

ORIX CORP  
Form 6-K  
May 08, 2009  
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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 May, 2009.

## ORIX Corporation

(Translation of Registrant's Name into English)

Mita NN Bldg., 4-1-23 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.)

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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. <u>ORIX s Annual Consolidated Financial Results (April 1, 2008 – March 31, 2009) filed with the Tokyo Stock Exchange on Friday, May 8, 2009.</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: May 8, 2009

By /s/ Haruyuki Urata  
Haruyuki Urata  
Director  
Deputy President & CFO  
ORIX Corporation

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**Consolidated Financial Results**

**April 1, 2008    March 31, 2009**

May 8, 2009

*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 98.23 to \$1.00, the approximate exchange rate prevailing at March 31, 2009.*

*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 believes that it will be considered a "passive foreign investment company" for 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:**

**Investor Relations**

**ORIX Corporation**

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**JAPAN**

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**Material Contained in this Report**

The Company's financial information for the fiscal year from April 1, 2008 to March 31, 2009, filed with the Tokyo Stock Exchange and also made public by way of a press release.

**Table of Contents****Consolidated Financial Results from April 1, 2008 to March 31, 2009**

(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](http://www.orix.co.jp/grp/ir_e/ir_index.htm))

**1. Performance Highlights for the Years Ended March 31, 2009 and 2008****(1) Performance Highlights - Operating Results (Unaudited)**

| (millions of yen)*1 |                |                     |                  |                     |                              |                     |            |                     |
|---------------------|----------------|---------------------|------------------|---------------------|------------------------------|---------------------|------------|---------------------|
|                     | Total Revenues | Year-on-Year Change | Operating Income | Year-on-Year Change | Income before Income Taxes*2 | Year-on-Year Change | Net Income | Year-on-Year Change |
| March 31, 2009      | 1,075,811      | (6.6)%              | 54,739           | (70.9)%             | 10,071                       | (95.9)%             | 21,924     | (87.1)%             |
| March 31, 2008      | 1,151,539      | 2.6%                | 187,990          | (33.1)%             | 248,555                      | (21.1)%             | 169,597    | (13.7)%             |

  

|                | Basic Earnings Per Share | Diluted Earnings Per Share | Return on Equity | Return on Assets*3 | Operating Margin*4 |
|----------------|--------------------------|----------------------------|------------------|--------------------|--------------------|
| March 31, 2009 | 246.59                   | 233.81                     | 1.8%             | 0.1%               | 5.1%               |
| March 31, 2008 | 1,860.63                 | 1,817.81                   | 13.8%            | 2.9%               | 16.3%              |

1. Equity in Net Income of Affiliates was a net loss of ¥42,937 million for the year ended March 31, 2009 and a net gain of ¥48,343 million for the year ended March 31, 2008.

- \*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 Income Taxes, Minority Interests in Earnings of Subsidiaries, Discontinued Operations and Extraordinary Gain.
- \*Note 3:** This figure has been calculated using Income before Income Taxes in accordance with Tokyo Stock Exchange disclosure practice. The figure on following pages is calculated using Net Income.
- \*Note 4:** This figure has been calculated by dividing Operating Income by Total Revenues.

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

|                | Total Assets | Shareholders Equity | Shareholders Equity Ratio | Shareholders Equity Per Share |
|----------------|--------------|---------------------|---------------------------|-------------------------------|
| March 31, 2009 | 8,369,736    | 1,167,530           | 13.9%                     | 13,059.59                     |
| March 31, 2008 | 8,994,970    | 1,267,917           | 14.1%                     | 14,010.62                     |

**(3) Performance Highlights - Cash Flows (Unaudited)**

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|                | Cash Flows<br>from Operating Activities | Cash Flows<br>from Investing Activities | Cash Flows<br>from Financing Activities | Cash and Cash Equivalents<br>at End of Period |
|----------------|---|---|---|---|
| March 31, 2009 | 308,779                                 | 171,183                                 | (334,587)                               | 459,969                                       |
| March 31, 2008 | 156,287                                 | (838,331)                               | 792,966                                 | 320,655                                       |

**2. Dividends for the Years Ended March 31, 2009 and 2008 (Unaudited)**

|                | Dividends Per Share | Total<br>Dividends Paid | Dividend Payout Ratio<br>(Consolidated base) | Dividends on Equity<br>(Consolidated base) |
|----------------|---------------------|-------------------------|--|--|
| March 31, 2009 | 70.00               | 6,261                   | 28.4%  | 0.5%                                       |
| March 31, 2008 | 260.00              | 23,529                  | 14.0%  | 1.9%                                       |

**3. Forecasts for the Year Ending March 31, 2010 (Unaudited)**

| Fiscal Year    | Total Revenues | Year-on-Year<br>Change | Net Income<br>attributable to ORIX*5 | Year-on-Year<br>Change | Basic<br>Earnings Per Share*5 |
|----------------|----------------|------------------------|--------------------------------------|------------------------|-------------------------------|
| March 31, 2010 | 960,000        | (10.8)%                | 30,000                               | 36.8%                  | 335.57                        |

\*Note 5: Net Income attributable to ORIX is equivalent to Net Income which had been used until year ended March 31, 2009.

**4. Other Information**

(1) Changes in Significant Consolidated Subsidiaries Yes ( ) No (x)

**(2) Changes in Accounting Principles, Procedures and Disclosures**

1. Changes due to adoptions of new accounting standards Yes (x) No ( )  
 2. Other than those above Yes ( ) No (x)

**(3) Number of Outstanding Shares (Ordinary Shares)**

1. The number of outstanding shares, including treasury shares, was 92,217,067 as of March 31, 2009, and 92,193,067 as of March 31, 2008.  
 2. The number of treasury shares was 2,816,847 as of March 31, 2009, and 1,696,204 as of March 31, 2008.  
 3. The average number of shares was 88,909,717 for the fiscal year ended March 31, 2009, and 91,150,314 for the fiscal year ended March 31, 2008.



**Table of Contents****[Summary of Consolidated Financial Results]**

|                                       |  |
|---------------------------------------|--|
| <b>Revenues</b>                       | <b>¥1,075,811 million (Down 7% year on year)</b>               |
| <b>Operating Income</b>               | <b>¥54,739 million (Down 71% year on year)</b>                 |
| <b>Income before Income Taxes*</b>    | <b>¥10,071 million (Down 96% year on year)</b>                 |
| <b>Net Income</b>                     | <b>¥21,924 million (Down 87% year on year)</b>                 |
| <b>Operating Assets</b>               | <b>¥6,560,869 million (Down 9% compared to March 31, 2008)</b> |
| <b>Earnings Per Share (Basic)</b>     | <b>¥246.59 (Down 87% year on year)</b>                         |
| <b>Earnings Per Share (Diluted)</b>   | <b>¥233.81 (Down 87% year on year)</b>                         |
| <b>Shareholders' Equity Per Share</b> | <b>¥13,059.59 (Down 7% compared to March 31, 2008)</b>         |
| <b>ROE</b>                            | <b>1.8% (March 31, 2008: 13.8%)</b>                            |
| <b>ROA</b>                            | <b>0.25% (March 31, 2008: 1.97%)</b>                           |

\* Income before income taxes refers to income before income taxes, minority interests in earnings of subsidiaries, discontinued operations and extraordinary gain.

**1. Analysis of Financial Highlights****1-1. Financial Highlights for the Fiscal Year Ended March 31, 2009****Economic Environment**

Fiscal year 2009 was marked by an unprecedented global financial crisis. The subprime loan problem that began in the U.S. led to a worldwide financial crisis resulting in a series of bankruptcies and restructurings at major financial institutions, highlighted by Lehman Brothers' bankruptcy filing. During the latter half of the year, the effects of a significant credit crunch in the capital markets increasingly spilled over into the real economies of many countries affecting all key economic indicators such as growth, consumption and employment, resulting in a drastic economic downturn.

In Japan, the real economic growth rate and the Bank of Japan's short-term economic survey of enterprises (the *Tankan*) measuring businesses' short-term sentiments revealed the bleakest outlook since records began. Furthermore, the concern surrounding enterprises continues to increase, as can be seen in the record-high number of listed companies that have filed for bankruptcy, particularly in the real estate sector.

In order to support the flagging economy, Japan and other major economic powers have responded by implementing expanded programs to increase liquidity and coordinating policies including government spending programs. As a result, indications that conditions are normalizing have been seen in domestic and international capital markets as the U.S. financial system begins to show signs of stabilizing. In Japan, declines in industrial production and machinery order indices, two leading economic indicators, are slowing, but real economic recovery is projected to take some time. Until we have clear signs that the economy is recovering, we will continue to manage our operations under the assumption that the severe economic environment will continue for the foreseeable future.

