

ORIX CORP
Form 6-K
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

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

For the month of July, 2004.

ORIX Corporation

(Translation of Registrant's Name into English)

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

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

Form 20-F Form 40-F

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

Yes No

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1. Annual report sent to shareholders for the year ended March 31, 2004.
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40 Years and Beyond ANNUAL REPORT 2004 Surviving and Thriving in Changing Times

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ORIX Corporation (TSE: 8591; NYSE: IX) is an integrated financial services group based in Tokyo, Japan, providing innovative value-added products and services to both corporate and retail customers. With operations in 23 countries worldwide, ORIX's activities include leasing, corporate and consumer finance, real estate-related finance and development, life insurance, and investment banking.

FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements about expected future events and financial results that involve risks and uncertainties. Such statements are based on our current expectations and are subject to uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause such a difference include, but are not limited to, those described under risk factors in the Company's annual report on Form 20-F filed with the United States Securities and Exchange Commission. The Company makes available free of charge on or through its website (www.orix.co.jp) its annual report on Form 20-F and other reports electronically filed with or furnished to the Securities and Exchange Commission. These reports are also available free of charge on the SEC's website (www.sec.gov).

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**40 Years
and Beyond**

**Surviving
and
Thriving in
Changing Times**

ORIX Corporation celebrated its 40th anniversary on April 17, 2004. Since our start in 1964 as a pioneer in the Japanese leasing market, we have evolved dynamically as a leading integrated financial services group that remains on the forefront of innovation and change. We have faced many challenges along the way, but our history during the last 40 years has been one of surviving and thriving in changing times.

While taking a look at the milestones over the last four decades, this year's annual report describes our performance for the year ended March 31, 2004, and our strategies for the current year and beyond.

In his message from the CEO to shareholders, Yoshihiko Miyauchi outlines our achievements and the key points to further success in the future. The ORIX Story looks back on the last 40 years and highlights why we have evolved as we have. This section is not just an overview of ORIX's history and its dynamic evolution over the years, it also reviews our corporate culture, with its deep historical roots, and the unique strengths we have evolved. The feature section then provides details of our strategy for the year ending March 31, 2005.

While we believe that the results of our efforts have been impressive, we realize that our diversification has made ORIX a complex company for many outsiders to understand. We have therefore included a Guide to ORIX's Financial Statements to help you understand the numbers behind the bottom line. We have also expanded the Management's Discussion and Analysis of Operations (MD&A) to include more analysis and information on different parts of our business. Finally, the Directory (by Segment) & Group Network and Website Guide & Corporate Information provide information on how to find out more about ORIX.

We hope this year's annual report helps you understand how we are trying to survive and thrive as we take on our next challenges.

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Table of Contents**40 Years and Beyond****Surviving and Thriving in Changing Times****TO OUR SHAREHOLDERS A MESSAGE FROM THE CEO**

During the fiscal year ended March 31, 2004, ORIX Corporation attained record-high total revenues, income before income taxes, and net income. We also made steady progress in strengthening our balance sheet and raising profitability in line with our goal over the past two fiscal years of growing profits without increasing assets, as the shareholders' equity ratio and ROE both rose to over 10%.

In April 2004, we celebrated ORIX's 40th anniversary. Despite the passage of time, we have not altered the fundamental principles of our business strategy, which emphasize the never-ending pursuit of new business opportunities as we strive to continue our dynamic evolution. Our 40th anniversary marks but one point in history. In the future, we intend to overcome the challenges of a constantly changing environment by leveraging our accumulated experience and specialization as well as further enhancing the teamwork and other distinctive characteristics of our unique corporate culture to maintain a strong position as a front-runner in financial services.

FINANCIAL HIGHLIGHTS

Fiscal Years Ended March 31, 2003 and 2004

	Millions of yen		Millions of U.S. dollars	¥ Change	% Change
	2003	2004	2004		
Income before discontinued operations, extraordinary gain, cumulative effect of a change in accounting principle and income taxes	¥ 45,179	¥ 102,157	\$ 967	¥ 56,978	126.1
Net income	30,243	54,020	511	23,777	78.6
Operating assets	5,143,169	4,849,194	45,881	(293,975)	(5.7)
Total assets	5,931,067	5,624,957	53,221	(306,110)	(5.2)
Per share data (in yen and dollars):					
Net income Basic	¥ 361.44	¥ 645.52	\$ 6.11	284.08	78.6
Diluted	340.95	607.52	5.75	266.57	78.2
Shareholders' equity	6,039.43	6,739.64	63.77	700.21	11.6
Return on equity (%)	6.00	10.10			
Return on assets (%)	0.49	0.93			
Shareholders' equity ratio (%)	8.52	10.03			
Total debt-to-equity ratio (times)	8.39	6.84			

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Yoshihiko Miyauchi, Chairman and Chief Executive Officer

Summary of Financial Results

During the fiscal year ended March 31, 2004 (fiscal 2004), the majority of ORIX's business segments in Japan and overseas made positive contributions to consolidated earnings. In Japan, revenues from direct financing leases and interest on loans were down as we continued to carefully select new assets and focus on the profitability of each transaction. On the other hand, our automobile leasing operations and real estate-related finance business for corporate customers continued to perform strongly. In addition, the precision measuring equipment rental operations recovered and sales of office buildings and condominiums made contributions. Overseas, our operations in the Americas generated a higher level of profit following several years of restructuring, and the Asia-Oceania region also added to consolidated performance thanks to the contributions of the automobile leasing and corporate lending operations of a number of companies in the region as well as an increase in equity in net income of affiliates.

As a result of our careful selection of direct financing leases and installment loans and a decrease in investment in securities associated with our life insurance operations, total assets as of March 31, 2004, were down 5% compared with the previous fiscal year, to ¥5,625 billion (\$53 billion). Shareholders' equity increased 12.0%, to ¥564 billion (\$5.3 billion), and the shareholders' equity ratio rose from 8.5% to 10.0%. Moreover, ROE grew from 6.0% to 10.1% and ROA advanced from 0.49% to 0.93%. The total debt-to-equity ratio also declined from 8.4 times to 6.8 times.

Based on the achievements of fiscal 2004, we hope to maintain the stability of our financial base as we grow profits and further improve profitability going forward.

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Future Management Policy

Responding to Japan's Economic Recovery in Fiscal 2005

Following a protracted period of stagnation, Japan's economy is increasingly showing signs of having bottomed out and appears to have finally entered a period of recovery. Moreover, while I still do not expect rapid progress in structural reforms at this point, it does appear that the Japanese economy is slowly but steadily gaining the characteristics of a true market economy.

In view of this, we have been reevaluating our strategic positioning and are considering how to shift our focus from a strategy of growth by taking advantage of opportunities presented by the harsh economic environment following the end of the bubble economy in Japan to an emphasis on growth amid a period of recovery in Japan's economy. With this transition in mind, we have begun preparing ourselves for a potential full-scale upturn in the Japanese economy. If this recent upturn actually shows some staying power, we will need to revise our cautious business outlook and make efforts to accelerate our growth. Through this transition, I would like to take ORIX into the next period of expansion and aim to achieve a considerable surge in earnings.

To achieve these goals, I believe that ORIX needs to implement a two-pronged strategy: 1) expand the franchise value of our existing successful businesses and 2) create new franchise value by adding businesses to our core of operations.

Expanding Franchise Value

At times like the current period of transition toward economic recovery, mega banks and other companies in Japan's financial sector are likely to gradually regain their vitality and compete more directly with us. For example, I believe they will probably try to develop strategies aimed at providing financial services to ORIX's core customer base of mainly small and medium-sized companies.

At present, however, I am proud to say that I believe **ORIX is the only company in Japan with an established business model in the field of financial services targeting small and medium-sized companies.** Over many years, we have built up an extensive customer network centering on approximately 500,000 small and medium-sized companies throughout Japan. Moreover, we have often begun our relationships with individual customers based on lease transactions, then used cross-selling to provide insurance, investment products, and other financial products and services. Nowadays, we have advanced to the point where we can offer our customers diverse solutions, such as those related to helping companies restructure their businesses and strengthen their financial positions. We have already built a solid foundation in providing solutions to small and medium-sized companies and these operations generate a substantial amount of our consolidated earnings.

