

ORIX CORP  
Form 6-K  
October 29, 2004

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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 October, 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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	<b>Page</b>
1. <u>ORIX's Interim Consolidated Financial Results (April 1, 2004 - September 30, 2004) filed with the Tokyo Stock Exchange on Tuesday, October 26, 2004.</u>	

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**SIGNATURES**

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

**ORIX Corporation**

Date: October 28, 2004

By: /s/ Shunsuke Takeda  
Shunsuke Takeda  
Director  
Deputy President and CFO  
ORIX Corporation

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**Consolidated Financial Results April 1, 2004 September 30, 2004**

October 26, 2004

*In preparing its consolidated financial information, ORIX Corporation and its subsidiaries have complied with accounting principles generally accepted in the United States of America, except as modified to account for stock splits in accordance with the usual practice in Japan.*

*U.S. Dollar amounts have been calculated at Yen 111.05 to \$1.00, the approximate exchange rate prevailing at September 30, 2004.*

*These documents 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 expects that it will be a passive foreign investment company under the U.S. Internal Revenue Code. A U.S. holder of the shares of the Company is therefore subject to special rules of taxation in respect of certain dividend, gain or other income on such shares. Investors should consult their tax advisors with respect to such rules, which are summarized in the Company's annual report.*

**For further information please contact:**

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**Consolidated Financial Results from April 1, 2004 to September 30, 2004**  
(U.S. GAAP Financial Information for ORIX Corporation and its Subsidiaries)

Corporate Name: ORIX Corporation  
Listed Exchanges: Tokyo Stock Exchange (Securities No. 8591)  
Osaka Securities Exchange  
New York Stock Exchange (Trading Symbol: IX)  
Head Office: Tokyo JAPAN  
Tel: (03) 5419-5102  
(URL [http://www.orix.co.jp/grp/ir\\_e/ir\\_index.htm](http://www.orix.co.jp/grp/ir_e/ir_index.htm))  
Date Approved by Board of Directors: October 26, 2004

**1. Performance Highlights for the Six Months Ended September 30, 2004 and 2003, and the Year Ended March 31, 2004**

**(1) Performance Highlights Operating Results (Unaudited)**

(millions of JPY)\*1

	<b>Total Revenues</b>	<b>Year-on-Year Change</b>	<b>Operating Income</b>	<b>Year-on-Year Change</b>	<b>Income before Income Taxes*2</b>	<b>Year-on-Year Change</b>
September 30, 2004	402,351	17.5%	56,608	28.1%	69,175	24.2%
September 30, 2003	342,539	2.8%	44,182	30.4%	55,709	49.5%
March 31, 2004	719,132		83,978		101,360	

  

	<b>Net Income</b>	<b>Year-on-Year Change</b>	<b>Basic Earnings Per Share</b>	<b>Diluted Earnings Per Share</b>
September 30, 2004	42,688	35.9%	509.74	477.96
September 30, 2003	31,419	38.0%	375.42	353.65
March 31, 2004	54,020		645.52	607.52

- Equity in Net Income of Affiliates was a net gain of JPY 9,765 million for the six months ended September 30, 2004, a net gain of JPY 11,923 million for the six months ended September 30, 2003 and a net gain of JPY 17,924 million for the year ended March 31, 2004.
- The average number of shares was 83,743,749 for the six months ended September 30, 2004, 83,691,862 for the six months ended September 30, 2003 and 83,685,449 for the year ended March 31, 2004.
- Changes in Accounting Principles Yes ( ) No (x) (except for adoptions of new accounting principles)

**\*Note 1:** Unless otherwise stated, all amounts shown herein are in millions of Japanese yen or millions of U.S. dollars, except for Per Share amounts which are in single yen.

**\*Note 2:** Income before Income Taxes as used throughout the report represents Income before Discontinued Operations, Extraordinary Gain and Income Taxes.

