international joint ventures. Our approach to international expansion has been to focus first on direct financing leases. We have either established wholly-owned operations or set up joint ventures with a strong local partner. In the cases of ORIX Financial Services in the United States and ORIX Polska S.A. in Poland, we have expanded through acquisitions. In addition to direct financing leases, in our international operations in various jurisdictions we offer automobile maintenance leases, operating leases for measuring equipment, personal financial services and aircraft leases. In the United States, we have undertaken a diverse range of financial and real estate-related business including corporate finance as well as real estate financing and development operations.

Our international operations have become a substantial part of our operations, generating approximately 22.3% of our total revenues in the year ended March 31, 2002. Of these overseas revenues, approximately 51.3% are from the Americas, 38.7% from the Asia and Oceania region, and the remaining 10.0% from Europe. Approximately 21.2% of our total assets are overseas operating assets, excluding assets attributable to the corporate segment and assets which belong to affiliate operations. Approximately 59.1% of overseas assets as of March 31, 2002 related to the Americas, 32.4% to Asia and Oceania, and the remaining 8.5% to Europe.

The Americas

After opening a representative office in 1974, we commenced formal operations in the United States in 1981 when we established a wholly-owned subsidiary, ORIX USA. Since then, we have significantly expanded our activities in the United States. ORIX USA owns 100% of the equity of ORIX Real Estate Equities, ORIX Financial Services and ORIX Capital Markets.

In the year ended March 31, 2002, we restructured our US operations in order to improve efficiency and to strengthen risk control. Most of the lease receivables of ORIX USA were transferred to ORIX Financial Services, while most of its loan receivables and investment securities were transferred to ORIX Capital Markets.

ORIX Real Estate Equities is a real estate development and management company, which we acquired in 1987. ORIX Real Estate Equities is headquartered in Chicago with offices in several major cities in the Unites States, and properties in ten states in the US and Toronto, Canada. The current operations of ORIX Real Estate Equities are focused on three main activities:

- build-to-suit development of retail, industrial and office projects;
- the acquisition of office and industrial properties that offer value-enhancement opportunities; and
- asset and property management.

These activities cover properties in our own portfolio as well as third party properties.

ORIX Financial Services, which was acquired in 1989, specializes in equipment finance and corporate lending.

In the year ended March 31, 2002, weakening conditions in the US economy continued to adversely affect the leasing business related to transportation, construction and other heavy equipment, resulting in an increase in doubtful receivables on direct financial leases. We are proactively responding to this development by implementing a restructuring program of ORIX Financial Services.

We have installed a new management team at ORIX Financial Services, replacing 40 members of senior management, and have reduced the number of ORIX Financial Services employees by roughly 40%. In addition, a specialist recovery team has been set up to pursue quick recovery on problem loans. At the same time, we are moving to diversify our portfolio further by increasing activities in business credit, structured finance and other new lending businesses.

In 1989 we became involved in the field of commodities trading and management, primarily through our investment in Stockton Holdings, a company that traded in futures and provided reinsurance. As of March 31, 2002 we owned 29.4% of the equity of Stockton Holdings, without taking into account outstanding options.

We increased our ownership from 45% to 100% in July 1999 of Banc One Mortgage Capital Markets, LLC, currently called ORIX Capital Markets. ORIX Capital Markets combines origination, commercial mortgage-backed securities investment, and servicing functions into a single entity focused on commercial mortgage capital markets. ORIX Capital Markets 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. In addition, ORIX Capital Markets also manages a portfolio of principally high yield corporate debt which was transferred from ORIX USA in August 2001.

Asia, Oceania and the Middle East

In 1971 we established our first overseas office in Hong Kong, and had 56 subsidiaries and affiliates at March 31, 2002. These companies do business in 16 countries in the Asia, Oceania and the Middle East regions. During about 30 years that we have maintained a presence in Asia, ORIX Asia, based in Hong Kong, has been the base for our expansion and operations in the region. ORIX Asia provides a wide range of financial services. Singapore has been another center for our activity in the region. We now have five ORIX subsidiaries and affiliates in Singapore undertaking leasing, rental, ship financing, securities investment and venture capital operations.

Although we provide a broad range of financial products and services throughout the Asia and Oceania region, our primary focus has been on the leasing operations. We introduced lease financing to, and are the leading lessor in, most of the countries in this region. In this region, as in other regions, we have employed two strategies in managing our operations. First, we have focused on local business demand rather than on expatriate business demand. This strategy has resulted in our Asia and Oceania portfolios being composed of a large volume of small transactions which has had the effect of dispersing risk. Second, we have sought to procure funds and transact business in the relevant local currency and thus minimize currency fluctuation risk.

Our domestic subsidiaries have also been expanding into the region. For example, we have established specialized auto leasing operations in Singapore, Taiwan and Malaysia, and ORIX Rentec established personal computer and measuring equipment rental operations in Singapore in 1995, Malaysia in 1996 and South Korea in 2001.

We have also expanded our activities into and throughout Asia and Oceania including the Middle East and North Africa through our overseas subsidiaries and affiliates such as ORIX Australia Corporation Limited, ORIX New Zealand Limited, ORIX Leasing Pakistan Limited, ORIX Investment Bank Pakistan Limited and Infrastructure Leasing & Financial Services, Ltd in India.

Europe

We initiated our activities in Europe in 1974, when we established a liaison office in London. We conduct our current European operations principally through ORIX Europe Limited ("ORIX Europe"), ORIX IRELAND LIMITED (established in 1988 as a finance vehicle for our European operations), ORIX Aviation Systems in Dublin (which has marketing, technical, legal and administrative teams to develop our international aircraft operating lease business), and ORIX Polska S.A. (an equipment leasing company in Warsaw).

Multinational transportation operators are the principal customers of our European operations.

Established in 1982, ORIX Europe provides leasing, general and corporate lending and other financial services throughout Europe. These include international ship financing, real estate financing and investment in international securities.

Property, Plants and Equipment

Because our main business is to provide diverse financial services to our clients, we do not own any factories or facilities which manufacture products. There are no factories currently under construction, and we have no plans to build any factories in the future.

Our most important facility that we own is our headquarters building. Our headquarters is in Shiba, Minato-ku, Tokyo and covers a floor space of 19,662 square meters. We have no plans to expand our headquarters or to build additional material offices. See also "--Description of Property".

Regulation

We are incorporated under the Commercial Code and our corporate activities are governed by the Commercial Code.

There is no specific regulatory regime in Japan which governs the conduct of our direct financing lease and operating lease businesses. Our installment loan business is regulated by two principal laws which also regulate the activities of credit card providers: the Acceptance of Contributions, Money and Interest Law and the Regulation of Moneylending Business Law.

The Moneylending Business Law requires all companies engaged in the money lending business, whether they are installment finance companies, leasing companies, credit card companies or specialized consumer loan finance companies, to register with the relevant authorities. As registered moneylenders, our registered companies are regulated by the Financial Services Agency, which has the right to review registered moneylenders' operations and inspect their records to monitor compliance with the provisions of the Moneylending Business Law. The Financial Services Agency has the authority, and is obliged, to cancel a registration upon substantial noncompliance with law, failure to comply with some administrative orders and under other circumstances.

The insurance industry in Japan is regulated by the Insurance Business Law. Insurance business may not be carried out without a license from the Financial Services Agency. There are two kinds of licenses related to insurance businesses: one for life insurance businesses and another for non-life insurance businesses. The same entity cannot obtain both of these licenses. In general, ORIX Life Insurance, as an insurance company, is prohibited from engaging in any other activity. Insurance solicitation which we conduct is also governed by the Insurance Business Law. We are registered as a sales agent with the Ministry of Finance, the government authority formerly in charge of supervising the insurance business at the time of our application for the registration.

We operate our securities business through ORIX Securities. The Securities and Exchange Law of Japan (the "Securities and Exchange Law") and related laws and regulations apply to the securities industry in Japan. The Securities and Exchange Law regulates both the business activities of securities companies and the conduct of securities transactions. ORIX Securities is subject to these and other laws and regulations. Violation of these provisions could result in sanctions against ORIX Securities or our officers and employees.

General banking and trust businesses, which are operated by our banking subsidiary, ORIX Trust and Banking, are also regulated. In general, the Banking Law governs the general banking business and the Trust Law and the Trust Business Law govern the trust business. These banking businesses may not be carried out without a license from the Financial Services Agency and are supervised by the Financial Services Agency.

The Law for Special Measures Concerning the Debt Management and Collection Business (the Servicer Law), which was enacted in 1998, allows companies meeting certain specified criteria to obtain a license to manage and collect certain assets. At the time of enactment, the consumer loans did not fall within the definition of qualifying assets such that the Servicer Law was essentially not applicable to the servicing of consumer loans. The amendments to the Servicer Law, in effect since September 1, 2001, have expanded the definition of assets to include (i) loan receivables owned by moneylenders which are registered under the Money Lending Business Law, (ii) monetary

receivables owned by certain special purpose companies incorporated for the special purpose of collecting and managing the specified assets, and (iii) monetary receivables, regardless of the owner thereof, in respect of which insolvency proceedings have been commenced.

ORIX Asset Management, a wholly-owned subsidiary of ORIX Corporation, is registered under the Laws Concerning Investment Trusts and Investment Corporations (the "Investment Trust Law") as an asset manager for JREITs. Under the Investment Trust Law, investment trusts and investment corporations may only make investments that are specifically prescribed by law. Real estate was not among the prescribed investments until November 2000. Permitted real estate investments are not limited to physical real estate, but include investments in specifically prescribed real estate-related rights, such as trust beneficiary interests in real estate. Units can be listed on a stock exchange and are eligible for certain tax benefits, provided they meet applicable requirements under Japanese law. JREITs which are listed on the Tokyo Stock Exchange may only make investments permitted by the JREIT listing rules of the Tokyo Stock Exchange and the rules of the Investment Trusts Association. Investment corporations must register with the Financial Services Agency prior to commencing their investment activities.

Outside of Japan, some of our businesses are also subject to regulation and supervision in the jurisdictions in which we operate.

Competition

Our markets are highly competitive and are characterized by competitive factors that vary by product and geographic region. Our competitors include independent and captive leasing and finance companies and commercial banks. Some of our competitors have substantial market positions. Many of our competitors are large companies that have substantial capital and marketing resources, and some of these competitors are larger than us and may have access to capital at a lower cost than we do. Competition in Japan and a number of other geographical markets has increased in recent years because of deregulation and increased liquidity. The markets for most of our products are characterized by a large number of competitors. However, in some of our markets, such as automobile leasing and small-ticket leasing, competition is relatively more concentrated.

Japan's leasing industry has a small number of independent leasing companies. Many leasing firms are affiliated with banks, trading houses, manufacturers and financial organizations. Furthermore, many of these specialize in specific products, product ranges, or geographical regions. We have established a nationwide network and distribute a full range of leasing and other financial products. Similarly, our array of other financial products and services, and the seamless way in which they are presented, make us unique in the Japanese marketplace. This ability to provide comprehensive financial solutions through a single sales staff and cross-sell a variety of products is one of our competitive advantages, and sets it apart from our domestic competitors. Credit tightening has led to a general reduction in aggressive marketing from most domestic competitors. We believe that this factor, coupled with our ability to access funds directly from the capital markets, will allow us to expand our domestic leasing operations as consolidation proceeds within the industry.

Recently, a number of non-Japanese finance companies have established bases in Japan, or are in the process of increasing sales and marketing initiatives. Many of these companies compete with us in specific fields. However, in general we maintain the same competitive advantage that we enjoy over many domestic competitors in that we offer a range of products and services that offer customers more than a simple leasing product. Furthermore, our established network of sales offices and experience in the Japanese marketplace provides us with advantages over foreign leasing and asset finance firms entering the Japanese marketplace.

In small-ticket leasing we compete more with credit companies than with traditional leasing firms. These companies, like us, have significant experience and expertise in handling a large volume of small-ticket transactions. We use our nationwide coverage and ability to offer a broad range of financial products and services to compete with these firms.

Recent consolidation and alliances among life insurance companies in Japan have increased competition within the insurance industry. While Japanese commercial banks are not currently permitted to sell insurance products directly, scheduled deregulation of the insurance industry is expected to permit them to sell life insurance products through subsidiary or affiliate insurance companies at the bank branch offices. In the event that such deregulation is

implemented, the commercial banks could pose a competitive challenge to our life insurance operations. If existing Japanese life insurers are acquired by foreign insurers, such foreign insurers would gain access to established networks of sales agents.

Description of Property

Our operations are generally conducted in leased office space in numerous cities throughout Japan and the other countries in which it operates. Our leased office space is suitable and adequate for our needs. We utilize, or plan to utilize in the foreseeable future, substantially all of our leased office space.

We own office buildings, including one used as our principal executive offices, apartment buildings and recreational facilities for our employees with an aggregate value as of March 31, 2002 of yen76,987 million.

Legal Proceedings

We are a defendant in various lawsuits arising in the ordinary course of our business. We aggressively manage our pending litigation and assesses appropriate responses to lawsuits in light of a number of factors, including potential impact of the actions on the conduct of our operations. In the opinion of management, none of the pending legal matters is expected to have a material adverse effect on our financial condition or results of operations. However, there can be no assurance that an adverse decision in one or more of these lawsuits will not have a material adverse effect.

Item 5. Operating and Financial Review and Prospects.

General

The following discussion and analysis provides information that management believes to be relevant to understanding our consolidated financial condition and results of operations. This discussion should be read in conjunction with the consolidated financial statements of ORIX, including the notes thereto, included in this Annual Report.

Overview

We are engaged principally in financial service businesses. These include leasing and commercial and consumer finance businesses in Japan and in overseas markets. We earn our revenues mainly from direct financing leases, operating leases and life insurance premiums, as well as interest on loans and investment securities. Our expenses include mainly interest expense, depreciation on operating leases, life insurance costs, selling, general and administrative expenses and provision for doubtful receivables on direct financing leases and possible loan losses. We require funds mainly to purchase equipment for leases, extend loans and invest in securities.

We earn most of our revenues from our operations in Japan. Revenues from overseas operations have also contributed significantly to our operating results in recent periods. Overseas operations generated 24.4% and 22.3% of our total revenues in the years ended March 31, 2001 and March 31, 2002, respectively.

Presentation of income from investments

We present income from investments in separate lines of our consolidated statements of income, depending upon the type of security and whether the security is held in connection with our life insurance operations. The balances of our investments in securities are shown by type of security and operation as of the end of each of the last three years ended March 31, 2002 in the tables below.

As of March 31, 20	
Life Insurance	Other operation

	(In millions of yen)	
Fixed income securities	yen390,523	yen203,689
Marketable equity securities	13,243	91,108
Other securities	13,379	46,439
Total	yen417,145	yen341,236

	As of March 31, 20	
	Life Insurance	Other operation
	(In millions of yen)	
Fixed income securities	yen519,995	yen256,514
Marketable equity securities	7,167	65,230
Other securities	9,975	83,277
Total	yen537,137	yen405,021

	As of March 31, 20	
	Life Insurance	Other operation
	(In millions of yen)	
Fixed income securities	yen433,463	yen242,956
Marketable equity securities	73	53,448
Other securities	23,596	107,800
Total	yen457,132	yen404,204

Interest we earn on fixed income securities and on interest-earning securities classified in other securities held in connection with operations other than life insurance is reflected in our consolidated statements of income as interest on loans and investment securities. All other income and losses (other than foreign currency transaction gain or loss and write-downs of securities) we recognize on securities held in connection with operations other than life insurance are reflected in our consolidated statements of income as brokerage commissions and gains on investment securities. All income and losses (other than foreign currency transaction gain or loss and write-downs of securities) we recognize on securities held in connection with life insurance operations are reflected in our consolidated statements of income as life insurance premiums and related investment income.

Policies relating to non-performing assets and charge-offs

We review delinquencies or other transactions which are not in compliance with our internal policies as frequently as every two weeks in the case of domestic transactions. Transactions with payments three months or more overdue are reported to the corporate executive officer responsible for the Investment and Credit Evaluation Group. We stop accruing revenues on direct financing leases and installment loans when principal or interest is past due 180 days or more, or earlier if management determines that it is doubtful that it can collect on direct financing leases and installment loans. The decision is based on factors such as the general economic environment, individual clients' creditworthiness and historical loss experience, delinquencies and accruals. After we have set aside provisions for a non-performing asset, we carefully monitor the quality of any underlying collateral, the status of management of the obligor and other important factors. When we determine that there is little likelihood of continued repayment by the borrower or lessee, we sell the leased equipment or loan collateral, and we record a charge-off for the portion of the lease or loan that remains outstanding.

Our charge-off policy is greatly affected by Japanese tax law, which limits the amount of tax deductible charge-offs. Japanese tax law allows companies to charge off doubtful receivables on a tax deductible basis only when specified conditions are met. Japanese tax law does not allow a partial charge-off against the total outstanding receivables to an obligor. Japanese regulations do not specify a maximum time period after which charge-offs must occur.

It is common in the United States for companies to charge-off loans after they are past due for a specific arbitrary period, for example, six months or one year. However, we are required to keep our primary records in accordance with Japanese tax law. Japanese tax law does not allow Japanese companies to adopt a policy similar to that in the United States. If we had prepared our accounting records as if each charge-off had occurred at an arbitrary date, the differences in our financial statements would be a reduction in gross receivables, an identical reduction in the allowance for doubtful receivables and a change in the timing of charge-offs. We believe that the most significant of these differences, when comparing ourselves to other non-Japanese companies (particularly US companies), may be the delay in when we record a charge-off. In a period of worsening economic conditions and increasing delinquencies, we may reflect a lower charge-off ratio than we would if we applied the charge-off policies used by some non-Japanese companies.

FASB Statement 121 requires that long-lived assets and certain identifiable intangibles held and used by ORIX and its subsidiaries be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We conduct this review for impairment by using undiscounted future cash flows expected to be generated by the assets. During the three years ended March 31, 2002, ORIX and certain subsidiaries wrote down certain real estate development projects included in investment in operating leases, other operating assets, and advances in the consolidated balance sheets to their fair values. An impairment loss was recognized for each of the periods in the amount by which the carrying amount of the assets exceeded fair value determined by external appraisals.

Risk Management

Our business activities contain elements of risk. We consider the principal types of risk to be credit risk, asset/liability risk, and, to a lesser extent, operational and legal risk.

We consider the management of risk essential to conducting our businesses and to maintaining profitability. Accordingly, our risk management systems and procedures are designed to identify and analyze our risks, to set appropriate policies and limits and to continually monitor these risks and limits by means of reliable administrative and information systems and other policies and programs.

Credit risk management

We have established an organizational structure specifically designed to allow the management of credit risk in each business segment. We employ a risk management system under which both the relevant marketing department and our independent Investment and Credit Evaluation Group make thorough evaluations of customer-, industry-, and country-related risks. The Investment and Credit Evaluation Group consists of approximately 70 specialized staff. In addition, some of our domestic subsidiaries, such as ORIX Auto Leasing and ORIX Credit, have their own independent credit departments. Another independent specialized Real Estate Appraisal Department, consisting of approximately 40 specialized staff, focuses on the appraisal of real estate collateral. Based on internal standards, we methodically evaluate individual financing proposals and determines whether or not they should be approved. Financing and leasing assets are evaluated for credit and collateral risk both during the credit granting process and periodically after the advancement of funds.