**Overview of Business Performance (April 1, 2008 to March 31, 2009)****Operating Revenues: ¥1,075,811 million (Down 7% year on year)**

Revenues decreased 7% to ¥1,075,811 million compared to the previous fiscal year. Although revenues increased year on year from operating leases, gains on sales of real estate under operating leases, and other operating revenues, revenues from direct financing leases, interest on loans and investment securities, brokerage commissions and net gains (losses) on investment securities, life insurance premiums and related investment income, and real estate sales were down compared to the previous fiscal year.

Revenues from direct financing leases decreased 19% to ¥63,766 million compared to the previous fiscal year.

The Japanese leasing industry has seen declines in business volume, and the ORIX Group continues to be prudent in its selection of leasing assets, choosing only those assets where the risk and return balance is felt to be appropriate. Furthermore, in the field of automobile leases we

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have continued to shift our focus away from finance lease transactions to operating lease transactions, and accordingly, our domestic direct financing lease assets continue to decline. As a result direct financing lease revenues in Japan decreased 22% year on year to ¥42,099 million, compared to ¥53,683 million for the previous fiscal year.

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Overseas, our direct financing lease operations across the Asian region are mainly automobile and industrial equipment leasing. As a result of our more stringent selection of new transactions in response to the decline in the economic environment, both direct financing lease assets and new contracts began to decline starting from the latter half of the fiscal year. Furthermore, in the U.S. direct finance lease assets have declined due to our continuing reduction of leasing operations. As a result of these factors and the foreign exchange effects of an appreciated yen, revenues from overseas direct financing leases decreased 13% to ¥21,667 million compared to ¥24,865 million in the previous fiscal year.

Revenues from operating leases were flat year on year at ¥291,352 million.

In Japan, operating lease revenues increased 5% to ¥223,656 million compared to ¥212,039 million in the previous fiscal year due to an increase in real estate and automobile operating leases, despite decreased gains of sales of properties due to a decline of sales price in secondhand markets.

Overseas, we engage in investment and sales of aircraft leases, constantly monitoring and responding to market trends, and recorded gains on sales of aircraft have declined compared to the previous fiscal year. Also, in line with the slowdown in the economy, overseas operating lease revenues were down 11% to ¥67,696 million compared to ¥76,321 million for the previous fiscal year chiefly due to a decline in new automobile lease transactions and the foreign exchange effects of an appreciated yen.

Revenues from interest on loans and investment securities decreased 13% to ¥196,601 million compared to the previous fiscal year.

In Japan, although we have been focusing on loans for corporate clients in the Corporate Financial Services and Investment Banking segments, we adopted a more cautious approach for new transactions beginning in the latter half of the previous fiscal year due to uncertainty in the direction of the economy. As a result, revenues decreased due to the decrease of the installment loans. Furthermore, revenues from the loan servicing (asset recovery) operations and commission revenues also decreased, and domestic revenues from interest on loans and investment securities then decreased 12% to ¥160,607 million compared to ¥182,314 million from the previous fiscal year.

Overseas, revenues were down 19% to ¥35,994 million compared to ¥44,706 million in the previous fiscal year, chiefly due to lower market interest rates in the U.S., a similar reduction in new transactions as in Japan due to a more cautious approach to new transactions, and the foreign exchange effects of an appreciated yen.

A loss of ¥12,330 million was recorded on brokerage commissions and net gains (losses) on investment securities compared to a gain of ¥23,521 million in the previous fiscal year. Brokerage commissions decreased 27% to ¥5,025 million, compared to ¥6,879 million in the previous fiscal year. We recorded a loss of ¥22,088 million in net gains (losses) on investment securities compared to a gain of ¥13,301 million in the previous fiscal year due to losses as a result of further deterioration in the bond and securities markets in the U.S. and losses in private equity funds since the second quarter of this fiscal year. In addition, dividends income was up 42% to ¥4,733 million compared to ¥3,341 million in the previous fiscal year.

Life insurance premiums and related investment income decreased 8% year on year to ¥117,751 million. Revenues from insurance premiums were down 4% to ¥115,214 million compared to ¥120,527 million from the previous fiscal year. Operating revenues from insurance-related investments were down 69% to ¥2,537 million compared to ¥8,089 million from the previous fiscal year chiefly due to a decline in investment securities-related operating revenues caused by the deterioration in the markets.

Real estate sales were down 20% year on year to ¥71,088 million due to an absence of gains on sales of real estate in Oceania that had been recorded in the previous fiscal year, and the decline in revenues from sales of domestic condominiums. Furthermore, residential condominiums developed through certain joint ventures and associated profits are recorded under equity in net income (loss) of affiliates net of revenues and costs.

Gains on sales of real estate under operating leases were up 45% to ¥24,346 million compared to ¥16,756 million from the previous fiscal year due to an increase in gains on sales of office buildings and other real estate not classified under discontinued operations (refer to (Note 1) below).

Other operating revenues increased 8% year on year to ¥323,237 million.

In Japan, revenues were up 15% to ¥270,894 million compared to ¥236,253 million from the previous fiscal year, due to contributions from the consolidated subsidiary Internet Research Institute, Inc. acquired during the previous fiscal year and increases in revenues associated with real estate management operations including golf courses and training facilities.



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Overseas, revenues were down 18% to ¥52,343 million compared to ¥64,020 million from the previous fiscal year, due to reductions in revenues from advisory services in the U.S and ship-related finance in Asia, which had been recorded in the previous fiscal year, and the foreign exchange effects of an appreciated yen.

Note 1:

Subsidiaries, business units, and certain rental properties sold or to be disposed of by sale, are reported under continuing operations or discontinued operations, and are dependent on the existence of significant continuing involvements. In the absence of significant continuing involvements, they are reported under discontinued operations and the related amounts that had been previously reported have been reclassified retroactively.

**Expenses: ¥1,021,072 million (Up 6% year on year)**

Expenses were up 6% to ¥1,021,072 million compared to the previous fiscal year. Although interest expense, life insurance costs, costs of real estate sales, and selling, general and administrative expenses declined compared to the previous fiscal year, costs of operating leases, other operating expenses, provisions for doubtful receivables and probable loan losses, write-downs of long-lived assets and write-downs of securities increased.

Interest expense was flat year on year at ¥104,541 million. In Japan, the debt balance has declined compared to the end of previous fiscal year, however the average debt levels for the fiscal year have increased. Furthermore, interest expense increased 12% compared to the previous fiscal year due to increased funding costs resulting from a shift from short-term to long-term debt at higher interest rates. Overseas, interest expense was down 26% compared to the previous fiscal year due to lowered dollar interest rates and the foreign exchange effects of an appreciated yen.

Costs of operating leases were up 7% to ¥197,401 million compared to the previous fiscal year. In Japan, costs of operating leases increased 15% to ¥153,023 million compared to the previous fiscal year chiefly due to an increase in depreciation and related costs of automobile operating leases and real estate. Overseas, due to the foreign exchange effects of an appreciated yen, costs of operating leases decreased 13% to ¥44,378 million compared to the previous fiscal year.

Life insurance costs were down 6% year on year to ¥105,899 million.

Costs of real estate sales decreased 2% to ¥79,060 million compared to the previous fiscal year due primarily to a decline in the number of condominiums delivered compared to the previous fiscal year, despite write-downs recorded on a portion of projects under development.

Other operating expenses were up 9% year on year to ¥186,531 million due to expenses related to chiefly domestic consolidated subsidiaries invested in the previous fiscal year as discussed above in other operating revenues.

Selling, general and administrative expenses were down 6% to ¥249,505 million compared to the previous fiscal year due to the absence of one-off write-downs of intangible assets recorded in the first quarter of the previous fiscal year, despite the recognition of expenses from the beginning of this fiscal year from the domestic consolidated subsidiaries in which we invested in the previous fiscal year. Employee salaries and other personnel expenses account for approximately 60% of selling, general and administrative expenses.

Provisions for doubtful receivables and probable loan losses were up 132% to ¥77,028 million compared to the previous fiscal year.

Provisions for investment in direct financing leases were up 7% year on year to ¥9,524 million compared to the previous fiscal year.

Provisions on installment loans were up 177% to ¥67,504 million compared to the previous fiscal year chiefly due to increases made for loans to the real estate sector. As of March 31, 2009, ¥668,958 million, or 20% of all outstanding installment loans, was to real estate companies (except non-recourse loans to SPCs). The loans to real estate companies are largely secured with real estate collateral. Of this amount, ¥215,971 million has been individually evaluated for impairment and the allowance made has increased to ¥47,592 million from ¥5,808 million for the previous fiscal year.

Write-downs of long-lived assets were up 117% to ¥3,782 million from ¥1,742 million compared to the previous fiscal year as a result of write-downs chiefly on rental real estate properties in Japan.

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Write-downs of securities were up 125% to ¥18,632 million from ¥8,290 million compared to the previous fiscal year due primarily to market valuation losses recorded from private equity investments both in Japan and overseas.

