November 5, 2018

Consolidated Second Quarter Earnings Report ［IFRS］

For the Six Months Ended September 30, 2018

Corporate Name: **Hitachi Capital Corporation**
Stock Code: 8586 URL: http://www.hitachi-capital.co.jp
Stock Listing: Tokyo Stock Exchange
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Scheduled date of submission of financial reports: November 12, 2018
Scheduled commencement of dividend payment: November 27, 2018
Preparation of supplementary material for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(All amounts rounded down)

1. Consolidated Financial Results for the Second Quarter Ended September 30, 2018 (April 1, 2018 – September 30, 2018)

(1) Consolidated Operating Results (Cumulative) (year-on-year change %)

	Revenues		Profit before tax		Net income		Net income attributable to owners of the parent		Comprehensive income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Six Months Ended September 30, 2018	225,956	15.5	26,218	9.0	19,465	10.5	19,246	11.6	22,756	(16.3)
Six Months Ended September 30, 2017	195,688	9.2	24,049	5.3	17,621	5.9	17,243	6.7	27,191	—

	Earnings per share (basic)	Earnings per share (diluted)	ROE
	¥	¥	%
Six Months Ended September 30, 2018	164.69	—	10.0
Six Months Ended September 30, 2017	147.52	—	9.6

(Ref.) Volume of business: Six Months Ended September 30, 2018: ¥1,365,660 million; Six Months Ended September 30, 2017: ¥1,176,861 million

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity per share attributable to owners of the parent
	¥ million	¥ million	¥ million	%	¥
As of September 30, 2018	3,690,858	406,496	392,063	10.6	3,355.07
As of March 31, 2018	3,468,756	393,107	378,855	10.9	3,241.24

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year End	For the Year
	¥	¥	¥	¥	¥
Year ended March 31, 2018	—	43.00	—	43.00	86.00
Year ending March 31, 2019	—	46.00			
Year ending March 31, 2019 (Forecast)			—	46.00	92.00

Note: Changes from the latest released dividend forecasts: None

3. Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(% is year-on-year for the fiscal year or the interim period)

	Revenues		Profit before tax		Net income		Net income attributable to owners of the parent		Earnings per share attributable to owners of the parent (basic)
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Fiscal year	460,500	14.0	52,000	17.4	38,500	15.9	37,000	15.4	316.62

Note: Changes from the latest released performance forecasts: Yes

(Ref.) Volume of business: Fiscal year: ¥2,620,000 million

＊ Notes

(1) Significant changes in subsidiaries during the period under review: None

(2) Changes to accounting policies; changes to accounting estimates

(ⅰ) Changes to accounting policies required by IFRS : Yes

(ⅱ) Changes to accounting policies other than (ⅰ) above : None

(ⅲ) Changes to accounting estimates : None

(Note) For details, please refer to “2. Summary of Quarterly Consolidated Financial Statements and Major Notes (5) Summary of Notes to the Quarterly Consolidated Financial Statements (Changes to accounting policies)” on page 13.

(3) Number of outstanding shares (common shares)

(ⅰ) Shares issued at end of term (including treasury stock)

As of September 30, 2018: 124,826,552 shares As of March 31, 2018: 124,826,552 shares

(ⅱ) Treasury stock at end of term

As of September 30, 2018: 7,969,770 shares As of March 31, 2018: 7,940,500 shares

(ⅲ) Weighted average number of shares outstanding

Six months ended September 30, 2018: 116,864,157 shares Six months ended September 30, 2017: 116,886,377 shares

＊Consolidated Earnings Report is outside the scope of an audit by certified public accountants or an audit corporation.

＊Explanation for proper use of the forecasts, etc.

Consolidated forecasts stated herein have been prepared using information available on the date of release. Accordingly, forecasts may differ significantly from actual results for a variety of reasons. For the assumptions used in forecasts and notes of caution regarding the use of the forecasts, please refer to “(3) Explanation on Future Forecast Information including Consolidated Earnings Forecast” on page 8.

Hitachi Capital Corporation will have the quarterly financial results meeting to report the financial results for the second quarter ended September 30, 2018 for institutional investors and financial analysts on November 5, 2018.

Contents

1. Qualitative Information concerning Financial Results for the Second Quarter Ended September 30, 2018

(1) Explanation about Operating Results

1) Summary of operating results

Summarized results for the six months ended September 30, 2018 were as follows.

