ORIX CORP
Form 6-K
November 25, 2005
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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 November, 2005.

ORIX Corporation

(Translation of Registrant s Name into English)

Mita NN Bldg., 4-1-23 Shiba, Minato-Ku,

Tokyo, 108-0014, 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 x 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 x

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		Page
1.	ORIX s Interim Consolidated Financial Results (April 1 September 30, 2005) filed with the Tokyo Stock Exchange on Tuesday, November 8, 2005.	

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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: November 9, 2005

By /s/ Shunsuke Takeda

Shunsuke Takeda
Director
Vice Chairman and CFO
ORIX Corporation

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Consolidated Financial Results

April 1, 2005 September 30, 2005

November 8, 2005

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 113.19 to $1.00, the approximate exchange rate prevailing at September 30, 2005.

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 and those factors described under 5. Business Risk of the Financial Results herein.

The Company believes that it will be considered a passive foreign investment company for the United States Federal income tax purpose in the year to which these consolidated financial results relate and for the foreseeable future by reason of the composition of its assets and the nature of its income. A U.S. holder of the shares or ADSs of the Company is therefore subject to special rules generally intended to eliminate any benefits from the deferral of U.S. Federal income tax that a holder could derive from investing in a foreign corporation that does not distribute all of its earnings on a current basis. 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:

Corporate Communications

ORIX Corporation

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Consolidated Financial Results from April 1, 2005 to September 30, 2005

(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: +81-3-5419-5102 (URL http://www.orix.co.jp/grp/ir_e/ir_index.htm)

Date Approved by Board of Directors: November 8, 2005

1. Performance Highlights for the Six Months Ended September 30, 2005 and 2004, and the Year Ended March 31, 2005
(1) Performance Highlights - Operating Results (Unaudited)

(millions of JPY)*1

	Total Revenues	Year-on-Year Change	Operating Income	Year-on-Year Change	Income before Income Taxes*2	Year-on-Year Change
September 30, 2005	442,927	6.5%	115,702	105.5%	133,109	93.3%
September 30, 2004	415,931	15.6%	56,293	23.0%	68,860	20.2%
March 31, 2005	913,719		130,159		153,549	

	Net Income	Year-on-Year Change	Basic Earnings Per Share	Diluted Earnings Per Share*3
September 30, 2005	83,954	96.7%	957.87	907.93
September 30, 2004	42,688	35.9%	509.74	469.19
March 31, 2005	91,496		1,087.82	1,002.18

1. Equity in Net Income of Affiliates was a net gain of JPY 15,607 million for the six months ended September 30, 2005, a net gain of JPY 9,765 million for the six months ended September 30, 2004 and a net gain of JPY 20,043 million for the year ended March 31, 2005.
2. The average number of shares was 87,646,520 for the six months ended September 30, 2005, 83,743,749 for the six months ended September 30, 2004 and 84,110,243 for the year ended March 31, 2005.
3. 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 and Income Taxes.
***Note 3:** The September 30, 2004 diluted earnings per share reflects retrospective application of accounting for the effect of contingently convertible instruments set forth in EITF Issue No.04-8.

(2) Performance Highlights - Financial Position (Unaudited)

	Total Assets	Shareholders Equity	Shareholders Equity Ratio	Shareholders Equity Per Share
September 30, 2005	6,333,055	821,420	13.0%	9,333.32
September 30, 2004	5,724,771	619,249	10.8%	7,389.48
March 31, 2005	6,068,953	727,333	12.0%	8,322.96

1. The number of outstanding shares was 88,009,397 as of September 30, 2005, 83,801,399 as of September 30, 2004 and 87,388,706 as of March 31, 2005.

