ORIX CORP
Form 6-K
June 12, 2006
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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 June, 2006.**

# ORIX Corporation

**(Translation of Registrant s Name into English)**

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

**Tokyo, 108-0014, JAPAN**

**(Address of Principal Executive Offices)**

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

Form 20-F x Form 40-F ¨

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

Yes ¨ No x

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| 1. Additions to Consolidated Financial Results for Fiscal 2006 filed with the Tokyo Stock Exchange on Friday, June 9, 2006. | |

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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: June 12, 2006

By /s/ Shunsuke Takeda

Shunsuke Takeda
Director
Vice Chairman and CFO
ORIX Corporation

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**2006/6/9**

**Corporate Communications**

**ORIX Corporation**

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**Additions to Consolidated Financial Results for fiscal 2006**

ORIX Corporation adds the information to the consolidated financial results for fiscal 2006, which we announced at May 12, 2006.

**Additions:**

**1. Income Taxes**

**2. Pension Plans**

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**1. Income Taxes**

Income before discontinued operations, income taxes and minority interests in earnings of subsidiaries, and the provision for income taxes in fiscal 2006 and 2005 are as follows:

| | Millions of JPY | | Millions of U.S. dollars |
|---|---|---|---|
| | Year ended March 31, 2006 | Year ended March 31, 2005 | Year ended March 31, 2006 |
| Income before discontinued operations, income taxes and minority interests in earnings of subsidiaries: | | | |
| Domestic | **201,388** | 119,168 | **1,715** |
| Overseas | **50,762** | 35,935 | **432** |
| | **252,150** | 155,103 | **2,147** |
| Provision for income taxes: | | | |
| Current | | | |
| Domestic | **60,290** | 46,949 | **513** |
| Overseas | **7,817** | 5,640 | **67** |
| | **68,107** | 52,589 | **580** |
| Deferred | | | |
| Domestic | **18,752** | 4,160 | **159** |
| Overseas | **10,873** | 11,373 | **93** |
| | **29,625** | 15,533 | **252** |
| Provision for income taxes | **97,732** | 68,122 | **832** |

The Company and its domestic subsidiaries are subject to a National Corporate tax of 30%, an Inhabitant tax of approximately 6% and a deductible Enterprise tax of approximately 8%, which in the aggregate result in a statutory income tax rate of 40.9% in fiscal 2006 and 2005.

Reconciliation of the differences between tax provision computed at the statutory rate and consolidated provisions for income taxes in fiscal 2006 and 2005 are as follows:

| | Millions of JPY | | Millions of U.S. dollars |
|---|---|---|---|
| | Year ended March 31, 2006 | Year ended March 31, 2005 | Year ended March 31, 2006 |
| Income before discontinued operations, income taxes and minority interests in earnings of subsidiaries | **252,150** | 155,103 | **2,147** |
| Tax provision computed at statutory rate | **103,129** | 63,437 | **878** |

| | | | |
|---|---|---|---|
| Increases (reductions) in taxes due to: | | | |
| Change in valuation allowance | **393** | **(3,960)** | **3** |
| Non-deductible expenses for tax purposes | **1,099** | **1,099** | **10** |
| Effect of lower tax rates on foreign subsidiaries and a domestic life insurance subsidiary | **(1,045)** | **(1,294)** | **(9)** |
| Effect of foreign subsidiaries undistributed earnings no longer permanently reinvested | | **5,855** | |
| Other, net | **(5,844)** | **3,075** | **(50)** |
| Provision for income taxes | **97,732** | **68,122** | **832** |

The effective income tax rate is different from the statutory tax rate primarily because of certain non-deductible expenses for tax purposes, a change in valuation allowance and the effect of lower income tax rates on foreign subsidiaries and a domestic life insurance subsidiary.

In fiscal 2005, a deferred tax liability of JPY5,855 million was recognized because the Company determined not to permanently reinvest undistributed earnings of certain foreign subsidiaries.

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Total income taxes recognized in fiscal 2006 and 2005 are as follows:

| | Millions of JPY | | Millions of U.S. dollars |
|---|---|---|---|
| | Year ended March 31, 2006 | Year ended March 31, 2005 | Year ended March 31, 2006 |
| Provision for income taxes | 97,732 | 68,122 | 832 |
| Income tax on discontinued operations | 9,779 | 4,766 | 84 |
| Income tax on other comprehensive income (loss): | | | |
| Net unrealized gains on investment in securities | 7,297 | 7,564 | 62 |
| Minimum pension liability adjustments | 307 | 4,781 | 3 |
| Foreign currency translation adjustments | 6,943 | 81 | 59 |
| Net unrealized gains on derivative instruments | 3,238 | 1,865 | 28 |
| Total income taxes | 125,296 | 87,179 | 1,068 |

