

February 5, 2019

**Consolidated Third Quarter Earnings Report [IFRS]**

For the Nine Months Ended December 31, 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: February 13, 2019

Scheduled commencement of dividend payment: -

Preparation of supplementary material for quarterly financial results: Yes

Holding of quarterly financial results meeting: None

(All amounts rounded down)

## 1. Consolidated Financial Results for the Third Quarter Ended December 31, 2018 (April 1, 2018 – December 31, 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	%
Nine Months Ended December 31, 2018	338,148	13.9	40,831	12.7	30,416	11.4	29,866	12.9	23,056	(42.3)
Nine Months Ended December 31, 2017	296,798	10.3	36,221	5.8	27,313	9.3	26,461	9.8	39,930	82.3

	Earnings per share (basic)	Earnings per share (diluted)	ROE
	¥	¥	%
Nine Months Ended December 31, 2018	255.57	—	10.5
Nine Months Ended December 31, 2017	226.39	—	9.7

(Ref.) Volume of business: Nine Months Ended December 31, 2018: ¥2,055,028 million; Nine Months Ended December 31, 2017: ¥1,779,933 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 December 31, 2018	3,672,315	401,308	386,694	10.5	3,309.14
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: None

(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 December 31, 2018: 124,826,552 shares      As of March 31, 2018: 124,826,552 shares

( ii ) Treasury stock at end of term

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

( iii ) Weighted average number of shares outstanding

Nine months ended December 31, 2018: 116,861,699 shares      Nine months ended December 31, 2017: 116,886,344 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.

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## 1. Qualitative Information concerning Financial Results for the Third Quarter Ended December 31, 2018

### (1) Explanation about Operating Results

#### 1) Summary of operating results

Summarized results for the nine months ended December 31, 2018 were as follows.

(¥ million, %)

	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2018	Y on Y Change
Volume of business	1,779,933	2,055,028	15.5
Revenues	296,798	338,148	13.9
Gross profit	98,999	104,504	5.6
Profit before tax	36,221	40,831	12.7
Net income attributable to owners of the parent	26,461	29,866	12.9

During the nine months ended December 31, 2018, while the global economy saw solid growth in the U.K., the U.S., and Japan, the economy in China showed signs of deceleration. The outlook of global political climate is becoming increasingly uncertain due to factors including an impasse in Brexit negotiations and growing concerns over a global economic slowdown as a consequence of the escalating trade friction between the U.S. and China.

During the nine months ended December 31, 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 June 2018, with an aim to contribute to the promotion of regional revitalization and resource-recycling society, Hitachi Green Energy Corporation invested in a joint venture engaging in a biogas power generation business using residua of yam and started the commercial operation of power generation system in November 2018. In December 2018, the Company and Hitachi Transport System, Ltd. ("Hitachi Transport System") concluded a business alliance agreement to realize new innovation through "Finance, Commerce, Logistics, and Information." Also, as part of the business alliance, the Company acquired 40% of outstanding shares of Hitachi Auto Service Co., Ltd., a wholly owned subsidiary of Hitachi Transport System, in February 2019. Going forward, we will jointly promote various measures for a management system of Smart & Safety Connected Vehicle. Regarding our business structural reform, our measures such as 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 and the elimination and integration of core systems were highly recognized, and the Company was selected as "2018 Noteworthy IT Strategy Companies" in the "2018 Competitive IT Strategy Company Stock Selection" in May 2018 and received "IT Encouragement Award" in "FY2018 (36th) Information Technology Award" in November 2018.

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, Hitachi Capital (UK) PLC 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. Also in December 2018, Hitachi Capital Polska Sp. z o.o. gave a public notice regarding a tender offer for all outstanding shares of common stock of Prime Car Management S.A. and commenced it from January 2019. In addition, with the aim of strengthening Vehicle Solution business in Continental Europe, the Company made

Maske Fleet GmbH operating in Germany and Austria a wholly-owned subsidiary in January 2019 and expanded its business area to five countries in Europe. 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 Continental Europe.

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 been steadily delivering results by concluding deals such as the investment agreement for the Japan-Guam-Australia Optical Submarine Cable project in April 2018 and the investment in the U.K. railway related business.

As a result, consolidated volume of business for the nine months ended December 31, 2018 increased 15.5% year on year to ¥2,055,028 million as all regions in Global Business mainly the U.S. showed solid performance, despite a decrease in Japan Business due to a further shift to focused sectors resulting in a decrease in closing business (e.g. factoring business).

Revenues increased 13.9% year on year to ¥338,148 million, gross profit increased 5.6% year on year to ¥104,504 million, profit before tax increased 12.7% year on year to ¥40,831 million and net income attributable to owners of the parent increased 12.9% year on year to ¥29,866 million, due to a growth in focused sectors in addition to the successful business structural reform of Japan Business, and overall solid performance in each region of Global Business.

Results by segment for the nine months ended December 31, 2018 were as follows.

(Account Solution)

Revenues increased 11.8% year on year to ¥172,576 million due to a steady performance of focused sectors such as Eco- and energy- related and Vehicle.