(¥ million, %)

	Six Months Ended September 30, 2017	Six Months Ended September 30, 2018	Y on Y Change
Volume of business	1,176,861	1,365,660	16.0
Revenues	195,688	225,956	15.5
Gross profit	65,083	68,724	5.6
Profit before tax	24,049	26,218	9.0
Net income attributable to owners of the parent	17,243	19,246	11.6

During the six months ended September 30, 2018, while the global economy saw solid growth in the U.K., the U.S., and Japan, the outlook of the global political climate became increasingly uncertain due to factors including a tariff hike triggered by the escalating trade friction between the U.S. and China, and the U.K.'s moves towards the Brexit.

During the six months ended September 30, 2018, Japan Business promoted expansion of its focused sectors consisting of Growing sectors (Social infrastructure, Eco- and energy- related, Vehicle, Local governments/public) and a transition to the growth stage through business structural reform. In March 2018, the Company and Hitachi Transport System, Ltd. entered into a basic agreement on business alliance to realize new innovation through "Finance, Commerce, Logistics, and Information" and started a joint development of a smart safety driving management system through industry-academia collaboration. In June 2018, Hitachi Green Energy Corporation invested in a joint venture engaging in a biogas power generation business using residua of yam, with an aim to contribute to the promotion of regional revitalization and resource-recycling society. Under "Working method transformation" project on which we have been eagerly working since FY2017, we have increased efficiency of sales and enhanced operating productivity through "aggressive IT investment" and "automating administrative work," with an aim to reduce costs and enhance operating quality. As a result of business structural reform including the integration and joint use of systems and the introduction of Hitachi, Ltd. ("Hitachi")'s AI technology aiming to improve the automation rate in small-lot loan screening for small and medium-sized enterprises, the Company was selected in May 2018 as "2018 Noteworthy IT Strategy Companies" in the "2018 Competitive IT Strategy Company Stock Selection" in Japan.

Global Business is striving to maintain high and systematic growth through risk control according to regional characteristics and building a system insusceptible to external environments. In June 2018, the Group made Franchise Finance Limited its subsidiary with an aim to expand business finance in the U.K. In July 2018, Noordlease Holding B.V. in the Netherlands consolidated Noordlease B.V. based in the northern part of the country and Lease Visie B.V. based in the central part, in order to create business synergy and expand its sales network across the country, and also changed the company name to Hitachi Capital Mobility Holding Netherlands B.V. to increase the presence of Hitachi Capital Group in the country. The Group will continue to aim for sustainable growth of Europe business by not only increasing its market presence in the U.K. but also looking for opportunities to expand into markets in the European continent.

Japan Infrastructure Initiative Company Limited, which was established through the business alliance between the Company, Hitachi, Mitsubishi UFJ Financial Group, Inc., MUFG Bank, Ltd. and Mitsubishi UFJ Lease & Finance Company Limited, has concluded three project agreements to date, including an investment agreement for the Japan-Guam-Australia Optical Submarine Cable project concluded in April 2018.

As a result, consolidated volume of business for the six months ended September 30, 2018 increased 16.0% year on year to ¥1,365,660 million as each area of Global Business (Europe, the Americas, China and ASEAN) showed solid performance, despite a decrease in Japan Business due to a decrease in closing business (e.g. factoring business) by the further shift toward focused sectors.

Revenues increased 15.5% year on year to ¥225,956 million, gross profit increased 5.6% year on year to ¥68,724 million, profit before tax increased 9.0% year on year to ¥26,218 million and net income attributable to owners of the parent increased 11.6% year on year to ¥19,246 million, due to almost solid performance in each region of Global Business in addition to a growth in focused sectors of Japan Business as a result of the successful business structural reform.

Results by segment for the six months ended September 30, 2018 were as follows.

Effective October 1, 2017, part of healthcare business and agriculture business were transferred to Vendor Solution, and accordingly the segments were revised mainly in Account Solution and Vendor Solution. The figures by segment are presented based on the new segments.

(Account Solution)

Revenues increased 11.6% year on year to ¥115,012 million due to a steady performance of focused sectors such as Eco- and energy- related and Vehicle.

Profit before tax increased 20.1% to ¥10,831 million due to an increase in revenues as well as a decrease in selling, general and administrative expenses.

(Vendor Solution)

Revenues decreased 4.9% year on year to ¥12,504 million due to a decrease in finance-related income despite a moderate increase in volume of business.