**(2) Performance Highlights Financial Position (Unaudited)**

**Shareholders      Shareholders      Shareholders**

	<b>Total Assets</b>	<b>Equity</b>	<b>Equity Ratio</b>	<b>Equity Per Share</b>
September 30, 2004	5,724,771	619,249	10.8%	7,389.48
September 30, 2003	5,684,598	541,078	9.5%	6,465.22
March 31, 2004	5,624,957	564,047	10.0%	6,739.64

1. The number of outstanding shares was 83,801,399 as of September 30, 2004, 83,690,699 as of September 30, 2003 and 83,691,007 as of March 31, 2004.

### (3) Performance Highlights Cash Flows (Unaudited)

	<b>Cash Flows from Operating Activities</b>	<b>Cash Flows from Investing Activities</b>	<b>Cash Flows from Financing Activities</b>	<b>Cash and Cash Equivalents at End of Period</b>
September 30, 2004	40,987	(95,526)	23,747	121,891
September 30, 2003	71,813	117,408	(225,059)	168,347
March 31, 2004	152,812	123,978	(328,284)	152,235

### (4) Number of Consolidated Subsidiaries and Affiliates

Consolidated Subsidiaries	202	
Non-consolidated Subsidiaries	0	
Affiliates	74	(Of which 74 are accounted for by the equity method)

### (5) Changes in Accounting Treatment

Additions to and deletions from consolidated subsidiaries and affiliates

Additions: Consolidated Subsidiaries 6, Affiliates 3

Deletions: Consolidated Subsidiaries 4, Affiliates 3

### 2. Forecasts for the Year Ending March 31, 2005 (Unaudited)

<b>Fiscal Year</b>	<b>Total Revenues</b>	<b>Income before Income Taxes</b>	<b>Net Income</b>
March 31, 2005	780,000	122,000	74,000

**Note:** Basic Earnings Per Share is forecasted to be JPY 883.04.

In addition, ORIX has delisted from the Nagoya Stock Exchange on October 23, 2004.

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**Group Position**

The main contents of each operation and the positioning of ORIX Corporation and its subsidiaries are given below.

The following classification is the same as that used in the classification of information by segment.

**Operations in Japan**

(1) Corporate Financial Services

This business centers on direct financing leases and installment loans, other than real estate loans, to corporate customers as well as the sale of a variety of financial products and other fee business.

[Main related companies]

ORIX Corporation, ORIX Alpha Corporation, ORIX Auto Leasing Corporation, IFCO Inc., Nittetsu Lease Co., Ltd.

(2) Rental Operations

This business principally comprises the rental of precision measuring equipment and personal computers to corporate customers as well as automobile rental operations.

[Main related companies]

ORIX Rentec Corporation, ORIX Rent-A-Car Corporation

(3) Real Estate-Related Finance

This business encompasses real estate loans to corporate customers and housing loans to individuals. ORIX is also expanding its business involving loan servicing, commercial mortgage-backed securities (CMBS) and REITs.

[Main related companies]

ORIX Corporation, ORIX Trust and Banking Corporation, ORIX Asset Management & Loan Services Corporation

(4) Real Estate

This business consists principally of condominium development and office rental activities as well as the operation of such facilities as hotels, employee dormitories and training facilities.

[Main related companies]

ORIX Corporation, ORIX Estate Corporation, ORIX Real Estate Corporation

(5) Life Insurance

This segment consists of direct and agency life insurance sales and related activities conducted by ORIX Life Insurance.

[Main related companies]

ORIX Life Insurance Corporation

(6) Other

The other segment encompasses securities transactions, venture capital operations, consumer card loan operations and new businesses.

[Main related companies]

ORIX Corporation, ORIX Credit Corporation, ORIX Capital Corporation, ORIX Securities Corporation, ORIX Baseball Club Co., Ltd., ORIX COMMODITIES Corporation, ORIX Investment Corporation

**Overseas Operations**

(1) The Americas

Principal businesses in the Americas segment are direct financing leases, corporate lending, securities investment, commercial mortgage-backed securities (CMBS) related business, real estate development, futures trading and reinsurance.

[Main related companies]

ORIX USA Corporation, Stockton Holdings Limited

(2) Asia and Oceania

Principal businesses in Asia and Oceania involve direct financing leases, operating leases for precision measuring equipment and transportation equipment, corporate lending and securities investment.