To ensure that we can maintain a position that is consistently a step or more ahead of our competitors, we are forming a variety of cross-divisional business teams with high levels of specialized skills. The mission of these teams is to fully integrate the wealth of knowledge that exists throughout ORIX, so that these teams can propose solutions that are tailored to meet the various needs of our customers throughout our nationwide sales network. By better meeting our customer needs, we can further strengthen our relationships of trust, which we believe will allow us to proactively expand this most important franchise value.

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Furthermore, **in the process of developing this business model based on providing innovative solutions, we have developed some unique specialized operations that we are also attempting to expand.**

In automobile leasing, for example, ORIX offers direct financing leases along with a full range of maintenance and administrative services. As a result, we are able to enjoy relatively higher returns because we provide considerably more valuable services than simple direct financing leases and this has become a very profitable business. Moreover, we are enjoying economies of scale stemming from the large-volume procurement of vehicles as well as tires, lubricants, and other maintenance items. We are striving to leverage these merits to further upgrade our value-added services for leased vehicles and greatly increase the number of vehicles that we administer.

In addition to the automobile leasing operations, ORIX is proactively working to expand operating leases for precision measuring instruments and other financial businesses that incorporate a high degree of specialization and value-added services. In the future, we also expect to further boost the share of our profitability that stems from such services as building maintenance, which we are strategically expanding at this time. In this way, **we are attempting to expand the services that we can provide, even when the services are not strictly within the scope of financial services, in an effort to boost growth and improve profitability.**

Creating New Franchise Value

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

The benefits of this strategy are currently emerging in such financial fields as real estate-related finance, which has grown strongly in Japan, as well as such investment banking operations as M&A advisory, private equity, and corporate rehabilitation services.

In the field of real estate-related finance, we have successfully developed various new businesses including non-recourse loans, securitization products, and a real estate investment trust (REIT) in the past few years. We also have expanded business associated with non-performing loans as financial institutions make efforts to move forward in dealing with their problem assets.

Drawing on our accumulated financial know-how and growing experience in such areas as real estate development, management, and maintenance, **ORIX is proactively expanding its operations as a leader in real estate-related finance.** In recent years, we have realized considerable profits in the real estate-related finance market, and this market is projected to greatly expand in view of the emergence of new needs. I believe that we are well prepared and poised to take advantage of opportunities in the real estate-related finance market. We plan to further expand and build our operations in this market into an additional core business capable of generating attractive returns.

Our small and medium-sized corporate customers present us with various requests that are no longer limited to needs associated with financial products and services, but include a growing number of requests related to such issues as business restructuring and succession, balance-sheet strengthening, and stock listings. In December 1999, ORIX established a department specializing in investment

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banking services. This department has worked in close cooperation with sales and marketing units throughout Japan to provide solutions for these kinds of new needs.

We are also emphasizing the expansion of our corporate rehabilitation business, including equity investments in and management support for companies in bankruptcy or undergoing restructuring. In the corporate rehabilitation business, we are seeking to boost the value of companies in which we invest to realize capital gains over the medium term upon their sale. Currently, we are striving to both increase the value of our existing investments to prepare for profitable exits in the future, while maintaining strict evaluation standards when making additional investments. The market for corporate rehabilitation and other types of investment banking solutions is projected to keep growing due to the continued bipolarization of the performance of Japanese companies between winners and losers. **We expect demand both for proactive measures to help companies become winners and for the rehabilitation of failed companies. Our goal is to further strengthen our position in this market and thereby establish investment banking as another core business to create new franchise value.**

Overcoming the Challenges in Overseas Operations

Performance in ORIX's business segments in the Americas and the Asia and Oceania regions has generally improved, and we intend to take the steps required to ensure that our overseas operations once again increase their contribution to overall earnings. In particular, our operations in the Americas have been weak in recent years, but we feel that the segment is moving towards recovery as we have finally completed the restructuring of our leasing subsidiary there. As a result of the improvement in our overseas operations, we are now in a position to make serious consideration of opportunities for expansion.

ORIX's 40th Anniversary

Surviving and Thriving Tomorrow and Beyond

On April 17, 2004, we celebrated our 40th anniversary. I would like to express my great appreciation for the support and cooperation of the shareholders, customers, business partners, local communities, and other associates that have enabled ORIX to achieve so much in just four decades.

During its first 40 years, ORIX has proven itself to be a company able to respond quickly and flexibly to changing times by adjusting its business model as necessary. While maintaining a primary focus on financial services, we have steadily grown by launching an impressive array of new products and services.

Soon after its establishment, the management of ORIX adopted a policy of seeking to develop independently without excessive dependence on the trading companies and banks that founded the company by vigorously seeking out new challenges. This has enabled us to develop **an independent and dynamic corporate culture that has fostered a high degree of flexibility to adapt to change as well as aggressively take on new business challenges**. Thanks to this dynamic culture, ORIX has developed various specialized capabilities based on its leasing-related know-how and extended its sales and marketing network throughout Japan. We have promoted cooperation among our sales and marketing and specialized departments with an emphasis on teamwork and knowledge sharing. This has enabled the creation of various innovative financial products and services as well as

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the provision of sophisticated solutions. Beginning in the early 1970s, ORIX began extending its network overseas through the establishment and acquisition of companies. As a result of this strategy, ORIX now has a network of bases for providing financial products and services in 22 countries and regions outside of Japan in the Americas, Europe, Asia, and Oceania. As our operations have become more diverse, we have upgraded our systems for monitoring and managing an increasingly complex array of risks as well as a rigorous corporate governance system designed to ensure that operations are consistently managed in line with shareholders' interests.

As a result of these initiatives, ORIX has been able to overcome the challenges presented by such developments as the two international oil crises and the collapse of Japan's bubble economy. While profitability was naturally impacted by those events, our profit-oriented business expansion strategies and emphasis on thorough risk management policies enabled us to quickly restore the upward momentum of our performance, while we accumulated more expertise in the process. **We have thus been able to increase our profits in almost every one of the 40 years of our operations.** This long-standing tradition of sustained increase in corporate value is a precious heritage, and our long-term goal is to ensure that this tradition is perpetuated. Boosting corporate performance every year without fail is a daunting proposition, but I believe that ORIX is more than capable of striving for such a goal.

We can assume that our operating environment will continue to change relentlessly. The post-bubble stagnation has made it impossible for the Japanese financial sector to keep abreast of global trends, but I expect that Japan will ultimately achieve economic recovery, at which point the country will be able to proceed with structural reforms that will result in rapid changes. These changes are likely to produce many business opportunities. In anticipation of this, we will strive to further reinforce our solid foundation and strengths so that we can create more franchise value by continuing to provide new types of solutions in our existing and new businesses. I am confident that the **franchise value that we have established over the last 40 years and continue to create today will help ORIX maintain its strong position as a front-runner in financial services as we strive to survive and thrive tomorrow and beyond.**

I sincerely thank the shareholders, customers, business partners, and other associates who have supported and cooperated with us during fiscal 2004. I look forward to your continued support and advice in the future.