Profit before tax increased 4.3% to ¥2,962 million due to a decrease in selling, general and administrative expenses despite a decrease in revenues.

(Europe)

Revenues increased 31.6% year on year to ¥63,652 million due to solid performance of U.K. business and Vehicle Solution business in the Netherlands.

Profit before tax increased 3.6% to ¥8,963 million due to an increase in selling, general and administrative expenses despite 31.6% increase in revenues.

(The Americas)

Revenues increased 18.3% year on year to ¥12,452 million due to a strong performance in factoring business in the U.S. and a growth in Canada business.

Profit before tax increased 19.6% to ¥2,378 million due to a decrease in bad debt expenses in addition to an increase in revenues.

(China)

Revenues increased 14.2% year on year to ¥9,361 million due to a steady growth of businesses in mainland China and Hong Kong.

Profit before tax decreased 3.8% to ¥3,695 million due to an increase in financing costs associated with an interest rate rise despite 14.2% increase in revenues.

(ASEAN)

Revenues increased 14.2% year on year to ¥8,594 million due to increases in revenues in all regions, especially in Singapore.

Profit before tax increased 89.5% to ¥922 million due mainly to an increase in revenues as well as a decrease in bad debt expenses as a result of improving the quality of customer segments.

2) Key management indicators (Annualized)

(%)

	Six Months Ended September 30, 2017	Six Months Ended September 30, 2018
ROE	9.6	10.0
ROA	1.5	1.5
Ratio of equity attributable to owners of the parent ratio	11.0	10.6

(2) Explanation about Consolidated Financial Position

1) Assets, liabilities and net assets

Financial position as of September 30, 2018 was as follows:

(¥ million, %)

	As of March 31, 2018	As of September 30, 2018	Change	
			Amount	%
Total assets	3,468,756	3,690,858	222,101	6.4
Interest-bearing debt	2,812,991	3,042,987	229,995	8.2
Total equity	393,107	406,496	13,389	3.4

ⅰ. Total assets

Total assets as of September 30, 2018 increased ¥222,101 million from March 31, 2018 to ¥3,690,858 million due to an increase in trade and other receivables mainly in Europe and the Americas.

ⅱ. Interest-bearing debt

Interest-bearing debt as of September 30, 2018 increased ¥229,995 million from March 31, 2018 to ¥3,042,987 million due mainly to issuance of bonds in Europe and an increase in short-term borrowings in the Americas.

ⅲ.Total equity

Total equity as of September 30, 2018 increased ¥13,389 million from March 31, 2018 to ¥406,496 million, and major components consist of a decrease in retained earnings as of April 1, 2018 of ¥4,419 million due to adoption of IFRS 9 (amended in July 2014), net income attributable to owners of the parent of ¥19,246 million, cash dividends paid of ¥5,026 million, and an increase in accumulated other comprehensive income of ¥3,421 million due mainly to an increase in foreign currency translation adjustments.

2) Cash flows

Cash flows during six months ended September 30, 2018 were as follows:

(¥ million)

	Six Months Ended September 30, 2017	Six Months Ended September 30, 2018	Change
Cash flows from operating activities	(103,029)	(104,954)	(1,924)
Cash flows from investing activities	(6,580)	(18,760)	(12,180)
Cash flows from financing activities	120,329	181,811	61,481
Free cash flow	(109,609)	(123,715)	(14,105)

ⅰ. Cash flows from operating activities

Net cash used in operating activities was ¥104,954 million primarily due to increase in trade and other receivables of ¥92,708 million, purchase of operating leased assets of ¥79,677 million, increase in finance lease receivables of ¥29,817 million, and proceeds from sale of operating leased assets of ¥26,732 million.

ⅱ. Cash flows from investing activities

Net cash used in investing activities was ¥18,760 million primarily due to purchase of other property, plant and equipment of ¥9,394 million, purchase of investments in securities and payments to time deposits of ¥7,344 million, and purchase of other intangible assets of ¥2,599 million.

ⅲ. Cash flows from financing activities

Net cash provided by financing activities was ¥181,811 million primarily due to proceeds from long-term borrowings and bonds of ¥407,548 million, payments on long-term borrowings and bonds of ¥283,914 million, and net increase in short-term borrowings of ¥63,576 million.

As a result, cash and cash equivalents as of September 30, 2018 increased ¥59,873 million from March 31, 2018 to ¥234,678 million. Free cash flow, the sum of cash flows from operating and investing activities, resulted in cash outflows of ¥123,715 million, a decrease of ¥14,105 million from the six months ended September 30, 2017.