[Main related companies]

ORIX Investment and Management Private Limited, ORIX Asia Limited, ORIX Australia Corporation Limited,  
ORIX Taiwan Corporation, PT. ORIX Indonesia Finance, ORIX Leasing Malaysia Berhad, ORIX Leasing Pakistan Limited,  
ORIX Leasing Singapore Limited, INFRASTRUCTURE LEASING & FINANCIAL SERVICES LIMITED

(3) Europe

Principal businesses in Europe center on aircraft operating leases, corporate loans and securities investments.

[Main related companies]

ORIX Europe Limited, ORIX Ireland Limited, ORIX Aviation Systems Limited



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**Group Structure**

The structure of principal business of the ORIX Group is as follows.

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**Summary of Consolidated Financial Results**

**Management Policies**

**1. Objectives**

We aim to optimize our corporate value and growth in shareholder value over the mid to long-term. We are striving to become a unique company that provides high value-added products and services that center on the field of financial services by using the accumulated knowledge and experience in the ORIX Group.

In Japan, ORIX's activities encompass corporate financial services, rental operations, real estate-related finance, real estate, life insurance, and other activities. Overseas, we carry out our business activities in The Americas, Asia and Oceania, and Europe.

We plan to continue to focus on optimizing growth in corporate and shareholder value by concentrating on a management philosophy that considers the balance between profitability, growth, and the soundness of our operations.

**2. Profit Distribution**

We believe that we should use retained earnings mainly to invest in highly profitable areas in order to achieve continuous growth as we strive to achieve returns for shareholders by increasing our corporate value over the mid to long-term.

**3. Lowering Investment Units**

ORIX believes that it is necessary to take appropriate measures in reviewing its policy regarding the minimum investment unit for trading on the stock exchange to allow for a more broader investor participation.

ORIX will seek to consider demands of the requests from the market, expenses and effects of decreasing the size of the investment unit when making any such decision.

**4. Themes for this Fiscal Year**

ORIX will focus on the following four themes this fiscal year for its operations.

**1. Expanding Existing Franchise Value**

ORIX's business focuses on cross-selling a wide range of financial products and services such as leases and loans to its core customer base of mainly small and medium-sized companies. In addition, we believe 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. As a result, we believe we have built up a solid foundation and these operations generate a substantial amount of our consolidated earnings.

Furthermore, in the process of developing this core business model of providing innovative solutions, we believe we have developed some unique specialized operations in peripheral areas that we are also attempting to expand. For example, we are proactively working to raise our profitability by focusing on businesses such as automobile maintenance leases and precision measuring equipment operating leases that incorporate a high degree of specialization and value-added services within the field of finance.

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In the future, we also seek 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 expand franchise value.

**2. Creating New Franchise Value**

The second theme 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.

We believe 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 corporate rehabilitation services.

**3. Taking on 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.

**4. Strengthening Risk Management**

We consider the management of risk such as credit risk, market risk, and other risks essential to conducting our businesses and to increasing our shareholder value.

Accordingly, we have designed our risk management system to identify, analyze, evaluate, and measure our risks, and to set appropriate policies and limits to manage and hedge such risks. Our risk management system has been established through the development of what we consider to be reliable administrative and information systems and other policies and programs. ORIX will continue to optimize its risk management structure as we further expand our business in the future.

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**5. Corporate Governance Policy and Implementation**

**1. Corporate Governance Policy**

ORIX has endeavored to strengthen its corporate governance system in order to more objectively ensure that business activities are being carried out to fulfill our social responsibilities and maximize corporate value.

**2. Implementation of Corporate Governance at ORIX**

[Strengthening of Corporate Governance]

ORIX established an Advisory Board in 1997 made up of experienced individuals from outside the Company, introduced a Corporate Executive Officer system in 1998, and welcomed outside directors to the Board and set up the Executive Nomination and Compensation Committee in 1999. In order to further strengthen its corporate governance structure, ORIX received approval from shareholders at the 40th Annual General Meeting of Shareholders in June 2003 to adopt a Company with Committees board model, which became possible on April 1, 2003 as a result of revisions to the Japanese Commercial Code.