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### **Net Income: ¥21,924 million (Down 87% year on year)**

Operating income was down 71% year on year to ¥54,739 million due to the reasons noted above.

Equity in net income (loss) of affiliates recorded a loss of ¥42,937 million down from a profit of ¥48,343 million for the previous fiscal year. The loss was recorded due to a decline in profits as a result of the sale of Korea Life Insurance Co., Ltd. ( KLI ) in the previous fiscal year and the effects of a deterioration of results of domestic-based equity method affiliates, mainly DAIKYO INCORPORATED ( DAIKYO ), during this fiscal year. In addition impairment losses were recorded, since it was judged that the downward stock price movements of a number of equity-method affiliates, chiefly The Fuji Fire and Marine Insurance Co., Ltd. ( Fuji Fire ), were other than temporary. As a result, this account in this fiscal year recorded a loss. Net income from residential condominiums developed through certain joint ventures in Japan decreased to ¥12,527 million from ¥19,127 million for the previous fiscal year.

In the previous fiscal year, gains on the sales of domestic and Asia-based equity method affiliates involved in the corporate rehabilitation operations were recorded. For this fiscal year, gains (losses) on sales of subsidiaries and affiliates and liquidation losses recorded a loss of ¥1,731 million, down from a profit of ¥12,222 million in the previous fiscal year, due chiefly to the losses on our shareholding in Fuji Fire resulting from the dilution caused by the issuance and sale of shares to a third party, despite gains on sales of ORIX Facilities.

As a result of the foregoing changes, income before income taxes, minority interests in earning of subsidiaries, discontinued operations and extraordinary gains decreased 96% year on year to ¥10,071 million.

Provision for income taxes has decreased due to a reversal of deferred tax liability (refer to (Note 2) below) of undistributed profits of overseas subsidiaries in line with a 2009 revision of the taxation system.

Minority interests in earnings of subsidiaries, net decreased 52% year on year to ¥1,873 million.

Income from continuing operations decreased 93% year on year to ¥10,188 million.

Discontinued operations, net of applicable tax effect (refer to (Note 1) on page 3) decreased 48% to ¥11,736 million year on year due mainly to a decrease in gains on sales of real estate under operating leases in Japan.

As a result of the foregoing changes, net income decreased 87% year on year to ¥21,924 million.

Note 2:

Prior to the March 2009 revisions to the Japanese tax code, dividends received from overseas subsidiaries were taxed at a rate based on the differences between the Japanese tax rate and applicable income tax rates in foreign countries. Consequently, deferred tax liabilities related to such additional tax for undistributed earnings of foreign subsidiaries had been recognized except for those designated as indefinitely reinvested.

### **Segment Information**

As of April 1, 2008, the ORIX Group implemented changes to its internal organization to reorganize its business into six segments to facilitate strategy formulation, resource allocation and portfolio balance determination at the segment level. The six business segments are: Corporate Financial Services, Maintenance Leasing, Real Estate, Investment Banking, Retail and Overseas Business.

Management believes reorganizing its businesses into these six new segments addresses the significant changes in ORIX Group's operations and lines of business over the past four to five years.

Financial information about its operating segments reported below is information that is separately available and evaluated regularly by the management in deciding how to allocate resources and in assessing performance. The Company evaluates the performance of its segments based on income before income taxes as well as results of discontinued operations, minority interests in earnings of subsidiaries and extraordinary gain, before applicable tax effect. Tax expenses are not included in segment profits.

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Segment information for this fiscal year follows as below.

### **Corporate Financial Services Segment**

The operating environment has drastically changed since the latter half of the previous fiscal year, a trend that is expected to continue for the foreseeable future. In this fiscal year, financial institutions have not changed their conservative stance toward lending to the real estate sector and as a result, financial conditions in the construction and real estate industries have continued to deteriorate. In collaboration with Risk Management Headquarters the segment has been scrutinizing the financial and operating conditions of each client, striving to continue maximizing the speed and amount of loan recovery.

Segment revenues were down 2% to ¥137,712 million compared to ¥139,874 million in the previous fiscal year as a result of the decline in revenues in line with decreases in installment loan assets and direct financing lease assets due to the more stringent criteria placed on new transactions. This decline was partially offset by an increase in revenues recorded from the beginning of the fiscal year from consolidated subsidiaries in which we invested in the previous fiscal year. However, the segment recorded a loss of ¥10,451 million down from a profit of ¥35,412 million in the previous fiscal year due to continued increases in provisions for doubtful receivables and probable loan losses for real estate-related loans and impairment losses of goodwill in consolidated subsidiaries and equity-method affiliates.

Segment assets decreased 21% to ¥1,583,571 million compared to the end of the previous fiscal year due to strict controls on the selection of new transactions resulting in a reduction in installment loans and direct financing lease assets.

### **Maintenance Leasing Segment**

The operating environment for the automobile leasing business continues to be severe due to the swift decline experienced by the automobile industry from the latter half of the fiscal year and due to a falloff in demand from corporate clients as a result of the deteriorating economy. Furthermore, the car rental operations have underperformed due to worsening of consumer sentiment. Similarly, the precision measuring and other equipment rental operations have seen a declining trend in its operating results due to weaker demand in the contracting economy.

Segment revenues were flat year on year at ¥235,953 million as a result of the severe overriding operating environment mentioned above, despite an increase in client demand for operating leases in the automobile operations. Segment profits decreased 31% to ¥25,621 million compared to ¥37,235 million during the previous fiscal year due to increases in expenses related to depreciation and maintenance parts and services, increases in provisions for doubtful receivables and probable loan losses and reductions in gains on sales of used automobiles due to a declining secondary market.

Segment assets were flat year on year at ¥648,314 million compared to March 31, 2008 due to an increase in operating lease assets in the automobile leasing business, which were offset by a decline in financing lease assets.

### **Real Estate Segment**

The domestic real estate market has deteriorated as a result of the financial crisis, and from the latter half of the fiscal year our focus has shifted from an emphasis on asset turnover to prioritizing income gains and enhancing the property leasing and facility operations businesses that are sources of stable cash flows. Furthermore, the condominium market continues to stagnate; however, reduced taxes on mortgages may stimulate demand.

Gains on sales of real estate under operating leases (including income from discontinued operations) have declined as a result of the present market conditions. Profits from condominium operations have greatly declined due to a fall in profitability and an increase in write-downs on projects under development. Furthermore, 3,038 units were delivered, a decrease from 3,710 units sold in the previous fiscal year, and write-downs for a portion of projects under development were ¥11,560 million in this fiscal year.

As a result, segment revenues were down 6% to ¥270,027 million compared to the previous fiscal year and segment profits were down 39% to ¥50,508 million compared to ¥83,065 million during the previous fiscal year. Segment assets increased 9% to ¥1,175,437 million compared to March 31, 2008 due to increased levels of real estate under operating leases in line with fortification of the rental property and management operations.





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### **Investment Banking Segment**

This segment is facing increasingly severe conditions as its business portfolio is being affected by the tightening of liquidity in the domestic real estate sector and deterioration in the capital and financial markets. In order to maintain asset stability in this environment, there is a need for enhanced risk management and monitoring of existing real estate-related finance transactions as well as companies in which we have invested.

Real estate-related finance business has seen a decline in installment loan levels and revenues due to stricter selection criteria for new transactions. Furthermore, provisions for doubtful receivables and probable loan losses have increased due to the credit crunch. Revenues have also declined in the loan servicing (asset recovery) business, due to the overriding environment. Furthermore, in our principal investment operations, there was a decline in equity in net income of affiliates, particularly due to the deterioration in the operating results of domestic equity method affiliates, and also impairment losses were recorded since it was judged that the downward stock price movement of Fuji Fire was other than temporary. Revenues from private equity funds and alternative investments have also significantly decreased.

Under these circumstances, segment revenues decreased 26% to ¥94,645 million compared to the previous fiscal year, and the segment recorded a loss of ¥63,397 million compared to a profit of ¥47,483 million for the previous fiscal year. Segment assets decreased 22% to ¥1,321,491 million compared to March 31, 2008.

### **Retail Segment**

This segment consists of the card loan business, trust and banking, securities brokerage, and life insurance operations.

Profits from the card loan business remained flat year on year, as we controlled expenses through cost-cutting programs despite slight increases in provisions for doubtful receivables and probable loan losses from the latter half of the fiscal year. Profits from trust and banking operations declined due to increases in selling, general and administrative expenses from expanded operations, and to an increase in provisions for doubtful receivables and probable loan losses. Commissions from the securities brokerage business and operating revenues from the life insurance business significantly declined due to the effect of the turmoil in the global financial market. Furthermore, due to increases in provisions for doubtful receivables and probable loan losses on installment loans, profits from the life insurance business declined.

In this fiscal year, we injected ¥25 billion of additional capital into the life insurance business in order to enhance financial position and maintain stability.