(3) Performance Highlights - Cash Flows (Unaudited)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
September 30, 2005	112,157	(182,787)	102,172	177,565
September 30, 2004	40,987	(95,526)	23,747	121,891
March 31, 2005	126,467	(408,004)	274,343	145,380

(4) Number of Consolidated Subsidiaries and Affiliates

Consolidated Subsidiaries	182	
Non-consolidated Subsidiaries	0	
Affiliates	81	(Of which 81 are accounted for by the equity method)

(5) Changes in Number of Consolidated Subsidiaries and Affiliates

Additions to and deletions from consolidated subsidiaries and affiliates for the six months ended September 30, 2005

Additions: Consolidated Subsidiaries 2, Affiliates 5

Deletions: Consolidated Subsidiaries 13, Affiliates 6

2. Forecasts for the Year Ending March 31, 2006 (Unaudited)

Fiscal Year	Total Revenues	Income before Income Taxes	Net Income
March 31, 2006	890,000	230,000	140,000

Note : Basic Earnings Per Share is forecasted to be JPY 1,590.74.

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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, Nittetsu Lease Co., Ltd.

(2) Automobile Operations

This business principally comprises automobile leasing operations and automobile rental operations.

[Main related companies]

ORIX Auto Corporation

(3) Rental Operations

This business principally comprises the rental and lease of precision measuring equipment, personal computers and other equipment to corporate customers.

[Main related companies]

ORIX Rentec Corporation

(4) 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).

[Main related companies]

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

(5) Real Estate

This business consists principally of condominium development, office building development and sales, office rental activities, integrated facilities management as well as the operation of such facilities as hotels, employee dormitories and training facilities and asset management of Real Estate Investment Trust (REITs).

[Main related companies]

ORIX Corporation, ORIX Real Estate Corporation, ORIX Facilities Corporation

(6) 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

(7) Other

The other segment encompasses securities brokerage, venture capital operations, consumer card loan operations, investment banking 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,

The Fuji Fire and Marine Insurance Company, Limited, DAIKYO INCORPORATED

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, and real estate development.

[Main related companies]

ORIX USA Corporation

(2) Asia, Oceania and Europe

Principal businesses in Asia, Oceania and Europe involve direct financing leases, ship related operations, operating leases for transportation equipment, corporate lending and securities investment.

[Main related companies]

ORIX Asia Limited, ORIX Taiwan Corporation, ORIX Leasing Malaysia Berhad, ORIX Investment and Management Private Limited, PT. ORIX Indonesia Finance, ORIX Australia Corporation Limited,

ORIX Aviation Systems Limited, Korea Life Insurance Co., Ltd., ORIX Leasing Singapore Limited,

INFRASTRUCTURE LEASING & FINANCIAL SERVICES LIMITED, ORIX Leasing Pakistan Limited

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Group Structure

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[Management Policies]

1. Management Policy

The basic policy for management at ORIX is to fulfill our social responsibilities as a corporation by continuing to optimize growth in corporate value and shareholder value through unique and inventive business activities.

2. Profit Distribution Policy

ORIX s profit distribution policy is to foster sustainable growth of the company and shareholder value through the optimal use of retained earnings in addition to steady distributions to investors.

ORIX is attempting to distribute profits to investors, upon consideration of the results of each earnings period, through a steady dividend over the long-term, while aiming to strengthen its financial position and increase its earnings capabilities through an efficient management structure.

In order to achieve a further increase in earnings, ORIX is planning to appropriate retained earnings to business fields that are expected to achieve high earnings.

3. Vision and Policy for 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 participation by a broader range of investors.

With regard to the above policy, ORIX plans to change the number of shares that constitute one unit from 100 to 10 on December 1, 2005.

4. Target Management Index

ORIX is building its business portfolio with a focus on balancing profitability, growth and stability of the company. To achieve this, we set ROE, ROA, and the shareholders equity ratio as important management indexes and continue to work to make improvements in these.

5. Mid- to Long-Term Corporate Management Strategy

ORIX is working to establish the following corporate image:

A company that can produce an economic impact by creating new standards of value highly appraised by the market, and engaging in business activities with pride.

A company with a high ability to meet various expectations from society including shareholders, customers and employees that practices modesty and is trusted by related parties.

A company that complies with social standards, has a superior corporate culture with fair and transparent business activities, maintains a harmonious balance with society and is widely respected around the world.

We continuously strive to provide new and inventive services that are both multidimensional and multinational in order to accomplish the above stated corporate image.

Additionally, we are working to further enhance our risk management and corporate governance to achieve sustainable growth of our corporate value.