At the meeting of the Board of Directors following the 41st Annual General Meeting of Shareholders in June 2004, ORIX added another outside director to its Board, thus bringing the total number of outside directors to five. With the inclusion of the seven internal directors, the Board has a total of 12 members.

[Structure of Corporate Governance]

In compliance with the Commercial Code, ORIX's Audit Committee includes three directors. Two of these directors are considered outside directors under the Commercial Code. The Audit Committee receives quarterly performance reports from the executive officer responsible for the Accounting

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Department, reports from the independent public accountants concerning audits, and business summary reports from the COO (Chief Operating Officer). It also receives internal audit report results and other reports related to internal control systems from the executive officer responsible for the Compliance Coordination Office, which is a unit that supports the committee. Moreover, the Audit Committee nominates and empowers its inside director member to conduct operational studies and report on the studies to the committee, and the committee also may instruct executive officers to present reports on the units for which they are responsible. The committee discusses the various reports and evaluates the performance of executive officers and the internal control system.

As stipulated in the Commercial Code, the Nominating Committee is authorized to nominate director candidates as well as to participate in the selection of executive officers.

As stipulated in the Commercial Code, the Compensation Committee is authorized to determine policies regarding the remuneration of directors and executive officers as well as the monetary remuneration of each individual director and executive officer.

ORIX is working to improve its disclosure of information to investors and the function of its investor relations. In order to further improve this function, we have established the Disclosure Committee that oversees the management and dissemination of information to the public.

[Compliance]

We believe that compliance is a crucial foundation for sound corporate governance. We have established the Compliance Coordination Office and are proactively promoting compliance under EC21 which has Business Conduct Principles and Employee Conduct Principles as its basis.

Table of Contents**Financial Results****1. Six Months Ended September 30, 2004****Economic Environment**

The world economy has continued to recover over the last six-month period, but the recovery appears to be slowing. The U.S. economy did not show strong signs of recovery as seen in the slowdown in production and the less than positive employment situation against the backdrop of a sharp rise in the price of crude oil. The Asian economy performed steadily centering on China, and growth also continued in ASEAN countries as a result of the increase in exports. In Europe, although the British economy has maintained its growth with support from consumer spending, the Eurozone's economy saw a weak recovery as a result of its high reliance on exports and the trend seen in the U.S. may cause further downward pressure.

On the other hand, the Japanese economy has started to show signs of slowdown due to the lower growth of industrial output and the slowdown of capital expenditure. Although the employment situation is improving, there are also concerns regarding the sharp rise in crude oil prices. As a result, the economy will likely see a slight adjustment but recovery will continue at a slightly slower pace.

**Financial Highlights**

<b>Income before Income Taxes*</b>	<b>69,175 million yen (Up 24% year on year)</b>
<b>Net Income</b>	<b>42,688 million yen (Up 36% year on year)</b>
<b>Earnings Per Share (Basic)</b>	<b>509.74 yen (Up 36% year on year)</b>
<b>Earnings Per Share (Diluted)</b>	<b>477.96 yen (Up 35% year on year)</b>
<b>Shareholders' Equity Per Share</b>	<b>7,389.48 yen (Up 10% on March 31, 2004)</b>
<b>ROE (Annualized)</b>	<b>14.4% (September 30, 2003: 12.0%)</b>
<b>ROA (Annualized)</b>	<b>1.50% (September 30, 2003: 1.08%)</b>

\* Income before Income Taxes refers to Income before Discontinued Operations, Extraordinary Gain and Income Taxes.

**Revenues: 402,351 million yen (Up 17% year on year)**

Although revenues from direct financing leases, residential condominium sales, and gains on sales of real estate under operating leases decreased year on year, revenues from operating leases, interest on loans and investment securities, brokerage commissions and net gains on investment securities, life insurance premiums and related investment income, and other operating revenues were up compared to the same period of the previous fiscal year. As a result, total revenues increased 17% to 402,351 million yen in the first half of this fiscal year compared with the same period of the previous fiscal year.