June 28, 2004

Yoshihiko Miyauchi

Director, Representative Executive Officer,

Chairman and Chief Executive Officer

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40 Years and Beyond Surviving and Thriving in Changing Times ORIX Story ORIX celebrates 40th anniversary on April 17, 2004 Since its establishment in 1964 as a pioneer in the Japanese leasing market, ORIX has dynamically developed and evolved in step with changing times, aptly evaluating customers' increasingly diverse needs and continually responding to those needs by providing new kinds of financial products and services. In Japan, we have diversified our operations by leveraging our expertise in leasing to enter a number of related business fields. This broad scope of operations has enabled us to cross-sell a variety of financial products and services in response to customer demands. In recent years, we have been able to go one step beyond cross-selling and provide not only financial products, but also total financial solutions that include advisory and other value-added services. ORIX also has a long history overseas. After establishing a Hong Kong-based subsidiary in 1971, we set up many companies outside Japan, particularly in Southeast Asian countries where leasing was not yet common. Currently, there are ORIX Group companies in 22 countries and regions of the Americas, Europe, the Middle East, and other parts of the world. **ORIX's Response** **3 With expertise imported from the United States, started operations as one of the first equipment leasing companies in Japan in 1964** **3 Expanded portfolio of leasing assets to meet rising demand for equipment leasing** **3 Embarked on a process of diversification and specialization in response to changing market environment** **3 Established specialized leasing companies in Japan** ORIX Alpha Corporation for store furnishings and fixtures (1972) ORIX Auto Leasing Corporation for automobile maintenance leases (1973) ORIX Rentec Corporation for precision measuring equipment rentals (1976) **3 Overseas expansion starting with Hong Kong (1971) and followed by Singapore (1972); Malaysia (1973); Indonesia (1975); The Philippines (1977); Thailand (1978)** **3 Began providing real estate-backed loans to corporate customers** **3 First steps into retail financial services in the form of consumer credit (1979) and housing loans (1980)** **Net Income**

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Over the years, we have grown by focusing on profitable niches in financial and related services where we can utilize our accumulated expertise. The development of profitable niches inevitably invites competitors, but our relentless pioneering of new niche markets has enabled us to dependably provide customers with solutions available nowhere else. During the last four decades, ORIX has had to conduct business in a number of severe economic environments, but in each case we have overcome the associated challenges and resumed a growth course. Profits have declined only four times in our history: in fiscal 1974, following the first oil shock; in fiscal 1979, following the second oil shock; during the three years through fiscal 1995, following the bursting of the bubble economy in Japan; and in fiscal 2003, as a result of real estate asset write-downs. As the graph below indicates, in all other fiscal periods throughout our history we have been able to consistently grow profits. Our story has truly been one of surviving and thriving in changing times.

- Foreign demand-led economic recovery
- Bursting of economic bubble in Japan
- Deceleration of U.S. economy (2001)
- **in Japan (1990)** - Polarization of winners and losers amid - Plaza Accord (1985)
- Deflation and economic stagnation **intensifying competition**
- Nikkei 225 reaches new high (1989)
- Deregulation of financial markets
- Rising needs related to business
- Greater diversity of customer needs
- Asian currency crisis (1997) **restructuring and strengthening of corporate balance sheets**
- **Began cross-selling diverse financial products and services to core clientele of small and medium-sized companies**
- **Entered securities industry (1986) and life insurance industry (1991)**
- **Began employee dormitory leasing business (1986) and condominium development business (199-)**
- **Adopted the ORIX name (1989)**
- **Post-bubble emphasis on disposing of ORIX's own problem assets and upgrading asset quality**
- **Acquisitions of leasing and other assets in Japan in second half of the 1990s**
- **Began U.S. operations in commercial mortgage-backed securities, or CMBS (1997)**
- **Entered trust banking (1998), loan servicing (1999), and building maintenance (2001)**
- **Listed ORIX shares on the New York Stock Exchange (1998)**
- **Reorganized International Headquarters as the Investment Banking Headquarters (1999) to provide investment banking services**
- **Listed real estate investment trust (REIT) on the Tokyo Stock Exchange (2002)**

*In 1989, the fiscal year was changed from October 1 - September 30 to April 1 - March 31. The light blue color an annualized figure calculated by doubling the results for the six months ended March 31, 1989.

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Thriving in Changing Times

In line with our main objective of maximizing shareholder value over the long run, in recent years ORIX has been striving to achieve three primary goals: 1) continue to grow profits; 2) strengthen our balance sheet; and 3) improve profitability.

Our financial results over the past 10 years demonstrate that we have been able to grow profits, while we have also improved a number of financial ratios as we raised profitability. For example, diluted earnings per share have grown at a compounded annual rate of 10.1% in the last 10 years, but we achieved this growth while growing total assets only 2.6% over the same period. Our shareholders' equity ratio has gone from 5.4% at March 31, 1995, to 10.0% at March 31, 2004, while our ROE has risen from 7.3% to 10.1% and ROA from 0.39% to 0.93% during the same period.

ORIX has overcome diverse challenges during the past 40 years. Our aim is to use the solid foundation we have built in the past to continue to increase shareholder value over the long run. Our strong foundation reflects the characteristics of our corporate culture, which has helped create unique business capabilities as well as effective systems for monitoring our operations and for corporate governance.

CULTURE

Independence, Flexibility, and Innovation

ORIX began in 1964 as a joint venture of three trading companies and five banks, but soon adopted a strategy emphasizing autonomous corporate development and independence from the parent companies.

For personnel, we began hiring our own staff in the second year after our founding, and the number of staff seconded from the parent companies was reduced to zero in the sixth year of operations. In marketing, we created a business development section in our third year that undertook office equipment leasing involving customers and suppliers unassociated with the founding investors.

Six years after ORIX's establishment, in 1970, its shares were listed on the Second Section of the Osaka Securities Exchange. (The shares were listed on the Second Section of the Tokyo Stock Exchange in 1971, the Second Section of the Nagoya Stock Exchange in 1972, and the first sections of all three exchanges in 1973.) At that time, it was the fastest listing by a new company in post-World War II Japan.

By the early 1970s, many banks and trading companies had set up leasing subsidiaries, and the leasing market in Japan became intensely competitive. In view of this, ORIX began diversifying into areas of finance related to its leasing activities and was able to develop new niches in financial services one after the other. We simultaneously expanded our presence overseas, primarily in Southeast Asia, where we founded the first leasing companies in a number of countries at a rate of about one company per year. These initiatives reflected our emphasis on quickly adapting to changing conditions and proactively taking on new challenges.

Adopted soon after our founding, the corporate themes of independent and autonomous business strategies, rapid and flexible responses to change, and the desire to be innovative and to pursue new challenges became integral parts of the corporate DNA that continues to shape ORIX's dynamic corporate culture to this day.

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Industries now face mounting problems...It is inevitable that we will be asked to involve ourselves in the search to solutions to these problems. We are prepared and willing to meet these challenges.

Tsuneo Inui, Letter from the President, *Annual Report 1970* (This quote is taken from the first annual report published by the then Orient Leasing Co., Ltd., and 1970 was the year we went public with our listing on the Osaka Securities Exchange). **The market for financial services today constantly demands new products and innovations that cut across the existing categories of financial activities...Only those players who are contributing new value-added products and services are able to create new markets and expand their operations.** Yoshihiko Miyauchi, To Our Shareholders, *Annual Report 1988*

CORE STRENGTHS**Expertise in Evaluation**

Established as a leasing company, ORIX has for 40 years provided direct financing leases, which we view as a form of unsecured financing because we do not base our credit evaluation on the assumption that we can repossess and sell the leased assets. In addition, the small and medium-sized companies that are our principal customers usually do not have third-party credit ratings, so sophisticated expertise is required to evaluate them properly. To gain an accurate understanding of a customer's basic ability to make payments throughout the term of a contract, we employ interviews by marketing staff, the analysis of financial statements, market research, and other measures to carefully evaluate each customer's cash flows, profitability, management, and business prospects to determine the customer's creditworthiness. Having developed capabilities for determining corporate customers' real creditworthiness over many years, we can now make use of this expertise in our leasing and financing business as well as when acquiring corporate assets, arranging M&A transactions, and making selected equity investments as part of our corporate rehabilitation business.

Sales and Marketing Network in Japan

Another strength of ORIX is the customer base of approximately 500,000 companies and the nationwide network that it has developed in Japan over many years. The development of many of our financial products and services starts with individual sales and marketing staff who find out the various financial needs of their customers and then confer repeatedly with ORIX's specialized business sections about how best to meet those needs. The products and services developed to meet a certain customer's needs are then made available through all units in our nationwide marketing network.