Under these circumstances, segment revenues declined 8% to ¥183,307 million compared to the previous fiscal year, segment profits declined 65% to ¥9,573 million compared to ¥27,463 million during the previous fiscal year.

Targeting future growth, our trust and banking business has begun to diversify its business by expanding into corporate finance on top of mortgage loans to individuals, and has increased its deposit base. As a result, segment assets were up 7% to ¥1,554,006 million compared to March 31, 2008.

### **Overseas Business Segment**

The U.S. market is experiencing a severe credit crunch. In the U.S., where the economic situation remains uncertain, we are continuously striving to limit future losses by maintaining stringent portfolio management while prioritizing stable and profitable assets for new transactions.

The global economic downturn is also severely affecting Asian and Middle Eastern countries. Moving forward, existing operations will continue to be managed taking into careful consideration the overriding operating environments in the Asian and Middle Eastern regions. Additionally, in collaboration with our long-term local business partners, we will cautiously look for new revenue-generating opportunities centered on investments in distressed assets.

Segment profits declined due to expansion of losses from investments in high yield bonds, mortgage backed securities and equity caused by deterioration in the bond and equity markets in the U.S., a decline in installment loan revenues caused by the foreign exchange effects of an appreciated yen combined with a lowering of market interest rates and decreases in gains on sales of ship-related revenues in Asia. The segment also recorded a decline in profits due to the absence of equity in net income of affiliates from KLI, which had substantially contributed to profits during the previous fiscal year.

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Under these circumstances, segment revenues decreased 23% to ¥167,635 million from ¥218,227 million in the previous fiscal year, and segment profits decreased 65% to ¥20,066 million compared to ¥57,862 million in the previous fiscal year. Segment assets were down 8% year on year to ¥949,852 million.

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**Table of Contents****1-2. Outlook and Forecasts for the Fiscal Year Ending March 31, 2010**

The domestic and international financial markets in showing signs of easing after turmoil caused by Lehman Brothers filed for bankruptcy as major countries have enacted large-scale financial policies which include government spending. However recovery of the real economy, which deteriorated significantly due to the rapid onset of the credit crunch, is projected to take some time. Domestic markets are faced by a deteriorating real estate market, declines in export levels due to an appreciated yen, and decreased domestic demand due to worsening consumer sentiment.

Based on the operating environment stated above and management policies hereinafter described (refer to Management Policies on page 9), ORIX is aiming for moderate recovery and forecasts an operating revenue of ¥960,000 million (down 10.8% year on year) and Net Income attributable to ORIX\* of ¥30,000 million (up 36.8% year on year) for the consolidated fiscal year ending March 31, 2010.

\* Net Income attributable to ORIX is equivalent to Net Income which had been used until year ended March 31, 2009. Segment profit forecasts are as follows.

| Segment                      | Segment Profit<br>(¥10.0 Billion) | Forecasts for the Fiscal Year Ending March 31, 2010  |
|------------------------------|-----------------------------------|--|
| Corporate Financial Services |                                   | Decrease in segment assets in line with stringent credit controls and declines in revenues even though the segment shifts toward fee-businesses. Although provisions are expected to decrease, provision levels will remain high. Segment losses will be flat year on year.  |
| Maintenance Leasing          | ¥25.0 Billion                     | Decreased revenues due to deterioration in the economy.<br><br>Segment profits will slightly decrease through efforts to improve profitability via controlling maintenance expenses related to automobile leases and cost reduction programs.  |
| Real Estate                  | ¥20.0 Billion                     | Despite a decline in the number of condominiums delivered, profits from condominium operations will improve due to a lull in write-downs. Gains on sales of real estate under operating leases will decline due to deterioration in the sector; however, segment profits will maintain profitability.  |
| Investment Banking           | (¥15.0 Billion)                   | Decline in revenues resulting from decline in asset levels as a result of curbing new transactions. Sufficient provisions set aside for non-recourse loans and projecting further market valuation losses on investments in private equity funds. Reduction in losses due to an absence of impairment and losses from equity method affiliates.  |
| Retail                       | ¥20.0 Billion                     | Increased revenues and costs resulting from increased asset levels in the trust and banking business. Expected improvement in operating revenues in the life insurance business. From the second quarter, the card loan business will be recognized under equity in net income (loss) of affiliates, however impact to profit will be minimal. Segment profits are forecast to improve significantly.  |
| Overseas Business            | ¥15.0 Billion                     | Asset levels are expected to decrease due to curbing of new transactions, and revenues are forecast to decline. Provisions are expected to increase in the U.S., however an increase in profits is forecast due to a lull in valuation losses on investment in securities and cost reduction. Despite steady performance of the leasing business in Asia, equity in net income of affiliates is forecast to decrease. Segment profits will decrease. |

The above-mentioned segment profits do not include reclassification of gains from discontinued operations, minority interests in earnings of subsidiaries and extraordinary gains.

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Although forward-looking statements in this document such as forecasts are attributable to current information available to the Company as well as on assumptions deemed rational, actual financial results may differ materially due to various factors. Therefore, readers are urged not to place undue reliance on these figures.

Various factors causing these figures to differ materially are discussed, but not limited to, those described under **Risk Factors** in the Form 20-F submitted to the U.S. Securities and Exchange Commission.

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**Table of Contents****2. Analysis of Financial Condition****2-1. Analysis of Assets, Liabilities, Shareholders' Equity and Cash Flows****Operating Assets: ¥6,560,869 million (Down 9% on March 31, 2008)**

Investment in operating leases increased compared to March 31, 2008. Conversely, investment in direct financing leases, installment loans, investment in securities and other operating assets decreased due to continued caution toward new transactions. As a result, operating assets were down 9% to 6,560,869 million compared to March 31 2008.

**Summary of Cash Flows**

Cash and cash equivalents increased by ¥139,314 million compared to March 31, 2008 to ¥459,969 million in line with the policy of increasing liquidity on hand.

Cash flows from operating activities provided ¥308,779 million in this fiscal year, having provided ¥156,287 million in the previous fiscal year, resulting from a decrease in volume of new investments in real estate for sale such as residential condominiums, a decrease in loans held for sale, and the adjustments of net income such as depreciation and amortization and provision for doubtful receivables and probable loan losses, in addition to a decrease in net income compared to the previous fiscal year.

Cash flows from investing activities provided ¥171,183 million in this fiscal year, having used ¥838,331 million in the previous fiscal year due to a decrease in purchases of lease equipment, a decrease in purchases of available-for-sale securities and a decrease in installment loans made to customers which was less than the principal collected on installment loans resulting from the implementation of a more prudent stance towards new transactions compared to the previous fiscal year.

Cash flows from financing activities used ¥334,587 million in this fiscal year, having provided ¥792,996 million in the previous fiscal year, due to decreased levels of commercial paper to reduce interest-bearing debt.

**2-2. Trend in Cash Flow-Related Performance Indicators**

|   | March 31, 2008 | March 31, 2009 |
|---|----------------|----------------|
| Shareholders' Equity Ratio                                    | 14.1%          | 13.9%          |
| Shareholders' Equity Ratio based on Market Value              | 13.7%          | 3.4%           |
| Cash Flow Ratio to Interest-bearing Debt                      | 40.1           | 19.2           |
| Interest Coverage Ratio                                       | 1.5 times      | 3.0 times      |
| Shareholders' Equity Ratio: Shareholders' Equity/Total Assets |                |                |

Shareholders' Equity Ratio based on Market Value: Total Market Value of Listed Shares /Total Assets

Cash Flow Ratio to Interest-bearing Debt: Interest-bearing Debt/Cash Flow

Interest Coverage Ratio: Cash Flow/Interest Payments

Note 3: All figures have been calculated under consolidated basis.

Note 4: Total Market Value of Listed Shares has been calculated based on the number of outstanding shares excluding treasury shares.

Note 5: Cash Flow refers to cash flows from operating activities.

Note 6: Interest-bearing Debt refers to all liabilities with payable interest listed on the consolidated balance sheet.

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### **3. Profit Distribution Policy and Dividends for the Fiscal Year Ended March 31, 2009**

ORIX believes that securing profits from its businesses primarily as retained earnings, and utilizing them for strengthening its base of operations and making investments for growth, assists in sustaining profit growth while maintaining financial stability, leading to increased shareholder value. Furthermore, in addition to increasing the shareholder value through mid- to long-term profit growth, ORIX responds to shareholder expectations through appropriate distribution of profit.

The financial environment has rapidly deteriorated after the Lehman Brother's bankruptcy. The effects are spilling over into the real economy and it is expected to take some time for financial and real estate markets to recover. Under the current environment ORIX believes that increasing the amount of retained earnings will improve medium- to long-term shareholder value. ORIX previously determined dividends with a 2% dividend-on-equity (DOE) ratio; however, based on the recent economic environment, we will adopt a dividend policy that prioritizes improved operational stability.

Regarding share buybacks, ORIX will take into account the adequate level of retained earnings and act flexibly and accordingly by considering factors such as changes in the economic environment, trend in stock prices, and financial situation.