In Japan, revenues from direct financing leases were flat year on year. The automobile leasing operations performed steadily. In addition, other direct financing leases generated about the same amount of revenues as in the same period of the previous fiscal year as we continued to carefully select new assets and focus on the profitability of each transaction. Overseas, revenues were down 11% due mainly to the reduction in assets of a leasing subsidiary in the U.S. compared to the same period of the previous fiscal year and the appreciation of the yen against the dollar. As a result, revenues from direct financing leases, decreased 2% to 55,661 million yen compared with the same period of the previous fiscal year.

In Japan, revenues for operating leases increased 29% year on year due to the expansion of the

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precision measuring and other equipment rental operations and due to an expansion of automobile operating leases with the acquisition of JAPAREN Co., Ltd. in October 2003. As a result, overall revenues from operating leases increased 22% to 74,270 million yen compared with the same period of the previous fiscal year.

In Japan, interest on loans and investment securities increased 17% year on year due to the steady performance of loans to corporate customers, including non-recourse loans, and contribution from the loan servicing operations. Overseas, revenues were down 10% year on year due to the reduction in assets and the appreciation of the yen against the dollar. As a result, interest on loans and investment securities, increased 11% to 65,854 million yen compared with the same period of the previous fiscal year.

Brokerage commissions increased 20% year on year due to the recovery of stock trading volume. Net gains on investment securities increased 90% year on year due to the sale of securities associated with our venture capital operations in Japan and securities investment operations in the U.S. As a result, brokerage commissions and net gains on investment securities increased 73% to 13,087 million yen compared with the same period of the previous fiscal year.

Life insurance premiums and related investment income increased 2% to 66,341 million yen compared with the same period of the previous fiscal year as we continued to shift to more profitable life insurance products.

Residential condominium sales revenue decline is consistent with the plan for the fiscal year and reflects a reduction in the number of condominiums sold to buyers, as compared to the previous fiscal year. This reduced volume of sales resulted in a decrease of 23% in residential condominium sales to 32,962 million yen compared to the same period of the previous fiscal year. An increase in condominium sales to buyers is expected in the second half of this fiscal year, however the overall level of condominium sales expected for the fiscal year will be less than that of the previous fiscal year.

Gains on sales of real estate under operating leases were down 84% to 1,281 million yen year on year as a majority of revenues associated with the sales of office buildings were reclassified in discontinued operations.

Other operating revenues were up due to the increase in revenues associated with companies in which we invested in as part of our corporate rehabilitation business in the second half of the previous fiscal year. In addition, revenues from our building maintenance operations were steady and servicing fees and arrangement fees also contributed to earnings. As a result, other operating revenues increased 122% to 92,895 million yen compared with the same period of the previous fiscal year.

### **Expenses: 345,743 million yen (Up 16% year on year)**

Although interest expense, costs of residential condominium sales, provision for doubtful receivables and probable loan losses and foreign currency transaction loss, net were down, depreciation-operating leases, life insurance costs, other operating expenses, selling, general and administrative expenses, write-downs of long-lived assets and write-downs of securities increased. As a result, expenses were up 16% to 345,743 million yen in the first half of this fiscal year compared with the same period of the previous fiscal year.

Interest expense was down 11% year on year to 28,277 million yen due mainly to the lower average debt levels in Japan and overseas.



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Depreciation-operating leases increased 14% year on year to 46,661 million yen due to the increase in operating assets compared to the same period of the previous fiscal year.

Life insurance costs increased 3% year on year to 59,919 million yen in line with the rise in life insurance premiums.

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Costs of residential condominium sales were down 19% year on year to 30,522 million yen in line with the decrease in residential condominium sales.

Other operating expenses were up 194% year on year to 63,919 million yen in line with the rise in other operating revenues.

Selling, general and administrative expenses were up 13% year on year to 87,471 million yen due to the costs, which were included from the start of this fiscal year, associated with an increase in consolidated companies in the second half of the previous fiscal year.