We maintain a unified set of credit evaluation practices with regard to all of our operations. Our credit evaluation consists of three basic steps: (i) initial evaluation to determine whether it will enter into each individual transaction; (ii) monitoring of contracts for potential defaults or problems; and (iii) corrective action for the management of defaults and other problem transactions.

Initial evaluation--domestic

Staff members in our sales and marketing business units are authorized to approve credit within limits that correspond to the seniority of the staff member making the credit evaluation. If proposed transactions exceed these credit limits within the marketing departments, the transaction is referred to our Investment and Credit Evaluation Group. In addition, a composite, on-line record of all transactions able to be approved within the sales and marketing business units is available to almost all of our employees, including the Investment and Credit Evaluation Group. If the transaction exceeds the limits which the Investment and Credit Evaluation Group is authorized to approve, the

matter is referred to our Investment and Credit Committee for ultimate determination. The Investment and Credit Committee, which consists of at least five corporate executive officers, including the heads of the departments originating relevant transactions, meets twice or three times per month in order to review and approve large domestic and overseas transactions.

In the initial evaluation process, the salesperson will first obtain financial statements and other relevant financial information from the customer covering at least the three years prior to the application. We do the evaluation of credit on a cumulative basis so that an existing customer seeking new credit will be re-evaluated if the new application, when coupled with existing, outstanding credit, exceeds the limit granted by the last evaluation. The salesperson will then interview senior management from the customer seeking credit. If further investigation is necessary, we may retain independent credit agencies.

The credit evaluation process is provided in a series of manuals that we have developed to ensure that the credit evaluation process is adhered to and executed in a methodical manner. These manuals provide management risk acceptance criteria for:

- acceptable maximum credit lines;
- selected target markets and products;
- the creditworthiness of borrowers, including credit history, financial condition, adequacy of cash flow and quality of management; and
- type and value of underlying collateral and guarantees.

These manuals are reviewed by management and staff and amended or improved as required.

We receive credit-related information such as bankruptcies, defaults, changes in the repayment terms and deterioration of business operations from certain agencies on a daily basis and records such information in the database accessed by the sales and marketing business units.

Initial evaluation--international

We operate a number of subsidiaries and affiliates outside Japan. All of these companies maintain systems and procedure manuals that are similar to those we maintain within Japan, with modifications incorporated to take into account local business practices and economic conditions and the varying natures of the transactions being undertaken. Some of these companies, particularly subsidiaries at which the Company's secondees are stationed, use systems and procedure manuals that are substantially similar to those used by ORIX, while others, particularly affiliates, use their own credit evaluation procedures. Substantially all subsidiaries refer transactions exceeding fixed limits to our Investment and Credit Evaluation Group, or to the Investment and Credit Committee, for ultimate determination. For some of these companies, we carry out country and region evaluations on a regular basis to minimize exposure to potentially high risk markets.

Monitoring

We maintain monitoring systems that allow us to evaluate the creditworthiness of customers and identify potential problem transactions. In particular, management reviews the financial position of lessees and borrowers by monitoring the collection of receivables from these lessees and borrowers. Coupled with the initial evaluation systems, this kind of monitoring enables us to manage our exposure to particular industries, countries or regions, customers and products within our portfolio. For each industry segment we carry out periodic, industry sector evaluations to reduce exposure to potentially high risk market segments.

We review delinquencies or other transactions which are not in compliance with our accepted practices daily in the case of domestic transactions. Our management reviews accounts that are three months or more overdue. We classify accounts six months overdue as non-accrual. However, some exceptions to these time limits apply when composition of more stringent requirements is necessary due to the nature of the transaction, such as transactions for

big ticket aircraft, real property or ship leasing and financing transactions.

Under current procedures, we are not aware of any potential problem accounts which are likely to impact future operations.

The Investment Credit Evaluation Group monitors the customers' repayment status on-line and reports any delinquencies to the business units.

Under internally established rules, the management of each overseas subsidiary and affiliate prepares reports on delinquent transactions on a monthly basis, which are forwarded to our International Credit Group. The International Credit Group then compiles these into a report that is sent to our management. We monitor overseas transactions by product, region, country and currency and the executive management reviews the information semi-annually or more frequently, if necessary. The ratings for country risks are also evaluated semi-annually.

Remedial measures

As part of the credit management process, we maintain systems that establish procedures for the handling of problem transactions, from consulting measures that help customers rehabilitate their activities, to repossession, legal adjudication, and obtaining further guarantees or collateral as required. Repossession is also integrated, to the extent that it may be, with our secondary market operations.

Exchange-rate risk management

We enter into foreign exchange forward contracts and foreign currency swap agreements to hedge foreign currency risks. In principle, we hedge foreign currency risk related to our foreign currency denominated transactions and overseas investments, and overseas group companies procure funds locally. However, certain positions involving foreign currency risk are managed individually.

Derivatives risk management

We establish market risk management regulations determined by the Investment and Credit Committee, and each group company that engages in derivatives transactions has established market risk management parameters. Based on those parameters, the object of the risks which should be managed and the types of hedging methods are clarified, while an internal check system has been established to separate the functions of departments responsible for execution, hedging efficacy evaluation, and related administration tasks. We prepare quarterly reports on each group company's transactions that include compilations of such information as the national principal, fair market value, hedging method, and hedging efficacy associated with each type of transaction and each counterparty.

Credit evaluation by industry segment

Direct financing leases and operating leases

We carry out lease financing credit procedures in accordance with the credit evaluation process. However, in lease transactions, generally the only collateral is the leased item itself, and we generally assume that there is little or no residual value in case of default. Therefore, we place particular emphasis on the creditworthiness of the customer and the soundness of all aspects of the customer's business to minimize any risk of default.

Installment loans

In installment loan operations, managing credit risk and controlling loan charge-offs depends on the evaluation of each corporate borrower's creditworthiness and the underlying collateral.

Except for a range of low-limit personal card loans, all of our consumer lending is done only after interviewing the applicant and receiving all relevant financial data. In order to reduce default and other risks, we only target some borrower profiles, and we always obtain third party credit reports. Our domestic installment loans are mostly secured by real estate collateral, except for card loans which are mostly unsecured because the maximum amount of each loan transaction is relatively small. We use a collateral evaluation manual, issued by our Investment and Credit Evaluation Group, to determine the value of each item of collateral and ascertain the appropriate loan amount for the relevant transaction by considering a loan to value ratio. The value of collateral is derived after considering factors

such as the type of collateral and risk factors inherent in each type. In domestic residential home loans, we generally obtain a registered first mortgage, and use the specialized staff from the Real Estate Appraisal Department to assess collateral and other risks. If collateral is a traded security, the value of collateral is determined by referring to our current market value. Separate manuals set out lending principles for loan staff to use in making credit determinations.

Most overseas loans are also secured by various forms of collateral. Our overseas subsidiaries which conduct installment loan operations have similar systems and procedures in place to evaluate and monitor the adequacy of collateral in support of a loan. For example, in the case of overseas commercial and home mortgage lending, our subsidiaries employ independent property valuation professionals to assess collateral and other risks.

The assessed value of collateral is reviewed periodically, at least once a year, and we generally request the borrower to provide additional collateral where the value is no longer sufficient to support the loan.

Other operations

In addition to Investment and Credit Evaluation Group staff, the specialized Real Estate Appraisal Group has approximately 40 employees that are experienced in the valuation of real property collateral and development proposals.

Separate manuals set out more stringent procedures for transactions where the size or nature of the transaction require greater care, such as transactions for ship leasing and financing, aircraft leasing, investment in securities and transactions involving complex financial products such as commodities funds. The evaluation of credit and collateral is handled by specially trained staff with experience in evaluating the property-, client-, country- and other related risks inherent in these transactions. Our staff promptly report delinquencies and other issues and take any necessary remedial action.

Loan loss reserves and credit losses

We maintain a consolidated reserve for credit losses on finance receivables at an amount which we believe is sufficient to provide adequate protection against potential credit losses in our portfolios. We determine the level of the allowance for doubtful receivables on direct financing leases and possible loan losses in the manner described in Note 1(f) of the notes to the consolidated financial statements.

We review commercial and consumer finance receivables to determine the probability of loss. We take provisions after considering various factors. If an unrecovered balance remains due, we take a final charge-off from provisions at the time we decide collection efforts are no longer useful.

Asset/liability management and interest rate risks

We annually prepare a performance target report on a consolidated basis. This report is based on the analysis of previous performance and information of each business segment. It projects the value of new business volumes, interest rate trends, and various other factors that may affect performance. The performance target report includes new financial asset marketing targets, a profit projection, balance sheet projections, and medium-term and fiscal-year-based funding plans. The report is reviewed and approved by the Board of Directors, which is responsible for decisions on the execution of operational measures. A semi-annual funding plan, which sets out a planned funding mix as well as required funding volumes and proposed sources, is prepared with the goal of matching fixed-rate liabilities to fixed-rate assets. The Board of Directors also reviews and approves these funding plans.

After the approval of these plans, each division operates on a basis consistent with the performance target report. Asset-liability management has become an important element of managing the execution of these operations. Under our asset-liability management system, the relationship between actual performance and the performance target report is compared and analyzed, and asset-liability management charts, gap reports and cash-flow maps are prepared and used to analyze mismatches between existing assets and liabilities. These charts show the contractual maturity, interest rates, and balances of fixed-rate assets and liabilities and also project future trends in these balances. In addition, through profit-loss simulations and asset maturity ladder analysis, we try to ascertain the influence of future market movements on our performance and, based on interest rate forecasts, determine marketing

divisions' internal costs and treasury departments' procurement policies. This allows us to maximize our spreads and return on assets and engage in efficient funding activities.

In addition, we use an asset-liability management system that enables prompt access to quantitative indicators of interest rate risks. We continue to expand the coverage of this system to monitor our group companies.

Changes in market interest rates or in the relationships between short-term and long-term market interest rates or between different interest rate indices (i.e., basis risk) can affect the interest rates charged on interest-earning assets more than they affect the interest rates paid on interest-bearing liabilities, which can result in an increase in interest expense relative to finance income.

We manage interest rate risk by changing the proportions of fixed- and floating-rate debt and by utilizing primarily interest rate swaps and, to a lesser extent, other derivative instruments to modify the repricing characteristics of existing interest-bearing liabilities. For example, a fixed-rate, fixed-term loan transaction may initially be funded by short-term floating rate liabilities, resulting in interest rate risk; however, this may later be hedged by way of an interest rate swap, thus eliminating the risk initially created.

We seek to limit the impact on profitability of interest rate trends that are contrary to our projections. For example, our typical financing lease contracts call for both principal and interest to be paid in equal lease payments over periods averaging only five years. Thus, even when these leases are financed with short-term funds, we do not require much time to change our asset-liability and interest rate structures through strategic changes in new funding operations, the use of derivatives, and other methods. In addition to the Board of Directors, our management organization includes a committee composed of the Chief Executive Officer and other top managers as well as departmental managers that is capable of rapid decision making with regard to interest rate risks.

Most overseas subsidiaries also adhere to a basic policy of matching future cash flows due with assets and liabilities, periodically producing asset-liability management charts and working to reduce any mismatching.

Life insurance

Our life insurance operations are subject to a number of risks and uncertainties that may be broadly categorized as follows:

- insurance risk: the risk that a greater number of policy claims than anticipated will arise resulting in greater levels of expense and reduced earnings, or in some cases, losses;

- portfolio management risk: the risk that the return on assets managed will substantially fall short of the rates of return guaranteed to policy holders and the risk that the actual value of assets that policy liability reserves have been invested in will fall, in each case leading to additional provisioning that would negatively impact our earnings; and

- overall managerial risk: as with any business, the risk that strategies adopted with regard to new products, marketing or other initiatives will not accurately respond to market needs.

In order to cope with these risks we have adopted the following policies:

- we employ an in-house actuary to closely monitor micro- and macro-economic and social trends and adopt standards that reduce the chance of unforeseen numbers of policy claims;

- while diversifying policy liability reserves in order to avoid a disproportionate exposure to one asset segment, we invest in stable instruments that tend not to be affected by short-term market movements, such as fixed-return corporate debt instruments; and

- we monitor the returns we achieve on assets under management and lower guaranteed policy returns (if required) in order to reduce the risk of a shortfall in return on assets under management.

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Operational and legal risks

Like all large financial institutions, we are exposed to many types of operational risk, including the potential for loss caused by a breakdown in information, communication or transaction processing systems or by fraud by employees or outsiders or unauthorized transactions by employees. We attempt to mitigate operational risks by maintaining a system of internal controls designed to keep operational risk at appropriate levels. In so doing, we take into account our consolidated financial position, the characteristics of the businesses and markets in which it operates, competitive circumstances and regulatory considerations. We cannot assure the investors that we will not incur material losses from operational risks in the future.

Legal risk arises from the uncertainty of enforceability, through legal or judicial process, of obligations of our customers and counterparties. It also arises from the possibility that changes in law or regulation could adversely affect our businesses. We seek to minimize legal risk through consultation with internal and external legal counsel.

In order to enhance our compliance function, we have established the Legal Affairs Group by combining the compliance functions previously performed by the Investment and Credit Evaluation Group and Office of Corporate Auditors. This department is in charge of checking the legality of contracts and business activities of our operations and evaluating legal risk relating to new financial products. In February 2002, we created a compliance manual to guide our employees and began training programs to foster a deeper awareness of compliance issues as part of continued efforts to minimize legal and operational risk.

Results of Operations

Year Ended March 31, 2002 Compared to Year Ended March 31, 2001

Overview

Our consolidated operating assets increased by 9.9%, or yen498,594 million, to yen5,528,149 million as of March 31, 2002 from yen5,029,555 million as of March 31, 2001. This reflected increases in nearly all categories of operating assets, principally installment loans, other operating assets and investment in operating leases, partially offset by a decrease in investment in securities. The other operating assets increased primarily as a result of purchases of properties which were subsequently transferred to a real estate investment corporation sponsored by ORIX (the "JREIT"). Upon completion of the offering of the JREIT units, these assets will be removed from the balance sheet and any portion of the units retained by us will be included in investment in affiliates.

Our total revenues for the year ended March 31, 2002 increased by 12.3%, or yen72,313 million, to yen658,462 million from yen586,149 million in the year ended March 31, 2001, reflecting principally an increase of yen53,374 million in other operating revenues.

Total expenses for the year ended March 31, 2002 increased by 10.6%, or yen56,092 million, to yen585,093 million.

Income before income taxes for the year ended March 31, 2002 increased by 23.3%, to yen73,039 million. Net income increased by 17.9%, or yen6,112 million, to yen40,269 million. The table below contains income statement data for the years ended March 31, 2001 and 2002, as well as the selected amounts and percentages of the changes between the years ended March 31, 2001 and 2002.

	Year ended March 31,		
	2001	2002	Am

		(In millions of y	
Income statement data			
Total revenues..	yen586,149	yen658,462	yen
Direct financing leases...........................	122,003	121,914	
Operating leases..................................	113,478	120,807	
Interest on loans and investment securities........	109,448	121,962	

	Year ended March 31,		
	2001	2002	Am
		(In millions of y	
Brokerage commissions and gains on investment securities......................................	12,055	18,367	
Life insurance premiums and related investment income..	158,314	152,333	
Interest income on deposits.......................	2,520	1,374	
Other operating revenues..........................	68,331	121,705	
Total expenses..	529,001	585,093	
Operating income......................................	57,148	73,369	
Equity in net income (loss) of and gain (loss) on sales of affiliates......................................	2,088	(330)	
Income before income taxes............................	59,236	73,039	
Net income..	34,157	40,269	

The table below contains selected balance sheet data as of March 31, 2001 and 2002, as well as the amounts and percentages of the changes between the two dates.

	Year ended March 31,		
	2001	2002	Am
		(In millions of y	
Balance sheet data			
Investment in direct financing leases..................	yen1,657,709	yen1,658,669	yen
Investment in operating leases.........................	451,171	474,491	
Installment loans......................................	1,846,511	2,273,280	4
Investment in securities...............................	942,158	861,336	(8
Other operating assets.................................	132,006	260,373	1
Operating assets.......................................	5,029,555	5,528,149	4
Allowance for doubtful receivables on direct financing leases and possible loan losses.....................	(141,077)	(152,887)	
Other assets...	702,833	974,957	2
Total assets...	yen5,591,311	yen6,350,219	yen7

The table below shows the volume of new assets for the years ended March 31, 2001 and 2002, as well as the amounts and percentages of change in these data from the year ended March 31, 2001 to the year ended March 31, 2002. Figures for new equipment acquisitions for direct financing leases and operating leases are based on purchase cost of the equipment.

	Year ended March 31,		
	2001	2002	Amo
	(In millions of yen		
Volume of new assets			
Direct financing leases: new equipment acquisitions.....	yen723,330	yen980,379	yen2
Operating leases: new equipment acquisitions...........	143,158	146,203	
Installment loans: new loans added.....................	740,639	1,340,400	5
Investment in securities: new securities added..........	397,218	348,347	(4
Other operating assets: new assets added...............	128,984	204,121	

Total revenues

Our total revenues increased by 12.3%, or yen72,313 million, to yen658,462 million in the year ended March 31, 2002 compared to yen586,149 million in the year ended March 31, 2001, reflecting principally an increase of yen53,374 million in other operating revenues due to increases in revenues from our condominium development and fee

businesses in Japan and from the sale of real estate in the United States, as well as smaller increases in revenues from operating leases, brokerage commissions and gains on investment securities and interest on loans and investment securities, partially offset by a decrease in revenues from life insurance premiums and related investment income and smaller declines in revenues from direct financing leases and interest income on deposits.

Direct financing leases

Revenue from direct financing leases was yen121,914 million for the year ended March 31, 2002 which was essentially unchanged from yen122,003 million for the year ended March 31, 2001. Increases in revenues from Japanese operations, principally from acquisitions of lease portfolios and from gains on the sale of securitized lease receivables, were offset by lower overseas revenues due to the shrinkage of our leasing assets in the United States.

The average interest rates on domestic direct financing leases, calculated on the basis of quarterly balances in the year ended March 31, 2002 was 5.98% compared to 5.77% in the year ended March 31, 2001, due primarily to the higher volume of the auto leasing business, which has higher than average rates compared to other leasing businesses. The average interest rates on overseas direct financing leases, calculated on the basis of quarterly balances, decreased to 8.96% in the year ended March 31, 2002 from 9.92% in the year ended March 31, 2001, reflecting decrease in market interest rates.

The table below shows the balances as of March 31, 2001 and 2002 of investment in direct financing leases by category of equipment, together with the amounts and percentages of the changes between period-ends.