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6. Challenges to be Addressed

ORIX is currently working on the following important challenges:

1) Bolstering the Solid and Steadily Growing Profit Base

2) Accelerating the Speed of Growth Businesses

3) Developing New Opportunities for Future Growth

4) Further Increasing the Rigor of Risk Management

1) Bolstering the Solid and Steadily Growing Profit Base

We consider three business segments in Japan Corporate Financial Services; Rental Operations; and Life Insurance and one overseas segment Asia, Oceania and Europe to constitute our stable profit base in light of their performances to date. We hope that we can further bolster this profit base by drawing on our accumulated expertise and the customer confidence we have earned to steadily augment earnings in each of these segments.

2) Accelerating the Speed of Growth Businesses

ORIX has steadily increased the sophistication of its business models through the accurate and timely response to opportunities associated with changes in macroeconomic conditions and customer needs. For example, we have already been: 1) shifting our emphasis from only lease financing to include services in the Automobile Operations segment, 2) expanding operations to include the development of condominium and office building projects in the Real Estate segment, and 3) broadening our scope of operations in the Real Estate-Related Finance segment to take advantage of relatively new opportunities such as securitization and other real-estate linked financial products. We believe these segments have many growth opportunities and we are proactively taking measures to expand these businesses.

3) Developing New Opportunities for Future Growth

Thus far, ORIX has pursued sustained growth by entering new business fields in areas where we can leverage our special strengths. The Other segment has numerous businesses that are well suited for the expansion of ORIX s operations. Currently, the potential scope of business involving principal investments in financially troubled or bankrupt companies is steadily broadening, and this is likely to be an important new growth area for us. Rather than managing funds obtained from investors, our principal investment operations entail investing our own funds, taking steps to augment the value of the companies in which we invest within a specified period of time, and then earning profits on the sale of our investments. Having completed the restructuring of our operations in The Americas segment, we are considering it to also be a new growth segment ripe for dynamic redevelopment. We have already established a franchise in the business field related to CMBS (commercial mortgage-backed securities) and are aiming to complement our existing franchises by developing additional businesses in the United States where we hope to benefit from the experience of competing in the world s most advanced and diverse financial market.

4) Further Increasing the Rigor of Risk Management

As we have expanded our operations, we have continually worked to strengthen our risk management systems. In evaluating credit risks associated with our mainstay lease and loan transactions in Japan, for example, we employ our own unique default probability model to quantify risks. We are thus able to use quantified risk indicators to allocate risk capital to individual business segments and then evaluate the profitability of these sectors based on their cost of capital. Consequently, we have created a highly sophisticated business portfolio management system that facilitates our strategic decision-making process. We believe our growth in the past has been supported by the sophistication and effectiveness of our risk management and portfolio management systems. Our future development can only be sustained if we strengthen these systems further.

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7. Corporate Governance Policy and Current Status of Implementation Measures

1) Corporate Governance Policy

To enable the promotion of business activities in line with its basic management policy (as previously described under 1. Management Policy), ORIX believes it is important to build corporate governance systems that are sound and fair from the perspectives of various stakeholders.

2) Strengthening Corporate Governance

Progress in Strengthening Corporate Governance

Since the June 1997 establishment of an Advisory Board, which included experienced and resourceful individuals from outside the Company, ORIX has strengthened its corporate governance framework with the aim of objectively determining whether its business activities are emphasizing the interests of its shareholders. In June 1998, we introduced a Corporate Executive Officer system to help separate strategic decision-making functions from day-to-day administrative operations. In June 1999, ORIX reduced the number of members on its Board of Directors, arranged for three Advisory Board members to fill two positions as independent directors and one position as an advisor to the Board, and phased out the Advisory Board. In addition, the Nominating Committee and the Compensation Committee were established to operate as support units for the Board of Directors.

To ensure the more effective separation of roles and responsibilities between the decision-making and monitoring functions of the Board of Directors and the executive function of management, ORIX adopted a Company with Committees board model in June 2003, following the April 2003 implementation of revisions to the Commercial Code of Japan that permit this model. In line with the new board model, nominating, audit, and compensation committees were set up under the Board of Directors.