Provision for doubtful receivables and probable loan losses were down 30% year on year to 16,687 million yen due to a lower level of non-performing assets.

The majority of the write-downs of long-lived assets were associated with a building in Japan that was previously classified under office facilities. This building was reclassified to rental purpose, after it was decided that the building would be rebuilt. We tested for impairment for the purpose of rental asset use and consequently wrote the building down by 7,705 million yen to its fair value. As a result, write-downs of long-lived assets were up 118% year on year to 9,165 million yen.

Write-downs of securities were up 34% year on year to 2,763 million yen mainly as a result of write-downs associated with investments in stocks in our venture capital operations and securities investment operations in the U.S.

### **Net Income: 42,688 million yen (Up 36% year on year)**

Operating income grew 28% year on year to 56,608 million yen. On the other hand, equity in net income of affiliates was down compared to the same period of the previous fiscal year. While equity in net income of affiliates in the same period of the previous fiscal year included the recognition of deferred tax assets of 5,380 million yen for Korea Life Insurance Co., Ltd. (KLI) attributable to a change in tax rules in Korea, the first half of this fiscal year only included the contribution from KLI's regular operations. Income before discontinued operations, extraordinary gain and income taxes rose 24% year on year to 69,175 million yen as a result of contributions from the gains on sales of affiliates.

Discontinued operations, net of applicable tax effect was 3,792 million yen. Income from discontinued operations, net of 6,372 million yen and gains on sales of real estate under operating leases of 1,281 million yen totaled 7,653 million yen, a decrease of 2,788 million yen compared to the same period of the previous fiscal year.

As a result, net income rose 36% compared to the same period of the previous fiscal year to 42,688 million yen.

### **Operating Assets: 4,921,378 million yen (Up 1% on March 31, 2004)**

Operating assets were up 1% on March 31, 2004 to 4,921,378 million yen.

### **Segment Information ( Profits refer to income before income taxes)**

Segment profits for Corporate Financial Services, Rental Operations, Real Estate-Related Finance, Real Estate Life Insurance, Other and The Americas were up with Europe moving back into the black compared to the f

half of the previous fiscal year, while Asia and Oceania was down year on year.

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### **Operations in Japan**

#### **Corporate Financial Services** (Segment name changed from Corporate Finance to Corporate Financial Services ):

The automobile leasing operations performed steadily. While installment loans for corporate customers expanded, direct finance leases other than those associated with our automobile leasing operations in which we continued to carefully select new assets and focus on the profitability of each transaction were flat. In addition, provision for doubtful receivables and probable loan losses were down year on year. As a result, segment profits increased 25% to 27,352 million yen from 21,919 million yen in the same period of the previous fiscal year.

#### **Rental Operations** (Segment name changed from Equipment Operating Leases to Rental Operations ):

The precision measuring and other equipment rental operations recovered thanks to the pickup in capital expenditure of customers. In addition, the operating leases for automobiles were up along with the acquisition of JAPAREN Co., Ltd. As a result, segment profits increased 70% to 5,881 million yen compared to 3,456 million yen in the same period of the previous fiscal year.

#### **Real Estate-Related Finance:**

The housing loan operations and corporate loans including non-recourse loans performed steadily, and the loan servicing operations also made a larger contribution to segment profits. As a result, segment profits increased 61% to 14,710 million yen compared to 9,119 million yen in the same period of the previous fiscal year.

#### **Real Estate:**

Residential condominium sales revenue decline is consistent with the plan for this fiscal year and reflects a reduction in the number of condominiums sold to buyers, as compared to the previous fiscal year. In addition, an increase in condominium sales to buyers is expected in the second half of this fiscal year, however the overall level of condominium sales expected for the fiscal year will be less than that of the previous fiscal year. Furthermore, profits from the sale of office buildings were down, but write-downs of long-lived assets were lower than in the same period of the previous fiscal year. As a result, segment profits increased 27% to 8,011 million yen compared to 6,329 million yen in the same period of the previous fiscal year.