	As of March 31,		
	2001	2002	Amou
	(In millions of yen		
Investment in direct financing leases			
Information-related and office equipment................	yen 334,174	yen 262,524	yen (7
Industrial equipment..................................	372,542	286,942	(8
Commercial services equipment..........................	193,624	186,115	(
Transportation equipment...............................	415,246	603,843	18
Other..	342,123	319,245	(2
Total..	yen1,657,709	yen1,658,669	yen

Investment in direct financing leases of yen1,658,669 million for the year ended March 31, 2002 was essentially unchanged from yen1,657,709 million from the previous fiscal year-end, as an increase in investment in direct financing leases of transportation equipment was offset by decreases in investments in other categories of direct financing leases. Investment in direct financing leases of transportation equipment increased primarily as a result of our acquisition in September 2001 of an 80% interest in IFCO, a former subsidiary of Isuzu Motors Limited, for yen20 billion. IFCO is a truck leasing company with approximately 67,000 vehicles under lease and approximately yen300 billion in total assets as of September 2001. However, weak private-sector capital investment and our selective approach to new domestic leasing contracts with an emphasis on profitability over asset growth caused the overall balance of domestic leasing contracts for all other categories of equipment to decline. In addition, increases in investment in direct financing leases in the year ended March 31, 2002 were partially offset by the securitization of leasing assets. The balance of overseas leasing contracts also decreased, reflecting the on-going restructuring of our United States subsidiary, ORIX Financial Services, Inc. and general economic conditions in the United States.

During the year ended March 31, 2002, we securitized yen188,853 million of domestic and yen13,914 million of overseas leasing assets. Gains from the securitization of these assets of yen6,159 million were included in direct financing lease revenues. The securitization of these assets, accounted for as off balance sheet assets, contributed to the reduction in the balance of direct financing leases. The balance of direct financing lease assets which were treated as off balance sheet assets amounted to yen375,149 million as of March 31, 2002. The unpaid principal balance outstanding of securitized receivables is excluded from our consolidated balance sheets. In addition, we entered into other lease receivable securitization programs that are not accounted for as a sale, or not treated as off balance sheet assets. Under these securitization programs, we had long-term debt payables of yen40,731 million under securitized lease assets as of March 31, 2002.

Operating leases

Revenues from operating leases for the year ended March 31, 2002 increased by 6.5%, or yen7,329 million, to yen120,807 million, primarily as a result of increases in revenues from automobile leasing operations in Japan and overseas. Gains from the disposition of operating lease assets included in revenues from operating leases were yen3,467 million in the year ended March 31, 2002, compared to yen7,883 million in the year ended March 31, 2001.

The table below shows the balances as of March 31, 2001 and 2002 of our investment in operating leases by category of equipment under lease, together with the amounts and percentages of the changes between period-ends.

	As of March 31, 2001	As of March 31, 2002	Am
		(In millions of yen	
Investment in operating leases			
Transportation equipment	yen165,218	yen187,605	yen
Measuring equipment and personal computers	77,808	71,527	(
Real estate and other	208,145	215,359	
Total	yen451,171	yen474,491	yen

The balance of our investment in operating leases increased by 5.2%, or yen23,320 million, from March 31, 2001 to March 31, 2002, primarily as a result of the acquisition in April 2001 of the operating assets and employees of Nihon Jisho Corporation ("Nihon Jisho"). These assets included office buildings and residential rental properties owned and operated by Nihon Jisho and land for residential subdivision development. In addition, our investment in operating leases increased due to our acquisition of an automobile leasing company in Thailand in August 2001 and the acquisition in September 2001 of IFCO, which holds a number of transportation equipment operating leases. See "--Direct financing leases."

Interest on loans and investment securities

Interest we earn on installment loans and interest-earning securities held in connection with operations other than life insurance is reflected in our consolidated statements of income as interest on loans and investment securities. For the year ended March 31, 2002, revenues from interest on loans and investment securities increased by 11.4%, or yen12,514 million compared to the year ended March 31, 2001, due primarily to an increase in the balances of domestic corporate loans and consumer housing and card loans. An increase in the balance of corporate loans and commercial mortgage loans in the United States also contributed to the increase. The average interest rates earned on domestic loans calculated on the basis of quarterly balances, slightly decreased to 4.00% in fiscal 2002 from 4.19% in fiscal 2001 primarily due to declines in market interest rates offset by increases in card loans of which interest rates are higher than corporate loans. The average interest rates earned on overseas loans calculated on the basis of quarterly balances, decreased to 7.51% in the year ended March 31, 2002 from 9.29% in the year ended March 31, 2001 primarily due to declines in market interest rates in the United States. The average interest rate earned on domestic investment securities, calculated on the basis of quarterly balances, decreased to 2.31% in the year ended March 31, 2002 from 2.68% in the year ended March 31, 2001, primarily due to declines in domestic market interest rates. The average interest rate earned on overseas investment securities, calculated on the basis of quarterly balances, decreased to 9.41% in the year ended March 31, 2002 from 10.03% in the year ended March 31, 2001 primarily due to declines in the market interest rates in the United States.

In the year ended March 31, 2002, we securitized yen46,062 million of installment loans. Gains from the securitization of yen3,076 million were included in interest on installment loans and investment securities. The balance of installment loans treated as off balance sheet assets amounted to yen75,962 million as of March 31, 2002.

The table below shows the balances as of March 31, 2001 and 2002 of our installment loans to domestic and foreign borrowers, categorized in the case of domestic borrowers by type of consumer or commercial loan, together with the amounts and percentages of the changes between period-ends. A small portion of these installment loans is held in connection with our life insurance operations, and income from these loans is reflected in our consolidated statements of income as life insurance premiums and related investment income.

	As of March 31,		
	2001	2002	Amo
		(In millions of yen	
Installment loans			
Domestic consumer			
Housing loans	yen 392,896	yen 557,461	yen1
Card loans	181,215	230,358	
Other	43,959	44,829	
Subtotal	618,070	832,648	2
Domestic commercial			
Real estate-related companies	222,818	278,367	
Commercial and industrial companies	627,252	708,031	
Subtotal	850,070	986,398	1
Foreign commercial, industrial and other borrowers	357,446	432,771	
Direct loan origination costs, net	20,925	21,463	
Total	yen1,846,511	yen2,273,280	yen4

The total balance of installment loans increased by 23.1%, to yen2,273,280 million, from March 31, 2001 to March 31, 2002. In the domestic market, the loan balance increased primarily as a result of expansion of our consumer housing loan and card loan business as well as increased lending to corporate customers. The balance of consumer housing loans increased primarily due to acquisitions and the balance of card loans increased as a result of continued expansion of new business at the card loan subsidiaries. In the overseas market, the loan balance increased primarily as a result of increases in the balance of corporate loans and commercial mortgage loans in the United States.

The balance of our investments in securities other than in connection with our life insurance operations decreased to yen404,204 million at March 31, 2002 from yen405,021 million at March 31, 2001, primarily reflecting declines in the Japanese stock market and bond markets in the United States.

Brokerage commissions and gains on investment securities

All non-interest income and losses (other than foreign currency transaction gain or loss) that we recognize on securities held in connection with operations other than life insurance are reflected in our consolidated statements of income as brokerage commissions and gains on investment securities. Brokerage commissions and gains on investment securities increased by yen6,312 million, or 52.4%, in the year ended March 31, 2002 to yen18,367 million compared to the year ended March 31, 2001. The increase resulted primarily from strong gains on venture capital investments in Japan, partially offset by a decrease in brokerage commissions due primarily to depressed conditions in the Japanese stock market.

As of March 31, 2002, gross unrealized gains on available-for-sale securities, including those held in connection with our life insurance operation, were yen41,992 million, compared to yen68,037 million as of March 31, 2001. At March 31, 2002, gross unrealized losses on available-for-sale securities, including those held in connection with our life insurance operations, were yen16,369 million, compared to yen11,018 million as of March 31, 2001. Such unrealized gains decreased and unrealized losses increased primarily due to declines in the Japanese stock market and bond markets in the United States.

Life insurance premiums and related investment income

In the year ended March 31, 2002, life insurance premiums and related investment income decreased by yen5,981 million, or 3.8%, to yen152,333 million, and life insurance costs decreased by yen3,923 million compared to the year ended March 31, 2001. These declines were due to our policy of emphasizing the marketing of such products as term and whole life insurance that produce lower revenues but higher margins and discontinuing the sale of single premium endowment insurance in the first half of 2001.

Interest income on deposits

Interest income on deposits not included in other categories of revenues includes principally interest on bank deposits. Interest income on deposits in the year ended March 31, 2002 decreased by yen1,146 million, or 45.5%, from the year ended March 31, 2001, principally as a result of a lower average balance of bank deposits.

Other operating revenues

Other operating revenues are generated from various businesses, such as the development and sales of residential condominiums and servicing of receivables. Other operating revenues increased in the year ended March 31, 2002 from the year ended March 31, 2001 by yen53,374 million, or 78.1%, to yen121,705 million, principally as a result of growth in our condominium development business and various fee businesses in Japan and the sale of real estate overseas. Revenue from condominium development increased substantially, primarily as a result of a sharp increase in condominium sales to third parties before certain Japanese tax incentives for home purchases were due to expire in June 2001. The deadline for such expiry was subsequently extended.

Total expenses

Total expenses in the year ended March 31, 2002 increased by 10.6%, or yen56,092 million, to yen585,093 million. Corresponding to the change in revenue, other operating expenses and operating lease depreciation expense grew in the year ended March 31, 2002, but life insurance costs declined in line with lower revenue. Selling, general and administrative expenses increased primarily as a result of the increase in the number of consolidated companies as well as the on-going restructuring of one of our subsidiaries in the United States. We also increased write-downs of securities, as well as provisions for doubtful receivables and possible loan losses. Interest expense decreased, due to declines in market interest rates, our effective use of our asset-liability management system and efficient procurement of funding from the capital markets. There was also a decrease in write-downs of long-lived assets. We also recorded a gain from foreign currency transactions compared to a loss in the same period in the previous year.

Interest expense

Interest expense amounted to yen90,348 million in the year ended March 31, 2002, a decrease of 17.3% from the year ended March 31, 2001, primarily as the result of declines in market interest rates, our effective use of our asset-liability management system and efficient procurement of funding from the capital markets.

The ratio of our funding directly from capital markets to our total debt and deposits was 52.7% and 56.7% at March 31, 2002 and March 31, 2001, respectively. See "--Liquidity and Capital Resources--Diversification of Funding Sources". Notes issued under our medium-term notes program decreased by yen25,009 million to yen324,369 million at March 31, 2002 from yen349,378 million at March 31, 2001, while bonds increased by yen67,188 million to yen862,688 million. Issued and outstanding commercial paper increased to yen1,012,932 million at March 31, 2002 from yen914,611 million at March 31, 2001. The average interest rate on our domestic short-term and long-term debt, calculated on the basis of quarterly balances, was 1.30% in the year ended March 31, 2002, compared to 1.64% in the year ended March 31, 2001. The average interest rate on our short-term and long-term overseas debt, calculated on the basis of quarterly balances, decreased to 5.34% in the year ended March 31, 2002 from 6.81% in the year ended March 31, 2001.

Depreciation on operating leases

Depreciation on operating leases increased to yen77,047 million in the year ended March 31, 2002, an increase of 12.8% from the level in the year ended March 31, 2001. This increase primarily reflected the higher average asset balance of automobiles, measuring equipment and personal computers, which have relatively short periods for depreciation.

Life insurance costs

In line with a decrease in life insurance premiums and related investment income, life insurance costs decreased slightly in the year ended March 31, 2002 by yen3,923 million, or 2.7%, to yen139,786 million from the year ended March 31, 2001.

Other operating expenses

Other operating expenses principally comprise the cost of sales for condominium marketing operations. Other operating expenses increased 81.6%, to yen79,131 million, in the year ended March 31, 2002, reflecting increased condominium sales.

Selling, general and administrative expenses

Approximately half of our selling, general and administrative expenses consist of wages and other labor-related costs, while the remaining half consists principally of general overhead expenses, such as rent for office spaces, communication expenses and travel expenses. Selling, general and administrative expenses in the year ended March 31, 2002 were yen126,316 million, an increase of 24.9% from the year ended March 31, 2001. This increase in expenses primarily reflected growth in existing businesses and an increase in the number of consolidated companies as well as the costs associated with the on-going restructuring of ORIX Financial Services, Inc., one of our subsidiaries in the United States.

Provision for doubtful receivables and possible loan losses

We make provisions for doubtful receivables and possible loan losses for direct financing leases and installment loans. Provision for doubtful receivables and possible loan losses in the year ended March 31, 2002 was yen51,367 million, an increase of 15.2% from the year ended March 31, 2001.

The table below shows the calculation of the provision for doubtful receivables and possible loan losses for the years ended March 31, 2001 and 2002.

	Year ended March 31,	
	2001	2002
	(In millions of yen)	
Balance at beginning of period	yen136,939	yen141,0
Provisions charged to income	44,584	51,3
Charge-offs (net):		
Gross Charge-offs	(46,845)	(50,6
Recoveries	539	1,3
Charge-offs (net)	(46,306)	(49,3
Other	5,860	9,7
Balance at end of period	yen141,077	yen152,8

In the year ended March 31, 2002, charge-offs increased by 8.2% to yen50,690 million compared to yen46,845 million in the year ended March 31, 2001 primarily as a result of the on-going restructuring of ORIX Financial Services. The increase in the "other" category in the year ended March 31, 2002 compared to the year ended March 31, 2001 reflected primarily provisions added by the consolidation of IFCO which was acquired by ORIX in September 2001. See "--Direct financing leases".

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

A breakdown of the allowance for doubtful receivables and possible loan losses as of March 31, 2002 is shown below. The "Other" category includes foreign currency translation adjustments and the effect of acquisitions.

	Year ended March 31,		
	Installment Loans		
	Direct financing leases	General	F State 1
	(In millions of yen		
Balance at beginning of the period....................	yen40,885	yen53,155	yen
Provisions charged to income......................	23,237	21,240	
Charge-offs (net)................................	(21,364)	(19,501)	
Other..	8,079	1,294	
Balance at end of the period..........................	yen50,837	yen56,188	yen

For a discussion of past due receivables and allowances for direct financing leases as of March 31, 2001 and March 31, 2002, see "Item 4. Information on the Company Profile of Business - Direct Finance Leases."

In the year ended March 31, 2002, provisions charged to income were yen51,367 million and direct financing leases and loans totaling yen49,340 million were written off. As of March 31, 2002, the allowance was yen152,877 million. The ratio of this figure to the balance of investment in direct financing leases and installment loans was 3.9% as of March 31, 2002, compared to 4.0% as of March 31, 2001.

The recorded investment in loans considered impaired under the definition contained in FASB Statement 114 was yen120,090 million as of March 31, 2001 and yen113,000 million as of March 31, 2002. The principal reason for the decline was a charge-off of impaired loans in the amount of yen8,475 million.

We determined that a valuation allowance was required for impaired loans which had outstanding balances of yen73,636 million as of March 31, 2001 and yen71,802 million as of March 31, 2002. We recorded a valuation allowance, which is the required valuation allowance less the present value of expected future cash flows and the value of the collateral from impaired loans, calculated under FASB Statement 114, in the amount of yen47,037 million as of March 31, 2001 and yen45,862 million as of March 31, 2002. FASB Statement 114 requires that impaired loans 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 may be measured based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance. Some loans, such as large groups of smaller-balance homogeneous loans (e.g., individual housing loans and card loans), and lease receivables are exempt from the provisions of FASB Statement 114. However, provisions for these loans and lease receivables are reflected in the general provisions under installment loans and investment in direct financing leases.

The average recorded investments in impaired loans were yen123,715 million for the year ended March 31, 2001 and yen115,265 million for year ended March 31, 2002. We recognized interest income on impaired loans of yen1,414 million for the year ended March 31, 2001 and yen1,200 million for the year ended March 31, 2002.

For a discussion of delinquencies on installment loans, see "Item 4. Information on the Company Profile of Business - Installment Loans and Investments Securities."

Write-downs of long-lived assets

During the year ended March 31, 2002, in accordance with FASB Statement 121, we wrote down yen2,716 million for some real estate included in investment in operating leases, other operating assets and advances in the consolidated balance sheet.

Write-downs of securities

Our current policy for determining whether declines in the market value of available-for-sale securities are other than temporary places more emphasis on the length of time that the market value has been below the carrying value and less emphasis on the business reasons for owning the securities.

Under our current policy, we would, in principle, charge against income losses related to securities:

- if the market price for a security has for more than one year remained below our acquisition cost, or below current carrying value if the price of the security has been adjusted in the past, or

- if there has been a significant deterioration in a bond issuer's credit rating, an issuer default or similar event.

- in certain other situations where, even though the market value has not remained below the carrying value for twelve months, the decline in market value of a security is based on economic conditions and not just general declines in equity markets and where it is considered unlikely that the market value of the security will recover in the next twelve months.

However, if we have a significant long-term business relationship with another company, it would also consider the probability of the market value recovering within the following twelve months. As part of this review, we would consider:

- the other company's operating results,

- the other company's net asset value,

- the other company's future performance forecast, and

- general market conditions.

If we believe, based on this review, that the market value of a security may realistically be expected to recover, the loss for that security will continue to be classified as temporary. Temporary declines in market value are recorded in other comprehensive income (loss), net of applicable income taxes. If after an additional twelve months, the market value for that security is still significantly below the acquisition cost or below current carrying value (if the price of the security has been adjusted in the past), we would classify the loss for that security as other than temporary and charge the decline in market value against income.

If the financial condition of issuers deteriorates, the forecasted performance of an investee is not met or actual market conditions are less favorable than those projected by management, we may charge to income additional losses on investment in securities. For example, declines in US bond market prices due largely to deteriorating market conditions and significant deterioration of certain issuers resulted in additional impairment charges during the year ended March 31, 2002.

Following this policy, in the years ended March 31, 2001 and 2002, we charged yen10,848 million and yen19,742 million, respectively, to income for declines in market value classified as other than temporary. The writedowns for 2002 included approximately yen7,000 million for bond investments in the United States and approximately yen3,700 million for equity and bond investments related to Enron Corp.

Foreign currency transaction loss (gain), net

We recognized a foreign currency transaction gain in the amount of yen1,360 million in the year ended March 31, 2002, compared to a loss of yen3,429 million in the year ended March 31, 2001 that resulted primarily from the depreciation of the Indonesia Rupiah against the US dollar.

Equity in net income (loss) of and gain (loss) on sales of affiliates

Equity in net income (loss) of and gain (loss) on sales of affiliates in the year ended March 31, 2002 was a loss of yen330 million, compared to a gain of yen2,088 million in the year ended March 31, 2001. The adverse result in the year ended March 31, 2002 primarily reflects losses incurred by Stockton Holdings Limited, our 29.4%-owned affiliate.

Provision for income taxes

Provision for income taxes in the year ended March 31, 2002 was yen32,903 million, compared to the provision of yen25,079 million in the year ended March 31, 2001. The increase of yen7,824 million was primarily due to an increase in income before income taxes.

Net income

Operating income in the year ended March 31, 2002 was yen73,369 million, compared to operating income of yen57,148 million in the year ended March 31, 2001. Income before income taxes increased by 23.3%, to yen73,039 million, in the year ended March 31, 2002 from the year ended March 31, 2001. Net income increased 17.9%, to yen40,269 million, in the year ended March 31, 2002 from the year ended March 31, 2001. Basic and diluted earnings per share in the year ended March 31, 2002 were yen489.11 and yen467.11, respectively, compared to yen417.77 and yen400.99 in the year ended March 31, 2001.