In June 2004, ORIX added another outside director to its Board, thus bringing the total number of outside directors to five. Including seven internal directors, the board then had a total of 12 members. From June 2005, the board structure consisted of five outside directors and seven internal directors, and a decision was made to change the membership composition of the nominating, audit, and compensation committees by increasing the ratio of outside directors on those committees in order to promote increased management transparency and objectivity. In September 2005, one internal director retired and presently the Board of Directors consists of five outside directors and six internal directors for a total of 11 members.

A flow chart of ORIX s corporate governance system is shown below.

As of November 8, 2005

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Board of Directors

The Board of Directors includes 11 members, of which five are outside directors. In accordance with the Commercial Code, the Board of Directors makes important business decisions for ORIX, supervises the operational execution activities of directors and executive officers, and receives operational progress reports from executive officers.

Nominating Committee

The Nominating Committee has four members of which three are outside directors and one is an internal director. As stipulated in the Commercial Code, the Nominating Committee is authorized to nominate director candidates for approval at the annual general meeting of shareholders as well as to participate in the selection of executive officers.

Audit Committee

The Audit Committee has three members, all of which are outside directors. The Audit Committee receives quarterly performance reports from the executive officer responsible for the Accounting Department, reports from the independent public accountant concerning audits, and business summary reports from the COO.

It also receives internal audit report results and other reports related to internal control systems from the executive officer responsible for the Internal Audit Department and reports from executive officers on the units for which they are responsible. These reports are used to evaluate the execution of the operational duties of executive officers and the functioning of internal control systems. The Audit Committee Secretariat supports the execution of the duties of the Audit Committee. The Audit Committee Secretariat, which receives instructions and requests from the Audit Committee, makes reports to the Audit Committee based upon instructions and requests that it makes to the Internal Audit Department upon conducting audits. The Audit Committee undertakes monitoring activities using these reports with the objective of further improving and strengthening internal control systems.

Compensation Committee

The Compensation Committee has four members, all of which are outside directors. As stipulated in the Commercial Code, the Compensation Committee is authorized to determine policies regarding the compensation of directors and executive officers as well as the monetary remuneration of each individual director and executive officer.

Disclosure Committee

ORIX believes that disclosure control occupies an important position within the overall scheme of corporate governance. We have set up an information disclosure system with the Disclosure Committee playing a central role in facilitating the appropriate and timely disclosure of information to investors. The Disclosure Committee, which plays a key role in our disclosure control, consists of executive officers who are in charge of departments such as corporate communications, accounting, treasury and internal control. Upon receiving material information from each department, the committee discusses, as needed, necessary actions to be taken to evaluate whether or not any timely disclosure is needed and to ensure appropriate and timely disclosure of such information.

Strengthening Compliance

ORIX believes that compliance is a crucial foundation for sound corporate governance and it proactively implements rigorous compliance programs. In April 1989, when we changed our name from Orient Leasing Co., Ltd., to ORIX Corporation, we introduced an ORIX Group Corporate Identity program that specified Group Ideals, Group Management Goals, and Group Action Principles. This is the conceptual root of our compliance programs.

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As we neared the 21st century, we articulated three concepts in April 1998 that would characterize our identity and operations in the new century pride, trust, and respect thereby extending the conceptual scope of the ideals, management goals, and action principles of the corporate identity program. To foster pride, trust, and respect throughout our operations, we drafted our Corporate Action Principles and Employee Action Principles.

These concepts and principles together form the basis of EC21, which is a program designed to ensure that ORIX strives to be an Excellent Company in the 21st century. EC21 is the base of ORIX s compliance system. To effectively instill the ideals articulated in EC21 throughout its operations, ORIX established units specializing in compliance promotion and, in February 2002, prepared a compliance manual. This manual includes action guidelines that explain the spirit of EC21 in concrete and specific terms. At the same time, ORIX organized training and other programs to promote greater awareness of, and more attention to, compliance among all the ORIX Group s employees.