The tax effects of temporary differences giving rise to the deferred tax assets and liabilities at March 31, 2006 and 2005 are as follows:

| | Millions of JPY | | Millions of U.S. dollars |
|---|---|---|---|
| | March 31, 2006 | March 31, 2005 | March 31, 2006 |
| Assets: | | | |
| Net operating loss carryforwards | 33,016 | 16,440 | 281 |
| Allowance for doubtful receivables on direct financing leases and probable loan losses | 29,625 | 33,007 | 252 |
| Other operating assets | 4,212 | 3,703 | 36 |
| Accrued expenses | 11,534 | 9,176 | 98 |
| Other | 25,767 | 14,031 | 220 |
| | 104,154 | 76,357 | 887 |
| Less: valuation allowance | (16,096) | (14,649) | (137) |
| | 88,058 | 61,708 | 750 |
| Liabilities: | | | |
| Investment in direct financing leases | 91,788 | 91,522 | 782 |
| Investment in operating leases | 17,872 | 8,246 | 152 |
| Investment in securities | 17,748 | 9,552 | 151 |
| Deferred insurance policy acquisition costs | 12,421 | 11,468 | 106 |
| Policy liabilities | 10,715 | 8,765 | 91 |
| Undistributed earnings | 64,519 | 43,376 | 549 |
| Prepaid benefit cost | 12,457 | 12,161 | 106 |
| Other | 45,321 | 12,980 | 386 |
| | 272,841 | 198,070 | 2,323 |
| Net deferred tax liability | 184,783 | 136,362 | 1,573 |

Valuation allowance is mainly recognized for deferred tax assets of consolidated subsidiaries with net operating loss carryforwards for tax purposes. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax loss carryforwards are utilizable. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company and its subsidiaries will realize the benefits of these deductible temporary differences and tax loss carryforwards, net of the existing valuation allowances at March 31, 2006. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. The net changes in the total valuation allowance were increases of JPY1,447 million ($12 million) in fiscal 2006 and JPY741 million in fiscal 2005, respectively. As of March 31, 2006 and 2005, deferred tax liabilities have not been recognized for JPY101,896 million ($867 million) and JPY72,779 million of undistributed earnings of foreign subsidiaries where the Company intends to reinvest permanently. The company has not calculated the amount of the unrecognized deferred tax liability for those undistributed earnings as it is not practicable. The deferred tax liability will be recognized when the Company is no longer able to demonstrate that it plans to permanently reinvest undistributed earnings.

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Certain subsidiaries have net operating loss carryforwards of JPY108,757 million ($926 million) and JPY57,352 million at March 31, 2006 and 2005, respectively, which expire as follows:

| | Millions of JPY | | Millions of U.S. dollars |
|---|---|---|---|
| | March 31, 2006 | March 31, 2005 | March 31, 2006 |
| 2006 | | **791** | |
| 2007 | **1** | **1,132** | **0** |
| 2008 | **3,821** | **4,728** | **33** |
| 2009 | **2,456** | **1,023** | **21** |
| 2010 | **1,822** | **145** | **16** |
| 2011 | **6,647** | | **57** |
| 2011 and thereafter | | **49,533** | |
| 2012 and thereafter | **94,010** | | **799** |
| Total | **108,757** | **57,352** | **926** |

Net deferred tax assets and liabilities at March 31, 2006 and 2005 are reflected in the accompanying consolidated balance sheets under the following captions:

| | Millions of JPY | | Millions of U.S. dollars |
|---|---|---|---|
| | March 31, 2006 | March 31, 2005 | March 31, 2006 |
| Other assets | **20,750** | **19,245** | **177** |
| Income taxes: Deferred | **205,533** | **155,607** | **1,750** |
| Net deferred tax liability | **184,783** | **136,362** | **1,573** |

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**2. Pension Plans**

The Company and certain subsidiaries have trusted contributory and non-contributory funded pension plans covering substantially all of their employees. Those trusted contributory funded pension plans include defined benefit pension plans and defined contribution pension plans. Under the plans, employees are entitled to lump-sum payments at the time of termination of their employment or pension payments. Defined benefit pension plans consist of a plan of which the amounts of such payments are determined on the basis of length of service and remuneration at the time of termination and a cash balance plan.

Certain subsidiaries had tax qualified pension plans in which the benefit was determined on the basis of length of service and remuneration at the time of termination and severance indemnity plans. However, during fiscal 2006, they amended these plans to the cash balance plan and defined contribution pension plan.