Cash flows

Net cash provided by operating activities increased 8.7% to yen257,635 million in the year ended March 31, 2002. While our heightened emphasis on profitability in its marketing operations in the life insurance business resulted in a slowdown in the rate of increase in policy liabilities, an increase of interest on loans along with strong condominium sales, led to the increase in net cash from operating activities.

Net cash used in investing activities grew 7.0%, to yen305,711 million in the year ended March 31, 2002, due to a large rise in installment loans made to customers, which offset a rise in proceeds from sales of available-for-sale securities.

Net cash provided by financing activities was yen246,116 million in the year ended March 31, 2002, resulting cash and cash equivalents as of March 31, 2002 of yen354,748 million, up yen199,337 million from fiscal 2001.

Business Segments

The following discussion presents segment financial information on the basis that is regularly used by management for evaluating performance of business segments and deciding how to allocate resources to them. The reporting segments are identified based on the nature of services for domestic operations and on geographic areas for foreign operations.

The table below shows the amount of our revenues by business segment for the years ended March 31, 2001 and 2002, as well as the amounts and percentages of the changes from the year ended March 31, 2001 to the year ended March 31, 2002.

	Year ended March 31,		
	2001	2002	Amoun
		(In millions of yen	
Domestic business segments			
Corporate finance	yen 113,113	yen 118,794	yen
Equipment operating leases	61,677	67,319	
Real estate-related finance	24,262	31,582	
Real estate	48,438	85,516	
Life insurance	157,636	154,296	
Other	36,215	49,139	
Subtotal	441,341	506,646	
Overseas business segments			
The Americas	79,397	75,195	
Asia and Oceania	48,735	56,677	
Europe	15,151	14,716	
Subtotal	143,283	146,588	

	Year ended March 31,		
	2001	2002	Amoun
		(In millions of yen	
Total	584,624	653,234	
Reconciliation of segment totals to consolidated amounts	1,525	5,228	
Total consolidated revenues	yen 586,149	yen 658,462	yen

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The table below shows the amount of our profits by business segment for the years ended March 31, 2001 and 2002, as well as the amounts and percentages of the changes from the year ended March 31, 2001 to the year ended March 31, 2002.

	Year ended March 31, 2001	2002	Amoun
		(In millions of yen	
Domestic business segments			
Corporate finance	yen 44,427	yen 48,066	yen
Equipment operating leases	11,165	9,906	(
Real estate-related finance	1,944	5,654	
Real estate	(4,604)	5,842	1
Life insurance	5,982	5,764	
Other	1,035	4,941	
Subtotal	59,949	80,173	2
Overseas business segments			
The Americas	8,896	810	(
Asia and Oceania	1,203	5,433	
Europe	716	600	
Subtotal	10,815	6,843	(
Total	70,764	87,016	1
Reconciliation of segment totals to consolidated amounts	(11,528)	(13,977)	(
Total consolidated income before income taxes	yen 59,236	yen 73,039	yen 1

The table below shows the balance of our segment assets as of March 31, 2001 and 2002, as well as the amounts and percentages of the changes from March 31, 2001 to March 31, 2002.

	As of March 31, 2001	2002	Amoun
		(In millions of yen	
Domestic business segments			
Corporate finance	yen 1,889,538	yen 1,960,380	yen
Equipment operating leases	134,270	147,444	
Real estate-related finance	606,801	1,012,896	
Real estate	310,340	326,473	
Life insurance	543,886	543,738	
Other	284,835	352,433	
Subtotal	3,769,670	4,343,364	
Overseas business segments			

The Americas	804,118	794,330
Asia and Oceania	402,707	435,093

	As of March 31, 2001	2002	Amoun
		(In millions of yen	
Europe	158,646	113,844	
Subtotal	1,365,471	1,343,267	
Total	5,135,141	5,686,631	
Reconciliation of segment totals to consolidated amounts	(105,586)	(158,482)	
Total consolidated operating assets	yen 5,029,555	yen 5,528,149	yen

Domestic business segments

Corporate finance

Our domestic corporate finance segment includes principally direct financing leases of equipment, including information-related and office equipment, industrial equipment, commercial services equipment, transportation equipment, and installment loans to commercial and industrial companies (other than for real estate finance). Our domestic corporate finance segment also includes investment securities (other than those held by ORIX Life Insurance Corporation). The activities of this segment are conducted by the Company, ORIX Auto Leasing Corporation, ORIX Alpha Corporation, IFCO Inc. and a few other domestic subsidiaries. Segment profits in the year ended March 31, 2002 increased 8.2%, or yen3,639 million, to yen48,066 million, from the year ended March 31, 2001. Despite cautious selection of new execution in the corporate finance segment due to continued economic stagnation in Japan, the combination of lower interest rates, growth in direct financing leases as a result of acquisitions and increased corporate lending contributed to profit growth. The balance of segment assets as of March 31, 2002 increased 3.7%, or yen70,842 million, to yen1,960,380 million from March 31, 2001 primarily as a result of the acquisition of IFCO Inc. in September 2001, partially offset by the effects of the securitization of approximately yen190 billion of lease receivables in Japan during the year ended March 31, 2002.

Equipment operating leases

Our domestic equipment operating lease segment includes primarily operating leases of equipment, including measuring equipment, personal computers and transportation equipment. The activities of this segment are conducted mainly by ORIX Rentec (including direct financing leases extended by ORIX Rentec) and ORIX Rent-A-Car Corporation. In the year ended March 31, 2002, we recorded segment profits of yen9,906 million, representing a decrease of 11.3%, or yen1,259 million, from yen11,165 million in the year ended March 31, 2001, due primarily to the slowdown in IT-related business and the resulting lower utilization rates in rentals of measuring and other equipment. However, the operating margin (income before income taxes divided by operating assets) remained at a relatively high level compared with other segments. The balance of segment assets as of March 31, 2002 increased 9.8%, or yen13,174 million, to yen147,444 million from March 31, 2001.

Real estate-related finance

Our domestic real estate-related finance business includes principally construction and other real estate development loans to construction companies and real estate developers conducted by our Real Estate Finance Headquarters, as well as housing loans to individuals conducted by ORIX Trust and Banking Corporation. Loans to most corporate customers not in the real estate business are included in the corporate finance segment, even where these loans are secured by real estate.

Segment profit for the year ended March 31, 2002 amounted to yen5,654 million, representing an increase of yen3,710 million, or 190.8%, compared to the year ended March 31, 2001. Real estate-related finance assets as of March 31, 2002 increased 66.9%, or yen406,095 million, to yen1,012,896 million from March 31, 2001. Helped by acquisitions of quality assets, housing loans to individuals grew strongly, while non-recourse corporate loans and other transactions grew steadily thanks to marketing of products to meet specific customer needs. In addition, approximately yen100 billion of real estate assets for the JREIT were accumulated in the year ended March 31, 2002 and are included in this segment.

Real estate

Our domestic real estate business consists principally of condominium development and office rental as well as management of hotels, employee dormitories, and training and other facilities. The activities of this segment are currently conducted by ORIX Real Estate Corporation. For the year ended March 31, 2002, the segment recorded a profit of yen5,842 million compared to a loss of yen4,604 million for the year ended March 31, 2001, primarily due to a substantial increase of contribution from condominium development projects compared with the previous year and lower write-downs of long-lived assets. The balance of real estate assets as of March 31, 2002 increased 5.2%, or yen16,133 million, to yen326,473 million from March 31, 2001.

Life insurance business

Our life insurance business includes direct and agency life insurance sales and related activities. This segment also includes investment in securities in connection with our life insurance operations. The activities in this segment are conducted by ORIX Life Insurance Corporation, a wholly-owned subsidiary of ORIX.

Segment profits in the domestic life insurance business in the year ended March 31, 2002 decreased 3.6%, or yen218 million, to yen5,764 million from the year ended March 31, 2001, roughly the same level as the previous fiscal year, as write-downs of securities were required amid deteriorating market conditions. The outstanding balance of segment assets as of March 31, 2002 of yen543,738 million, was essentially unchanged from yen543,886 million at March 31, 2001.

Marketable equity securities held in connection with our life insurance business decreased from yen7,167 million as of March 31, 2001 to yen73 million as of March 31, 2002.

Other

Our other segment includes:

- consumer loans by ORIX Credit Corporation and ORIX Club Corporation;
- security brokerage by ORIX Securities Corporation;
- commodities trading by ORIX Investment Corporation; and
- venture capital operations conducted by ORIX Capital Corporation.

This segment recorded a strong improvement in profits. Primarily as a result of gains from venture capital investments and growth in the card loan business, profits in the year ended March 31, 2002 increased by 377.4%, to yen4,941 million from yen1,035 million in the year ended March 31, 2001. The outstanding balance of segment assets as of March 31, 2002 increased by 23.7%, or yen67,598 million, to yen352,433 million from the balance as of March 31, 2001, primarily due to an increase in card loans.

Overseas business segments

The Americas

Our activities in the Americas include:

- direct financing leases of transportation equipment and construction machinery;
- operating leases of real estate;
- installment loans to customers in the industrial and real estate sectors;
- investment securities; and

- commercial mortgage servicing.

We conduct our activities in the Americas mainly through ORIX USA Corporation, ORIX Financial Services, Inc., ORIX Real Estate Equities, Inc., and ORIX Capital Markets LLC, our wholly-owned subsidiaries in the United States.

Segment profits in the Americas in the year ended March 31, 2002 decreased by yen8,086 million, to yen810 million from the year ended March 31, 2001. The commercial mortgage-backed securities business in the United States and the sale of some real estate contributed to income, but profits dropped sharply due to write-downs of high-yield securities as corporate profits in the telecommunications and other industries worsened, as well as large provisions for our transportation and commercial equipment leasing at ORIX Financial Services, Inc. and restructuring costs related to this subsidiary. The segment assets as of March 31, 2002 amounted to yen794,330 million, a decrease of 1.2%, or yen9,788 million, from March 31, 2001.

Asia and Oceania

Our activities in Asia and Oceania include:

- direct financing leases of information-related, industrial, commercial service and other equipment;

- operating leases of measuring and transportation equipment;
- housing and card loans to individual customers;
- installment loans to real estate and industrial customers; and
- investment securities.

These activities are conducted in Asia and Oceania mainly through ORIX Asia Limited, ORIX Australia Corporation Limited, ORIX Leasing Malaysia Berhad and PT. ORIX Indonesia Finance.

In Asia and Oceania, we recorded yen5,433 million in segment profits during the year ended March 31, 2002, compared with yen1,203 million during the year ended March 31, 2001. While economic conditions throughout the region were sluggish, careful selection of business in the financing lease and installment loan operations combined with foreign currency exchange gains compared with losses of the previous fiscal year to produce the increase in profit. Segment assets as of March 31, 2002 amounted to yen435,093 million, an increase of 8.0%, or yen32,386 million, from March 31, 2001.

Europe

Our activities in Europe include operating leases of transportation equipment, installment loans to industrial customers and investment securities. These activities are conducted in Europe mainly through ORIX Ireland Limited, ORIX Europe Limited and ORIX Aviation Systems Limited. Segment profits for the year ended March 31, 2002 amounted to yen600 million, primarily reflecting profits from corporate finance services. Segment profits decreased by yen116 million, or 16.2%, however, primarily due to write-downs of securities. Segment assets at March 31, 2002 amounted to yen113,844 million, a decrease of yen44,802 million, or 28.2%, from March 31, 2001.

Year Ended March 31, 2001 Compared to Year Ended March 31, 2000

Overview

Despite a decrease in direct financing leases, our consolidated operating assets surpassed the yen5 trillion mark for the first time, growing 5.6%, or yen264.7 billion, from the previous year to yen5,029.6 billion. This reflected a sizeable increase in investment securities, as well as increases in installment loans, operating leases and other operating assets.

Revenues reflected increases in operating lease revenues, interest on loans and investment securities, and other operating revenues, including revenues from the condominium development business. However, a substantial decline in life insurance premiums and related investment income, together with a decrease in direct financing lease revenue, caused total revenues to decrease by 4.9%, or yen30,364 million, to yen586,149 million.

Corresponding to the change in revenue, operating lease depreciation expense and other operating expenses grew, but life insurance costs declined in line with lower revenue. An increase in the number of consolidated companies produced an increase in selling, general and administrative expenses. However, interest expense decreased, due mainly to declines in domestic interest rates. Thus total expenses decreased by 6.1%, or yen34,626 million, to yen529,001 million.

As a result, income before income taxes increased by 13.8% to yen59,236 million. Net income increased for the sixth consecutive fiscal year, rising 11.5% to a historical high of yen34,157 million. The tables below contain selected financial data for the years ended March 31, 2000 and 2001, as well as the amounts and percentages of the changes from the year ended March 31, 2000 to the year ended March 31, 2001.

	Year ended March 31,		
	2000	2001	Amoun
	(In millions of yen		
Income statement data			
Total revenues	yen 616,513	yen 586,149	yen (30,
Direct financing leases	130,798	122,003	(8,
Operating leases	100,503	113,478	12,
Interest on loans and investment securities	97,390	109,448	12,
Brokerage commissions and gains on investment securities	19,700	12,055	(7,
Life insurance premiums and related investment income	205,829	158,314	(47,
Interest income on deposits	3,884	2,520	(1,
Other operating revenues	58,409	68,331	9,
Total expenses	563,627	529,001	(34,
Operating income	52,886	57,148	4,
Equity in net income (loss) of and gain (loss) on sales of affiliates	(838)	2,088	2,
Income before income taxes	52,048	59,236	7,
Net income	30,642	34,157	3,

	As of March 31,		
	2000	2001	Amoun
	(In millions of yen		
Balance sheet data			
Investment in direct financing leases	yen 1,744,953	yen 1,657,709	yen (87,
Investment in operating leases	397,576	451,171	53,
Installment loans	1,791,439	1,846,511	55,
Investment in securities	758,381	942,158	183,
Other operating assets	72,472	132,006	59,
Operating assets	4,764,821	5,029,555	264,
Allowance for doubtful receivables on direct financing leases and possible loan losses	(136,939)	(141,077)	(4,
Other assets	713,660	702,833	(10,
Total assets	yen 5,341,542	yen 5,591,311	yen 249,

The table below shows the volume of new assets for the years ended March 31, 2000 and 2001, as well as the amounts and percentages of change in these data from the year ended March 31, 2000 to the year ended March 31, 2001. Figures for new equipment acquisitions for direct financing leases and operating leases are based on the purchase cost of the equipment.

	Year ended March 31, 2000	Year ended March 31, 2001	Amoun
	(In millions of yen		
Volume of new assets			
Direct financing leases: New equipment acquisitions.....	yen 905,898	yen 723,330	yen (182,
Operating leases: New equipment acquisitions...........	101,020	143,158	42,
Installment loans: New loans added.....................	807,477	740,639	(66,
Investment in securities: New securities added..........	333,249	397,218	63,
Other operating assets: New assets added................	70,443	128,984	58,

Total revenues

Total revenues decreased by 4.9%, or yen30,364 million, to yen586,149 million in the year ended March 31, 2001 compared to yen616,513 million in the year ended March 31, 2000, reflecting principally a decline of yen47,515 million or 23.1%, in life insurance premiums and related investment income and an yen8,795 million decline in revenue from direct financing leases. These declines were partially offset by increases of yen12,975 million in revenue from operating leases, yen12,058 million in interest on loans and investment securities, and yen9,922 million in other operating revenues.

Direct financing leases

Revenue from direct financing leases decreased 6.7%, to yen122,003 million. This decrease was due to a decline in the balance of investment in direct financing leases, which resulted from the securitization of lease assets and from a decline in the level of new contract issuance compared with the previous fiscal year. The balance of investment in direct financing leases as of March 31, 2001 decreased 5.0%, to yen1,657,709 million.

The average interest rates on domestic direct financing leases, calculated on the basis of quarterly balances, decreased slightly to 5.77% in the year ended March 31, 2001 from 5.79% in the year ended March 31, 2000. The average interest rates on overseas direct financing leases, calculated on the basis of quarterly balances, increased to 9.92% in the year ended March 31, 2001 from 9.67% in the year ended March 31, 2000, reflecting an increase in the amount of high-yield contracts.

The table below shows the balances as of the dates indicated of investment in direct financing leases by category of equipment, together with the amounts and percentages of the changes between period-ends.

	As of March 31, 2000	As of March 31, 2001	Amoun
	(In millions of yen		

Investment in direct financing leases			
Information-related and office equipment................	yen 373,281	yen 334,174	yen (39,
Industrial equipment...................................	394,581	372,542	(22,
Commercial services equipment..........................	194,809	193,624	(1,
Transportation equipment...............................	398,521	415,246	16,
Other..	383,761	342,123	(41,
Total..	yen 1,744,953	yen 1,657,709	yen (87,

Investment in direct financing leases decreased by 5.0% from March 31, 2000 to March 31, 2001. New investment in leased equipment in the year ended March 31, 2001 amounted to yen723,330 million, a decrease of 20.2% from the year ended March 31, 2000. Robust growth in the automobile leasing business in Japan led to an increase in the balance of transportation equipment leases. However, weak private-sector capital investment and our selective approach to new domestic leasing contracts with emphasis on profitability over asset growth caused the

overall balance of domestic leasing contracts to decline. The balance of overseas leasing contracts also decreased owing to the deceleration of economic growth in the United States.

During the year ended March 31, 2001, we securitized yen167,802 million of domestic and yen17,064 million of overseas leasing assets. Gains from the securitization of these assets of yen3,722 million were included in direct financing lease revenues. The securitization of these assets, accounted for as off balance sheet assets, contributed to the reduction in the balance of direct financing leases. The balance of direct financing lease assets which were treated as off balance sheet assets amounted to yen311,163 million as of March 31, 2001. The unpaid principal balance outstanding of securitized receivables is excluded from our consolidated balance sheets. See note 9 of the notes to the consolidated financial statements. In addition, we entered into other lease receivable securitization programs that are not accounted for as sale, or not treated as off balance sheet assets. Under these securitization programs, we had long-term debt payables of yen72,210 million under securitized lease assets as of March 31, 2001.

Operating leases

Revenues from operating leases increased by 12.9%, or yen12,975 million, to yen113,478 million from the year ended March 31, 2000 to the year ended March 31, 2001. The continued strength of IT-related investment in Japan supported strong growth in the rental of measuring and information related equipment. In our office building and commercial real estate leasing business, proactive investments in new properties contributed to overall growth in related leasing revenues. Consequently, revenue from operating leases increased by 12.9%, to yen113,478 million. Gains from the disposition of operating lease assets included in revenues from operating leases were yen7,883 million in the year ended March 31, 2001, compared to yen4,144 million in the year ended March 31, 2000.

The table below shows the balances as of the dates indicated of our investment in operating leases by category of equipment under lease, together with the amounts and percentages of the changes between period-ends.