(3) Explanation on Future Forecast Information including Consolidated Earnings Forecast

Under the “FY2016-FY2018 Mid-Term Management Plan,” we have promoted maintaining high and systematic growth of Global Business, transitioning to the growth stage through business structural reform of Japan Business, and executing strategic investments to support business growth.

As a result, our performance for the six months ended September 30, 2018 exceeded the plan as both Japan Business and Global Business showed steady growth. On the other hand, the outlook of the business environment surrounding the Company is expected to remain uncertain due to factors including the escalating trade friction between the U.S. and China, concerns over a rise in interest rates worldwide, and the U.K.’s moves towards the Brexit.

Based on these circumstances, the financial results forecast for the year ending March 31, 2019 has been upwardly revised from the previous forecast announced on May 9, 2018 as shown below.

(¥ million)

Fiscal Year Ending March 31, 2019	Previous forecast	Revised forecast	Change	
			Amount	%
Volume of business	2,410,000	2,620,000	210,000	8.7
Revenues	442,400	460,500	18,100	4.1
Gross profit	139,500	140,400	900	0.6
Profit before tax	50,000	52,000	2,000	4.0
Net income attributable to owners of the parent	35,700	37,000	1,300	3.6
Basic earnings per share attributable to owners of the parent	¥305.43	¥316.62	¥11.19	3.7

The consolidated earnings forecast stated herein has been prepared based on the information available to the Company at the time this report was prepared, and contain certain potential risks and uncertainties. Accordingly, it should be noted that the actual results may differ from the forecasts due to changes in various factors.

(4) Basic Policy for Profit Distribution

1) Cash dividends

The Company will secure internal reserves necessary to ensure a sound financial position and proactively execute strategic investment corresponding to changes in the business environment, in order to enhance corporate value and achieve sustainable growth. Also, we position returning profits to the shareholders as one of the most important management measures and maintain a stable distribution of dividends.

2) Acquisition of treasury stock

The Group acquires treasury stock as a supplementary measure to dividends in returning profit to shareholders to the extent that is in line with the dividend policy, based on the comprehensive consideration of the capital needs to maintain the financial position of the company and carry out business plans and the market environment.

2. Summary of Quarterly Consolidated Financial Statements and Major Notes

(1) Summary of Quarterly Consolidated Statements of Financial Position

(¥ million)

	As of March 31, 2018	As of September 30, 2018
Assets		
Cash and cash equivalents	174,805	234,678
Trade and other receivables	1,385,805	1,502,464
Finance lease receivables	1,149,772	1,181,542
Other financial assets	82,275	83,376
Operating leased assets	470,644	468,279
Investments accounted for using the equity method	33,644	34,375
Other property, plant and equipment	80,983	83,869
Other intangible assets	34,604	37,908
Deferred tax assets	15,225	15,665
Other assets	40,993	48,697
Total assets	3,468,756	3,690,858
Liabilities		
Trade and other payables	96,308	83,267
Borrowings and bonds	2,812,991	3,042,987
Other payables	16,034	11,873
Other financial liabilities	59,786	58,096
Income tax payable	4,280	5,091
Retirement and severance benefits	5,851	5,873
Deferred tax liabilities	3,740	3,644
Other liabilities	76,654	73,528
Total liabilities	3,075,649	3,284,361
Equity		
Equity attributable to owners of the parent		
Common stock	9,983	9,983
Capital surplus	45,215	45,290
Retained earnings	335,085	344,885
Accumulated other comprehensive income	2,907	6,329
Treasury stock	(14,336)	(14,425)
Total equity attributable to owners of the parent	378,855	392,063
Non-controlling interests	14,251	14,433
Total equity	393,107	406,496
Total liabilities and equity	3,468,756	3,690,858

(2) Summary of Quarterly Consolidated Statements of Profit or Loss and Comprehensive Income

Summary of Quarterly Consolidated Statements of Profit or Loss

(¥ million)

	Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Six Months Ended September 30, 2018 (April 1, 2018 to September 30, 2018)
Revenues	195,688	225,956
Cost of sales	130,605	157,231
Gross profit	65,083	68,724
Selling, general and administrative expenses	41,878	44,050
Other income	79	33
Other expenses	73	43
Share of profits of investments accounted for using the equity method	838	1,554
Profit before tax	24,049	26,218
Income taxes	6,427	6,753
Net income	17,621	19,465
Net income attributable to:		
Owners of the parent	17,243	19,246
Non-controlling interests	377	219
Earnings per share		
Earnings per share attributable to owners of the parent (basic and diluted)	¥147.52	¥164.69