Hokkaido **70** 127 Tohoku **66** Kinki Kanto **166** Chugoku **54** Tokyo **153** 26 Chubu **131** Shikoku Kyushu (incl. Okinawa) **144** Note: The figures indicate the number of offices in each region as of March 31, 2004.

This network has been the key to the success of cross-selling, which is one of our principal marketing strategies. Cross-selling involves approaching clients with whom we have already built relationships through leasing and other such transactions and offering them a diverse range of such products and services as life and non-life insurance, investment products, and building maintenance services. We believe our cross-selling has succeeded because it has been the direct result of our attempt to meet the various needs of our core customer base of primarily small and medium-sized companies throughout Japan. As this cross-selling strategy has evolved in recent years, we have begun to provide such investment-banking solutions as those for helping companies restructure or sell off their operations, improve their balance sheets, or go public.

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Knowledge Sharing and Teamwork

To enable the provision of value-added products and services that meet the diverse needs of customers throughout Japan, ORIX has created a number of specialized teams that have sophisticated know-how. The most distinctive aspect of our marketing operations is the way the information and expertise accumulated in specialized fields by each individual employee is shared among many different organizational units, so that we can synergistically combine our broad-ranging knowledge resources when making business proposals to our customers. By encouraging marketing offices throughout Japan to make full use of specialized sections, we have considerably upgraded our overall capabilities.

For example, in recent years there have been a number of business opportunities involving the establishment of corporate rehabilitation funds with financial institutions that are trying to clean up their bad debt problems. Our Investment Banking Headquarters, Real Estate Finance Headquarters, and such Group companies as ORIX Asset Management & Loan Services Corporation have jointly established project teams of outstanding specialists. These teams have worked on corporate rehabilitation projects in all regions of Japan and have already compiled a strong record of success in such projects. This kind of team-work that facilitates synergistic combinations of expertise is one of ORIX's biggest strengths. We are trying to further strengthen this knowledge sharing and create numerous specialized teams that can win against any competition.

Sharing Information to Create Innovative Solutions External Specialists Recommend Solutions Lawyers
Internal Specialists Consultants Investment Internal Specialists Risk Bankers Investment Management
Customers Banking HQ Groups Solutions Real Estate Sales & Finance HQ Marketing Staff Group
Companies Needs Provision of Information on Market Needs

MONITORING

Risk Management and Monthly Strategy Meetings

Risk management is one of the key bonding agents that holds ORIX's foundation solidly together. In general, our risk management system is made up of four major components.

The first component encompasses our sales and marketing departments. Each member of our sales and marketing departments is responsible for conducting an initial evaluation of all transactions and is granted a limit for credit provision approval depending on his or her rank.

Any transaction over such limits is referred to the second component, which is specialized groups, including the Risk Management Headquarters. Besides evaluating customers' creditworthiness and appraising investment projects, the Risk Management Headquarters performs checks regarding legal, tax, and reputational risks as well as diverse other types of risks associated with a given transaction.

Still-larger transactions are evaluated by the Investment and Credit Committee, which is made up of top management including the CEO, COO, CFO, and the executive officer in charge of risk management and meets three times a month.

In addition to these three components of our risk management system, ORIX holds monthly strategy meetings that play

ORIX's Risk Management System	Sales and Marketing	Risk Management Headquarters
Departments	Evaluation, approval, and monitoring of Initial analysis and evaluation, monitoring credit applications, dealing with market of unpaid accounts, issuance of requests	risk, liquidity risk, operational risk, and for payment, and collection other forms of
Investment and Credit	Monthly Strategy Committee	Meetings
		Review of larger

credit transactions and Monitoring and strategic decision making investments, decision making, and for individual business units monitoring

an important role in monitoring and controlling operations in all business fields. The managements of each parent company division and subsidiary attend these meetings monthly and discuss their respective businesses with top management. The meetings begin with quantitative reports of the financial targets and results of the division or company in question. Reports are then presented on individual projects, market trends, and other current and future issues that could potentially affect the particular business unit's profitability.

For further discussion of risk management, see Management's Discussion and Analysis of Operations 6. Risk Management, p. 47.

Corporate Governance and Compliance

We believe that ORIX has been one of the leading companies in Japan in terms of the evolution of its corporate governance. In June 2003, our shareholders passed a resolution to take advantage of new Japanese legislation that allowed ORIX to move to a Company with Committees board model. Under the new system, audit, nominating, and compensation committees made up of a majority of outside directors have been established within the Board of Directors. After the Annual General Meeting of Shareholders in June 2004, the number of outside directors was increased by one, to five, while internal directors account for the other seven seats on the 12-person board. We plan to take additional measures to further strengthen our corporate governance systems in the future.

In addition, ORIX believes that rigorous compliance is key to strong corporate governance and continues to proactively strengthen its compliance systems in line with EC21, which aims to ensure that ORIX will continue to be an Excellent Company in the 21st Century.

For more information about compliance and corporate governance, see Management's Discussion and Analysis of Operations 7. Corporate Governance, p. 54.

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While many Japanese companies in the finance industry have not been able to stay abreast of global trends since the bursting of the bubble economy in the early 1990s, Japan's anticipated economic recovery and progress in macroeconomic structural reforms are likely to bring about major changes in the finance industry. ORIX expects that these changes will present many business opportunities. We intend to strive for continued growth by further strengthening the solid corporate base that we have built to date and by accurately monitoring and projecting changes in the business environment. In line with this goal, we have drafted five main strategies for fiscal 2005.

Real Estate-Related Finance

Having extended real estate-backed loans since the 1970s and housing loans since the 1980s, ORIX has accumulated real estate-related finance experience for over three decades. Moreover, ORIX Capital Markets, LLC, or OCM, has become one of the United States' leading loan servicing companies while also making steady progress in the commercial mortgage-backed securities, or CMBS, business. ORIX has brought OCM's sophisticated expertise to Japan and used it to develop loan servicing and business involving the arrangement of non-recourse loans and CMBS.

CMBS Issued by ORIX in Japan	Collateral	Date for	Number of	Total amount	Type of
issue	Number payment	assets pledged	of issue	of loans as collateral	(Billions of yen)
Oct. 2000 Domestic private placements	6 41	27.2	Sep. 2002 Domestic private placements	11 40	19.9
Mar. 2003 Beneficial interests in trusts	1 1	7.4	Aug. 2003 Beneficial interests in trusts	1,109 177	7.6
Sep. 2003 Beneficial interests in trusts	5 10	9.3	Mar. 2004 Domestic private placements	17 21	21.5

Besides such real estate-related finance know-how, ORIX began the development and management of corporate dormitories in 1986 and has since accumulated specialization in various businesses involving the development, rental, management, and administration of real estate. Following the end of the bubble economy, we acquired various land assets by exercising our rights to real estate collateral, developed the land by building profit-generating structures appropriate for each site, and used the related profit to cover losses on the problem loans that led to our acquisition of the land. In this process, we have obtained diverse additional real estate-related expertise.

We believe that in Japan very few companies have ORIX's combination of expertise in real estate-related finance and other real estate business fields. We are making full use of our broad range of real estate know-how as we steadily expand our operations in the field of real estate-related finance.

Since the end of the bubble economy, the appraisal methods used in real estate-related finance have changed considerably, with a shift to placing emphasis on cash flow analysis, and new laws and regulations have enabled rapid growth in the use of such new products and services as non-recourse loans, asset securitization, and real estate investment trusts (REITs). Demand for innovative products and services is expected to sustain the expansion of the market for real estate-related finance in Japan, and ORIX is placing strategic emphasis on using its solid capabilities in this field to steadily expand its operations.

Distressed Asset-Related Business

Drawing on its broad range of expertise in both real estate-related finance and other real estate businesses, ORIX has worked to maintain a strong position as a front-runner in the distressed asset-related business market, which has expanded in recent years along with the efforts of many financial institutions to accelerate the disposal of their problem assets. The hub of our business in this field is ORIX Asset Management & Loan Services, which was established in 1999. The cumulative face value of distressed loans that we have purchased since that time was ¥3.3 trillion as of March 31, 2004, and the contribution of distressed asset recovery activities to consolidated earnings has been increasing over the last few years.