	As of March 31,		
	2000	2001	Amoun
		(In millions of yen	
Investment in operating leases			
Transportation equipment................................	yen 159,548	yen 165,218	yen 5,
Measuring equipment and personal computers..............	58,431	77,808	19,
Real estate and other...................................	179,597	208,145	28,
Total..	yen 397,576	yen 451,171	yen 53,

The balance of our total investment in operating leases increased by 13.5%, or yen53,595 million, from March 31, 2000 to March 31, 2001 due to the steady performance of the measuring equipment and office automation equipment rental businesses. Regarding our real estate leasing business, we also progressively acquired office buildings and commercial use real estate, such as in the Minato Mirai Complex in Yokohama. Although the outstanding balance of transportation equipment, which includes aircraft, declined on a local currency basis due to asset sales and depreciation, the balance increased on a yen basis due to the depreciation of the yen.

Interest on loans and investment securities

Interest we earn on installment loans and interest-earning securities held in connection with operations other than life insurance is reflected in our consolidated statements of income as interest on loans and investment securities. Revenues from interest on loans and investment securities increased by 12.4%, or yen12,058 million, from the year ended March 31, 2000 to the year ended March 31, 2001, due to an increase in the balance of high-yield card loans. An increase in investment in US corporate bonds also contributed to the increase. The average interest rate earned on domestic loans, calculated on the basis of quarterly balances, increased to 4.19% in the year ended March 31, 2001 from 3.97% in the year ended March 31, 2000, primarily due to an increase in the balance of high-yield card loans. The average interest rate earned on domestic investment securities, calculated on the basis of quarterly balances, decreased to 2.68% in the year ended March 31, 2001 from 2.86% in the year ended March 31, 2000, reflecting a decline in domestic market interest rates. The average interest rate earned on overseas loans,

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calculated on the basis of
quarterly balances, decreased to 9.29% in the year ended March 31, 2001 from 9.35% in the year ended March 31, 2000, primarily due to a reduction in high-yield loans. The average interest rate earned on overseas investment securities, calculated on the basis of quarterly balances, increased to 10.03% in the year ended March 31, 2001 from 8.84% in the year ended March 31, 2000, primarily reflecting increased investment in high-yielding commercial mortgage-backed securities and corporate debt securities in the US.

The table below shows the balances as of the dates indicated of our installment loans to domestic and foreign borrowers, categorized in the case of domestic borrowers by type of consumer or commercial loan, together with the amounts and percentages of the changes between period-ends. A small portion of these installment loans is held in connection with our life insurance operations, and income from these loans is reflected in our consolidated statements of income as life insurance premiums and related investment income.

	As of March 31,		
	2000	2001	Amoun
	(In millions of yen		
Installment loans			
Domestic consumer			
Housing loans	yen 396,748	yen 392,896	yen (3,
Card loans	121,272	181,215	59,
Other	56,461	43,959	(12,
Subtotal	574,481	618,070	43,
Domestic commercial			
Real estate-related companies	203,537	222,818	19,
Commercial and industrial companies	657,355	627,252	(30,
Subtotal	860,892	850,070	(10,
Foreign commercial, industrial and other borrowers	337,754	357,446	19,
Direct loan origination costs, net	18,312	20,925	2,
Total	yen 1,791,439	yen 1,846,511	yen 55,

The total balance of installment loans increased by 3.1%, to yen1,846,511 million, from March 31, 2000 to March 31, 2001. In the domestic retail market, the loan balance increased as a result of expansion of our card loan business.

In the year ended March 31, 2001, we securitized yen27,563 million of installment loans. Gains from securitization of yen1,006 million were included in interest on installment loans and investment securities. The balance of installment loans treated as off balance sheet assets amounted to yen41,085 million as of March 31, 2001.

The balance of our investments in securities other than in connection with our life insurance operations increased from yen341,236 million at March 31, 2000 to yen405,021 million at March 31, 2001. Fixed income securities increased by yen52,825 million, principally reflecting increased investment in commercial mortgage-backed securities in the US.

Brokerage commissions and gains on investment securities

All non-interest income and losses (other than foreign currency transaction gain or loss) which we recognize on securities held in connection with operations other than life insurance are reflected in our consolidated statements of income as brokerage commissions and gains on investment securities. Brokerage commissions and gains on investment securities decreased by yen7,645 million, or 38.8%, in the year ended March 31, 2001 to yen12,055 million. ORIX Securities Corporation generates all of the brokerage commissions accounted for in this segment. Although the online trading business of ORIX Securities Corporation grew, the weakness of the Japanese stock market inhibited growth in the overall level of brokerage commissions. Revenues from gains on investment securities decreased in the year ended March 31, 2001, reflecting reduced sales of equity securities in Japan and overseas.

At March 31, 2001, gross unrealized gains on available-for-sale securities, including those held in connection with our life insurance operations, were yen68,037 million. Gross unrealized gains on equity securities decreased by

yen36,932 million from the year ended March 31, 2000 to the year ended March 31, 2001. Due to the weakness of the domestic equities market, unrealized gains on IT-related equity securities at March 31, 2001 declined.

At March 31, 2001, gross unrealized losses on available-for-sale securities, including those held in connection with our life insurance operations, were yen11,018 million.

Life insurance premiums and related investment income

Life insurance premiums and related investment income decreased by yen47,515 million, or 23.1%, to yen158,314 million and life insurance costs fell approximately yen50.0 billion in the year ended March 31, 2001. These declines were due to our policy of emphasizing profitability as we devoted considerable energy to the marketing of such products as term and whole life insurance that produce lower revenues but higher margins.

Interest income on deposits

Interest income on deposits not included in other categories of revenues includes principally interest on bank deposits. Interest income on deposits in the year ended March 31, 2001 decreased by yen1,364 million, or 35.1%, from the year ended March 31, 2000, principally as a result of a lower average balance of bank deposits.

Other operating revenues

Other operating revenues are generated from various businesses, such as the development and sales of residential apartments, sales of commodities funds and servicing of receivables. Other operating revenues increased by yen9,922 million, or 17.0%, from the year ended March 31, 2000 to the year ended March 31, 2001, principally as a result of growth in our condominium development business and growth in commission income from our servicer business and other businesses.

Total expenses

Total expenses decreased by 6.1%, to yen529,001 million, from the year ended March 31, 2000 to the year ended March 31, 2001. Interest expense decreased in the year ended March 31, 2001 mainly due to a decline in domestic market interest rates. Life insurance costs decreased 25.8%, corresponding to the decrease in life insurance premium revenue. Other operating expenses increased 13.8% from the year ended March 31, 2000 to the year ended March 31, 2001, corresponding to the increase in revenue from the condominium development business. We recognized a write-down of securities in the amount of yen10,848 million in the year ended March 31, 2001.

Interest expense

Interest expense was yen109,289 million in the year ended March 31, 2001, a decrease of 5.0% from the year ended March 31, 2000. The decrease in interest expense principally reflects the decline in domestic interest rates. In addition, as a result of effective control of market risks, such as interest rate and liquidity risks by using the asset-liability management system, we were able to respond quickly to changing market environments.

The ratio of our funding directly from capital markets, interest expense related to which was significantly lower than traditional bank borrowing, were 56.8% and 56.7% at March 31, 2000 and 2001, respectively. See "--Funding and Liquidity--Diversification of Funding Sources". Notes issued under our medium-term note program increased by yen21,157 million from yen328,221 million at March 31, 2000 to yen349,378 million at March 31, 2001, the amount of issued and outstanding commercial paper decreased from yen977,436 million at March 31, 2000 to yen914,611 million at March 31, 2001 reflecting the decrease of commercial paper issued overseas, and long-term asset backed securities increased from yen56,034 million at March 31, 2000 to yen72,210 million at March 31, 2001. The average interest rates on our domestic short-term and long-term debt, calculated on the basis of quarterly balances, decreased from 1.81% in the year ended March 31, 2000 to 1.64% in the year ended March 31, 2001. The average interest rates on our short-term and long-term overseas debt, calculated on the basis of quarterly balances, increased from 6.39% in the year ended March 31, 2000 to 6.81% in the year ended March 31, 2001.

Depreciation on operating leases

Depreciation on operating leases increased to yen68,316 million in the year ended March 31, 2001, an increase of 12.5% from the level in the year ended March 31, 2000. This increase was principally due to acquisitions of assets.

Life insurance costs

In line with a decrease in life insurance premiums, life insurance costs decreased by yen49,955 million, or 25.8%, to yen143,709 million from the year ended March 31, 2000 to the year ended March 31, 2001.

We use the net level premium method to evaluate our future life insurance policy liabilities. This method requires the preliminary calculation of fund management yields, contract withdrawal/ discontinuance rates, mortality rates, and other calculations at the time an insurance contract is signed. The projected yield figures used in this calculation were 3.3% in the year ended March 31, 2000 and 3.0% in the year ended March 31, 2001.

Other operating expenses

Other operating expenses principally comprise the cost of sales for condominium marketing operations. Other operating expenses increased by yen5,278 million or 13.8% from the year ended March 31, 2000 to the year ended March 31, 2001, reflecting increased condominium sales.

Selling, general and administrative expenses

Approximately half of selling, general and administrative expenses consist of wages and other labor-related costs, while the remaining half consists principally of general overhead expenses, such as rent for office spaces, communication expenses and travel expenses. Selling, general and administrative expenses in the year ended March 31, 2001 were yen101,156 million, an increase of 11.2% from the year ended March 31, 2000. This increase in expenses primarily reflects advertising and other expenses increased as a result of the expansion of the retail card loan business. In addition, as the number of consolidated companies increased in the preceding year, these companies recognized expenses on a full-year basis.

Provision for doubtful receivables and possible loan losses

We make provisions for doubtful receivables and possible loan losses for direct financing leases and installment loans. Provision for doubtful receivables and possible loan losses in fiscal 2001 was yen44,584 million, a decrease of 2.2% from the corresponding amount in the year ended March 31, 2000. The table below shows the calculation of the provision for doubtful receivables and possible loan losses for the year ended March 31, 2000 and the year ended March 31, 2001. The "Other" category includes foreign currency translation adjustments and the effect of an acquisition.

	Year ended March 31,	
	2000	2001
	(In millions of yen)	
Balance at beginning of period	yen 132,606	yen 136,939
Provisions charged to income	45,573	44,584
Charge-offs (net)		
Gross Charge-offs	(37,697)	(46,845)
Recoveries	354	539
Charge-offs (net)	(37,343)	(46,306)
Other	(3,897)	5,860
Balance at end of period	yen 136,939	yen 141,077

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

A breakdown of the allowance for doubtful receivables and possible loan losses as of March 31, 2001 is shown below. The "Other" category includes foreign currency translation adjustments and the effect of an acquisition.

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	Year ended March 31,		
		Installment Loan	
	Direct financing leases	General	FASB Stateme No. 11
	(In millions of ye		
Balance at beginning of the period	yen 35,783	yen 49,365	yen 51,
Provisions charged to income	22,619	16,417	5,
Charge-offs (net)	(20,679)	(14,442)	(11,
Other	3,162	1,815	
Balance at end of the period	yen 40,885	yen 53,155	yen 47,

In the year ended March 31, 2001, provisions charged to income were yen44,584 million and direct financing leases and loans totaling yen46,306 million were written off. As of March 31, 2001, the allowance was yen141,077 million. The ratio of this figure to the balance of investment in direct financing leases and installment loans was 4.0% as of March 31, 2001, compared to 3.9% as of March 31, 2000.

The recorded investment in loans considered impaired under the definition contained in FASB Statement 114 was yen125,921 million as of March 31, 2000 and yen120,090 million as of March 31, 2001. The principal reason for the decline was a charge-off of impaired loans in the amount of yen11,185 million.

We determined that a valuation allowance was required for impaired loans which had outstanding balances of yen83,408 million as of March 31, 2000 and yen73,636 million as of March 31, 2001. We recorded a valuation allowance, which is the required valuation allowance less the value of the collateral from impaired loans, calculated under FASB Statement 114, in the amount of yen51,791 million as of March 31, 2000 and yen47,037 million as of March 31, 2001. FASB Statement 114 requires that impaired loans 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 may be measured based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance. Some loans, such as large groups of smaller-balance homogeneous loans (e.g., individual housing loans), and lease receivables are exempt from the provisions of FASB Statement 114. However, provisions for these loans and lease receivables are reflected in the general provisions under installment loans and investment in direct financing leases.

The average recorded investments in impaired loans were yen128,658 million for the year ended March 31, 2000 and yen123,715 million for the year ended March 31, 2001. We recognized interest income on impaired loans of yen1,429 million for the year ended March 31, 2000 and yen1,414 million for the year ended March 31, 2001.

Write-downs of long-lived assets

During the year ended March 31, 2001, in accordance with FASB Statement 121, we wrote down yen4,090 million for some real estate development projects included in "investment in operating leases", "other operating assets" and "advances" in the consolidated balance sheets.

Write-downs of securities

Our current policy for determining whether declines in the market value of available-for-sale securities are other than temporary places more emphasis on the length of time that the market value has been below the carrying value and less emphasis on the business reasons for owning the securities.

Our policy primarily reflects the continued poor performance of Japanese equity markets and decreasing cross-shareholdings by Japanese companies in general. Predictions in prior years that market conditions would improve have proved to be inaccurate and market prices of some of our stocks continued to be below their acquisition costs for the year ended March 31, 2001. We view this as a strong indication that the declines in the market value of these available-for-sale securities are other than temporary. Although we have not abandoned our practice of holding securities for business relationship purposes, Japanese companies in general are increasingly willing to sell securities previously held for business relationship purposes.

Under our current policy, we would, in principle, charge against income losses related to securities if

- the market price for a security has for more than one year been below our acquisition cost, or below current carrying value if the price of the security has been adjusted in the past; or
- there has been an issuer default or similar event.

However, if we have a significant long-term business relationship with an entity, we would also consider the probability of the market value recovering within the following twelve months. As part of this review, we would consider:

- the entity's operating results;
- the entity's net asset value;
- the entity's future performance forecast; and
- general market conditions.

If we believe, based on this review, that the market value of a security may realistically be expected to recover, the loss for that security will continue to be classified as temporary. Temporary declines in market value are recorded in other comprehensive income (loss), net of applicable income taxes. If after an additional twelve months, the market value for that security is still significantly below the acquisition cost, we would classify the loss for that security as other than temporary and charge the decline in market value against income.

Following this policy, in the year ended March 31, 2001, we charged yen10,848 million to income for declines in market value classified as other than temporary. In the year ended March 31, 2000, we charged yen12,297 million to income for declines in market value classified as other than temporary.

Foreign currency transaction loss (gain), net

We recognized a foreign currency transaction loss in the amount of yen3,429 million in the year ended March 31, 2001, compared to a gain of yen839 million in the year ended March 31, 2000. This loss principally resulted from the depreciation of the Indonesia Rupiah against the US dollar, as a subsidiary procured a portion of our funding through dollar-denominated loans.

Equity in net income (loss) of and gain (loss) on sales of affiliates

Equity in net income (loss) of and gain (loss) on sales of affiliates in the year ended March 31, 2001 was a profit of yen2,088 million compared to a loss of yen838 million in fiscal 2000. The gain in the year ended March 31, 2001 was improved from the loss in the year ended March 31, 2000, because loss from the sale of unprofitable affiliates was recognized in the previous year. The income in the year ended March 31, 2001 also reflects favorable financial performance of most domestic and foreign affiliates.

Provision for income taxes

Provision for income taxes in the year ended March 31, 2001 was yen25,079 million, compared to the provision of yen21,406 million in the year ended March 31, 2000. The increase of yen3,673 million was primarily due to an increase in income before income taxes.

Net income

Operating income was yen57,148 million, compared to the operating income of yen52,886 million in the year ended March 31, 2000. Income before income taxes increased by 13.8% to yen59,236 million in the year ended March 31,

2001. Net income increased 11.5%, to yen34,157 million from the year ended March 31, 2000 to the year ended March 31, 2001. Basic and diluted earnings per share in the year ended March 31, 2001 were yen418 and yen401 respectively, compared to yen385 and yen377 in the year ended March 31, 2000.

Cash flows

Net cash provided by operating activities decreased by yen81,509 million, or 25.6%, from the year ended March 31, 2000 to the year ended March 31, 2001, to a total of yen237,122 million. This decrease was substantially due to our life insurance operations where most of the premiums are received in cash, while the largest related expense, policy benefit payments, requires cash outlays that are spread over a number of years.

Net cash used in investing activities was yen285,652 million in the year ended March 31, 2001, approximately the same level as in the previous fiscal year. While the rise in investment in lease equipment assets was less than in the previous fiscal year, greater funds were required for insurance business-related securities investments as well as for the JREIT-related and other real estate acquisitions.

Net cash used in financing activities was yen64,620 million in the year ended March 31, 2001, compared to net cash used in financing activities of yen6,053 million in the year ended March 31, 2000.

Cash and cash equivalents decreased 41.6% from March 31, 2000 to March 31, 2001.

Business Segments

The following discussion presents segment financial information on the basis that is regularly used by management for evaluating performance of business segments and deciding how to allocate resources to them. The reporting segments are identified based on the nature of services for domestic operations and on geographic areas for foreign operations.

The table below shows the amount of our revenues by business segment for the years ended March 31, 2000 and 2001, as well as the amounts and percentages of the changes from the year ended March 31, 2000 to the year ended March 31, 2001.

	Year ended March 31,		
	2000	2001	Amoun
	(In millions of yen		

Domestic business segments			
Corporate finance....................................	yen 121,415	yen 113,113	yen (8,30
Equipment operating leases...........................	53,000	61,677	8,6
Real estate-related finance..........................	17,294	24,262	6,9
Real estate..	44,873	48,438	3,5
Life insurance.......................................	204,746	157,636	(47,1
Other..	30,882	36,215	5,3
Subtotal...	472,210	441,341	(30,8
Overseas business segments			
The Americas...	74,525	79,397	4,8
Asia and Oceania.....................................	49,739	48,735	(1,0
Europe...	18,260	15,151	(3,1
Subtotal...	142,524	143,283	7
Total..	614,734	584,624	(30,1
Reconciliation of segment totals to consolidated amounts.	1,779	1,525	(2
Total consolidated revenues........................	yen 616,513	yen 586,149	yen (30,3

The table below shows the amount of our profits by business segment for the years ended March 31, 2000 and 2001, as well as the amounts and percentages of the changes from the year ended March 31, 2000 to the year ended March 31, 2001.

	Year ended March 31,		
	2000	2001	Amoun
		(In millions of yen	
Domestic business segments			
Corporate finance......................................	yen 40,918	yen 44,427	yen 3,5
Equipment operating leases.............................	7,823	11,165	3,3
Real estate-related finance............................	(3,415)	1,944	5,3
Real estate..	(8,241)	(4,604)	3,6
Life insurance...	5,455	5,982	5
Other..	(1,036)	1,035	2,0
Subtotal...	41,504	59,949	18,4
Overseas business segments			
The Americas...	18,775	8,896	(9,8
Asia and Oceania.......................................	3,371	1,203	(2,1
Europe...	278	716	4
Subtotal...	22,424	10,815	(11,6
Total..	63,928	70,764	6,8
Reconciliation of segment totals to consolidated amounts.	(11,880)	(11,528)	3
Total consolidated income before income taxes........	yen 52,048	yen 59,236	yen 7,1

The table below shows the amount as of the dates indicated of our assets by business segment, as well as the amounts and percentages of the changes between period-ends.