Given the policy outlined above and the current operating environment, the annual dividend will be 70 yen per share down from 260 yen per share in the previous year. Retained earnings will be allocated in pursuit of growth moving forward. Dividend distribution is scheduled once a year as a year-end dividend.

### **4. Risk Factors**

With the announcement of our results for the fiscal year ended March 31, 2009, additional items have arisen concerning Risk Factors found in our latest Form 20-F submitted to the U.S. Securities and Exchange Commission on July 2, 2008, and the changes are shown below.

#### **1. Risks related to our external environment**

***(1) Our business activities, financial condition and results of operations may be adversely affected by turmoil in the financial and capital markets, and the global economic conditions***

We conduct business operations in Japan as well as overseas, including in the United States, Asia, Oceania, the Middle East and Europe. Volatility in financial and capital markets, economic deterioration, shifts in commodity market prices, shifts in consumer demands, political instability or religious strife in any such region could adversely affect our operations.

The global economy is currently experiencing unprecedented turmoil in the world's financial and capital markets. This turmoil has resulted in a variety of damaging effects on the operating environment of the financial industry, including a severe contraction in the availability of credit, a reduction in liquidity, a decrease of confidence in the financial system and global economic decline. The soundness of many financial institutions is dependent on that of other financial institutions through their mutual credits, trading and other transactions. Accordingly, uncertainty regarding the creditworthiness of or the likelihood of default by certain financial institutions could result in significant liquidity problems, losses or defaults at other financial institutions. Although the governments of several major countries have taken extensive emergency measures to stabilize the global financial markets, there is no guarantee that such measures will be effective in correcting the current financial meltdown.

Despite our attempts to minimize our exposure to these global problems through the development and implementation of risk management procedures, further deterioration of global financial and capital markets and the economic environment could continue to adversely affect our business activities, financial condition and results of operations.

***(2) Our access to liquidity and capital may be restricted by economic conditions or instability in the financial markets***

Our primary sources of funds are: borrowings from banks and other institutional lenders, funding from capital markets (such as offerings of commercial paper, medium-term notes, straight bonds, convertible bonds with stock acquisition rights, asset-backed securities and other debt securities) and deposits. Such sources include a significant amount of short-term funding such as commercial paper and short-term borrowings from various institutional lenders.

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The dysfunction of, and turmoil in, the financial markets have led to a severe reduction in available credit, and has increased the risks to our financial liquidity. These risks have increased due to a variety of factors including our ability to raise new funds in the market or renew existing funding sources is uncertain; we are exposed to increased funding costs; we may be more subject to volatility in the credit market and our funding securities may not be attractive to investors in the capital markets. If our access to liquidity is restricted, or if we are unable to obtain our required funding at acceptable costs, our financial condition and results of operations could be adversely affected.

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**[Management Policies]**

**1. Management Basic Policy**

The ORIX Group's corporate philosophy and management policy are shown below.

**Corporate Philosophy**

The ORIX Group is constantly anticipating market needs and working to contribute to society by developing leading financial services on a global scale and striving to offer innovative products that create new value for customers.

**Management Policy**

The ORIX Group strives to meet the diverse needs of its customers and to deepen trust by constantly developing superior services.

The ORIX Group aims to strengthen its base of operations and achieve sustained growth by integrating the ORIX Group's resources to promote synergies amongst different units.

The ORIX Group makes efforts to maintain a corporate culture that encourages a sense of fulfillment and pride by developing personnel resources through corporate programs and promoting professional development.

The ORIX Group aims to attain stable medium- and long-term growth in shareholder value by implementing these initiatives.

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**2. Target Performance Indicators, Medium- and Long-Term Corporate Management Strategies and Challenges to be Addressed**

The current business plan is strengthening the corporate structure and operational realignment to improve profitability and operational stability while securing financial liquidity and asset stability in order to adapt to the drastic changes in the economic environment and effects of the credit crunch.

Regarding strengthening the corporate structure, ORIX Group aims for improved financial stability by reducing overall levels of interest-bearing debt. ORIX Group targets sufficient funding and will maintain a high long-term debt ratio by controlling the CP levels due to dysfunction in the capital markets. In addition, ORIX Group plans

to decrease the debt ratio by increasing deposits.

Regarding operational realignment, capital will be appropriately allocated through consideration of whether the operations are asset-efficient, have sufficient market size and growth potential, and are proactively controlling risk, while at the same time managing the portfolio by limiting risk to within the limits of shareholders' equity.

Furthermore, along with a reduction in investment in market-related products, each segment will further increase their real estate-related expertise targeting improved risk diversification and profitability. The Corporate Financial Services segment will reduce orthodox corporate loans, and promote the provision of value-added services capitalizing on group expertise. The trust and banking operations will continue providing mortgages in addition to expanding the corporate finance function. Furthermore, ORIX Group has initiated group-wide cost reductions programs targeting a recovery in performance. Along with the strategies outlined above, ORIX Group will preemptively invest in and allocate personnel to promising fields to sow the seeds for medium- and long-term growth.

**Table of Contents****(1) Condensed Consolidated Balance Sheets**

(As of March 31, 2008 and 2009)

(Unaudited)

(millions of yen, millions of US\$)

|  | March 31,<br>2008 | March 31,<br>2009 | U.S. dollars<br>March 31,<br>2009 |
|--|-------------------|-------------------|-----------------------------------|
| <b>Assets</b>  |                   |                   |                                   |
| Cash and Cash Equivalents  | 320,655           | 459,969           | 4,683                             |
| Restricted Cash  | 143,883           | 128,056           | 1,304                             |
| Time Deposits  | 511               | 680               | 7                                 |
| Investment in Direct Financing Leases  | 1,098,128         | 914,444           | 9,309                             |
| Installment Loans  | 3,766,310         | 3,304,101         | 33,636                            |
| Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses | (102,007)         | (158,544)         | (1,614)                           |
| Investment in Operating Leases   | 1,019,956         | 1,226,624         | 12,487                            |
| Investment in Securities   | 1,121,784         | 926,140           | 9,428                             |
| Other Operating Assets   | 197,295           | 189,560           | 1,930                             |
| Investment in Affiliates   | 327,763           | 264,695           | 2,695                             |
| Other Receivables  | 284,286           | 228,581           | 2,327                             |
| Inventories  | 232,850           | 197,960           | 2,015                             |
| Prepaid Expenses   | 47,657            | 34,571            | 352                               |
| Office Facilities  | 89,533            | 86,945            | 885                               |
| Other Assets   | 446,366           | 565,954           | 5,761                             |
| <b>Total Assets</b>  | <b>8,994,970</b>  | <b>8,369,736</b>  | <b>85,205</b>                     |
| <b>Liabilities and Shareholders Equity</b>   |                   |                   |                                   |
| Short-Term Debt  | 1,330,147         | 798,167           | 8,125                             |
| Deposits   | 470,683           | 667,627           | 6,797                             |
| Trade Notes, Accounts Payable and Other Liabilities                                    | 392,346           | 370,310           | 3,770                             |
| Accrued Expenses   | 112,461           | 96,662            | 984                               |
| Policy Liabilities   | 486,379           | 442,884           | 4,509                             |
| Current and Deferred Income Taxes  | 267,692           | 160,358           | 1,632                             |
| Security Deposits  | 163,872           | 168,890           | 1,719                             |
| Long-Term Debt   | 4,462,187         | 4,453,845         | 45,341                            |
| <b>Total Liabilities</b>   | <b>7,685,767</b>  | <b>7,158,743</b>  | <b>72,877</b>                     |
| <b>Minority Interests</b>  | <b>41,286</b>     | <b>43,463</b>     | <b>442</b>                        |
| <b>Commitments and Contingent Liabilities</b>  |                   |                   |                                   |
| Common Stock   | 102,107           | 102,216           | 1,041                             |
| Additional Paid-in Capital   | 135,159           | 136,313           | 1,388                             |
| Retained Earnings:   |                   |                   |                                   |
| Legal reserve  | 2,220             |                   |                                   |
| Retained earnings  | 1,081,219         | 1,071,919         | 10,912                            |
| Accumulated Other Comprehensive Income (loss)  | (19,295)          | (92,384)          | (940)                             |

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|  |                  |                  |               |
|--|------------------|------------------|---------------|
| Treasury Stock, at Cost                          | (33,493)         | (50,534)         | (515)         |
| <b>Total Shareholders Equity</b>                 | <b>1,267,917</b> | <b>1,167,530</b> | <b>11,886</b> |
| <b>Total Liabilities and Shareholders Equity</b> | <b>8,994,970</b> | <b>8,369,736</b> | <b>85,205</b> |

|  | <b>March 31,<br/>2008</b> | <b>March 31,<br/>2009</b> | <b>U.S. dollars<br/>March 31,<br/>2009</b> |
|--|---------------------------|---------------------------|--|
| <b>Note: Accumulated Other Comprehensive Income (loss)</b> |                           |                           |  |
| Net unrealized gains (losses) on investment in securities  | 36,286                    | (5,615)                   | (57)                                       |
| Defined benefit pension plans                              | (4,123)                   | (16,221)                  | (165)                                      |
| Foreign currency translation adjustments                   | (53,802)                  | (71,791)                  | (731)                                      |
| Net unrealized gains on derivative instruments             | 2,344                     | 1,243                     | 13   |
|  | (19,295)                  | (92,384)                  | (940)                                      |