Summary of Quarterly Consolidated Statements of Comprehensive Income

(¥ million)

	Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Six Months Ended September 30, 2018 (April 1, 2018 to September 30, 2018)
Net income	17,621	19,465
Other comprehensive income		
Items not to be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	1,160	1,140
Share of other comprehensive income of investments accounted for using the equity method	42	13
Total items not to be reclassified to net income	1,202	1,154
Items that can be reclassified to net income		
Foreign currency translation adjustments	8,329	2,974
Cash flow hedges	(4)	(715)
Share of other comprehensive income of investments accounted for using the equity method	42	(120)
Total items that can be reclassified to net income	8,367	2,137
Other comprehensive income	9,570	3,291
Comprehensive income	27,191	22,756
Comprehensive income attributable to:		
Owners of the parent	26,805	22,667
Non-controlling interests	385	89

(3) Summary of Quarterly Consolidated Statements of Changes in Equity

For the Six Months Ended September 30, 2017 (April 1, 2017 - September 30, 2017)

(¥ million)

	Equity attributable to owners of the parent					Total equity attributable to equity owners of the parent	Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock			
As of April 1, 2017	9,983	45,600	312,736	(4,139)	(14,335)	349,844	13,333	363,178
Changes in equity								
Net income			17,243			17,243	377	17,621
Other comprehensive income				9,562		9,562	8	9,570
Comprehensive income for the period			17,243	9,562		26,805	385	27,191
Dividends to equity owners of the parent			(5,026)			(5,026)		(5,026)
Dividends to non-controlling interests							(186)	(186)
Acquisition of treasury stock					(0)	(0)		(0)
Disposal of treasury stock		0			0	0		0
Equity transactions with non-controlling interests		(394)		(25)		(419)	(175)	(595)
Total changes in equity	—	(394)	12,217	9,536	0	21,360	23	21,384
As of September 30, 2017	9,983	45,206	324,953	5,396	(14,335)	371,204	13,357	384,562

For the Six Months Ended September 30, 2018 (April 1, 2018 - September 30, 2018)

(¥ million)

	Equity attributable to owners of the parent					Total equity attributable to equity owners of the parent	Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock			
As of April 1, 2018	9,983	45,215	335,085	2,907	(14,336)	378,855	14,251	393,107
Cumulative effects of changes in accounting policies			(4,419)			(4,419)	(110)	(4,530)
Restated balance	9,983	45,215	330,665	2,907	(14,336)	374,436	14,140	388,576
Changes in equity								
Net income			19,246			19,246	219	19,465
Other comprehensive income				3,421		3,421	(129)	3,291
Comprehensive income for the period			19,246	3,421		22,667	89	22,756
Dividends to equity owners of the parent			(5,026)			(5,026)		(5,026)
Dividends to non-controlling interests							(94)	(94)
Acquisition of treasury stock					(89)	(89)		(89)
Transfer to retained earnings				(0)		(0)		(0)
Transfer from other comprehensive income			0			0		0
Equity transactions with non-controlling interests		68		0		69	33	102
Acquisition of non-controlling interests							264	264
Share-based payment transaction		6				6		6
Total changes in equity	—	74	14,220	3,421	(89)	17,627	292	17,919
As of September 30, 2018	9,983	45,290	344,885	6,329	(14,425)	392,063	14,433	406,496

(4) Summary of Quarterly Consolidated Statements of Cash Flows

(¥ million)

	Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Six Months Ended September 30, 2018 (April 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Net income	17,621	19,465
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	57,144	66,296
Income taxes	6,427	6,753
Share of profits of investments accounted for using the equity method	(838)	(1,554)
(Increase) decrease in trade and other receivables	(36,253)	(92,708)
(Increase) decrease in finance lease receivables	(22,097)	(29,817)
Purchase of operating leased assets	(92,746)	(79,677)
Proceeds from sale of operating leased assets	17,619	26,732
Increase (decrease) in trade and other payables	(53,550)	(6,162)
Other	9,717	(8,561)
Subtotal	(96,955)	(99,234)
Income taxes paid	(6,074)	(5,719)
Net cash provided by (used in) operating activities	(103,029)	(104,954)
Cash flows from investing activities		
Purchase of other property, plant and equipment	(3,930)	(9,394)
Purchase of other intangible assets	(2,133)	(2,599)
Purchase of investments in securities and payments to time deposits	(999)	(7,344)
Proceeds from sale and redemption of investments in securities and withdrawal of time deposits	813	1,201
Payment for acquisition of subsidiary's shares resulting in changes in scope of consolidation	—	(594)
Purchase of investments accounted for using the equity method	(0)	—
Payments of long-term loans receivable	(356)	(100)
Other	24	70
Net cash provided by (used in) investing activities	(6,580)	(18,760)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	60,003	63,576
Proceeds from long-term borrowings and bonds	366,373	407,548
Payments on long-term borrowings and bonds	(300,269)	(283,914)
Dividends paid to owners of the parent	(5,025)	(5,168)
Dividends paid to non-controlling interests	(186)	(94)
Proceeds from payments from non-controlling interests	—	38
Purchase of shares of consolidated subsidiaries from non-controlling interests	(565)	(84)
Other	0	(89)
Net cash provided by financing activities	120,329	181,811
Effect of exchange rate changes on cash and cash equivalents	573	1,776
Net increase (decrease) in cash and cash equivalents	11,293	59,873
Cash and cash equivalents at beginning of period	178,081	174,805
Cash and cash equivalents at end of period	189,374	234,678

(5) Summary of Notes to the Quarterly Consolidated Financial Statements

(Notes concerning going concern)

Not applicable

(Changes to accounting policies)

(1) Adoption of IFRS 9 “Financial Instruments” (amended in July 2014)

Effective April 1, 2018, the Group adopted IFRS 9 “Financial Instruments” (amended in July 2014). IFRS 9 “Financial Instruments” (amended in July 2014) amends hedge accounting and classification and measurement of financial instruments and introduces the expected credit loss model for impairment of financial assets. The Group adopted IFRS 9 “Financial Instruments” (amended in July 2014) retrospectively in accordance with the transition method and recognized the cumulative effect of initial adoption of the standard as an adjustment to the balance of retained earnings as of April 1, 2018.

The impact of adopting the expected credit loss model for impairment on the Group’s consolidated financial statements as of April 1, 2018 was a decrease in trade and other receivables of ¥2,809 million, a decrease in finance lease receivables of ¥3,035 million, a decrease in retained earnings of ¥4,419 million, a decrease in non-controlling interests of ¥110 million and an increase in deferred tax assets of ¥1,314 million.

This change has no material impact on net income and earnings per share attributable to owners of the parent (basic and diluted) for the six months ended September 30, 2018.

The amendment of hedge accounting and classification and measurement of financial instruments has no material impact on the Group’s consolidated financial statements.

(2) Adoption of IFRS 15 “Revenue from Contracts with Customers”

Effective April 1, 2018, the Group adopted IFRS 15 “Revenue from Contracts with Customers.” The Group adopted IFRS 15 “Revenue from Contracts with Customers” retrospectively in accordance with the transition method and recognized the cumulative effect of initial adoption of the standard as an adjustment to the balance of retained earnings as of April 1, 2018. The adoption of this standard has no material impact on the Group’s consolidated financial statements.

(Changes to accounting estimates)

Not applicable

(Changes in presentation)

Summary of Quarterly Consolidated Statements of Cash Flows

“Increase (decrease) in payable due to collection of securitized receivables” in “Cash flows from operating activities,” which was previously stated separately, is included in “Other” from the six months ended September 30, 2018 because the amount is immaterial. The summary of quarterly consolidated statements of cash flows for the six months ended September 30, 2017 has been reclassified in order to reflect this change in presentation.

As a result, “Increase (decrease) in payable due to collection of securitized receivables” of ¥(843) million and “Other” of ¥10,560 million in “Cash flows from operating activities” in the summary of quarterly consolidated statements of cash flows for the six months ended September 30, 2017 were reclassified as “Other” of ¥9,717 million.