To better respond to the recent rise in the volume of distressed assets that financial institutions are disposing of, ORIX established its Solution Project Team in November 2003. This team is helping promote the integration of related know-how from various units as we work to capture distressed asset-related opportunities throughout Japan. These efforts have led to numerous noteworthy initiatives, such as the establishment of a rehabilitation fund to meet the needs of numerous local financial institutions in Kyushu in southern Japan.

We believe that we should place even more emphasis on the distressed asset business in fiscal 2005, and we plan to combine the knowledge of various specialized units to take advantage of opportunities in this area.

Cumulative Total of Nonperforming Loans Purchased (Billions of yen) Face Value

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Building Maintenance (Millions of yen) Revenues

Real Estate Development and Management

ORIX is also active in the development of condominiums, office buildings, and other real estate properties. Using know-how gained in corporate dormitory leasing operations, we began our condominium development business in 1993, and we have been able to conduct this business with a highly streamlined organization by outsourcing all work from design through construction and marketing. Our job rests in making sure that all the related parties are the best ones for a particular project and that they are doing what they are contracted to do. To ensure that development projects make full use of the special characteristics of individual sites, the same staff from ORIX assigned to each project work in close cooperation with construction and marketing companies from the initial site acquisition through to the completion of the final marketing of the condominiums.

We already have more than 10 years of experience and solid performance in the condominium development business, and our ranking in the industry has risen over the years. In fiscal 2004, we sold approximately 2,000 family-type condominium units and 1,000 investment-purpose studio condominium units, primarily in the greater Tokyo region, and we aim to sustain stable profitability by maintaining this business volume.

ORIX has also engaged in the development, acquisition, and sale of commercial buildings since 1996. In this field, besides drawing on our diverse real estate business experience, we have made good use of our powerful nationwide marketing network to leverage the efficacy of our tenant placement expertise. The number of REITs and real estate funds active in this field has been increasing in recent years, and the scope of the market has rapidly broadened to include both office buildings and commercial facilities as well as such diverse properties as hotels, warehouses, and rental apartment buildings. While continuing to upgrade our risk management systems, we intend to further expand our business that involves the purchase or development and the sale of these kinds of real estate properties.

ORIX has also developed substantial operations in building maintenance. Acquired in 2001, ORIX Facilities Corporation (previously named Kansai Maintenance Co., Ltd., and merged with Building Maintenance Services Corporation in April 2003) has effectively marketed its building maintenance expertise through ORIX's nationwide marketing network, enabling it to increase its revenues at annual rates exceeding 60% during the past three fiscal years and thereby boosting its revenues 2.6 times. We are intent on further expanding our business in this field, which is a prime example of a business that can grow earnings without entailing a commensurate rise in assets.

Corporate Rehabilitation Business

Making good use of the corporate support capabilities accumulated over many years, ORIX has made a number of principal investments in bankrupt or troubled companies and is providing management resources to increase the companies' value over the medium term in an attempt to sell the companies off for a capital gain. To date, we have invested in such companies as Aozora Bank, Korea Life Insurance, Minami Sports, Suginoi Hotel, FoodsNet, and Footwork Express. We are striving to augment these companies' value while concurrently seeking additional investment targets based on rigorous selection criteria. We also established ORIX M&A Solutions Corporation in February 2003, and this company has been active in providing advice on corporate restructuring and mergers and acquisitions for our clients.

While signs of economic recovery in Japan are encouraging and should help in the rehabilitation process, we require great skill to successfully rehabilitate bankrupt or troubled companies. However, we are confident of our capabilities in the corporate rehabilitation business and intend to search for more opportunities as financial institutions accelerate the disposal of problem assets. We are seeking to combine the information and expertise that exists throughout ORIX and effectively leverage those resources as we continue to develop these businesses.

Expanding Services

In line with its overall strategy to increase profitability, ORIX is vigorously working to expand its operations that incorporate more of the service component of financial services. One representative example of such fields is automobile maintenance leasing, in which we comprehensively handle the maintenance and administration of

corporate customers vehicle fleets.

Automobiles under Management in Japan (Thousands) Number of Vehicles

Demand for automobile maintenance leasing is rising amid a general increase in the popularity of outsourcing. While the provision of simple direct financing leases often tends to eventuate in a competition to offer the lowest leasing rates because such financing has become very commoditized, automobile maintenance leasing enables us to compete on the basis of the value-added services we can provide and is therefore more profitable than simple financing. Moreover, by using economies of scale in the procurement of vehicles and such maintenance items as

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tires, replacement components, and lubricants, and then passing the savings on to our customers, we can increase the competitive advantages of our automobile maintenance leases.

While the specialization and infrastructure required for truck maintenance leasing is somewhat different than that for automobile maintenance leasing, we have also gradually expanded the scale of our operations in truck maintenance leasing in recent years. We are now attempting to increase our capabilities to provide even more value-added services as we endeavor to increase the number of vehicles we lease.

While the single largest of our automobile leasing operations is in Japan, we also have automobile leasing companies overseas in 16 countries, including a Korea-based company that was established in February 2004. Efforts to expand these operations overseas are part of our overall strategy in automobile leasing.

ORIX is also a leader in the field of operating leases for precision measuring instruments and IT-related equipment (e.g., personal computers and servers) in Japan, which is another financial business with a high service component. In this field, we meet the requirements of major electronics companies, railroad companies, and other companies that have R&D or production facilities that wish to rent precisely calibrated measuring instruments or IT-related and other equipment for specified time periods. In Japan, ORIX keeps roughly 400,000 units of approximately 25,000 kinds of measuring instruments and IT-related equipment in automated warehouses, making it among the top companies in terms of the scale of its operations.

We are striving to further increase the quality of the services that we can provide in this field by upgrading our technologies for the reliable maintenance and calibration of highly specialized equipment as well as our capabilities for the dependable and speedy delivery of such equipment. We also plan to augment our capabilities outside of Japan for meeting the needs of the growing number of customers who have established overseas facilities.

By proactively expanding its operations in financial business fields with a high proportion of services, ORIX is effectively increasing its profitability. Accordingly, we plan to strategically target automobile maintenance leasing and precision measuring and IT-related equipment rental services. Even when such services as building maintenance are not strictly within the scope of financial services, we plan to expand the services that we can provide in an effort to boost growth and improve profitability.

... and Beyond

The financial services industry is inherently dynamic and we expect to see great changes in the years ahead. ORIX's biggest challenge will be, as it has been for the last 40 years, how to adapt to and benefit from these changes.

We need to further strengthen the solid foundation that we have built up over the years in the provision of financial services to small and medium-sized companies. This means increasing the franchise value of our long-standing businesses by combining and integrating our experience and expertise so that we can provide solutions tailored to the sophisticated needs of our customers throughout Japan. We are also seeking to create new franchise value in such fields as real estate-related finance and investment banking that we have begun developing in recent years.

Our enduring goal is to anticipate coming changes and capitalize on the associated opportunities. Only by constantly supplying new types of financial products, services, and solutions can we sustain our dynamic evolution tomorrow and beyond as we strive to survive and thrive in changing times.

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Table of Contents**GUIDE TO ORIX'S FINANCIAL STATEMENTS****Revenues/Operating Assets & Segment Information**

Since our establishment in 1964, we have used accounting principles generally accepted in the United States (U.S. GAAP), and, since our listing on the New York Stock Exchange (NYSE) in September 1998, we have filed financial reports under U.S. GAAP with the United States Securities and Exchange Commission (SEC) and the NYSE. Financial information used internally by management and information provided to shareholders is based on U.S. GAAP.

Under U.S. GAAP, we are required to disclose information based upon the individual items for revenues and operating assets in our consolidated statements of income and consolidated balance sheets. In the notes to our consolidated financial statements, we are also required to disclose segment information.