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**Table of Contents****(2) Condensed Consolidated Statements of Income**

(For the Years Ended March 31, 2008 and 2009)

(Unaudited)

|   | (millions of yen, millions of US\$) |                                   |                                    |                                   |   |
|---|-------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|---|
|   | Year<br>ended<br>March 31,<br>2008  | Period<br>-over-<br>period<br>(%) | Year<br>ended<br>March 31,<br>2009 | Period<br>-over-<br>period<br>(%) | U.S. dollars<br>Year ended<br>March 31,<br>2009 |
| <b>Total Revenues :</b>   | 1,151,539                           | 103                               | 1,075,811                          | 93                                | 10,952  |
| Direct financing leases   | 78,548                              | 87                                | 63,766                             | 81                                | 649   |
| Operating leases  | 288,360                             | 116                               | 291,352                            | 101                               | 2,966   |
| Interest on loans and investment securities   | 227,020                             | 113                               | 196,601                            | 87                                | 2,001   |
| Brokerage commissions and net gains (losses) on investment securities   | 23,521                              | 33                                | (12,330)                           |                                   | (126)   |
| Life insurance premiums and related investment income   | 128,616                             | 97                                | 117,751                            | 92                                | 1,199   |
| Real estate sales   | 88,445                              | 101                               | 71,088                             | 80                                | 724   |
| Gains on sales of real estate under operating leases  | 16,756                              | 73                                | 24,346                             | 145                               | 248   |
| Other operating revenues  | 300,273                             | 112                               | 323,237                            | 108                               | 3,291   |
| <b>Total Expenses :</b>   | 963,549                             | 115                               | 1,021,072                          | 106                               | 10,395  |
| Interest expense  | 105,905                             | 131                               | 104,541                            | 99                                | 1,064   |
| Costs of operating leases   | 184,313                             | 114                               | 197,401                            | 107                               | 2,010   |
| Life insurance costs  | 112,869                             | 98                                | 105,899                            | 94                                | 1,078   |
| Costs of real estate sales  | 81,056                              | 110                               | 79,060                             | 98                                | 805   |
| Other operating expenses  | 170,476                             | 121                               | 186,531                            | 109                               | 1,898   |
| Selling, general and administrative expenses  | 265,759                             | 107                               | 249,505                            | 94                                | 2,540   |
| Provision for doubtful receivables and probable loan losses   | 33,226                              | 241                               | 77,028                             | 232                               | 784   |
| Write-downs of long-lived assets  | 1,742                               | 170                               | 3,782                              | 217                               | 39  |
| Write-downs of securities   | 8,290                               | 148                               | 18,632                             | 225                               | 190   |
| Foreign currency transaction loss (gain), net   | (87)                                |                                   | (1,307)                            |                                   | (13)  |
| <b>Operating Income</b>   | 187,990                             | 67                                | 54,739                             | 29                                | 557   |
| Equity in Net Income (loss) of Affiliates   | 48,343                              | 151                               | (42,937)                           |                                   | (436)   |
| Gains (losses) on Sales of Subsidiaries and Affiliates and Liquidation Losses   | 12,222                              | 623                               | (1,731)                            |                                   | (18)  |
| <b>Income before Income Taxes, Minority Interests in Earnings of Subsidiaries,<br/>Discontinued Operations and Extraordinary Gain</b> | 248,555                             | 79                                | 10,071                             | 4                                 | 103   |
| Provision for Income Taxes  | 98,487                              | 78                                | (1,990)                            |                                   | (20)  |
| <b>Income before Minority Interests in Earnings of Subsidiaries, Discontinued<br/>Operations and Extraordinary Gain</b>               | 150,068                             | 79                                | 12,061                             | 8                                 | 123   |
| Minority Interests in Earnings of Subsidiaries, Net   | 3,918                               | 81                                | 1,873                              | 48                                | 19  |
| <b>Income from Continuing Operations</b>  | 146,150                             | 79                                | 10,188                             | 7                                 | 104   |

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|   |          |     |         |    |      |
|---|----------|-----|---------|----|------|
| <b>Discontinued Operations:</b>                       |          |     |         |    |      |
| Income from discontinued operations, net              | 37,642   |     | 19,847  |    | 202  |
| Provision for income taxes                            | (15,128) |     | (8,111) |    | (83) |
| Discontinued operations, net of applicable tax effect | 22,514   | 195 | 11,736  | 52 | 119  |
| Extraordinary Gain, Net of Applicable Tax Effect      | 933      | 163 |         |    |      |
| <b>Net Income</b>                                     | 169,597  | 86  | 21,924  | 13 | 223  |

**Note:** Pursuant to FASB Statement No. 144 ( Accounting for the Impairment or Disposal of Long-Lived Assets ), the results of operations which meet the criteria for discontinued operations are reported as a separate component of income, and those related amounts that had been previously reported are reclassified.

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**Table of Contents****(3) Condensed Consolidated Statements of Shareholders' Equity and Comprehensive Income**

(For the Years Ended March 31, 2008 and 2009)

(Unaudited)

|   | (millions of yen, millions of US\$) |                                 |   |
|---|-------------------------------------|---------------------------------|---|
|   | Year<br>ended<br>March 31,<br>2008  | Year ended<br>March 31,<br>2009 | U.S. dollars<br>Year ended<br>March 31,<br>2009 |
| <b>Common Stock:</b>  |                                     |                                 |   |
| Beginning balance   | 98,755                              | 102,107                         | 1,040   |
| Exercise of warrants and stock acquisition rights                   | 991                                 | 109                             | 1   |
| Conversion of convertible bond                                      | 2,361                               |                                 |   |
| Ending balance  | 102,107                             | 102,216                         | 1,041   |
| <b>Additional Paid-in Capital:</b>                                  |                                     |                                 |   |
| Beginning balance   | 119,402                             | 135,159                         | 1,376   |
| Exercise of warrants, stock acquisition rights and stock options    | 986                                 | 108                             | 1   |
| Conversion of convertible bond                                      | 1,848                               |                                 |   |
| Compensation cost of stock options                                  | 2,150                               | 1,370                           | 14  |
| Share swap merger   | 10,215                              |                                 |   |
| Disposition of treasury stock                                       |                                     | (533)                           | (5)   |
| Other, net  | 558                                 | 209                             | 2   |
| Ending balance  | 135,159                             | 136,313                         | 1,388   |
| <b>Legal Reserve:</b>   |                                     |                                 |   |
| Beginning balance   | 2,220                               | 2,220                           | 23  |
| Transferred to retained earnings                                    |                                     | (2,220)                         | (23)  |
| Ending balance  | 2,220                               |                                 |   |
| <b>Retained Earnings:</b>   |                                     |                                 |   |
| Beginning balance   | 921,823                             | 1,081,219                       | 11,006  |
| Cash dividends  | (11,863)                            | (23,529)                        | (240)   |
| Net income  | 169,597                             | 21,924                          | 223   |
| Transferred from legal reserve                                      |                                     | 2,220                           | 23  |
| Capital transactions of equity-method investee                      | 1,641                               |                                 |   |
| Disposition of treasury stock                                       |                                     | (9,915)                         | (100)   |
| Other, net  | 21                                  |                                 |   |
| Ending balance  | 1,081,219                           | 1,071,919                       | 10,912  |
| <b>Accumulated Other Comprehensive Income:</b>                      |                                     |                                 |   |
| Beginning balance   | 55,253                              | (19,295)                        | (196)   |
| Net change of unrealized gains (losses) on investment in securities | (36,708)                            | (41,901)                        | (427)   |
| Defined benefit pension plans                                       | (7,727)                             | (12,098)                        | (123)   |
| Net change of foreign currency translation adjustments              | (31,182)                            | (17,989)                        | (183)   |