In fiscal 2003, ORIX began a Compliance Program containing specific compliance performance measures that continue to be drafted and implemented by officers and employees throughout the Group each year. To quickly discover compliance violations and prevent scandals before they occur, we have established a Compliance Help Line, to which individuals can call anonymously, and prepared a manual entitled Rules Related to the Compliance Help Line to help ensure the service is effective.

3) Risk Management System

We consider management of a variety of risks essential to conducting our businesses and to increasing our corporate value. Accordingly, through the development of a credible information network we have designed our risk management system in a manner that permits us to identify, measure, analyze and evaluate our risks, and to set appropriate policies and limits to manage and mitigate such risks. We attempt to control these risks by utilizing a risk management system that manages both overall risk as well as specific risks associated with individual transactions, businesses and overseas geographical regions.

New Components of Risk Management

As part of our efforts to improve profitability, in recent years we have developed new business lines, such as real estate-related businesses and investment banking-related businesses, in addition to our traditional businesses, such as leasing and lending, which are in essence the provision of debt finance. In order to more effectively allocate management resources in light of our diversified business models and the consequent changes in our risk profiles, we are incorporating new components into our risk management system, focusing in particular on the strengthening of risk monitoring.

Risk is monitored for each business and for each type of risk. Our monitoring includes details of where capital is used, comparisons of performance with basic guidelines, analysis of changes over time and deviation from initial plans, and evaluation of profitability with respect to risk capital. Based on individual risks, the monitoring also includes progress reports on particular projects and investments, including the status of exit strategies, comprehensive comparative analyses of projections and actual performance, and analyses of changes over time in important targets. The results of our monitoring are reported to top management on a quarterly basis and are part of the fundamental data used to make strategic decisions and allocate capital to various businesses.

In order to measure risk, different methods have been adopted in accordance with the characteristics of the assets and operations associated with each business. We make changes in the methods used to measure risk as a result of changes in business models or the business environment.

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Systems and Functions Supporting Risk Assessment

The systems and functions supporting ORIX s risk assessment are shown below.

ORIX s business activities involve various risk factors, and the principal risks vary for each business line. Our risk management system comprises four principal levels.

The first level consists of the sales and marketing departments. Our sales and marketing staff are responsible for a range of risk management functions, including implementing an initial credit analysis and evaluation with respect to potential transactions, and monitoring risks and managing and collecting problem assets with respect to originated transactions.

At the second level, we have four specialized groups responsible for risk management, consisting principally of the Risk Management Headquarters, which is responsible for evaluating and monitoring transactions proposed by our sales and marketing departments and for monitoring operating assets and quantifying risk, the Treasury Department, which is in charge of risk related to procurement of funds, the Legal Department, which is in charge of legal risk, and the Compliance Department, which promotes compliance.

The third level of our risk management system is our Investment and Credit Committee, or ICC, which comprises top management, including the CEO, COO, CFO and the executive officer in charge of investment and credit. The ICC meets on average three times a month primarily to review and approve or reject individual credit transactions and investments that exceed certain specified credit or investment amounts.

Our monthly strategy meetings add a fourth level to our risk management system. These meetings perform a particularly important role in the monitoring and control of the various businesses in which we are involved. Separate meetings are held by top management with the executives in charge of individual departments or business units to discuss matters such as the state of achievement of targets and changes in the business environment. Matters considered vitally important to our operations are decided on by the ICC and reported to the board of directors as appropriate.

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Financial Results

1. Six Months Ended September 30, 2005

Economic Environment

The world economy has generally continued to recover over the last six-month period. The U.S. economy showed signs of expansion despite concerns regarding employment and deterioration of consumer confidence due to the effects of hurricanes and the resulting higher energy costs. The European economy was able to maintain mild growth on the back of a recovery in exports despite the lag in improvement in employment. The Asian economy achieved mild growth overall. While the Chinese economy continued to achieve high growth and the Korean and Taiwanese economies recovered, the ASEAN economy experienced a slowdown as a result of the prevailing high crude oil prices.

On the other hand, the Japanese economy continued to recover in the first half of this fiscal year due to the steady growth in consumer spending and capital expenditures and improvements in corporate earnings and employment. Considering the present state of the Japanese economy, an end to deflation is expected.