The Company and its subsidiaries funding policy is to contribute annually the amounts actuarially determined. Assets of the plans are invested primarily in interest-bearing securities and marketable equity securities.

In June 2001, the Japanese pension law was amended to permit an employer to elect to transfer the entire substitutional portion of benefit obligation from the employees pension fund ( EPF ) to the government together with a specified amount of plan assets determined pursuant to a government formula. In fiscal 2004, the Company and certain subsidiaries received government approval of exemption from the obligation for benefits related to future employee service with respect to the substitutional portion of EPF. In fiscal 2005, the Company and certain subsidiaries received government approval of exemption from the obligation for benefits related to past employee service with respect to the substitutional portion of EPF and transferred the benefit obligation of the substitutional portion as well as related government-specified portion of plan assets of EPF to the government. As a result of the completion of the transfer, the Company and certain subsidiaries recognized a gain on a subsidy from the government of JPY12,425 million, a gain on the reversal of retirement benefit liabilities as a result of derecognition of previously accrued salary progression at the time of settlement for the substitutional portion of JPY2,618 million, and a loss of JPY14,470 million to liquidate the plan, which mainly include amortization of unrecognized actuarial loss. The net impact of the above was a gain of JPY573 million, which was recorded as a reduction in selling, general and administrative expenses in the consolidated statements of income in fiscal 2005. In fiscal 2006, the Company and certain subsidiaries amended a portion of EPF which was not transferred to the government in fiscal 2005 to the cash balance plan.

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The funded status of the defined benefit pension plans, a substantial portion of which consists of domestic pension plans, as of March 31, 2006 and 2005 is as follows:

| | Millions of JPY | | Millions of U.S. dollars |
|---|---|---|---|
| | Year ended March 31, | Year ended March 31, | Year ended March 31, |
| | 2006 | 2005 | 2006 |
| Change in benefit obligation: | | | |
| Benefit obligation at beginning of year | 52,378 | 81,184 | 446 |
| Service cost | 2,912 | 2,872 | 25 |
| Interest cost | 1,153 | 1,643 | 10 |
| Plan amendments | (4,070) | (10,287) | (35) |
| Actuarial loss (gain) | (1,995) | 2,576 | (17) |
| Foreign currency exchange rate change | 395 | 67 | 3 |
| Benefits paid | (1,913) | (1,865) | (16) |
| Curtailments and settlements | (1,129) | | (10) |
| Transfer of the substitution portion of EPF | | (24,670) | |
| Acquisition and other | 276 | 858 | 3 |
| Benefit obligation at end of year | 48,007 | 52,378 | 409 |
| Change in plan assets: | | | |
| Fair value of plan assets at beginning of year | 65,264 | 66,684 | 556 |
| Actual return on plan assets | 10,711 | 2,768 | 91 |
| Employer contribution | 5,779 | 6,499 | 49 |
| Benefits paid | (1,626) | (1,618) | (14) |
| Foreign currency exchange rate change | 233 | 44 | 2 |
| Curtailments and settlements | (438) | | (4) |
| Transfer of the substitution portion of EPF | | (9,627) | |
| Acquisition and other | (44) | 514 | (0) |
| Fair value of plan assets at end of year | 79,879 | 65,264 | 680 |
| The funded status of the plans: | | | |
| Funded status | 31,872 | 12,886 | 271 |
| Unrecognized prior service cost | (15,003) | (12,039) | (127) |
| Unrecognized net actuarial loss | 11,791 | 24,248 | 100 |
| Unrecognized net transition obligation | 352 | 364 | 3 |
| Net amount recognized | 29,012 | 25,459 | 247 |
| Amount recognized in the consolidated balance sheets consists of: | | | |
| Prepaid benefit cost | 30,456 | 29,734 | 259 |
| Accrued benefit liability | (2,525) | (6,156) | (22) |
| Intangible asset | 59 | 94 | 1 |
| Accumulated other comprehensive loss, gross of tax | 1,022 | 1,787 | 9 |
| Net amount recognized | 29,012 | 25,459 | 247 |

The accumulated benefit obligations for all defined benefit pension plans were JPY40,461 million ($344 million) and JPY41,597 million, respectively, at March 31, 2006 and 2005.

The aggregate projected benefit obligations, aggregate accumulated benefit obligations and aggregate fair values of plan assets for the plans with the accumulated benefit obligations in excess of plan assets were JPY5,856 million ($50 million), JPY5,434 million ($46 million) and JPY2,834 million ($24 million), respectively, at March 31, 2006 and JPY16,191 million, JPY12,722 million and JPY7,409 million, respectively, at March 31, 2005.