ORIX CORP
Form 6-K
December 22, 2004
Table of Contents

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 December, 2004.

ORIX Corporation

(Translation of Registrant s Name into English)

3-22-8 Shiba, Minato-Ku, Tokyo, JAPAN

(Address of Principal Executive Offices)

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

Form 20-F x Form 40-F ¨

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

Yes ¨ No x

Table of Contents

Table of Documents Filed

Table of Contents

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: December 22, 2004

By /s/ Shunsuke Takeda

Shunsuke Takeda
Director
Deputy President and CFO
ORIX Corporation

Table of Contents

THE CONSOLIDATED FINANCIAL INFORMATION

1. On December 3, 2004, ORIX Corporation (the Company) filed its semi-annual financial report (hanki houkokusho) with the Kanto Financial Bureau and the Tokyo Stock Exchange in Japan. This document is an English translation of consolidated financial information prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) for the six months ended September 30, 2003 and 2004, and the fiscal year ended March 31, 2004. This translation is unaudited.

2. Significant differences between U.S. GAAP and generally accepted accounting principles in Japan (Japanese GAAP) are stated in the notes of Overview of Accounting Principles Utilized.

Table of Contents

1. Information on the Company and its subsidiaries

(1) Consolidated Financial Highlights

	Millions of yen		
	The six months ended September 30, 2003	**The six months ended September 30, 2004**	**The fiscal year ended March 31, 2004**
Total Revenues	342,539	402,351	719,132
Income before Discontinued Operations, Extraordinary Gain and Income Taxes	55,709	69,175	101,360
Net Income	31,419	42,688	54,020
Shareholders Equity	541,078	619,249	564,047
Total Assets	5,684,598	5,724,771	5,624,957
Shareholders Equity Per Share (yen)	6,465.22	7,389.48	6,739.64
Basic Earnings Per Share (yen)	375.42	509.74	645.52
Diluted Earnings Per Share (yen)	353.65	477.96	607.52
Shareholders Equity Ratio (%)	9.52	10.82	10.03
Cash Flows from Operating Activities	71,813	40,987	152,812
Cash Flows from Investing Activities	117,408	(95,526)	123,978
Cash Flows from Financing Activities	(225,059)	23,747	(328,284)
Cash and Cash Equivalents at End of Period	168,347	121,891	152,235
Number of Employees	11,723	15,184	12,481

Note: Consumption tax is excluded from the stated amount of total revenues.

(2) Overview of Activities

For the six months ended September 30, 2004, no significant changes were made in the Company and its subsidiaries operations. There were no changes in the activities of principal related companies.

(3) Changes of Principal Related Companies

Changes of principal related companies for the six months ended September 30, 2004 are as follows:

Additions:

There were no additions during the six months ended September 30, 2004.

Deletions:

There were no deletions during the six months ended September 30, 2004.

2

Table of Contents

(4) Number of Employees

The following table shows the total number of employees in the Company and its subsidiaries by segment as of September 30, 2004:

Segment name	Number of employees
Operations in Japan:	
Corporate Financial Services	2,739
Rental Operations	1,514
Real Estate-Related Finance	896
Real Estate	1,183
Life Insurance	535
Other	4,492
Subtotal	11,359
Overseas Operations:	
The Americas	594
Asia and Oceania	1,864
Europe	101
Subtotal	2,559
Other administration sections	1,266
Total	15,184

Table of Contents

2. Financial Results

(1) Six Months Ended September 30, 2004

Economic Environment

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

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

Financial Highlights

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

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

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

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

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

4

Table of Contents

In Japan, revenues for operating leases increased 29% year on year due to the expansion of the precision measuring and other equipment rental operations and due to an expansion of automobile operating leases with the acquisition of JAPAREN Co., Ltd. in October 2003. As a result, overall revenues from operating leases increased 22% to ¥74,270 million compared with the same period of the previous fiscal year.

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

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

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

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

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

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

Table of Contents

Expenses: ¥345,743 million (Up 16% year on year)

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

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

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

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

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

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

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

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

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

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

Net Income: ¥42,688 million (Up 36% year on year)

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

Table of Contents

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

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

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

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

Segment Information (Profits refer to income before income taxes)

Segment profits for Corporate Financial Services, Rental Operations, Real Estate-Related Finance, Real Estate, Life Insurance, Other and Americas were up with Europe moving back into the black compared to the first half of the previous fiscal year, while Asia and Oceania was down year on year.