The consolidated financial statements contain information on operating revenues generated by operating assets, as shown in the table below, by type of operating transaction conducted by ORIX. The types of revenue include principally direct financing leases, operating leases, interest on loans and investment securities, and life insurance premiums and related investment income. Revenues from residential condominium sales are generated from assets held under inventories (which are not included in the operating assets classification) in the consolidated financial statements. Brokerage commissions and other fee income are also not linked directly with operating assets.

For discussion of the individual line items in our consolidated statements of income, please refer to Management's Discussion and Analysis of Operations starting on page 20.

Segment information is disclosed on the basis that is regularly used by management for evaluating the performance of business segments and deciding how to allocate resources to them and is based on the nature of the services provided by operations in Japan or by geographic area for overseas operations.

Domestic operations are also classified into a number of segments by region for administrative purposes and by type of product or service handled. However, when the nature of the

Corporate precision and automobile corporate financing	Rental computers, customers, fee Operating leases	Financial Services measuring equip- leases, interest on loans and invest-	Operations leasing automobile rentals	General equipment installment business	Rental of ment and personal loans to Direct
revenues	Revenues	¥ Billion	%	¥ Billion	%
100%	86%	76%	1%	18%	Operating Leases
130	100%	14	11%	70	54%
16%	Direct Financing Leases	112		16%	Interest on Loans and
Investment Securities	117	100%	18	16%	- 4%
Brokerage Commissions and Net Gains on	Investment Securities	26	100%	2	8%
- 19%	Life Insurance Premiums and Related Investment	Income	134	100%	- 14%
Residential Condominium Sales	98	100%	- 1%	Gains on Sales of Real	
Estate under Operating Leases	9	100%	- 13%	Interest Income on Deposits and Other Operating	
Revenues	94	100%	7	8%	3
¥ Billion	%	¥ Billion	%	¥ Billion	%
30%	Investment in Direct	Financing Leases	1,454	100%	1,030
71%	41	3%	11%	Investment in Operating Leases	537
100%	81	15%	105	20%	46%
Installment Loans	2,235	100%	658	29%	- 11%
Investment in Securities	552				
100%	34	6%	1	- 1%	Other Operating Assets
	72	100%	2	3%	-

Note 1: The figures in the above table are in billions and may not add up to the totals due to rounding.

Note 2: The names of the segments Corporate Financial Services and Rental Operations were changed from their previous names of Corporate Finance and Equipment Operating Leases, respectively. The composition of the segments has not changed.

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GUIDE TO ORIX'S FINANCIAL STATEMENTS (CONTINUED)

Our revenues are broken down based on how they are accounted for under U.S. GAAP. Since we are engaged in a diverse range of businesses, operating revenues are classified into nine accounting items. There are 31 items on the consolidated statements of income, including 25 accounting items. (For individual items, please refer to Management's Discussion and Analysis of Operations on page 20 and the Notes to Consolidated Financial Statements starting on page 67.) We provide detailed consolidated statements of income for investors as required under U.S. GAAP, but, because the items are numerous, the analysis of our consolidated statements of income can become quite complex. One approach to analyzing the consolidated financial statements is to look first at the three major items of our statements of income and then further break these down into ten items as described below and on the opposite page. Of course, this is not intended to be a substitute for the consolidated statements of income under U.S. GAAP, but it may provide an aid in analyzing ORIX's earnings.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

1. Performance Summary

Revenues

Total revenues for the fiscal year ended March 31, 2004 (fiscal 2004), increased 6%, to ¥720,773 million (\$6,820 million), compared with the fiscal year ended March 31, 2003 (fiscal 2003). Declines were recorded in interest on loans and investment securities and in direct financing leases due to our continued careful selection of assets and the resulting decline in the balance of assets, in addition to fewer gains from the securitization of lease and loan assets. In addition, life insurance premiums and related investment income declined. However, residential condominium sales, brokerage commissions and net gains on investment securities, and other operating revenues all increased during fiscal 2004.

Expenses

Total expenses in fiscal 2004 declined 1%, to ¥635,998 million (\$6,018 million). While selling, general and administrative expenses increased primarily due to the increase in the number of consolidated companies, we recorded substantially fewer write-downs of long-lived assets, a lower interest expense, and fewer write-downs of securities.

Operating Income, Income before Discontinued Operations, Extraordinary Gain, Cumulative Effect of a Change in Accounting Principle and Income Taxes, and Net Income

Operating income for fiscal 2004 increased 129%, to ¥84,775 million (\$802 million), primarily due to fewer write-downs of long-lived assets, which were ¥12,345 million (\$117 million) in fiscal 2004 compared to ¥50,682 million in fiscal 2003. Income before discontinued operations, extraordinary gain, cumulative effect of a change in accounting principle and income taxes rose 126%, to ¥102,157 million (\$967 million), and included ¥17,924 million (\$170 million) for equity in net income of affiliates. As a result of write-downs of deferred tax assets, income taxes increased, and net income grew 79%, to ¥54,020 million (\$511 million).

New Business Volumes

New business volumes for direct financing leases (new equipment acquisitions) and installment loans declined 20% and 11%, respectively, mainly because of a careful selection of assets as we focused on profitability over asset growth and due to fewer acquisitions than in the previous fiscal year. On the other hand, the volume of new operating leases increased 9%, primarily due to the purchase of rental real estate and increases in automobile operating leases. New securities added declined 47% primarily due to a shift in the portfolio of ORIX Life Insurance Corporation from securities to loans and other assets, while the new assets added of other operating transactions increased 60% compared with the previous fiscal year due to an increase in assets associated with our condominium development business.

Table of Contents**Operating Assets**

Operating assets declined 6% compared to the previous fiscal year, to ¥4,849,194 million (\$45,881 million). In addition to lower new business volumes, investment in securities declined as ORIX Life Insurance sold off some of its investment securities as part of its portfolio management. Assets overseas also declined in yen terms because the yen appreciated from ¥120.20 to the U.S. dollar to ¥105.69.

Earnings Summary

(Millions of yen)

	2003	2004	¥ Change	% Change
Total revenues	¥ 681,820	¥ 720,773	¥ 38,953	5.7
Total expenses	644,846	635,998	(8,848)	(1.4)
Operating income	36,974	84,775	47,801	129.3
Income before discontinued operations, extraordinary gain, cumulative effect of a change in accounting principle and income taxes	45,179	102,157	56,978	126.1
Net income	30,243	54,020	23,777	78.6

New Business Volumes

(Millions of yen)

	2003	2004	¥ Change	% Change
Direct financing leases (new receivables added)	¥ 1,000,896	¥ 801,787	¥ (199,109)	(19.9)
Direct financing leases (new equipment acquisitions)	895,848	713,240	(182,608)	(20.4)
Installment loans	1,268,170	1,124,276	(143,894)	(11.3)
Operating leases	173,567	189,737	16,170	9.3
Investment in securities	231,294	122,066	(109,228)	(47.2)
Other operating transactions	116,736	186,265	69,529	59.6

Assets

(Millions of yen)

	2003	2004	¥ Change	% Change
Investment in direct financing leases	¥ 1,572,308	¥ 1,453,575	¥ (118,733)	(7.6)
Installment loans	2,288,039	2,234,940	(53,099)	(2.3)
Investment in operating leases	529,044	536,702	7,658	1.4
Investment in securities	677,435	551,928	(125,507)	(18.5)

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Other operating assets	76,343	72,049	(4,294)	(5.6)
Total operating assets	5,143,169	4,849,194	(293,975)	(5.7)
Other	787,898	775,763	(12,135)	(1.5)
Total assets	¥ 5,931,067	¥ 5,624,957	¥ (306,110)	(5.2)

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Table of Contents**2. Operating Results****(1) Total Revenues, New Business Volumes, and Operating Assets****Direct Financing Leases**

Revenues from direct financing leases declined 9%, to ¥112,372 million (\$1,063 million), in fiscal 2004. Revenues from Japanese operations decreased 5%, due largely to fewer gains from securitization compared with fiscal 2003. Revenues from overseas fell 19%, due primarily to fewer assets and lower interest rates in the United States.