#### **Life Insurance:**

Segment profits increased 59% to 3,992 million yen compared to 2,507 million yen in the same period of the previous fiscal year due to a shift to more profitable life insurance products and the recognition of gains on sales of affiliates in the first quarter of this fiscal year.

#### **Other:**

The contribution from the consumer card loan operations decreased year on year as a result of a stricter credit screening process that led to a lower loan balance and subsequent lower interest on loans. However, provision for doubtful receivables and probable loan losses were down which had a slightly positive impact on segment profits. On the other hand, brokerage commissions at our securities brokerage expanded due to the increase of trading volume on the stock market. In addition, net gains on investment securities were up at our venture capital operations and equity in net income of affiliates also increased. As a result, segment profits increased 317% to 11,800 million yen compared to 2,828 million yen in the same period of the previous fiscal year.

## **Overseas Operations**

### **The Americas:**

Net gains on investment securities increased due mainly to the sale of some CMBS (commercial mortgage-backed securities) and the sale of some real estate also contributed to segment profits. Provision for doubtful receivables and probable loan losses were down thanks to the reduction in non-performing assets. However, an equity method affiliate went from a gain in the first half of

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the previous fiscal year to a loss in the first half of this fiscal year. As a result, segment profits increased 21% to 4,725 million yen compared to 3,912 million yen in the same period of the previous fiscal year.

### **Asia and Oceania:**

Automobile leasing and corporate lending of a number of companies in the region performed steadily as did the ship-related operations. However, equity in net income of affiliates in the same period of the previous fiscal year included the recognition of deferred tax assets of 5,380 million yen for KLI attributable to a change in tax rules in Korea, in addition to the contribution from regular operations. As a result, segment profits decreased 29% to 9,908 million yen compared to 13,939 million yen in the same period of the previous fiscal year.

### **Europe:**

Segment profits were 1,025 million yen compared to a segment loss of 1,899 million yen in the same period of the previous fiscal year as this segment recorded losses on certain equity method investments in the same period of the previous fiscal year from which we withdrew last fiscal year.

## **2. Summary of Cash Flows (Six Months Ended September 30, 2004)**

Cash and cash equivalents decreased by 30,344 million yen to 121,891 million yen compared to March 31, 2004.

Cash flows from operating activities provided 71,813 million yen in the first half of the previous fiscal year and 40,987 million yen in the first half of this fiscal year despite the outflow associated with the increase in restricted cash and increase in inventories.

Cash flows from investing activities provided 117,408 million yen in the first half of the previous fiscal year due to inflows associated with proceeds from sales of available-for-sale securities. Cash flows from investing activities in the first half of this fiscal year used 95,526 million yen due to the increase in installment loans made to customers and purchases of available-for-sale securities.

Cash flows from financing activities in the first half of the previous fiscal year used 225,059 million yen due to the repayment of debt accompanying the decrease of operating assets. Cash flows from financing activities in the first half of this fiscal year provided 23,747 million yen due to the increase in debt that accompanied the increase in operating assets.

## **3. Summary of Second Quarter (Three Months Ended September 30, 2004)**

In the second quarter revenues increased 35,859 million yen year on year. Although direct financing lease assets decreased, revenues from direct financing leases were at the same level as the second quarter of the previous fiscal year due to the higher profitability of transactions. Revenues from operating leases and interest on loans and investment securities were up in line with the increase in operating assets. Brokerage commissions and net gains on investment securities were up due to the increase in brokerage commissions and net gains on the sale of securities at our venture capital operations in Japan and security investment operations in the U.S. Life insurance premiums and related investment income were up year on year due to the increase in the number of new contracts. Residential condominium sales increased year on year, as more condominiums were sold to buyers in the second quarter of this fiscal year compared to the second quarter of the previous fiscal year. Gains on sales of real estate under operating leases were down as a majority of revenues associated with the sales of office buildings were reclassified in discontinued operations. Other operating revenues were up due to the increase in revenues associated with companies in which we invested in as part of our corporate rehabilitation business mainly from the third quarter of the previous fiscal year.



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On the other hand, overall expenses were up 33,548 million yen compared to the second quarter of the previous fiscal year. Interest expense decreased as a result of the decline in the average balance of operating assets.