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|  |           |           |         |
|--|-----------|-----------|---------|
| Net change of unrealized gains on derivative instruments | 1,069     | (1,101)   | (11)    |
| Ending balance   | (19,295)  | (92,384)  | (940)   |
| <b>Treasury Stock:</b>                                   |           |           |         |
| Beginning balance  | (3,219)   | (33,493)  | (341)   |
| Acquisition of treasury stock                            | (30,749)  | (29,294)  | (298)   |
| Disposition of treasury stock                            | 190       | 12,043    | 122     |
| Other, net   | 285       | 210       | 2       |
| Ending balance   | (33,493)  | (50,534)  | (515)   |
| <b>Total Shareholders Equity:</b>                        |           |           |         |
| Beginning balance  | 1,194,234 | 1,267,917 | 12,908  |
| Increase, net  | 73,683    | (100,387) | (1,022) |
| Ending balance   | 1,267,917 | 1,167,530 | 11,886  |
| <b>Summary of Comprehensive Income:</b>                  |           |           |         |
| Net income   | 169,597   | 21,924    | 223     |
| Other comprehensive income                               | (74,548)  | (73,089)  | (744)   |
| Comprehensive income (loss)                              | 95,049    | (51,165)  | (521)   |



**Table of Contents****(4) Condensed Consolidated Statements of Cash Flows**

(For the Years Ended March 31, 2008 and 2009)

(Unaudited)

|  | (millions of yen, millions of US\$) |                                 |   |
|--|-------------------------------------|---------------------------------|---|
|  | Year ended<br>March 31,<br>2008     | Year ended<br>March 31,<br>2009 | U.S. dollars<br>Year ended<br>March 31,<br>2009 |
| <b>Cash Flows from Operating Activities:</b>   |                                     |                                 |   |
| Net income   | 169,597                             | 21,924                          | 223   |
| Adjustments to reconcile net income to net cash provided by operating activities:      |                                     |                                 |   |
| Depreciation and amortization  | 168,767                             | 189,215                         | 1,926   |
| Provision for doubtful receivables and probable loan losses                            | 33,226                              | 77,028                          | 784   |
| Decrease in policy liabilities   | (5,567)                             | (43,495)                        | (443)   |
| Gains (losses) from securitization transactions  | (3,481)                             | 233                             | 2   |
| Equity in net income (loss) of affiliates  | (48,343)                            | 42,937                          | 436   |
| Gains (losses) on Sales of Subsidiaries and Affiliates and Liquidation Losses          | (12,222)                            | 1,731                           | 18  |
| Extraordinary gain   | (933)                               |                                 |   |
| Minority interests in earnings of subsidiaries, net                                    | 3,918                               | 1,873                           | 19  |
| Gains on sales of available-for-sale securities  | (7,563)                             | (3,334)                         | (34)  |
| Gains on sales of real estate under operating leases                                   | (16,756)                            | (24,346)                        | (248)   |
| Gains on sales of operating lease assets other than real estate                        | (15,217)                            | (11,426)                        | (116)   |
| Write-downs of long-lived assets   | 1,742                               | 3,782                           | 39  |
| Write-downs of securities  | 8,290                               | 18,632                          | 190   |
| Decrease (increase) in restricted cash   | (23,219)                            | 23,661                          | 241   |
| Decrease (increase) in loans held for sale   | (23,721)                            | 8,740                           | 89  |
| Decrease in trading securities   | 3,275                               | 20,048                          | 204   |
| Decrease (increase) in inventories   | (19,606)                            | 9,332                           | 95  |
| Increase in prepaid expenses   | (403)                               | (2,741)                         | (28)  |
| Decrease in accrued expenses   | (4,591)                             | (8,689)                         | (88)  |
| Increase (decrease) in security deposits   | (6,289)                             | 2,261                           | 23  |
| Other, net   | (44,617)                            | (18,587)                        | (189)   |
| <b>Net cash provided by operating activities</b>                                       | <b>156,287</b>                      | <b>308,779</b>                  | <b>3,143</b>                                    |
| <b>Cash Flows from Investing Activities:</b>   |                                     |                                 |   |
| Purchases of lease equipment   | (1,088,237)                         | (857,126)                       | (8,726)   |
| Principal payments received under direct financing leases                              | 546,964                             | 431,984                         | 4,398   |
| Net proceeds from securitization of lease receivables, loan receivables and securities | 174,922                             | 30,859                          | 314   |
| Installment loans made to customers  | (2,267,527)                         | (1,038,625)                     | (10,573)  |
| Principal collected on installment loans   | 1,893,172                           | 1,469,672                       | 14,962  |
| Proceeds from sales of operating lease assets  | 229,065                             | 161,645                         | 1,646   |
| Investment in affiliates, net  | (30,350)                            | (17,919)                        | (182)   |
| Proceeds from sales of investment in affiliates  | 102,383                             | 1,936                           | 20  |
| Purchases of available-for-sale securities   | (595,445)                           | (301,030)                       | (3,065)   |
| Proceeds from sales of available-for-sale securities                                   | 187,095                             | 242,702                         | 2,471   |
| Proceeds from redemption of available-for-sale securities                              | 127,084                             | 128,669                         | 1,310   |
| Purchases of other securities  | (90,088)                            | (73,578)                        | (749)   |
| Proceeds from sales of other securities  | 46,964                              | 36,378                          | 370   |
| Purchases of other operating assets  | (38,922)                            | (14,615)                        | (149)   |
| Acquisitions of subsidiaries, net of cash acquired                                     | (15,220)                            | (752)                           | (8)   |

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|  |             |             |          |
|--|-------------|-------------|----------|
| Sales of subsidiaries, net of cash disposed                  | 3,948       | 28          |          |
| Other, net   | (24,139)    | (29,045)    | (296)    |
| Net cash provided by (used in) investing activities          | (838,331)   | 171,183     | 1,743    |
| <b>Cash Flows from Financing Activities:</b>                 |             |             |          |
| Net decrease in debt with maturities of three months or less | (69,644)    | (237,544)   | (2,418)  |
| Proceeds from debt with maturities longer than three months  | 2,777,541   | 2,091,575   | 21,293   |
| Repayment of debt with maturities longer than three months   | (1,920,865) | (2,343,124) | (23,853) |
| Net increase in deposits due to customers                    | 24,695      | 196,973     | 2,005    |
| Issuance of common stock                                     | 1,977       | 217         | 2        |
| Dividends paid   | (11,863)    | (23,529)    | (240)    |
| Net increase in call money                                   | 21,500      | 9,900       | 101      |
| Acquisition of treasury stock                                | (30,749)    | (29,294)    | (298)    |
| Other, net   | 374         | 239         | 2        |
| Net cash provided by (used in) financing activities          | 792,966     | (334,587)   | (3,406)  |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (5,430)     | (6,061)     | (61)     |
| Net Increase in Cash and Cash Equivalents                    | 105,492     | 139,314     | 1,419    |
| Cash and Cash Equivalents at Beginning of Year               | 215,163     | 320,655     | 3,264    |
| Cash and Cash Equivalents at End of Year                     | 320,655     | 459,969     | 4,683    |

**Table of Contents****(5) Assumptions for going concern**

Not applicable.

**(6) Segment Information (Unaudited)****1. Segment Information by Sector**

(millions of yen, millions of US\$)

|  | Year Ended<br>March 31, 2008 |                    | Year Ended<br>March 31, 2009 |                             | U.S. dollars<br>Year ended<br>March 31, 2009 |                             | March 31,<br>2008 | March 31,<br>2009 | U.S. dollars<br>March 31,<br>2009 |
|--|------------------------------|--------------------|------------------------------|-----------------------------|--|-----------------------------|-------------------|-------------------|-----------------------------------|
|  | Segment<br>Revenues          | Segment<br>Profits | Segment<br>Revenues          | Segment<br>Profits (Losses) | Segment<br>Revenues                          | Segment<br>Profits (Losses) | Segment<br>Assets | Segment<br>Assets | Segment<br>Assets                 |
| Corporate Financial Services                                     | 139,874                      | 35,412             | 137,712                      | (10,451)                    | 1,402  | (106)                       | 1,993,390         | 1,583,571         | 16,121                            |
| Maintenance Leasing  | 236,411                      | 37,235             | 235,953                      | 25,621                      | 2,402  | 261                         | 649,814           | 648,314           | 6,600                             |
| Real Estate  | 288,795                      | 83,065             | 270,027                      | 50,508                      | 2,749  | 514                         | 1,077,560         | 1,175,437         | 11,966                            |
| Investment Banking   | 127,199                      | 47,483             | 94,645                       | (63,397)                    | 964  | (645)                       | 1,698,452         | 1,321,491         | 13,453                            |
| Retail   | 198,858                      | 27,463             | 183,307                      | 9,573                       | 1,865  | 97                          | 1,450,241         | 1,554,006         | 15,820                            |
| Overseas Business  | 218,227                      | 57,862             | 167,635                      | 20,066                      | 1,707  | 204                         | 1,037,311         | 949,852           | 9,670                             |
| <b>Segment Total</b>   | <b>1,209,364</b>             | <b>288,520</b>     | <b>1,089,279</b>             | <b>31,920</b>               | <b>11,089</b>                                | <b>325</b>                  | <b>7,906,768</b>  | <b>7,232,671</b>  | <b>73,630</b>                     |
| <b>Difference between Segment Total and Consolidated Amounts</b> | <b>(57,825)</b>              | <b>(39,965)</b>    | <b>(13,468)</b>              | <b>(21,849)</b>             | <b>(137)</b>                                 | <b>(222)</b>                | <b>1,088,202</b>  | <b>1,137,065</b>  | <b>11,575</b>                     |
| <b>Consolidated Amounts</b>                                      | <b>1,151,539</b>             | <b>248,555</b>     | <b>1,075,811</b>             | <b>10,071</b>               | <b>10,952</b>                                | <b>103</b>                  | <b>8,994,970</b>  | <b>8,369,736</b>  | <b>85,205</b>                     |

**Note:** As of April 1, 2008, the Company implemented changes to its internal organization to recognize its businesses into six segments to facilitate formulating strategy, allocating resources and determining portfolio balance at the segment level. The prior period comparative segment results have been restated to be comparative with the newly reorganized operating segments.