The volumes for **new equipment acquisitions** in Japan and overseas decreased 20% in fiscal 2004, to ¥713,240 million (\$6,748 million). New equipment acquisitions from Japanese operations declined 20%, due primarily to the cautious selection of new business and the absence of major acquisitions compared with the previous fiscal year. New equipment acquisitions from overseas operations decreased 22%, due primarily to a decline in the volume of new lease contracts in the United States.

Investment in direct financing leases as of March 31, 2004, decreased 8% compared to March 31, 2003, to ¥1,453,575 million (\$13,753 million). Assets in Japan were down 4%, due primarily to the cautious selection of new business and the securitization of operating assets, which has reduced assets. Overseas assets were down 19%, due primarily to the appreciation of the yen against the dollar and a decline in leasing assets in the United States.

During fiscal 2004, we securitized ¥26,284 million (\$249 million) of direct financing lease assets (¥16,672 million in Japan; ¥9,612 million overseas) that were treated as off-balance-sheet assets and ¥150,956 million (¥134,416 million in Japan; ¥16,540 million overseas) during fiscal 2003. Gains from the securitization of these assets of ¥170 million (\$2 million) were included in direct financing lease revenues for fiscal 2004 and ¥3,205 million for fiscal 2003. The balance of direct financing lease assets treated as off-balance-sheet assets amounted to ¥200,434 million (\$1,896 million) as of March 31, 2004, and ¥325,083 million as of March 31, 2003.

Direct Financing Leases

(Millions of yen)

	2003	2004	¥ Change	% Change
Direct financing lease revenues	¥ 122,928	¥ 112,372	¥ (10,556)	(8.6)
Japan	91,443	86,928	(4,515)	(4.9)
Overseas	31,485	25,444	(6,041)	(19.2)
New receivables added	¥ 1,000,896	¥ 801,787	¥ (199,109)	(19.9)
Japan	758,786	618,452	(140,334)	(18.5)
Overseas	242,110	183,335	(58,775)	(24.3)
New equipment acquisitions	¥ 895,848	¥ 713,240	¥ (182,608)	(20.4)
Japan	675,563	541,917	(133,646)	(19.8)
Overseas	220,285	171,323	(48,962)	(22.2)
Investment in direct financing leases	¥ 1,572,308	¥ 1,453,575	¥ (118,733)	(7.6)
Japan	1,237,141	1,183,187	(53,954)	(4.4)
Overseas	335,167	270,388	(64,779)	(19.3)

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- 1 Direct financing leases consist of full-payout leases. For information on the recognition of revenues for direct financing leases, see Note 1 (e) on page 67. For further details on investment in direct financing leases, see Note 4 on page 76. For information on the securitization of direct financing leases, see Note 9 on page 82.

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Investment in Direct Financing Leases by Category (Millions of yen)

	2003	2004	¥ Change	% Change
Information-related and office equipment	¥ 239,853	¥ 210,713	¥ (29,140)	(12.1)
Industrial equipment	271,471	214,682	(56,789)	(20.9)
Commercial services equipment	181,741	175,607	(6,134)	(3.4)
Transportation equipment	516,646	479,605	(37,041)	(7.2)
Other	362,597	372,968	10,371	2.9
Total	¥ 1,572,308	¥ 1,453,575	¥ (118,733)	(7.6)

Operating Leases

Revenues from operating leases increased 7%, to ¥130,488 million (\$1,235 million), primarily due to an increase of 9% in Japan mainly as a result of an improvement in the precision measuring and other equipment rental operations and an increase in revenues from automobile operating leases.

New equipment acquisitions increased 9%, to ¥189,737 million (\$1,795 million). While there were increases in automobile related operations, the acquisition of KDDI Development Corporation in the previous fiscal year added approximately ¥33,000 million in real estate-related assets. As a result, new equipment acquisitions were flat in Japan while overseas acquisitions rose 49% due to growth in real estate and automobile operating leases.

Investment in operating leases grew 1%, to ¥536,702 million (\$5,078 million). Investments in Japan rose 5% due mainly to the acquisition of an automobile rental company called JAPAREN, while assets declined 7% overseas due primarily to the appreciation of the yen against the dollar.

Operating Leases (Millions of yen)

	2003	2004	¥ Change	% Change
Operating lease revenues	¥ 122,526	¥ 130,488	¥ 7,962	6.5
Japan	85,665	92,989	7,324	8.5
Overseas	36,861	37,499	638	1.7
New equipment acquisitions	¥ 173,567	¥ 189,737	¥ 16,170	9.3
Japan	143,000	144,340	1,340	0.9
Overseas	30,567	45,397	14,830	48.5
Investment in operating leases	¥ 529,044	¥ 536,702	¥ 7,658	1.4
Japan	369,489	388,452	18,963	5.1

Overseas	159,555	148,250	(11,305)	(7.1)
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Investment in Operating Leases by Category (Millions of yen)

	2003	2004	¥ Change	% Change
Transportation equipment	¥ 174,893	¥ 202,514	¥ 27,621	15.8
Measuring equipment and personal computers	70,988	75,232	4,244	6.0
Real estate and other	283,163	258,956	(24,207)	(8.5)
Total	¥ 529,044	¥ 536,702	¥ 7,658	1.4

² Revenues from operating leases are recorded on a straight-line basis over the contract terms. Operating lease assets are recorded at cost and are depreciated over their estimated useful lives mainly on a straight-line basis. For information on recognition of revenues for operating leases, see Note 1 (e) on page 67. For details on the acquisition cost and accumulated depreciation of operating lease assets, see Note 5 on page 77.

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Table of Contents**Interest on Installment Loans and Investment Securities****Installment Loans**

Interest on installment loans declined 7% in fiscal 2004, to ¥107,490 million (\$1,017 million). Interest on installment loans in Japan was flat even though the average balance of assets was higher due primarily to a decrease in gains from securitization (¥276 million in fiscal 2004 compared to ¥6,444 million in fiscal 2003). Interest on overseas installment loans decreased 31%, primarily as a result of a lower average balance of loans and lower interest rates in the United States.

New loans added decreased 11%, to ¥1,124,276 million (\$10,637 million) in fiscal 2004. New loans added in Japan declined 13% due to an effort to hold down growth of new consumer card loans and the careful selection of new loans to corporate customers, while they remained flat overseas as we remained cautious about expanding assets, primarily in the United States.

The balance of installment loans decreased 2%, to ¥2,234,940 million (\$21,146 million). Assets in Japan rose 2%. Installment loans overseas, however, declined 25% due mainly to the repayment of loans and the appreciation of the yen against the dollar.

In fiscal 2004, we securitized ¥9,250 million (\$88 million) of installment loans, which were treated as off-balance assets, and ¥78,674 million in fiscal 2003. Gains from the securitization of loans of ¥276 million (\$3 million) in fiscal 2004 and ¥6,444 million in fiscal 2003 were included in interest on installment loans. The balance of installment loans treated as off-balance-sheet assets amounted to ¥139,509 million (\$1,320 million) as of March 31, 2004, and ¥137,867 million as of March 31, 2003.

Installment Loans	(Millions of yen)			
	2003	2004	¥ Change	% Change
Interest on installment loans	¥ 115,610	¥ 107,490	¥ (8,120)	(7.0)
Japan	89,068	89,295	227	0.3
Overseas	26,542	18,195	(8,347)	(31.4)
New loans added	¥ 1,268,170	¥ 1,124,276	¥ (143,894)	(11.3)
Japan	1,100,887	957,646	(143,241)	(13.0)
Overseas	167,283	166,630	(653)	(0.4)
Installment loans	¥ 2,288,039	¥ 2,234,940	¥ (53,099)	(2.3)
Japan	1,954,640	1,984,416	29,776	1.5
Overseas	333,399	250,524	(82,875)	(24.9)

³ For recognition of interest on installment loans, see Note 1 (e) on page 67, for other information on installment loans, see Note 6 on page 78, and for securitization, see Note 9 on page 82. For information on investment securities, including the fair value of investments, see Note 1 (i) on page 69 and Note 8 on page 79.