	Year ended March 31, 2001	Year ended March 31, 2002	Amount
	(In millions of yen)		
Domestic business segments			
Corporate finance	yen 1,968,590	yen 1,889,538	yen (79,0
Equipment operating leases	113,389	134,270	20,8
Real estate-related finance	597,274	606,801	9,5
Real estate	276,494	310,340	33,8
Life insurance	425,335	543,886	118,5
Other	242,280	284,835	42,5
Subtotal	3,623,362	3,769,670	146,3
Overseas business segments			
The Americas	691,403	804,118	112,7
Asia and Oceania	369,540	402,707	33,1
Europe	159,608	158,646	(9
Subtotal	1,220,551	1,365,471	144,9
Total	4,843,913	5,135,141	291,2
Reconciliation of segment totals to consolidated amounts	(79,092)	(105,586)	(26,4
Total consolidated operating assets	yen 4,764,821	yen 5,029,555	yen 264,7

Domestic business segments

Corporate finance

In the domestic corporate finance segment, segment profit increased 8.6%, or yen3,509 million, from the year ended March 31, 2000 to yen44,427 million in the year ended March 31, 2001. The balance of segment assets declined 4.0%, or yen79,052 million, from March 31, 2000 to yen1,889.5 billion as of March 31, 2001.

The increase in segment profits principally reflects a rise in automobile leasing revenue and a decline in interest expense and provision for doubtful receivables and possible loan losses.

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The balance of domestic direct financing leases declined due to the effects of the securitization in direct finance lease assets initiated during the year ended March 31, 2001 of yen167,802 million and a decline in the level of new contracts.

The balance of domestic loans included in our corporate finance segment decreased in the period due to the impact of the recession in Japan. We have introduced more stringent screening and is more selective in new loan transactions.

Equipment operating leases

In the year ended March 31, 2001, we recorded yen11,165 million of profit in this segment. This represents an increase of 42.7% from segment profit of yen7,823 million in the year ended March 31, 2000. The balance of segment assets increased by 18.4%, or yen20,881 million, from March 31, 2000 to yen134,270 million as of March 31, 2001. Continued strength in IT-related investment in Japan supported strong growth in demand for measuring instrument leasing and information-related equipment and higher utilization rates. Our rent-a-car business also continued our steady growth.

Real estate-related finance

In the year ended March 31, 2001, segment profit amounted to yen1,944 million, compared to a loss of yen3,415 million in the year ended March 31, 2000. Real estate-related finance assets increased 1.6%, or yen9,527 million, from March 31, 2000 to yen606,801 million as of March 31, 2001. Steady growth in investment in and resale of real estate-related distressed assets and the development of new corporate sector business such as non-recourse loans led to a significant increase in earnings. ORIX Trust and Banking recorded strong performance providing individuals with housing loans.

Real estate

In the year ended March 31, 2001, the real estate segment loss was yen4,604 million compared to a loss of yen8,241 million in the year ended March 31, 2000. Because of the continuing decline in land prices in Japan, we proceeded with sales of old properties and consequently recorded losses on such sales as well as recorded valuation losses on long-lived assets. For a discussion of write-downs of long lived real estate, see "--Write-downs of long lived assets". However, such losses were offset by steady growth of the condominium development business related to the "Sanctus" series of condominiums and other developments. Owing to our active acquisition of profitable rental properties, the balance of real estate assets increased 12.2%, or yen33,846 million, from March 31, 2000 to yen310,340 million as of March 31, 2001.

Life insurance business

Segment profits in the domestic life insurance business increased 9.7%, or yen527 million, from the year ended March 31, 2000 to yen5,982 million in fiscal 2001. Due to our shift in strategy from emphasizing volume to profitability, the weight of term, life-long insurance and other relatively profitable products has increased. The outstanding balance of segment assets increased 27.9%, or yen118,551 million, from March 31, 2000 to yen543,886 million as of March 31, 2001. The growth in segment assets reflected strong demand for our "ORIX Direct" policies.

Marketable equity securities held in connection with our life insurance business decreased from yen13,243 million as of March 31, 2000 to yen7,167 million as of March 31, 2001.

Other

The other segment's results improved from a segment loss of yen1,036 million in the year ended March 31, 2000 to a gain of yen1,035 million in the year ended March 31, 2001. The other segment has increased due to such businesses as the card loan business and futures investments. The outstanding balance of segment assets increased 17.6%, or yen42,555 million, from March 31, 2000 to yen284,835 million as of March 31, 2001.

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Overseas business segments

The Americas

Segment profit in the Americas decreased 52.6%, or yen9,879 million, from the year ended March 31, 2000 to yen8,896 million in the year ended March 31, 2001. Commercial mortgage-backed loan securitization operations continued to make a major contribution to performances in the Americas. However, the economic slowdown in the United States adversely affected demand for finance leasing of transportation construction and other equipment, and also gave rise to a large increase in provisions for doubtful receivables. In addition, a decline in market prices for certain debt securities in the United States resulted in a loss on the revaluation of such securities. The segment assets amounted to yen804,118 million as of March 31, 2001, an increase of 16.3% or yen112,715 million, from March 31, 2000 reflecting the influence of the depreciation of the yen.

Asia and Oceania

In Asia and Oceania, we recorded a yen1,203 million segment profit during fiscal 2001, compared with a yen3,371 million profit in the year ended March 31, 2000. Segment assets amounted to yen402,707 million as of March 31, 2001, an increase of 9.0%, or yen33,167 million, from March 31, 2000. The foreign exchange loss incurred as a result of the sharp depreciation of the Indonesian Rupiah contributed to a decline in segment earnings.

Of segment assets, yen325,364 million as of March 31, 2001 was invested in Asia. These assets included yen171,484 million of shipping loans secured by first mortgages. Substantially all non-shipping assets in Asia are denominated in local currencies.

Europe

Segment profit amounted to yen716 million in the year ended March 31, 2001, an increase of yen438 million, or 157.6%, from fiscal 2000. Earnings grew as a result of strong performance of investment in securities. Segment assets amounted to yen158,646 million at March 31, 2001, a decrease of yen962 million, or 0.6%, from March 31, 2000. Fewer new contracts caused a decline in the outstanding balance.

Liquidity and Capital Resources

Overview

We continually require funds for working capital and to grow our business. We manage our funding and liquidity by monitoring the relative maturities of assets and liabilities and by borrowing funds, primarily in the Japanese financial and capital markets but also in significant amounts overseas. Funds raised are used to fund asset growth and to meet debt obligations and other commitments, on a timely and cost-effective basis. We place a priority on the ready and rapid access to funding in order to be able to respond rapidly to client and transactional requirements. By monitoring cash flow requirements from sales and marketing activities, and the funding supply and demand balance, we seek to ensure timely and ample access to funding. Our primary sources of funding are borrowings from commercial banks and other institutional lenders, commercial paper, medium term notes, straight bonds, asset-backed securitizations and other term debt. A downgrade in our credit ratings could result in an increase in our interest expense and could have an adverse impact on our ability to access the commercial paper market or the public and private debt markets, which could have an adverse effect on our financial position and liquidity. Even if we are unable to access these markets on acceptable terms, we have access to other sources of liquidity, including bank borrowings, cash flows from our operations and sales of our assets. We cannot be sure, however, that these other sources will be adequate if our credit ratings are downgraded or other adverse conditions arise.

The tables below show the maturities of contractual cash obligations and other commercial commitments.

	Payments due by period (In millions of yen)				
	Total	Less than 1 year	1-3 years	4-5 years	Af
Contractual cash obligations					
Long-term debt	yen 2,809,861	yen 677,095	yen 1,223,075	yen 767,506	y
Operating leases	5,642	1,192	2,006	1,631	
Unconditional purchase obligations	6,032	6,032	--	--	
Total contractual cash obligations	yen 2,821,535	yen 684,319	yen 1,225,081	yen 769,137	y

	Amount of commitment expiration per period (In millions of yen)				
	Total	Less than 1 year	1-3 years	4-5 years	Af
Other commercial commitments					
Guarantees	yen 42,775	yen 11,632	yen 18,760	yen 6,902	y
Committed credit lines and other	142,771	19,403	32,350	28,370	
Total commercial commitments	yen 185,546	yen 31,035	yen 51,110	yen 35,272	y

We continue to rely significantly on short-term funding from Japanese commercial banks. Only a portion of this funding is provided under committed facilities. We also rely on the capital markets as a funding source, including the commercial paper and corporate bond markets. We are taking steps to reduce refinancing risks by diversifying our funding sources and increasing committed credit facilities from Japanese banks and foreign banks. Despite these efforts, committed credit facilities are subject to financial and other covenants and conditions to drawdown, including minimum net worth requirements, and the risk that we will be unable to roll over other short-term funding remains.

We have securitized and sold to investors certain lease receivables, loan receivables and investment securities. In the securitization process, the assets to be securitized are sold to special purpose entities ("SPEs"), which issue asset-backed securities to the investors. SPEs may be organized as trusts, partnerships, or corporations. We use SPEs in a manner consistent with conventional practices in the securitization industry, the purpose of which is to isolate the receivables for the benefit of investors. The use of SPEs enables us to access the highly liquid and efficient markets for the sale of these types of financial assets when they are packaged in securitized forms. For the assets that are securitized and removed from our consolidated balance sheets, the investors and SPEs have no recourse to our other assets for failure of debtors to pay. In addition, we do not make any guarantees to investors for payment in such transactions. Therefore, when securitizing assets in this manner, we do not have any exposed assets or contingent liabilities other than those recognized on our consolidated balance sheets.

Diversification of funding sources

We are improving our funding costs and diversifying our funding sources by taking advantage of the opportunities afforded by financial deregulation and the development of new financial markets in Japan. We have increased the share of our direct funding from the capital markets in recent years through debt offerings and reduced our reliance on borrowings from banks in recent periods. The balance of capital market instruments as a percentage of our total debt was 52.7% at March 31, 2002 and 56.7% at March 31, 2001.

Japanese finance companies were allowed for the first time to issue commercial paper in the domestic market in June 1993. In the following month, we became the first finance company to issue domestic commercial paper. From April 1, 1998, we have been able to issue commercial paper directly to investors without the use of dealers. While the proceeds from the issuance of commercial paper and bonds previously were not permitted to be used for any

loan operations, in May 1999 new legislation eliminated this restriction for some qualifying lenders. Because we are a qualifying lender, we are able to issue commercial paper and bonds and use the proceeds without restriction.

Prior to the establishment of the current regulatory regime for asset-backed securities, we issued Japan's first asset-backed securities of leasing assets in January 1992. Then, in June 1992, Japan took a significant deregulatory step in enacting the so-called Business Asset Securitization Law, which came into effect in June 1993 and facilitated the securitization of leasing and installment sale assets. Since the Act was revised to allow asset-backed commercial paper to be issued in the domestic market in 1996 we have issued asset-backed commercial paper, backed by lease receivables.

As of March 31, 2002, our outstanding balance of unsecured bonds was yen862,688 million.

We have also sought to diversify our funding sources by developing overall financial relationships with a number of banks overseas and through securities issuances overseas, principally to fund overseas operations. Since 1992, we have established several euro medium-term note programs for various ORIX entities. These programs have been integrated into one multi-issuer program which includes as issuers ORIX Corporation and a number of our overseas subsidiaries. This multi-issuer program has a limit of US$5 billion, and allows these ORIX entities direct access to capital markets. The issuance of notes is determined by the funding requirements of the overseas subsidiaries and is controlled by our Treasury Department. ORIX Financial Services has also issued medium-term notes under a separate program within the United States and Canada. As of March 31, 2002, the balance of notes issued under these medium-term note programs stood at yen324,369 million.

In September 1998, we listed our shares on the New York Stock Exchange ("NYSE"), which has facilitated raising funds through the issuance of stock outside Japan since that time. In October 1999, we became the first Japan-based company to make a global offering involving the simultaneous issue of new shares and convertible notes registered with the SEC and listed on the NYSE, issuing 3.3 million new shares and yen40 billion (principal amount) in convertible bonds due 2005. In December 2001, we made another dual offering of new shares and convertible bonds, issuing 1.8 million new shares and yen28 billion (principal amount) in convertible bonds due 2007.

On June 14, 2002, we issued $1,022 million of zero coupon-senior notes with stock acquisition rights due on June 14, 2022 and received proceeds of approximately $400 million. We intend to use the proceeds for general corporate purposes, including financing the activity of our subsidiaries, working capital and repayment of existing debt.

Short-term debt

In order to promote stability in borrowings, we shifted a greater portion of our debt from short-term to long-term. The balance of our short-term debt at March 31, 2002 was yen1,644,462 million, representing 36.9% of total debt, i.e., the sum of long-term debt and short-term debt, at March 31, 2002, compared to the level of 40.1% at March 31, 2001. The balance of short-term debt increased by yen82,390 million, or by 5.3%, from March 31, 2001 to March 31, 2002; however, the percentage of short-term debt to total debt declined by 3.2 percentage points in the same period. Commercial paper at March 31, 2002 increased by yen98,321 million, or 10.8%, from March 31, 2001. Other short-term debt, consisted principally of borrowings from commercial banks, decreased by yen15,931 million, or 2.5%, from March 31, 2001 to March 31, 2002.

Long-term debt

Long-term debt at March 31, 2002 was yen2,809,861 million, representing 63.1% of total debt, i.e., the sum of long-term debt and short-term debt, compared to the level of 59.9% at March 31, 2001, reflecting a shift to the long-term funding of our liquidity requirements. The balance of long-term debt increased by yen479,702 million, or 20.6%, from March 31, 2001 to March 31, 2002. Most of this long-term debt consisted of borrowings from Japanese banks as well as insurance companies and other institutional lenders in Japan. Long-term debt also included borrowings from foreign institutional lenders, unsecured bonds of yen862,688 million and medium-term notes of yen324,369 million. The balance of asset-backed securities was yen40,731 million at March 31, 2002. Some bank loan agreements provide that we are required to obtain the consent of lenders before effecting any merger or any increase or decrease of our capital, issuing any bonds or selling or transferring any part of our business. As is typical in the Japanese

market, loan agreements relating to short-term and long-term debt from Japanese banks and some insurance companies provide that we may be required to pledge our assets as collateral against these borrowings upon request by our lenders if it is reasonably necessary for them to secure their claims. To date, we have not received any requests of this kind from our lenders. In addition, our debt agreements with some banks provide that these banks have the right to offset cash deposited against any short-term or long-term debt that becomes due, and in case of default and some other specified events, against all other debt payable to the bank. Whether these provisions can be enforced will depend upon the factual circumstances. As of March 31, 2002, we paid interest at fixed rates on approximately 61.3% of our long-term debt. The rest of our long-term debt incurred interest at floating rates, principally based on LIBOR.

We have entered into various types of interest rate contracts in managing our interest rate risk. Under interest rate swap agreements, we 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. Interest rate swaps with notional principal amounts of yen482,130 million at March 31, 2002 were used for hedging purposes as part of our asset-liability management. We have also entered into foreign exchange forward contracts and foreign currency swap agreements in managing foreign exchange risk. At March 31, 2002, we used foreign exchange forward contracts and foreign currency swap agreements with notional principal amounts of yen481,169 million which were principally used to hedge the risk of change in foreign currency exchange rates. Some foreign currency swap agreements include a requirement to maintain a certain credit rating.

Credit facilities

To enhance our liquidity, we have secured committed credit lines with financial institutions. In the year ended March 31, 2002, we established an additional yen39,975 million multicurrency global commitment line for ORIX Corporation and major overseas subsidiaries and the total committed credit lines were yen118,275 million as of March 31, 2002. Total committed lines including global lines as above for ORIX and our subsidiaries were yen795,489 million and yen933,640 million at March 31, 2001 and March 31, 2002, respectively, and of these lines, yen726,888 million and yen849,876 million were available at March 31, 2001 and March 31, 2002, respectively. These committed credit facilities are subject to financial and other covenants and conditions prior to drawdown including, in some credit facilities, a requirement to maintain a certain credit rating.

ORIX and other Japanese companies traditionally relied for liquidity upon relationships with institutional lenders, particularly Japanese commercial banks. In order to reduce funding costs and diversify funding sources, we have been cultivating borrowing relationships with a variety of institutional lenders in Japan and with a number of banks overseas, and increasing our capital markets funding both domestically and overseas. Our new capital raising operations overseas are used principally to fund our overseas operations.

Use of Special Purpose Entities

As one method of raising funds to finance our operations and investment activities, we periodically securitize certain lease receivables, loan receivables and investment securities. These securitizations allow us to access highly liquid and efficient markets, provide us with alternative source of funding, and diversify our investor base to enhance our liquidity position. For the past three fiscal years, securitization averaged approximately 10% of our total funding. Securitization involves the creation of special purpose entities ("SPEs") to hold the pooled assets. Our use of SPEs in securitizations is consistent with conventional practices in the securitization markets. Certain of the SPEs are designed to place the pooled assets beyond the reach of ORIX and its creditors in the event of any bankruptcy of ORIX, and if structured in this manner (and subject to certain other conditions) the pooled assets are removed from our consolidated balance sheets. These SPEs are also designed so that investors have no recourse to ORIX in the event of any failure of payment on the pooled assets. Therefore, when securitizing assets in this manner, we do not have any exposed assets or contingent liabilities other than those recognized as subordinated residual interests on our consolidated balance sheets. From time to time, we may act as an investor, servicer or administrator in SPE transactions. The effects of these transactions are fully reflected in our consolidated financial statements.

We do not dispose of troubled leases, loans or other problem assets by means of unconsolidated SPEs. None of our officers, directors or employees holds any equity interests in our SPEs or receives any direct or indirect

compensation from the SPEs. The SPEs do not own shares or equity interests of ORIX or any of ORIX's affiliates and there are no contracts to do so.

Investment products

We provide investment products to our customers that employ a structure, referred to as a kumiai in Japan, which is a type of SPE. As a means to finance the purchase of aircraft or other large-ticket items to be leased to third parties, we arrange and market kumiai products to investors, who invest a portion of the funds necessary into the kumiai. The remainder of the purchase funds are borrowed by the kumiai in the form of a non-recourse loan from one or more financial institutions. The kumiai investors (and any lenders to the kumiai) retain all of the economic risks and rewards in connection with purchase and leasing activities of the kumiai, and all related gains or losses are recorded on the financial statements of investors in the kumiai. We are responsible for the arrangement and marketing of these products, and may act as servicer or administrator in kumiai transactions. The fee income for the arrangement and administration of these transactions is recognized in our consolidated financial statements. We do not guarantee or otherwise have any financial commitments or exposure with respect to the kumiai.

Other financial transactions

We occasionally make loans, leases or equity investments in SPEs in connection with transactions involving aircraft leasing, ship finance, non-recourse loans for real-estate and investment funds. In the event that we retain substantive economic risks and rewards associated with such transactions, the SPEs are fully consolidated into our financial statements, and in any other circumstances our investments such as loans, leases or equity investments are recorded on our consolidated balance sheets.