Operations in Japan

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

Rental Operations (Segment name changed from Equipment Operating Leases to Rental Operations)**:** The precision measuring and other equipment rental operations recovered thanks to the pickup in capital expenditures of customers. In addition, the operating leases for automobiles were up along with the acquisition of JAPAREN Co., Ltd. As a result, segment profits increased 70% to ¥5,881 million compared to ¥3,456 million in the same period of the previous fiscal year.

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

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

Table of Contents

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

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

Overseas Operations

The Americas: Net gains on investment securities increased due mainly to the sale of some CMBS (commercial mortgage-backed securities) and the sale of some real estate also contributed to segment profits. Provision for doubtful receivables and probable loan losses were down thanks to the reduction in non-performing assets. However, an equity method affiliate went from a gain in the first half of the previous fiscal year to a loss in the first half of this fiscal year. As a result, segment profits increased 21% to ¥4,725 million compared to ¥3,912 million in the same period of the previous fiscal year.

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

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

Table of Contents

(2) Summary of Cash Flows

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

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

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

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

(Note) Consumption tax is excluded from the stated amount for revenues as described above.

Table of Contents

3. Operating Results

(1) Earnings Summary

Total revenues and profit (loss) by segment for the six months ended September 30, 2004 are as follows:

	Millions of yen			
	Total revenues	**Year-on-Year Change**	**Segment profit (loss)**	**Year-on-Year Change**
Operations in Japan:				
Corporate Financial Services	69,281	107.8%	27,352	124.8%
Rental Operations	42,055	121.2	5,881	170.2
Real Estate-Related Finance	37,376	156.1	14,710	161.3
Real Estate	70,366	104.8	8,011	126.6
Life Insurance	66,306	102.7	3,992	159.2
Other	67,422	206.6	11,800	417.3
Subtotal	352,806	122.8	71,746	155.4
Overseas Operations:				
The Americas	22,922	98.7	4,725	120.8
Asia and Oceania	26,636	99.9	9,908	71.1
Europe	5,045	94.7	1,025	
Subtotal	54,603	98.9	15,658	98.2
Difference between Segment Totals and Consolidated Amounts	(5,058)		(18,229)	284.8
Consolidated Amounts	402,351	117.5%	69,175	124.2%

Table of Contents

(2) New Business Volumes

New business volumes of direct financing leases, installment loans, operating leases, investment in securities, other operating assets for the six months ended September 30, 2004 are as follows:

	Millions of yen	Year-on-Year Change
Direct Financing Leases:		
New receivables added	388,951	100.1%
New equipment acquisitions	355,848	100.3
Installment Loans:		
New loans added	704,040	133.0
Operating Leases:		
New equipment acquisitions	95,814	128.6
Investment in Securities:		
New securities added	105,578	152.0
Other Operating Transactions:		
New assets added	55,783	72.4

(3) Operating Assets

Operating assets by segment at September 30, 2004 are as follows:

	Millions of yen	Composition ratio	Year-on-Year Change
Operations in Japan:			
Corporate Financial Services	1,878,231	38.2%	101.8%
Rental Operations	148,535	3.0	105.4
Real Estate-Related Finance	944,867	19.2	107.4
Real Estate	321,126	6.5	116.4
Life Insurance	565,021	11.5	99.1
Other	421,744	8.6	103.9
Subtotal	4,279,524	87.0	103.9
Overseas Operations:			
The Americas	446,231	9.1	82.5
Asia and Oceania	442,765	9.0	101.9
Europe	56,661	1.1	87.8
Subtotal	945,657	19.2	90.9
Difference between Segment Totals and Consolidated Amounts	(303,803)	(6.2)	125.7

Consolidated Amounts	4,921,378	100.0%	100.1%

Table of Contents

4. Overview of Facilities

(1) Facilities for Rent

(a) New equipment acquisitions

In association with the operating lease business, the Company and its subsidiaries own facilities for rent. New equipment acquisitions were ¥95,814 million for the six months ended September 30, 2004.

(b) Details of facilities for rent

Details of facilities for rent at September 30, 2004 are as follows:

	Millions of yen	Composition ratio
Transportation equipment	350,780	45.2%
Measuring equipment and personal computers	151,976	19.6
Real estate and other	273,706	35.2
Subtotal	776,462	100.0%
Accumulated depreciation	(255,109)	
Net		