(Segment information)

Ⅰ For the Six Months Ended September 30, 2017 (April 1, 2017 - September 30, 2017)

(¥ million)

	Reportable segments							Other	Total	Adjustments	Consolidated statement of profit or loss
	Japan		Europe	The Americas	China	ASEAN	Total				
	Account Solution	Vendor Solution									
Revenues											
External customers	102,739	13,107	48,375	10,523	8,194	7,527	190,467	7,103	197,571	(1,882)	195,688
Intersegment	282	47	—	—	—	—	329	540	870	(870)	—
Total	103,021	13,154	48,375	10,523	8,194	7,527	190,797	7,644	198,441	(2,752)	195,688
Profit before tax	9,016	2,840	8,654	1,988	3,841	486	26,828	612	27,440	(3,391)	24,049

(Notes)

1. "Other" includes business segments not included in any other reportable segments and includes companies transforming its business structure through business development and revitalization.
2. Adjustment of profit before tax represents company-wide expense that is not allocated to any reportable segments. The company-wide expense mainly comprises general and administrative expenses that are not allocated to reportable segments.
3. The Group does not allocate assets and liabilities to the reportable segment used by the chief operating decision maker.
4. Inter-segment transactions are executed on an arm's length basis.
5. Effective October 1, 2017, part of healthcare business and agriculture business were transferred to vendor solution business, and accordingly the segments were revised mainly in Account Solution and Vendor Solution. The figures by segment are presented based on the new segments.

Ⅱ For the Six Months Ended September 30, 2018 (April 1, 2018 - September 30, 2018)

(¥ million)

	Reportable segments							Other	Total	Adjustments	Consolidated statement of profit or loss
	Japan		Europe	The Americas	China	ASEAN	Total				
	Account Solution	Vendor Solution									
Revenues											
External customers	114,657	12,451	63,652	12,452	9,361	8,594	221,170	5,935	227,106	(1,149)	225,956
Intersegment	354	53	—	—	—	—	407	560	967	(967)	—
Total	115,012	12,504	63,652	12,452	9,361	8,594	221,578	6,495	228,073	(2,117)	225,956
Profit before tax	10,831	2,962	8,963	2,378	3,695	922	29,754	852	30,606	(4,387)	26,218

(Notes)

1. "Other" includes business segments not included in any other reportable segments and includes companies transforming its business structure through business development and revitalization.
2. Adjustment of profit before tax represents company-wide expense that is not allocated to any reportable segments. The company-wide expense mainly comprises general and administrative expenses that are not allocated to reportable segments.
3. The Group does not allocate assets and liabilities to the reportable segment used by the chief operating decision maker.
4. Inter-segment transactions are executed on an arm's length basis.
5. Effective October 1, 2017, part of healthcare business and agriculture business were transferred to vendor solution business, and accordingly the segments were revised mainly in Account Solution and Vendor Solution. The figures by segment are presented based on the new segments.

(Significant subsequent events)

Not applicable

3. Supplementary Information

(1) Change in Quarterly Consolidated Performance

Consolidated Results for the Year Ending March 31, 2019

(¥ million, %)

	No.	Fiscal Year Ended March 31, 2018		Fiscal Year Ending March 31, 2019			
		Second Quarter	Six Months Ended September 30, 2017	Second Quarter (July to September)		Six Months Ended September 30, 2018 (April to September)	
		(Results)	(Results)	(Results)	Y on Y	(Results)	Y on Y
Revenues	1	97,376	195,688	110,157	13.1	225,956	15.5
Cost of sales	2	64,759	130,605	76,597	18.3	157,231	20.4
Gross profit	3	32,617	65,083	33,560	2.9	68,724	5.6
Selling, general and administrative expenses	4	20,794	41,878	21,704	4.4	44,050	5.2
Other income	5	10	79	9	(11.1)	33	(58.2)
Other expenses	6	15	73	31	108.0	43	(41.4)
Share of profits of investments accounted for using the equity method	7	429	838	841	96.1	1,554	85.3
Profit before tax	8	12,247	24,049	12,675	3.5	26,218	9.0
Income taxes	9	2,993	6,427	3,456	15.5	6,753	5.1
Net income	10	9,254	17,621	9,219	(0.4)	19,465	10.5
Net income attributable to:							
Owners of the parent	11	9,089	17,243	9,218	1.4	19,246	11.6
Non-controlling interests	12	165	377	0	(99.8)	219	(42.0)
Earnings per share							
Earnings per share attributable to owners of the parent (basic and diluted)	13	¥77.76	¥147.52	¥78.89	1.5	¥164.69	11.6

(2) Contract Segment Information

1. For the Six Months Ended September 30, 2017 (April 1, 2017 - September 30, 2017)

(¥ million, %)