We have adopted the requirements of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a replacement of FASB Statement No. 125", which applies prospectively to all securitization transactions occurring after March 31, 2001. Adoption of SFAS No. 140 did not have a material impact on our operations or financial position.

Critical Accounting Policies

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Note 1 of the notes to the Consolidated Financial Statements includes a summary of the significant accounting policies used in the preparation of our Consolidated Financial Statements. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. We believe the following represents our critical accounting policies.

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 represents management's estimate of probable losses inherent in the portfolio. This evaluation process is subject to numerous estimates and judgments. In developing the allowance for doubtful receivables on direct financing leases and possible loan losses, the following factors, among other things, are considered:

- the nature and characteristics of obligors,
- current economic conditions and trends,
- prior charge-off experience,
- current delinquencies and delinquency trends,
- future cash flows expected to be received from the direct financing lease or loan, and
- the value of underlying collateral and guarantees.

In particular, large balance non-homogeneous loans are evaluated based on the present value of expected future cash flows and the observable market price or the fair value of the collateral securing the loans. Smaller-balance homogeneous loans, including individual housing loans and card loans, and lease receivables are evaluated considering current economic conditions and trends, the value of the collateral underlying the loans and leases, prior charge-off experience, delinquencies and non-accruals. If actual future economic conditions and trends, actual future value of underlying collateral and guarantees, and actual future cash flows are less favorable than those projected by the management or the historical data we use to calculate these estimates do not reflect future loss experience, additional provisions may be required.

The allowance is increased by provisions charged to income and is decreased by charge-offs, net of recoveries, when we determine that the likelihood of any future collection is minimal, receivables are charged off.

Our charge-off policy is greatly affected by the Japanese tax law, which limits the amount of tax-deductible charge-offs. Japanese tax law allows companies to charge off doubtful receivables on a tax-deductible basis only when specified conditions are met. Japanese tax law does not allow a partial charge-off against the total outstanding receivables to an obligor. Japanese regulations also do not specify a maximum time period after which charge-offs must occur.

It is common in the United States for companies to charge-off loans after they are past due for a specific arbitrary period, for example, six months or one year. However, we are required to keep our primary records in accordance with Japanese tax law. Japanese tax law does not allow Japanese companies to adopt a policy similar to that in the United States. If we had prepared our accounting records as if each charge-off had occurred at an arbitrary date, the differences in our financial statements would be a reduction in gross receivables, an identical reduction in the allowance for doubtful receivables and a change in the timing of charge-offs. We believe that the most significant of these differences, when comparing itself to other non-Japanese companies (particularly US companies), may be the delay in when it records a charge-off. In a period of worsening economic conditions and increasing delinquencies, we may reflect a lower charge-off ratio than it would have, had it applied the charge-off policies used by some of the other non-Japanese companies.

Impairment of investment in securities

When a market decline below cost of an investment in securities is other than temporary we write down the investment to the market value and record the related writedown as an investment loss on our consolidated statement of income. We would, in principle, charge against income losses related to securities:

- if the market price for a security has for more than one year remained below our acquisition cost, or below current carrying value if the price of the security has been adjusted in the past, or

- if there has been a significant deterioration in a bond issuer's credit rating, an issuer default or similar event.

- in certain other situations where, even though the market value has not remained below the carrying value for twelve months, the decline in market value of a security is based on economic conditions and not just general declines in equity markets and where it is considered unlikely that the market value of the security will recover in the next twelve months.

However, if we have a significant long-term business relationship with another company, it would also consider the probability of market values recovering within the following twelve months. As part of this review, we would consider:

- the other company's operating results,

- the other company's net asset value,

- the other company's future performance forecast, and

- general market conditions.

If we believe, based on this review, that the market value of a security may realistically be expected to recover, the loss for that security will continue to be classified as temporary. Temporary declines in market value are recorded in other comprehensive income (loss), net of applicable income taxes. If after an additional twelve months, the market value for that security is still significantly below the acquisition cost or below current carrying value (if the price of the security has been adjusted in the past), we would classify the loss for that security as other than temporary and charge the decline in market value against income. If the financial condition of issuers deteriorates, the forecasted performance of an investee is not met or actual market conditions are less favorable than those projected by management, we may charge to income additional losses on investment in securities. For example, declines in US bond market prices due largely to deteriorating market conditions and significant deterioration of certain issuers resulted in additional impairment charges during the year ended March 31, 2002.

Impairment of long-lived assets and goodwill

We periodically perform an impairment review for long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used by us, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Factors we consider important which could trigger an impairment review include, but are not limited to, the following:

- significant decline in the market value of an asset,
- a current period operating cash flow loss, except for the starting period of the operation,
- significant underperformance of historical operating cash flows,
- significant changes in the manner of the use of an asset, and
- significant negative industry or economic trends.

When we determine that the value of assets may not be recoverable based upon the existence of one or more of the above factors or other factors, we estimate the future cash flows expected to be generated by the assets. Our estimates of the future cash flows are based upon historical trends adjusted to reflect our best estimate of future market and operating conditions. Also, our estimates include the expected future period in which the future cash flows are expected to be generated by the assets that we review for impairment. As a result of the impairment review, when the sum of the future cash flows expected to be generated by the assets is less than the carrying amount of the assets, we recognize impairment losses based on the fair value of those assets. If actual market and operating conditions under which assets are operated are less favorable than those projected by management, resulting in lower expected future cash flows or shorter expected future period to generate such cash flows, additional impairment charges for the assets not previously written-off may be required.

Unguaranteed residual value for direct financing leases and operating leases

We estimate unguaranteed residual values of leased equipment when we calculate unearned lease income to be taken into income over the lease term for direct financing leases and when we calculate depreciation amount for operating leases which carry inherently higher obsolescence and resale risks. Our estimates are based upon current market values of used equipment and estimates of when and how much equipment will become obsolete. If actual future demand for re-lease or actual market conditions of used equipment is less favorable than that projected by management, write-downs of unguaranteed residual value may be required.

Insurance policy liabilities and deferred policy acquisition costs

A subsidiary of ORIX writes life insurance policies to customers. Those policies are characterized as long-duration policies and mainly consist of endowments, term life insurance and whole life insurance. Insurance policy liabilities and reserves are established based on actuarial estimates of the amount of future policyholder benefits. Computation of policy liabilities and reserves necessarily includes assumptions about mortality, lapse rates and future yields on related investments and others factors applicable at the time the policies are written. Management continually evaluates the potential for changes in the estimates and assumptions applied for determining policy liabilities, both positive and negative, and uses the results of these evaluations both to adjust recorded liabilities and to adjust underwriting criteria and product offerings. If actual assumption data, such as mortality, lapse rates, investment returns and other factors, do not properly reflect future policyholder benefits, we may establish a premium deficiency reserve.

FASB Statement No. 60 ("Accounting and Reporting by Insurance Enterprises") requires insurance companies to defer certain costs associated with writing insurance ("deferred policy acquisition costs") and amortized over the respective policy periods in proportion to anticipated premium revenue. Deferred policy acquisition costs, not involving the same level of complexity in measurement as those discussed above, are important to an understanding of significant accounting policies for insurance business. We are required to assess deferred acquisition costs for recoverability. Deferred acquisition costs are the costs related to the acquisition of new and renewal insurance policies and consist primarily of first-year commissions in excess of recurring policy maintenance costs and certain variable costs and expenses for underwriting policies. Periodically, deferred policy acquisition costs are reviewed for whether relevant insurance and investment income are expected to recover the unamortized balance of the deferred acquisition costs. When such costs are expected to be unrecoverable, they are charged to income in that period. If the historical data, such as lapse rates, investment returns, mortality experience, expense margins and surrender charges, which we use to calculate these assumptions do not properly reflect future profitability, additional amortization may be required.

Recent Developments

Economic conditions

Conditions in the world economy deteriorated in the fiscal year ended March 31, 2002. In the United States, the sudden worsening of corporate profits and the drop in capital spending in information technology and other sectors of the economy brought an end to the country's record-long economic expansion, while the terrorist attacks in September 2001 further stifled consumer confidence. Against the backdrop of the economic downturn, the Federal Reserve Board made a succession of interest-rate cuts and the Bush Administration legislated an emergency budget. The combination of these measures appears to have helped the economy stabilize and return to growth, however the general environment during the fiscal year ended March 31, 2002 was negative.

The European economy was expected to take over from the United States as the driving force of the global economy, but the poor economic conditions in other regions of the world and fears of inflationary pressures in Europe worked to further the pace of economic slowdown there.

The Asian economies continued to stagnate in the wake of the weak global demand in IT-related industries.

Japan was also affected by the sluggishness in the world economy and experienced a sharp drop in both exports and industrial production. Corporate profits also fell in the wake of this slowdown. The trend in decreasing capital spending became even more pronounced, contributing to greater unemployment and continued downward pressure on wages. The Japanese government made public our strong desire to take measures to prevent Japan from falling into a deflationary spiral, however uncertainty and concerns about the future persist.

New accounting pronouncement

On April 1, 2001, we adopted FASB Statement No. 133 ("Accounting for Derivative Instruments and Hedging Activities"), as amended by FASB Statement No. 137 ("Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133") and FASB Statement No. 138 ("Accounting for Certain Derivative Instruments and Certain Hedging Activities--an amendment of FASB Statement No. 133") (collectively, the "Statement"). This Statement requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be designated as a hedge. The accounting treatment for changes in the fair value of derivatives depends on the character of the transaction. The cumulative effect of this accounting change as of April 1, 2001, was a charge of yen8,400 million to other comprehensive income, and an increase of yen133 million to earnings.

In September 2000, FASB Statement No. 140 ("Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities--a Replacement of FASB Statement No. 125") was issued. It revises the standard for accounting for securitizations and other transfers of financial assets and collateral, and requires certain disclosures, but it carries over most of FASB Statement No. 125's provisions without reconsideration. We adopted the disclosure provisions related to the securitization of financial assets as of March 31, 2001. All transactions entered into after March 31, 2001 were accounted for in accordance with FASB Statement No. 140. This adoption does not have a significant effect on our operations or financial position.

In July 2001, FASB Statement No. 141 ("Business Combinations") and FASB Statement No. 142 ("Goodwill and Other Intangible Assets") were issued. FASB Statement No. 141 improves the transparency of the accounting and reporting for business combinations by requiring that all business combinations be accounted for under a single method--the purchase method. Use of the pooling-of-interests method is no longer permitted. FASB Statement No. 141 requires that the purchase method be used for business combinations initiated after June 30, 2001. On April 1, 2002, as a result of the adoption of FASB Statement No. 141, we will record a transition gain, as an effect of a change in accounting principle, due to the write-off of unamortized deferred credits of approximately yen1,937 million existing as of March 31, 2002. The deferred credits relate to an excess over cost arising from business combinations completed and investments accounted for by the equity method acquired before July 1, 2001. FASB Statement No. 142 requires that goodwill no longer be amortized, but be reviewed at least annually for impairment by applying a fair-value-based test. Also, it requires that certain intangible assets be recognized separately from goodwill and amortized over their useful lives. FASB Statement No. 142 is effective for fiscal years beginning after December 15, 2001. We are required to perform an initial impairment review of our goodwill in the year ending March 31, 2003 and an annual impairment review thereafter. We are evaluating but have not yet determined whether the adoption of this statement will result in an impairment of goodwill. We will cease to amortize goodwill, including equity method goodwill, on April 1, 2002. For the year ended March 31, 2002, such goodwill amortization for the Company and its subsidiaries amounted to yen728 million.

In August 2001, the FASB issued Statement No. 144 ("Accounting for the Impairment or Disposal of Long-Lived Assets"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While FASB Statement No. 144 supersedes FASB Statement No. 121 ("Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of"), it retains many of the fundamental provisions of that Statement.

FASB Statement No. 144 also supersedes the accounting and reporting provisions of APB Opinion No. 30 ("Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions"), for the disposal of a segment of a business. However, it retains the requirement in APB Opinion No. 30 to report separately discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. This Statement is effective for fiscal years beginning after December 15, 2001. Management does not expect this adoption to have a significant effect on our operations or financial position.

Item 6. Directors, Senior Management and Employees.

Board of Directors

ORIX's Board of Directors has the ultimate responsibility for the administration of our affairs. The Articles of Incorporation of ORIX provide for not less than three Directors. Directors are elected at general meetings of shareholders. The normal term of office of any Director expires within two years after his or her assumption of office, at the close of the ordinary general meeting of shareholders held to release the last settlement of accounts. The Board of Directors elects from among our members Representative Directors.

The Articles of Incorporation of ORIX also provide for not less than three Corporate Auditors, who are elected at general meetings of shareholders. The normal term of office of any Corporate Auditor expires within three years after his or her assumption of office, at the close of the ordinary general meeting of shareholders held to release the last settlement of accounts. Under the Commercial Code of Japan and other related laws, the Corporate Auditors (at least one of whom is required to be independent of ORIX) are not required to be, and are not, certified public accountants. Corporate Auditors have the duties of supervising the administration by the Directors of ORIX's affairs and examining the financial statements and business reports that the Board of Directors submits to the general

meeting of shareholders. Corporate Auditors are not entitled to vote. They are required to elect from among themselves at least one Standing Corporate Auditor.

Auditors' Independence

In addition to Corporate Auditors, ORIX must appoint independent certified public accountants, who have the statutory duties of examining the financial statements prepared in accordance with accounting principles generally accepted in Japan that the Board of Directors submits to the general meeting of shareholders and reporting on the financial statements to the Corporate Auditors and the Directors, and examining the financial statements to be filed with the Prime Minister. Presently, ORIX's independent certified public accountants are Asahi & Co., a member firm of Andersen Worldwide SC. The independence of Asahi & Co. has been considered and confirmed by ORIX's Board of Directors. The Board of Directors also confirmed that there were no management-level individuals that were seconded to or from Asahi & Co., and there are no management-level individuals that previously worked for ORIX or Asahi & Co. and presently work for the other party.

In the fiscal year ended March 31, 2002, we paid our auditors (including domestic and foreign affiliates of Asahi & Co.) yen489 million for direct audit fees, yen275 million for audit related services, including M&A due diligence and services related to securities offerings, yen297 million for financial information system consulting services, and yen295 million for other fees which included primarily tax compliance and advisory, and other consulting services.

In the opinion of management, the provision of non-audit services did not in any way influence the independence of the audits conducted by Asahi & Co. because management took full responsibility for decisions relating to the activities affected by these services and Asahi & Co. and its affiliates did not assume any of the management authority and duties.

The Directors and Corporate Auditors

The Directors and Corporate Auditors of ORIX as of June 26, 2002 are as follows:

Name	Title	Year firs appointed
Yoshihiko Miyauchi..............	Chairman and Chief Executive Officer, Representative Director	1970
Yasuhiko Fujiki.................	President and Chief Operating Officer, Representative Director	1994
Yoshiaki Ishida.................	Vice Chairman, Representative Director	1990
Shunsuke Takeda.................	Deputy President, Director	1993
Katsuo Kawanaka.................	Deputy President, Director	1992
Hiroaki Nishina.................	Director	1993
Takeshi Sato....................	Director	1997
Tatsuya Tamura..................	Director; Chairman, A.T. Kearney K. K.; Director (non executive), Suruga Bank Ltd.	1999
Akira Miyahara..................	Director; Executive Advisor to the Board, Fuji Xerox Co., Ltd.	1999
Yoshinori Yokoyama..............	Director; Director, McKinsey & Company, Inc.	2002
Hiroshi Nakamura................	Standing Corporate Auditor	2000
Masaaki Yamamoto................	Standing Corporate Auditor	2001
Hirotaka Takeuchi...............	Corporate Auditor; Dean, Hitotsubashi University, Graduate School of International Corporate Strategy	2000

Except for Mr. Tamura, Mr. Miyahara and Mr. Yokoyama, all of the directors are engaged in our business on a full-time basis.

Share ownership.

As of March 31, 2002, the Directors and Corporate Auditors of the Company directly held an aggregate of 68,261 Shares, representing 0.08% of the total Shares then in issue.

Yoshihiko Miyauchi
Representative Director
Chairman and Chief Executive Officer

Yoshihiko Miyauchi began his career at Nichimen & Co., Ltd. in 1960 and worked there four years before entering ORIX Corporation (then Orient Leasing Co., Ltd.) as one of the founding 13 members in 1964. Mr. Miyauchi became a Director in 1970 and was appointed President and CEO in 1980, a position he held until he assumed his present role as Chairman and CEO in April 2000. In his term as CEO, Mr. Miyauchi has overseen the development of ORIX into a diversified financial services company that has continued to be on the forefront of innovation.

Mr. Miyauchi is a strong proponent of deregulation and serves as the President of the Council for Regulatory Reform. His other affiliations include: Vice Chairman, Keizaidoyukai (Japan Association of Corporate Executives); and Councilor, Nippon Keidanren (Japan Federation of Economic Organizations). He also has directorships on the boards of Fuji Xerox Corporation, AOZORA BANK, LTD. and Mercian Corporation.

Mr. Miyauchi was born in September 1935 and graduated with a BA from the School of Business Administration of Kwansei Gakuin University in 1958 followed by an MBA from the University of Washington in the USA in 1960.

Yasuhiko Fujiki
Representative Director
President and Chief Operating Officer

Yasuhiko Fujiki joined Nikko Securities Co., Ltd. in 1968, before moving to Mitsubishi Development Co., Ltd. in 1971 then to ORIX in 1976. Following appointments as General Manager of the Real Estate Sales Department, Credit Department and General Affairs Department, Mr. Fujiki was appointed Director in Charge of General Affairs in 1994. In 1997, he became Principal and Director in Charge of the Office of the President and Director in Charge of the Personal Financial Services (PFS) Department. In 1999 Mr. Fujiki became Corporate Senior Vice President and was named Chief Branding Officer in the same year.

In his role in the Office of the President, Mr. Fujiki was instrumental in the Company's recent M&A activities and strategic plans to position ORIX to continue to be a major player in Japanese and international financial markets. As COO, Mr. Fujiki now oversees the execution of the ORIX Group's business activities and is leading the next generation of ORIX management into the 21st century.

Mr. Fujiki also serves as Chairman of the Japan Commodities Fund Association (JCFA); Secretary to the Keizaidoyukai (Japan Association of Corporate Executives); and Vice Chairman of the Japan Leasing Association.

Mr. Fujiki was born in November 1945 and graduated from Waseda University's School of Commerce in 1968.

Yoshiaki Ishida
Representative Director
Vice Chairman
Responsible for Overseas Activities

Yoshiaki Ishida joined Nozawa Asbestos & Cement Co., Ltd. (currently Nozawa Corporation) in 1963, where he worked for five years before entering ORIX in 1968. After a decade of various appointments in Japan, Mr. Ishida was a major figure in ORIX's international activities. He was seconded to ORIX Asia Limited in Hong Kong in 1981 where he was Managing Director. In June 1990, he was made a Director and the Deputy Head of the

International Business Headquarters and in November of that year became President & CEO of ORIX USA CORPORATION.

After his return to Japan in 1993, Mr. Ishida completed assignments that included the Deputy Head of the International Business Headquarters and General Manager of the Overseas Real Estate Department. He became Managing Director of ORIX in 1994 and Senior Managing Director in 1996, before assuming the position of Deputy President and Representative Director in 1998. He has been Vice Chairman since April 2000, where he oversees ORIX's international activities.