Financial Highlights

Income before Income Taxes*	**133,109 million yen (Up 93% year on year)**
Net Income	**83,954 million yen (Up 97% year on year)**
Earnings Per Share (Basic)	**957.87 yen (Up 88% year on year)**
Earnings Per Share (Diluted)	**907.93 yen (Up 94% year on year)**
Shareholders Equity Per Share	**9,333.32 yen (Up 12% on March 31, 2005)**
ROE (Annualized)	**21.7% (September 30, 2004: 14.4%)**
ROA (Annualized)	**2.71% (September 30, 2004: 1.50%)**

* Income before income taxes refers to income before discontinued operations and income taxes.

Revenues: 442,927 million yen (Up 6% year on year)

Revenues increased 6% to 442,927 million yen in the first half of this fiscal year compared with the same period of the previous fiscal year. Although real estate sales decreased year on year, revenues from direct financing leases, operating leases, interest on loans and investment securities, brokerage commissions and net gains on investment securities, life insurance premiums and related investment income, gains on sales of real estate under operating leases and other operating revenues were up compared to the same period of the previous fiscal year.

Furthermore, transportation revenues, which were recorded in the previous fiscal year, are recorded as equity in net income of affiliates during this fiscal year as shown in the (Note) on Page 10.

Revenues from direct financing leases increased 10% to 61,035 million yen compared to the same period of the previous fiscal year. In Japan, revenues from direct financing leases were up 10% year on year. The automobile leasing operations performed steadily. In addition, revenues from direct financing leases were also up due to the operations of ORIX Kitakanto Corporation, which entered the ORIX Group during the previous fiscal year, and contributed to the increase in revenues from the beginning of this fiscal year and due to the contribution from the securitization of direct financing leases. Overseas, revenues were up 7% year on year. Although there were lower revenues as a result of a reduction of operating assets associated with the leasing operations in The Americas segment compared to the same period of the previous fiscal year, the expansion of the leasing operations in the Asia, Oceania and Europe segment resulted in the higher revenues.

Revenues from operating leases increased 13% to 99,778 million yen compared to the same period of the previous fiscal year. In Japan, although revenues from the precision measuring and other equipment rental operations were down year on year, there was an increase in real estate and automobile operating leases that contributed to a 9% increase year on year. Overseas, revenues were up 26% year on year due mainly to the expansion centering on automobile and other operating leases.

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Revenues from interest on loans and investment securities increased 17% to 77,198 million yen compared to the same period of the previous fiscal year. In Japan, interest on loans and investment securities increased 16% year on year. Although the balance of card loans was down year on year, an increase in loans to corporate customers, including non-recourse loans, and an expansion of the loan servicing operations contributed to the higher earnings. Overseas, revenues were up 21% year on year, with increases in both The Americas segment and Asia, Oceania and Europe segment.

Revenues from brokerage commissions and net gains on investment securities increased 56% to 20,416 million yen compared to the same period of the previous fiscal year. Brokerage commissions were up 49% year on year due to an increase in the level of trading volume on the stock market in Japan. Net gains on investment securities were up 57% year on year due to the sale of securities mainly associated with our venture capital operations and corporate rehabilitation fund investments in Japan and securities investments in The Americas segment.

Life insurance premiums and related investment income were up 3% year on year to 68,470 million yen. Life insurance premiums were flat year on year, while life insurance related investment income improved year on year.

Real estate sales decreased 25% year on year to 31,376 million yen. Although revenues associated with the sales of condominiums to buyers were flat compared to the same period of the previous fiscal year, there was no sale of office buildings and other real estate developments in the first half of this fiscal year that was recorded in the same period of the previous fiscal year. Furthermore, residential condominiums developed through certain joint ventures were accounted for by the equity method, and are included as a net of revenues and selling costs in equity in net income of affiliates. The revenues from the aforementioned joint ventures were 1,108 million yen.

Gains on sales of real estate under operating leases were up more than seven-fold year on year to 9,445 million yen due to the higher revenues associated with the sales of rental purpose office buildings and other real estate.