Depreciation-operating leases increased along with the increase in operating assets as compared to the second quarter of the previous fiscal year. Life insurance costs, costs of residential condominium sales, and other operating expenses increased in line with the increase in associated revenues in the second quarter of this fiscal year. Selling, general and administrative expenses were up due to the cost associated with the increase in the number of consolidated companies from the third quarter of the previous fiscal year. While provision for doubtful receivables and probable loan losses were down year on year, write-downs of long-lived assets, and write-downs of securities increased compared to the second quarter of the previous fiscal year.

This resulted in an increase in operating income by 2,311 million yen to 25,484 million yen compared with the second quarter of the previous fiscal year.

Equity in net income of affiliates was down due to the aforementioned reason associated with KLI's operations. While losses on sales of affiliates was recorded in the second quarter of the previous fiscal year, gains on sales of affiliates was recorded in the second quarter of this fiscal year. Income before discontinued operations, extraordinary gain and income taxes increased by 1,142 million yen to 32,458 million yen compared to the second quarter of the previous fiscal year.

Discontinued operations, net of applicable tax effect added 857 million yen and net income for the second quarter of this fiscal year rose by 1,840 million yen to 19,161 million yen compared with a net income of 17,321 million yen in the second quarter of the previous fiscal year.

**4. Outlook and Forecasts for the Fiscal Year Ending March 31, 2005**

For the fiscal year ending March 31, 2005 we have revised our original forecast as follows. Revenues 780,000 million yen (up 8% compared with the fiscal year ended March 31, 2004), income before income taxes of 122,000 million yen (up 20%), and net income of 74,000 million yen (up 37%).

Millions of Yen

	<b>Total Revenues</b>	<b>Income before Income Taxes*</b>	<b>Net Income</b>
<b>Previous Forecast (A)</b>	760,000	109,000	60,000
<b>New Forecast (B)</b>	780,000	122,000	74,000
<b>Change (B-A)</b>	20,000	13,000	14,000
<b>Change (%)</b>	2.6	11.9	23.3
<b>(Reference) Fiscal 2004 results</b>	719,132	101,360	54,020

\* Income before Income Taxes refers to Income before Discontinued Operations, Extraordinary Gain and Income Taxes.



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(For the Six Months Ended September 30, 2004 and 2003, and the Year Ended March 31, 2004)  
(Unaudited)

(millions of JPY, except for per share data)

	<b>September 30, 2004</b>	<b>Change from March 31, 2004</b>	<b>Year -on- year Change</b>	<b>September 30, 2003</b>	<b>Year -on- year Change</b>	<b>March 31, 2004</b>	<b>Year -on- year Change</b>
<b>Operating Assets</b>							
Investment in Direct							
Financing Leases	1,465,856	101%	95%	1,542,172	92%	1,453,575	92%
Installment Loans	2,254,387	101%	101%	2,224,486	96%	2,234,940	98%
Investment in Operating							
Leases	536,489	100%	110%	487,613	106%	536,702	101%
Investment in Securities	591,714	107%	100%	589,918	82%	551,928	81%
Other Operating Assets	72,932	101%	101%	72,502	60%	72,049	94%
<b>Total</b>	<b>4,921,378</b>	<b>101%</b>	<b>100%</b>	<b>4,916,691</b>	<b>93%</b>	<b>4,849,194</b>	<b>94%</b>
<b>Operating Results</b>							
Total Revenues	402,351		117%	342,539	103%	719,132	106%
Income before							
Discontinued Operations,							
Extraordinary Gain and							
Income Taxes	69,175		124%	55,709	150%	101,360	227%
Net Income	42,688		136%	31,419	138%	54,020	179%
Earnings Per Share							
Net Income							
Basic	509.74		136%	375.42	138%	645.52	179%
Diluted	477.96		135%	353.65	138%	607.52	178%
Shareholders' Equity Per							
Share	7,389.48	110%	114%	6,465.22	108%	6,739.64	112%
<b>Financial Position</b>							
Shareholders' Equity	619,249						