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Installment Loans by Region and Loan Type		(Millions of yen)			
		2003	2004	¥ Change	% Change
Borrowers in Japan:					
Consumer:	Housing loans	¥ 531,904	¥ 504,386	¥ (27,518)	(5.2)
	Card loans	271,636	247,598	(24,038)	(8.8)
	Other	32,668	54,634	21,966	67.2
	Subtotal	836,208	806,618	(29,590)	(3.5)
Corporate:	Real estate-related companies	276,332	310,847	34,515	12.5
	Commercial and industrial companies	821,992	850,539	28,547	3.5
	Subtotal	1,098,324	1,161,386	63,062	5.7
	Total (Japan)	1,934,532	1,968,004	33,472	1.7
Overseas corporate, industrial, and other borrowers		333,313	250,460	(82,853)	(24.9)
Loan origination costs, net		20,194	16,476	(3,718)	(18.4)
Total		¥ 2,288,039	¥ 2,234,940	¥ (53,099)	(2.3)

Investment Securities

Interest on investment securities decreased 42%, to ¥9,254 million (\$88 million), in fiscal 2004, due mainly to a decrease in the balance of investment in securities and lower interest rates overseas.

New securities added decreased 47%, to ¥122,066 million (\$1,155 million). New securities added in Japan decreased 53%, due mainly to fewer new securities added by ORIX Life Insurance Corporation, while new securities added overseas increased 26%, due primarily to an increase in new investment in securities in the United States.

The balance of our investment in securities decreased 19%, to ¥551,928 million (\$5,222 million), compared to March 31, 2003. The balance in Japan declined due primarily to a reduction in the amount of securities held by ORIX Life Insurance, and the balance overseas decreased due primarily to the appreciation of the yen against the dollar.

Investment Securities		(Millions of yen)			
		2003	2004	¥ Change	% Change
Interest on investment securities		¥ 15,980	¥ 9,254	¥ (6,726)	(42.1)
	Japan	866	885	19	2.2
	Overseas	15,114	8,369	(6,745)	(44.6)

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New securities added	¥ 231,294	¥ 122,066	¥ (109,228)	(47.2)
Japan	214,477	100,912	(113,565)	(52.9)
Overseas	16,817	21,154	4,337	25.8
Investment in securities	¥ 677,435	¥ 551,928	¥ (125,507)	(18.5)
Japan	497,829	399,463	(98,366)	(19.8)
Overseas	179,606	152,465	(27,141)	(15.1)

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Investment in Securities by Security Type		(Millions of yen)		
	2003	2004	¥ Change	% Change
Trading securities	¥ 12,154	¥ 26,354	¥ 14,200	116.8
Available-for-sale securities	537,888	386,797	(151,091)	(28.1)
Held-to-maturity securities	10,638		(10,638)	(100.0)
Other securities	116,755	138,777	22,022	18.9
Total	¥ 677,435	¥ 551,928	¥ (125,507)	(18.5)

Brokerage Commissions and Net Gains on Investment Securities

Brokerage commissions and net gains on investment securities increased 140%, to ¥26,025 million (\$246 million), reflecting the recovery of the stock and bond markets in Japan and overseas.

Brokerage Commissions and Net Gains on Investment Securities		(Millions of yen)		
	2003	2004	¥ Change	% Change
Brokerage commissions	¥ 2,400	¥ 3,967	¥ 1,567	65.3
Net gains on investment securities	8,457	22,058	13,601	160.8
Total	¥ 10,857	¥ 26,025	¥ 15,168	139.7

Life Insurance Premiums and Related Investment Income

Life insurance premiums decreased 3%, due to a continued shift to lower revenue but more profitable insurance products.

Life insurance related investment income decreased 5% due to the lower gains from the sale of securities.

Life Insurance Premiums and Related Investment Income		(Millions of yen)		
	2003	2004	¥ Change	% Change

Life insurance premiums	¥ 122,963	¥ 119,458	¥ (3,505)	(2.9)
Life insurance related investment income	15,548	14,754	(794)	(5.1)
Total	¥ 138,511	¥ 134,212	¥ (4,299)	(3.1)

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- 4 Assets related to life insurance operations include assets that are recorded on our consolidated balance sheets as investment in direct financing leases, installment loans, and investment in securities. Revenues from these assets are included in life insurance related investment income. For information on life insurance costs, see Note 21 on page 103.

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Balance of Investments by ORIX Life Insurance (Millions of yen)

	2003	2004	¥ Change	% Change
Fixed income securities	¥ 314,465	¥ 193,384	¥ (121,081)	(38.5)
Marketable equity securities	550	238	(312)	(56.7)
Other securities	26,885	38,187	11,302	42.0
Total investment in securities	341,900	231,809	(110,091)	(32.2)
Installment loans and other investments	237,905	350,664	112,759	47.4
Total	¥ 579,805	¥ 582,473	¥ 2,668	0.5

Breakdown of Life Insurance Related Investment Income (Millions of yen)

	2003	2004	¥ Change	% Change
Life insurance related investment income	¥ 15,548	¥ 14,754	¥ (794)	(5.1)
Net gains (losses) on investment securities	3,448	(589)	(4,037)	(117.1)
Interest on loans and investment securities, and others	12,100	15,343	3,243	26.8

Residential Condominium Sales**Residential condominium sales** increased 38%, due to a rise in the number of condominiums sold to buyers.

Residential Condominium Sales (Millions of yen)

	2003	2004	¥ Change	% Change
Residential condominium sales	¥ 71,165	¥ 98,034	¥ 26,869	37.8

Gains on Sales of Real Estate under Operating Leases**Gains on sales of real estate under operating leases** increased 180%, to ¥9,116 million (\$86 million). The sale of office buildings and other properties in Japan resulted in a substantial increase in sales, while they declined overseas due to fewer sales in the United States.

Gains on Sales of Real Estate under Operating Leases (Millions of yen)

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	2003	2004	¥ Change	% Change
Gains on sales of real estate under operating leases	¥ 3,257	¥9,116	¥ 5,859	179.9
Japan	581	8,871	8,290	1,426.9
Overseas	2,676	245	(2,431)	(90.8)

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- 5 This line item was included in our consolidated statements of income for the fiscal year under review due to its increase in importance. Any contribution from transactions in which ORIX continues to provide services, such as building maintenance, involving real estate that has been sold is included in gains on sales of real estate under operating leases. Gains and other related income associated with real estate under operating leases that has been sold and in which ORIX no longer has any involvement are recorded in discontinued operations in our consolidated statements of income.

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Other operating revenues increased 16%, to ¥92,898 million (\$879 million). Revenues in Japan were up 18%, due primarily to increases in revenues from certain companies in which we have invested as part of our corporate rehabilitation business and revenues from our building maintenance operations. The revenues from our corporate rehabilitation business are mainly those associated with hotel operations and the sale of sporting goods. The companies that we have invested in as a principal investment with the intention to rehabilitate and resell for a gain in the future are consolidated entities; therefore, their revenues are included in our consolidated financial statements.

New assets added increased 60%, to ¥186,265 million (\$1,762 million), due primarily to an increase in new transactions associated with our condominium development business.

The balance of other operating assets as of March 31, 2004, decreased 6%, to ¥72,049 million (\$682 million), primarily as a result of a decline in assets overseas due to the appreciation of the yen against the dollar.

Other Operations	(Millions of yen)			
	2003	2004	¥ Change	% Change
Other operating revenues	¥ 80,460	¥ 92,898	¥ 12,438	15.5
Japan	70,545	83,042	12,497	17.7
Overseas	9,915	9,856	(59)	(0.6)
New assets added	¥ 116,736	¥ 186,265	¥ 69,529	59.6
Japan	99,330	186,203	86,873	&