Other operating revenues increased 32% to 75,209 million yen due to the contribution from companies in which we invested as part of our corporate rehabilitation business in the previous fiscal year that were included from the beginning of this fiscal year and an increase in revenues associated with our integrated facilities management and related service operations.

(Note)

Transportation revenues and costs of transportation revenues associated with the operations of Footwork Express Co., Ltd. in which we invested as part of our corporate rehabilitation business, were included in the same period of the previous fiscal year based on a three-month lag basis as permitted under U.S. GAAP. However, ORIX s share in Footwork Express Co., Ltd. was reduced in December 2004 due to an increase in capital whereby the substantive participating right of a minority shareholder was increased. As a result, ORIX no longer has a controlling financial interest in the company and accounted for this company as an equity method affiliate at the end of the fiscal year ended March 31, 2005. ORIX has started recording its proportionate share of net income or loss of the company by the equity method from the fiscal year ending March 31, 2006 instead of recording transportation revenues and costs of transportation revenues.

Expenses: 327,225 million yen (Down 9% year on year)

Expenses were down 9% to 327,225 million yen compared with the same period of the previous fiscal year. Although interest expense, costs of operating leases, other operating expenses, and selling, general and administrative expenses increased, life insurance costs, costs of real estate sales, provision for doubtful receivables and probable loan losses, write-downs of long-lived assets, and write-downs of securities were down year on year. For details on costs of transportation revenues, please see the (Note) shown above.

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Interest expense was up 10% year on year to 30,573 million yen due to the higher average debt levels in Japan and higher interest rates overseas despite the lower average debt levels.

Costs of operating leases were up 9% year on year to 66,815 million yen accompanying the increase in revenues from operating leases.

Life insurance costs decreased 3% year on year to 58,239 million yen due mainly to lower insurance payments.

Costs of real estate sales were down 29% year on year to 27,765 million yen accompanying the decrease in real estate sales. Furthermore, 3,042 million yen in selling costs associated with residential condominiums developed through certain joint ventures were accounted for by the equity method.

Other operating expenses were up 42% year on year to 44,817 million yen accompanying the increase in other operating revenues.

Selling, general and administrative expenses were up 2% year on year to 89,509 million yen. Although there were no expenses associated with Footwork Express Co., Ltd., which became an equity method affiliate (refer to the (Note) on Page 10 for details), an increase in costs, which were included from the beginning of this fiscal year, associated with an increase in consolidated companies in the previous fiscal year, led to the higher expenses.

Despite an increase in operating assets, provision for doubtful receivables and probable loan losses was down 59% year on year to 6,877 million yen due to a lower level of non-performing assets.

Write-downs of long-lived assets were down year on year to 521 million yen.

Write-downs of securities were down 3% year on year to 2,668 million yen as we recorded write-downs associated mainly with equity investments made by our venture capital operations in Japan.

Net Income: 83,954 million yen (Up 97% year on year)

Operating income was up 106% year on year to 115,702 million yen.

Equity in net income of affiliates was up 60% to 15,607 million yen compared to the same period of the previous fiscal year due mainly to the contribution from overseas equity method affiliates. Included in equity in net income of affiliates are earnings on investments in operating companies accounted for by the equity method and earnings on investments in residential condominiums developed through certain joint ventures, which are also accounted for by the equity method. The equity in net income of affiliates associated with residential condominium joint ventures was a loss of 1,934 million yen, which is primarily attributable to the upfront recognition of advertising expenses, associated with some large-scale condominium development projects, preceding the revenue recognition of completed sales upon title transfer to buyers.

Gains on sales of subsidiaries and affiliates and liquidation loss were down 36% year on year to 1,800 million yen.

Income before discontinued operations and income taxes increased 93% year on year to 133,109 million yen.

Discontinued operations, net of applicable tax effect were up 38% year on year to 5,462 million yen.

As a result, net income increased 97% year on year to 83,954 million yen.

Operating Assets: 5,262,765 million yen (Up 3% on March 31, 2005)

Operating assets were up 3% on March 31, 2005 to 5,262,765 million yen. Although investment in operating leases was down on March 31, 2005 due to the sale of some rental purpose office buildings and a reclassification of some office buildings to office facilities upon a change in their use, investment in direct financing leases, installment loans, investment in securities and other operating assets were up.