The Company evaluates the performance of its segments based on income before income taxes as well as results of discontinued operations, minority interests in earnings of subsidiaries and extraordinary gain, before applicable tax effect. Tax expenses are not included in segment profits.

**2. Segment Information by Location**

(millions of yen, millions of US\$)

|                  | Year Ended March 31, 2009 |           |         | Difference between Segment Total<br>and Consolidated Amounts | Consolidated<br>Amounts |
|------------------|---------------------------|-----------|---------|--|-------------------------|
|                  | Japan                     | America*1 | Other*2 |  |                         |
| Segment Revenues | 933,951                   | 68,026    | 95,265  | (21,431)   | 1,075,811               |
| Segment Profits  | 8,695                     | 3,191     | 18,032  | (19,847)   | 10,071                  |

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|                  | U.S. dollars              |           |         |   |                      |
|------------------|---------------------------|-----------|---------|---|----------------------|
|                  | Year ended March 31, 2009 |           |         |   |                      |
|                  | Japan                     | America*1 | Other*2 | Difference between Segment Total and Consolidated Amounts | Consolidated Amounts |
| Segment Revenues | 9,508                     | 693       | 970     | (219)   | 10,952               |
| Segment Profits  | 89                        | 32        | 184     | (202)   | 103                  |

**Note:** Segment information by location are based on income before income taxes as well as results of discontinued operations and minority interests in earnings of subsidiaries, before applicable tax effect. Tax expenses are not included in segment profits.

**3. Overseas Revenues**

|  | (millions of yen, millions of US\$) |         |           |              |         |        |
|--|-------------------------------------|---------|-----------|--------------|---------|--------|
|  | Year ended March 31, 2009           |         |           | U.S. dollars |         |        |
|  | America*1                           | Other*2 | Total     | America*1    | Other*2 | Total  |
| Overseas Revenues  | 75,534                              | 92,767  | 168,301   | 769          | 944     | 1,713  |
| Consolidated Revenues                                      |                                     |         | 1,075,811 |              |         | 10,952 |
| The Rate of the Overseas Revenues to Consolidated Revenues | 7.0%                                | 8.6%    | 15.6%     | 7.0%         | 8.6%    | 15.6%  |

**Note:** Results of discontinued operations are not included in Overseas Revenues.

**Note\*1:** mainly United States

**Note\*2:** mainly Asia, Europe, Oceania and Middle East

**Table of Contents****(7) Per Share Data**

(For the Year Ended March 31, 2008 and 2009)

(Unaudited)

|   | March 31,<br>2008 | March 31,<br>2009<br>(millions of yen, millions of US\$) | U.S. dollars<br>March 31,<br>2009<br>(millions of US\$) |
|---|-------------------|--|---|
| Income from Continuing Operations                             | 146,150           | 10,188   | 104   |
| Effect of Dilutive Securities -<br>Convertible Bond           | 1,232             | 392  | 4   |
| Income from Continuing Operations for Diluted EPS Computation | 147,382           | 10,580   | 108   |
|   |                   |  | (thousands of shares)                                   |
| Weighted-average Shares                                       | 91,150            | 88,910   |   |
| Effect of Dilutive Securities -<br>Warrants                   | 395               | 62   |   |
| Convertible Bond  | 2,379             | 6,472  |   |
| Treasury Stock  | 51                | 2  |   |
| Weighted-average Shares for Diluted EPS Computation           | 93,975            | 95,446   |   |
|   |                   |  | (yen, US\$)   |
| Earnings Per Share for Income from Continuing Operations      |                   |  |   |
| Basic   | 1,603.40          | 114.59   | 1.17  |
| Diluted   | 1,568.31          | 110.85   | 1.13  |
|   |                   |  | (yen, US\$)   |
| Shareholders' Equity Per Share                                | 14,010.62         | 13,059.59  | 132.95  |

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**[Significant Accounting Policies]**

(New Accounting Pronouncement)

The Company and its subsidiaries adopted FASB Statement No. 157 ( Fair Value Measurements ) as of April 1, 2008. This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Adoption of this Statement did not have a significant effect on the Company and its subsidiaries' results of operations or financial position.

The Company and its subsidiaries adopted FASB Statement No. 159 ( The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 ) as of April 1, 2008. This Statement permits entities to choose to measure many financial instruments and certain other assets and liabilities at fair value at specified election dates, which have not been measured at fair value. A business entity shall report unrealized gain and losses for which the fair value option has been elected in earnings at each subsequent reporting date. The Company and its subsidiaries did not choose fair value option as of adoption date, April 1, 2008, for any asset and liability, which have not been measured at fair value. Therefore adoption of this Statement had no effect on the Company and its subsidiaries' results of operations or financial position as of adoption date.

The Company and its subsidiaries have choose fair value options on investment in affiliates, which is the relatively short- term investment in order to get the capital gain and is listed on stock exchange market. The Company and its subsidiaries believe that such investment is appropriately reported on the reliable amount by the election of fair value option.

Other than the above, there were no significant changes from the latest report.

**Table of Contents****Consolidated Financial Highlights**

(For the Years Ended March 31, 2008 and 2009)

(Unaudited)

(millions of yen, except for per share data)

|   | March 31,<br>2008 | Period<br>-over-<br>period | March 31,<br>2009 | Period<br>-over-<br>period |
|---|-------------------|----------------------------|-------------------|----------------------------|
| <b>Operating Assets</b>   |                   |                            |                   |                            |
| Investment in Direct Financing Leases   | 1,098,128         | 87%                        | 914,444           | 83%                        |
| Installment Loans   | 3,766,310         | 108%                       | 3,304,101         | 88%                        |
| Investment in Operating Leases  | 1,019,956         | 118%                       | 1,226,624         | 120%                       |
| Investment in Securities  | 1,121,784         | 128%                       | 926,140           | 83%                        |
| Other Operating Assets  | 197,295           | 130%                       | 189,560           | 96%                        |
| Total   | 7,203,473         | 109%                       | 6,560,869         | 91%                        |
| <b>Operating Results</b>  |                   |                            |                   |                            |
| Total Revenues  | 1,151,539         | 103%                       | 1,075,811         | 93%                        |
| Income before Income Taxes, Minority Interests in Earnings of Subsidiaries,<br>Discontinued Operations and Extraordinary Gain | 248,555           | 79%                        | 10,071            | 4%                         |
| Net Income  | 169,597           | 86%                        | 21,924            | 13%                        |
| Earnings Per Share  |                   |                            |                   |                            |
| Net Income  |                   |                            |                   |                            |
| Basic   | 1,860.63          | 85%                        | 246.59            | 13%                        |
| Diluted   | 1,817.81          | 87%                        | 233.81            | 13%                        |
| Shareholders' Equity Per Share  | 14,010.62         | 107%                       | 13,059.59         | 93%                        |
| <b>Financial Position</b>   |                   |                            |                   |                            |
| Shareholders' Equity  | 1,267,917         | 106%                       | 1,167,530         | 92%                        |
| Number of Outstanding Shares (thousands of shares)  | 90,497            | 99%                        | 89,400            | 99%                        |
| Long-and Short-Term Debt and Deposits   | 6,263,017         | 114%                       | 5,919,639         | 95%                        |
| Total Assets  | 8,994,970         | 110%                       | 8,369,736         | 93%                        |
| Shareholders' Equity Ratio  | 14.1%             |                            | 13.9%             |                            |
| Return on Equity  | 13.8%             |                            | 1.8%              |                            |
| Return on Assets  | 1.97%             |                            | 0.25%             |                            |
| <b>New Business Volumes</b>   |                   |                            |                   |                            |
| Direct Financing Leases (new equipment acquisitions)  | 574,859           | 90%                        | 364,734           | 63%                        |
| Installment Loans   | 2,331,331         | 105%                       | 1,055,014         | 45%                        |
| Operating Leases  | 465,909           | 134%                       | 426,715           | 92%                        |
| Investment in Securities  | 688,148           | 208%                       | 374,614           | 54%                        |
| Other Operating Transactions  | 152,480           | 71%                        | 76,269            | 50%                        |