Mr. Ishida was born in January 1940 and graduated from the Kobe City University of Foreign Studies in 1963.

Shunsuke Takeda
Director
Deputy President
Chief Financial Officer

Shunsuke Takeda entered the Nippon Kangyo Bank, Ltd. in 1965 before joining ORIX in 1968. After an assignment to the London Liaison Office and several posts in Japan, Mr. Takeda was appointed General Manager of the International Treasury Department in 1989, General Manager of the International Department in 1990 and then General Manager of the Treasury Department in 1992 before become Director in 1993.

Mr. Takeda was appointed Managing Director in 1997 and Corporate Executive Vice President in 1999. He has been Chief Financial Officer since 1997 and has been instrumental in creating an advanced system for efficient fund procurement of ORIX and its subsidiaries. He assumed the present position of Deputy President in April 2000. In addition to his oversight of the Treasury operations and support of ORIX's President, in August 2000 he was appointed to oversee the reorganization of ORIX's Investment Banking Headquarters, and presently serves as the office in charge of the Office of the President.

Mr. Takeda was born in September 1941 and graduated from the Law Department of Tokyo University in 1965.

Katsuo Kawanaka
Director
Deputy President
Tokyo Sales Headquarters

Katsuo Kawanaka joined Japan Rayon Limited (currently Unichika Co., Ltd.) in 1965 and moved to ORIX Corporation in 1971. After serving in a range of marketing positions, he was appointed General Manager of the Tokyo Communications Equipment Department No. 3 in 1988, General Manager of the Office Automation Equipment Department in 1989, and General Manager of the Tokyo Information and Communications Equipment Department in 1991.

In 1992, he became a Director and Deputy Senior General Manager of the Tokyo Sales Headquarters. In 1996, he was named Managing Director, and he has been Head of the Tokyo Sales Headquarters from the same year as well as Corporate Executive Vice President since 1999. In April 2002, Mr. Kawanaka was appointed Deputy President.

Mr. Kawanaka was born in March 1942 in Osaka and graduated from Osaka City University's School of Commerce in 1965.

Hiroaki Nishina
Director
Corporate Executive Vice President
Real Estate Business Headquarters
President, ORIX Real Estate Corporation

Hiroaki Nishina joined ORIX in 1968. He became a Director and Deputy Head of the Tokyo Sales Headquarters in 1993 and was appointed President of ORIX Auto Leasing in 1996. In 1998, Mr. Nishina became a Corporate Executive Officer and took over responsibility for the Real Estate Business Headquarters before becoming President of ORIX Real Estate Corporation in 1999. He was Corporate Senior Vice President from June 2000 until his promotion to Corporate Executive Vice President in April 2002.

Mr. Nisina was born in September 1944 and graduated from Kwansei Gakuin University's School of Economics in 1968.

Takeshi Sato
Director
Corporate Senior Vice President
Chairman, ORIX USA CORPORATION

Takeshi Sato began his career at the Saitama Bank, Ltd. (currently The Asahi Bank, Ltd.) in 1969 before coming to ORIX in 1972. Mr. Sato began focusing on international activities early at ORIX and was assigned as a Director of PT. ORIX Indonesia Finance in 1975, President of ORIX METRO Leasing and Finance Corporation in the Philippines in 1982, and President of ORIX Australia Corporation Limited in 1987, before returning to Tokyo in 1993 as General Manager of the International Department. Mr. Sato was appointed Director and Deputy Head of the International Headquarters in 1997, which included a posting in Singapore to oversee the Asia and Oceania operations. He was Corporate Senior Vice President from 1999 until his promotion to Corporate Executive Vice President in April 2002 and became Chairman of ORIX USA CORPORATION in April 2001.

Mr. Sato was born in September 1946. He graduated from Meiji University's School of Commerce in 1969 and completed a Masters of Commerce Degree from Meiji University's Postgraduate School of Commerce in 1972.

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

Tatsuya Tamura joined the Bank of Japan in 1961 and occupied a number of posts before becoming Executive Director in 1992. He became Chairman of A.T. Kearney (Japan) in 1996 and Representative Director & Chairman A.T. Kearney, K.K. from April 1998 until April 2002 (presently he serves as Chairman). He served as President of EDS Japan from January 1997 to March 1999, and the President and CEO of Japan Investor Solutions and Technologies Co., Ltd. from August 1999 to June 2000. He has been a Director (non executive) at The Suruga Bank, Ltd. since June 2000. Mr. Tamura became a member of ORIX's Advisory Board in 1997 and then a Director in 1999.

Mr. Tamura is also a member of Keizai Doyukai (Japan Association of Corporate Executives). He was born in October 1938 and graduated from Tokyo University's School of Law in 1961.

Akira Miyahara
Director

Executive Advisor to the Board,
Fuji Xerox Co., Ltd.

Akira Miyahara joined Fuji Photo Film Co. Ltd. in 1962 and then moved to Fuji Xerox Co., Ltd. in 1971. At Fuji Xerox he occupied a number of posts before becoming a Director in 1984. After promotions to Managing Director in 1987 and Senior Manager Director in 1988, he was appointed Deputy President in 1990 and President

and Chief Operating Officer in 1992, and Vice Chairman of the Board in 1998. In 2002, he assumed his current position as Executive Advisor to Fuji Xerox's Board. Mr. Miyahara was invited to the Advisory Board of ORIX in 1997 and was then appointed as an Independent Director in June 1999. Mr. Miyahara has brought with him a wealth of experience to the ORIX Board and provides an important outside perspective on the company's strategy.

Mr. Miyahara was born in June 1939 and graduated from Kwansei Gakuin University's Commercial Science Department in 1962.

Yoshinori Yokoyama
Director
Director, McKinsey & Company

Yoshinori Yokoyama completed his architectural training at the University of Tokyo in 1966 before taking a position in the Kunio Mackawa architectural office. He earned an MA in urban design at Harvard in 1972 and joined Davis Broady & Associates in 1973. He obtained an MBA from the Sloan School at MIT and joined McKinsey in 1975. He served as a Director at McKinsey from 1987 to 2002. Mr. Yokoyama first became a member of ORIX Corporation's Advisory Board in June 1997 before becoming a Director in June 2002.

Mr. Yokoyama was born in 1942 in Hiroshima Prefecture.

Hiroshi Nakamura
Standing Corporate Auditor

Hiroshi Nakamura joined ORIX in 1971. After a number of posts in Japan, he became general manager of the Credit Department No. 1 in 1995 and Corporate Executive Officer in Charge of Compliance and the Legal Affairs Department in 1999, before assuming his present position in June 2000.

Mr. Nakamura was born in May 1948 and graduated from Kwansei Gakuin University's School of Business Administration in 1971.

Masaaki Yamamoto
Standing Corporate Auditor

Masaaki Yamamoto joined ORIX in 1972 after working five years at Ube Industries, Ltd. He became General Manager of the Accounting Department in 1996 and was appointed a Director of ORIX MIC Corporation in 1999 before assuming his role as Standing Corporate Auditor in June 2001.

Mr. Yamamoto was born in November 1943 and graduated from Kobe University's School of Management in 1967.

Hirotaka Takeuchi
Corporate Auditor
Dean, Hitotsubashi University

Graduate School of International Corporate Strategy

Hirotaka Takeuchi joined McCann-Erickson Advertising Co., Ltd. in 1969, before taking a position as Research Assistant at the Graduate School of Business Administration at the University of California at Berkeley in 1972. He became a Lecturer at the Graduate School of Business Administration at Harvard University in 1976 and became an Assistant Professor there before returning to Japan in 1983 as an Assistant Professor at Hitotsubashi University's School of Commerce, where he later became Professor in 1987. He has held his present position at the Graduate School of International Corporate Strategy since 1998. Mr. Takeuchi became a Corporate Auditor of ORIX in June 2000.

Mr. Takeuchi was born in October 1946 and he graduated from International Christian University in 1969. He then went on to receive an MBA in 1971 from the Graduate School of Business Administration at the University of

California at Berkeley and a Ph.D. in 1977 from the Graduate School of Business Administration at Harvard University.

Corporate Executive Officers

In June 1998, ORIX introduced a corporate executive officer system to help separate strategic decision making functions from day-to-day administrative operations. As a result, the Board of Directors now has responsibility for strategic management decisions, while corporate executive officers are responsible for implementing those decisions. In addition, ORIX created a Group Corporate Executive Officer Committee to promote the sharing of management information.

The Corporate Executive Officers of ORIX as of June 26, 2002 are as follows:

Name		Title and areas of duties
Yoshihiko Miyauchi.......	Chairman and Chief Executive Officer	
Yasuhiko Fujiki..........	President and Chief Operating Officer	
Yoshiaki Ishida..........	Vice Chairman	Responsible for Overseas Activi
Shunsuke Takeda..........	Deputy President	Chief Financial Officer
Katsuo Kawanaka..........	Deputy President	Tokyo Sales Headquarters
Hiroaki Nishina..........	Corporate Executive Vice President	Real Estate Business Headquarte ORIX Real Estate Corporation
Takeshi Sato.............	Corporate Senior Vice President	Chairman, ORIX USA CORPORATION
Masahiro Matono..........	Corporate Senior Vice President	District Sales Headquarters
Hiroyuki Harada..........	Corporate Senior Vice President	Investment and Credit Evaluatio Investment and Credit Informati Group, Risk Management Group, L Group, Real Estate Appraisal Gr
Hiroshi Nakajima.........	Corporate Senior Vice President	Kinki (Osaka) Sales Headquarter
Masaru Hattori...........	Corporate Senior Vice President	Head of Compliance; Accounting General Affairs Department
Koichiro Muta............	Corporate Senior Vice President	Investment Banking Headquarters
Masaaki Tashiro..........	Corporate Senior Vice President	Real Estate Finance Headquarter ORIX Asset Management and Loan Corporation
Yoshio Ono...............	Corporate Executive Officer	International Headquarters
Akira Fukushima..........	Corporate Executive Officer	OQL Headquarters
Nobuyuki Kobayashi.......	Corporate Executive Officer	IT Business Headquarters; PFS D

		President, ORIX Computer System Corporation and, President, ORI Corporation
Shintaro Agata..........	Corporate Executive Officer	Treasury Department
Tetsuo Matsumoto.........	Corporate Executive Officer	Real Estate Business Headquarte President, ORIX Real Estate Cor
Yoshiyuki Yoshizumi......	Corporate Executive Officer	Real Estate Finance Headquarter
Teruo Isogai.............	Corporate Executive Officer	President, ORIX Auto Leasing Co
Tamio Umaki..............	Corporate Executive Officer	President, ORIX Rentec Corporat
Takafumi Kanda...........	Corporate Executive Officer	President, ORIX Credit Corporat President, ORIX Club Corporatio
Yutaka Okazoe............	Corporate Executive Officer	President, ORIX Baseball Club C
Izumi Mizumori...........	Corporate Executive Officer	President, ORIX Life Insurance
Tsutomu Matsuzaki........	Corporate Executive Officer	President, ORIX Capital Corpora

Employees

As of March 31, 2002, we had 11,271 full-time employees, compared to 9,529 as of March 31, 2001 and 9,503 as of March 31, 2000. We employ approximately 8,250 staff in Japan, 2,000 staff in Asia & Oceania, 850 staff in

America and 150 staff in Europe as of March 31, 2002. We consider our labor relations to be excellent. None of our employees are represented by a union while employees of some of our subsidiaries and affiliates are represented by unions.

The mandatory retirement age for our employees is 60, and varies for our subsidiaries and affiliates. ORIX announced in June 1999 an early voluntary retirement program which is available to ORIX employees who are at least 54 years old. Employees who take advantage of this program receive their accrued retirement package plus an incentive premium.

ORIX and some of our subsidiaries have established 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 these payments are determined on the basis of length of service and remuneration at the time of termination. Our funding policy in respect of these plans is to contribute annually the amounts actuarially determined to be required. Assets of the plans are invested primarily in interest-bearing securities and marketable equity securities. In addition, directors and corporate auditors of ORIX and some subsidiaries receive lump-sum payments upon termination of their services under unfunded termination plans. Total provisions (termination or pension plans for both employees and directors and corporate auditors) charged to income for all benefit plans (including defined benefit plans) were yen3,431 million, yen5,119 million and yen6,238 million in the years ended March 31, 2000, 2001 and 2002, respectively.

Compensation

To ensure greater management transparency, we established the Executive Nomination and Compensation Committee in June 1999. This committee includes independent directors as well as our internally appointed representative directors. The independent directors will appoint the chairman of the committee. The committee recommends to the Board of Directors candidates for directors, auditors and corporate executive officers. The committee also recommends to the Board an executive remuneration and evaluation system as well as the executive remuneration and other compensation scales.

During the year ended March 31, 2002, the executive compensation paid to our Directors and Corporate Auditors excluding stock options and warrants amounted to approximately yen429 million in the aggregate. In accordance with customary Japanese business practices, a retiring Director or Corporate Auditor receives a lump-sum retirement payment, which is subject to the approval of the general meeting of shareholders. At the Shareholders' Meeting held on June 26, 2002, the shareholders approved bonuses for the Directors and Corporate Auditors in the amounts of yen66 million and yen10 million, respectively, and retirement payments for the Directors and Corporate Auditors in the amounts of yen97 million were approved for the year ended March 31, 2002.

The following table shows the names of Directors, Corporate Executive Officers and Corporate Auditors who received stock options, and the number of shares for which they were granted options, under the 1997, 1998, 1999, 2000, 2001 and 2002 stock option plans (except warrant plans). Each of our shares has one vote. We have not issued any preferred shares.

Name	Title	1997-2000 stock option plans	2001 stock optio plan
Yoshihiko Miyauchi	Chairman and Chief Executive Officer	90,000	21,000
Yasuhiko Fujiki	President and Chief Operating Officer	32,000	13,000
Yoshiaki Ishida	Vice Chairman	53,000	10,000
Shunsuke Takeda	Deputy President and Chief Financial Officer	36,000	9,000
Katsuo Kawanaka	Deputy President	34,000	7,000
Hiroaki Nishina	Director and Corporate Executive Vice President	23,000	6,000
Takeshi Sato	Director and Corporate Senior Vice President	26,000	6,000
Tatsuya Tamura	Director	1,000	1,500
Akira Miyahara	Director	1,000	1,500
Yoshinori Yokoyama	Director		
Hiroshi Nakamura	Standing Corporate Auditor		
Masaaki Yamamoto	Standing Corporate Auditor		
Hirotaka Takeuchi	Corporate Auditor		
Masahiro Matono	Corporate Senior Vice President	22,500	5,500
Hiroyuki Harada	Corporate Senior Vice President	22,500	5,500
Hiroshi Nakajima	Corporate Senior Vice President	22,000	5,500
Masaru Hattori	Corporate Senior Vice President	15,000	5,500
Koichiro Muta	Corporate Senior Vice President		5,000
Masaaki Tashiro	Corporate Senior Vice President	14,000	4,500
Yoshio Ono	Corporate Executive Officer	22,000	4,500
Akira Fukushima	Corporate Executive Officer	10,000	4,500
Nobuyuki Kobayashi	Corporate Executive Officer	15,000	4,500
Shintaro Agata	Corporate Executive Officer	3,500	4,500
Tetsuo Matsumoto	Corporate Executive Officer		4,000
Yoshiyuki Yoshizumi	Corporate Executive Officer		
Teruo Isogai	Corporate Executive Officer		
Tamio Umaki	Corporate Executive Officer	9,000	4,500
Takafumi Kanda	Corporate Executive Officer		

Yutaka Okazoe	Corporate Executive Officer
Izumi Mizumori	Corporate Executive Officer
Tsutomu Matsuzaki	Corporate Executive Officer

Stock Option and Warrant Plans

ORIX has adopted various employee incentive plans. The purpose of ORIX's stock option and warrant plans is to enhance the awareness of the option holders of the link between management, corporate performance and stock price, and, in this way, improve the business results of ORIX. These plans are administered by the General Affairs Department of ORIX.

Stock option plans

Our shareholders approved Stock Option Plans at the ordinary general meeting of shareholders in the years from 1997 to 2001 inclusive, under which Shares were purchased from the open market and held by ORIX for transfer to Directors and Corporate Executive Officers and some employees of ORIX upon the exercise of their options.

Under the 1997 to 1999 Stock Option Plans, the exercise prices of the options were adjusted on April 1, 2000 to reflect the subdivision of each share of common stock into 1.2 Shares, which was implemented on May 19, 2000. Options granted under Stock Option Plans generally expire one year after the termination of the option holder's service with ORIX.

At the ordinary general meeting of shareholders in June 2002, ORIX's shareholders approved the 2002 Stock Acquisition Rights Plan, under which Stock Acquisition Rights of a maximum of 4,900, each convertible into 100 new shares, will be granted to Directors, Corporate Auditors and Corporate Executive Officers and some employees of ORIX and directors, corporate auditors and certain employees of subsidiaries.

	Shares to be granted	Exercise price per Share	Option expiration date
1997 Stock Option Plan......................	168,000	yen7,665	September 30, 2002
1998 Stock Option Plan......................	146,000	7,784	June 26, 2008
1999 Stock Option Plan......................	145,000	10,393	June 29, 2009
2000 Stock Option Plan......................	316,700	16,272	June 29, 2010
2001 Stock Option Plan......................	300,900	12,329	June 28, 2011
2002 Stock Acquisition Rights Plan..........	490,000		June 26, 2012

Warrant plans

From 1997 to 2001, the Board of Directors of ORIX approved warrant plans under which warrants to purchase Shares were granted or sold to Corporate Auditors and some employees of ORIX, excluding employees who were option holders under the Stock Option Plan of the same year, and to directors, corporate auditors and certain employees of subsidiaries, by repurchasing warrants attached to bonds with warrants issued by ORIX.

Under the 1998 to 1999 Warrant Plans, the exercise prices of the options were adjusted on April 1, 2000 to reflect the subdivision of each share of common stock into 1.2 Shares, which was implemented on May 19, 2000. Warrants granted under the Warrant Plans generally expire one year after the termination of the warrant holder's service with ORIX.

	Warrants granted	Exercise price per Share	Warrant expiration date
1998 Warrant Plan................	315,593	6,877	November 5, 2002
1999 Warrant Plan................	302,484	11,278	November 4, 2003
2000 Warrant Plan................	126,143	14,090	September 6, 2004
2001 Warrant Plan................	124,303	12,329	July 22, 2005

Item 7. Major Shareholders and Related Party Transactions

Major Shareholders

The following table shows our major shareholders as of March 31, 2002. Each of our shares has one vote. We do not issue any preferred shares.

Name	Number of Shares held (thousands)	Percentage of total Shares in issue (%)
Japan Trustee Services Bank, Ltd. (Trust Account)....................	8,114	9.62
The Mitsubishi Trust and Banking Corporation (Trust Account).........	6,418	7.61
The Chase Manhattan Bank, N.A. London SL Omnibus Account............	4,004	4.75
State Street Bank and Trust Company.................................	3,314	3.93
UFJ Trust Bank Limited (Trust Account A).....		