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Segment Information (Profits refer to income before income taxes)

Segment profits were up year on year for all nine segments.

The results of the reported segments from April 1, 2005 reflect the revised operating structure following the reorganization of the Company. Accordingly, the real estate-related equity investment operations and the REIT asset management operations, which had been included in the Real Estate-Related Finance segment, were included in the Real Estate segment from the first quarter of this fiscal year (Please refer to the Note on page 24 of the Segment Information).

Operations in Japan

Corporate Financial Services Segment:

Segment revenues were up 17% year on year to 47,662 million yen due to the expansion of loans to corporate customers, a similar level of contribution from direct financing leases compared to the same period of the previous fiscal year, and due to the recognition of gains from securitization.

Segment profits increased 38% to 23,824 million yen compared to 17,273 million yen in the same period of the previous fiscal year due to the increase in segment revenues and the lower provision for doubtful receivables and probable loan losses as a result of a reduction in the level of non-performing assets.

Segment assets increased 6% on March 31, 2005 to 1,602,587 million yen due to an increase in loans to corporate customers despite the lower level of direct financing leases as a result of securitization.

Automobile Operations Segment:

Segment revenues increased 11% year on year to 48,911 million yen. Although the automobile rental operations were slightly lower compared to the same period of the previous fiscal year, the automobile leasing operations expanded.

Segment profits increased 23% to 13,425 million yen in line with the increase in segment revenues compared to 10,916 million yen in the same period of the previous fiscal year.

Segment assets increased 8% on March 31, 2005 to 489,313 million yen due to the expansion of the automobile leasing operations.

Rental Operations Segment:

Segment revenues were down 4% year on year to 33,638 million yen as the precision measuring and other equipment rental operations had fewer orders from electronics and communications equipment manufacturers despite an increase in revenues from transactions being accounted for as direct financing leases.

Segment profits increased 5% to 5,292 million yen compared to 5,044 million yen in the same period of the previous fiscal year. Although segment revenues were lower, the recognition of gains on investment securities contributed to the higher profits.

Segment assets were down 1% on March 31, 2005 to 116,982 million yen.

Real Estate-Related Finance Segment:

Segment revenues increased 31% year on year to 34,865 million yen due to the expansion of revenues associated with corporate loans, including non-recourse loans, the loan servicing operations, and gains on investment securities.

Segment profits increased 99% to 20,318 million yen compared to 10,216 million yen in the same period of the previous fiscal year due to the increase in segment revenues and reduction in non-performing assets, which resulted in a lower provision for doubtful receivables and probable loan losses.

Segment assets increased 1% on March 31, 2005 to 961,049 million yen due mainly to the increase in corporate loans.

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Real Estate Segment:

Segment revenues increased 15% year on year to 98,018 million yen. Lower real estate sales were recorded as there were no revenues associated with the sale of real estate developments, such as office buildings, in the first half of this fiscal year that were recorded in the same period of the previous fiscal year, while revenues associated with the sales of residential condominiums were flat year on year. On the other hand, gains associated with sales of real estate under operating leases increased and revenues associated with our integrated facilities management and related service operations also expanded.

Segment profits increased 64% to 20,562 million yen compared to 12,505 million yen in the same period of the previous fiscal year due to the increase in gains associated with the sales of real estate under operating leases.

Segment assets increased 4% on March 31, 2005 to 520,730 million yen due to the purchase of some rental purpose real estate despite the reclassification of some assets to office facilities upon a change in their use.

Life Insurance Segment:

Segment revenues were up 3% year on year to 68,178 million yen. Although life insurance premiums were flat year on year, life insurance related investment income improved year on year.

Segment profits increased 94% year on year to 7,753 million yen compared to 3,992 million yen in the same period of the previous fiscal year due to the increase in segment revenues and lower insurance payments.

Segment assets were down 8% on March 31, 2005 to 521,022 million yen due to a reclassification of some assets as a result of a change in their use to office facilities and a decrease in the investment portfolio associated with the maturity of some endowment insurance policies.