	No.	Domestic consolidated				Overseas consolidated				Consolidated Total
		Lease	Factoring and loans	Installments and others	Total	Lease	Factoring and loans	Installments and others	Total	
Volume of business (Composition %) (Y on Y Change %)	1	254,119 (22) (0)	136,594 (11) (-19)	90,679 (8) (-11)	481,392 (41) (-8)	124,546 (10) (1)	454,802 (39) (23)	116,119 (10) (-6)	695,468 (59) (13)	1,176,861 (100) (3)
Operating assets (Composition %) (Y on Y Change %)	2	1,085,630 (35) (2)	186,767 (6) (-23)	306,047 (10) (-5)	1,578,445 (51) (-3)	484,795 (16) (24)	537,170 (17) (33)	476,815 (16) (19)	1,498,782 (49) (25)	3,077,228 (100) (9)

2. For the Six Months Ended September 30, 2018 (April 1, 2018 - September 30, 2018)

(¥ million, %)

	No.	Domestic consolidated				Overseas consolidated				Consolidated Total
		Lease	Factoring and loans	Installments and others	Total	Lease	Factoring and loans	Installments and others	Total	
Volume of business (Composition %) (Y on Y Change %)	1	252,528 (18) (-1)	119,224 (9) (-13)	95,112 (7) (5)	466,865 (34) (-3)	156,997 (12) (26)	586,608 (43) (29)	155,188 (11) (34)	898,794 (66) (29)	1,365,660 (100) (16)
Operating assets (Composition %) (Y on Y Change %)	2	1,140,111 (34) (5)	124,227 (4) (-33)	318,080 (10) (4)	1,582,420 (48) (0)	552,230 (17) (14)	674,030 (20) (25)	517,824 (15) (9)	1,744,085 (52) (16)	3,326,505 (100) (8)

(Notes)

1. “Lease” includes lease rentals, auto leases and other items.
2. “Factoring and loans” includes factoring, business loans (including home loans).
3. “Installments and others” include installment sales, loan sales through alliances, card services and other items.

(3) Segment Information by Business

(Consolidated Business Volume)

(¥ million, %)

				No.	Six Months Ended September 30, 2017		Six Months Ended September 30, 2018		Y on Y change
						Composition		Composition	
Japan	Account Solution			1	378,135	32.2	370,254	27.1	(2.1)
		Wholesale		2	286,763	24.4	279,000	20.4	(2.7)
			Information equipment related	3	96,534	8.2	93,463	6.8	(3.2)
			Industrial construction machinery related	4	28,082	2.4	30,230	2.2	7.6
			Commercial logistics related	5	44,020	3.7	45,294	3.3	2.9
			Factoring	6	34,140	2.9	19,933	1.5	(41.6)
			Card	7	32,798	2.8	33,671	2.5	2.7
			Others	8	51,187	4.4	56,407	4.1	10.2
		Vehicle		9	26,674	2.3	26,677	2.0	0.0
		Residential CMS		10	64,560	5.5	64,214	4.7	(0.5)
		Others		11	137	0.0	362	0.0	163.0
	Vendor Solution			12	90,688	7.7	92,350	6.8	1.8
Europe				13	275,584	23.4	335,595	24.6	21.8
The Americas				14	260,398	22.1	367,091	26.9	41.0
China				15	109,857	9.3	139,364	10.2	26.9
ASEAN				16	49,628	4.2	56,743	4.1	14.3
Others				17	13,741	1.2	4,911	0.3	(64.3)
Elimination and others				18	(1,173)	(0.1)	(651)	(0.0)	-
Consolidated business volume				19	1,176,861	100.0	1,365,660	100.0	16.0

(Notes)

1. Account Solution: Provide solutions to meet diversifying needs of customers such as corporates and public offices by combining our various functions such as lease, installments, insurance and trust, and in collaboration with partners, including the Hitachi Group.
2. Vendor Solution: Provide solutions to meet associated vendors’ needs for sales promotion with the Group’s financial services, mainly lease and installments.
3. Europe, the Americas, China, ASEAN: Provide solutions to customers and vendors in each area with the Group’s wide range of financial services, and in collaboration with partners, including the Hitachi Group.
4. Effective October 1, 2017, part of the healthcare business and the agriculture business were transferred to the vendor solution business, and accordingly the segments were revised mainly in Account Solution and Vendor Solution. The figures by segment are presented based on the new segments.