Profit before tax increased 29.1% to ¥17,595 million due to an increase in revenues as well as a decrease in selling, general and administrative expenses.

(Vendor Solution)

Revenues decreased 5.4% year on year to ¥18,681 million due to a decrease in finance-related income despite a moderate increase in volume of business.

Profit before tax increased 8.6% to ¥4,537 million due to a decrease in selling, general and administrative expenses despite a decrease in revenues.

(Europe)

Revenues increased 26.0% year on year to ¥94,316 million due to a strong performance of U.K. business and Vehicle Solution business in the Netherlands.

Profit before tax increased 4.2% to ¥13,820 million due to an increase in selling, general and administrative expenses despite 26.0% increase in revenues.

(The Americas)

Revenues increased 20.9% year on year to ¥19,396 million due to a strong performance in factoring business in the U.S. and Canada business.

Profit before tax increased 29.7% to ¥3,862 million due to a decrease in bad debt expenses in addition to an increase in revenues.

(China)

Revenues increased 10.0% year on year to ¥14,005 million due to a steady growth of businesses in mainland China and Hong Kong.

Profit before tax decreased 1.8% to ¥5,762 million due to an increase in financing costs associated with an interest rate rise despite 10.0% increase in revenues.

(ASEAN)

Revenues increased 11.7% year on year to ¥13,042 million due to increases in revenues in all regions, especially in Singapore.

Profit before tax increased 80.3% to ¥1,321 million due 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)

	(%)	
	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2018
ROE	9.7	10.5
ROA	1.4	1.5
Ratio of equity attributable to owners of the parent	10.9	10.5

## (2) Explanation about Consolidated Financial Position

### 1) Assets, liabilities and net assets

Financial position as of December 31, 2018 was as follows:

	As of March 31, 2018	As of December 31, 2018	(¥ million, %)	
			Change	
			Amount	%
Total assets	3,468,756	3,672,315	203,559	5.9
Interest-bearing debt	2,812,991	3,047,753	234,762	8.3
Total equity	393,107	401,308	8,200	2.1

#### i . Total assets

Total assets as of December 31, 2018 increased ¥203,559 million from March 31, 2018 to ¥3,672,315 million due to increases in trade and other receivables and finance lease receivables mainly in Europe and the Americas.

#### ii . Interest-bearing debt

Interest-bearing debt as of December 31, 2018 increased ¥234,762 million from March 31, 2018 to ¥3,047,753 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 December 31, 2018 increased ¥8,200 million from March 31, 2018 to ¥401,308 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 ¥29,866 million, cash dividends paid of ¥10,401 million, and a decrease in accumulated other comprehensive income of ¥7,201 million due mainly to a decrease in foreign currency translation adjustments.

## 2) Cash flows

Cash flows during nine months ended December 31, 2018 were as follows:

(¥ million)

	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2018	Change
Cash flows from operating activities	(157,865)	(140,605)	17,259
Cash flows from investing activities	(15,025)	(38,757)	(23,732)
Cash flows from financing activities	216,074	236,031	19,956
Free cash flow	(172,891)	(179,363)	(6,472)

### i . Cash flows from operating activities

Net cash used in operating activities was ¥140,605 million primarily due to purchase of operating leased assets of ¥116,741 million, increase in trade and other receivables of ¥111,525 million, increase in finance lease receivables of ¥45,131 million, and proceeds from sale of operating leased assets of ¥35,058 million.

### ii . Cash flows from investing activities

Net cash used in investing activities was ¥38,757 million primarily due to purchase of investments in securities and payments to time deposits of ¥18,126 million, purchase of other property, plant and equipment of ¥10,995 million, and advance payment for acquisition of subsidiary's shares resulting in changes in scope of consolidation of ¥4,359 million.

### iii . Cash flows from financing activities

Net cash provided by financing activities was ¥236,031 million primarily due to proceeds from long-term borrowings and bonds of ¥581,170 million, payments on long-term borrowings and bonds of ¥476,873 million, and net increase in short-term borrowings of ¥142,628 million.

As a result, cash and cash equivalents as of December 31, 2018 increased ¥57,195 million from March 31, 2018 to ¥232,000 million. Free cash flow, the sum of cash flows from operating and investing activities, resulted in cash outflows of ¥179,363 million, a decrease of ¥6,472 million from the nine months ended December 31, 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 nine months ended December 31, 2018 continued to exceed 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 becoming increasingly uncertain due to an impasse in Brexit negotiations and the escalating trade friction between the U.S. and China.

Based on these circumstances, the financial results forecast for the year ending March 31, 2019 has not changed from the previous forecast announced on November 5, 2018 as shown below.

(¥ million)

	Fiscal Year Ending March 31, 2019
Volume of business	2,620,000
Revenues	460,500
Gross profit	140,400
Profit before tax	52,000
Net income attributable to owners of the parent	37,000
Basic earnings per share attributable to owners of the parent	¥316.62

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 December 31, 2018
<b>Assets</b>		
Cash and cash equivalents	174,805	232,000
Trade and other receivables	1,385,805	1,473,402
Finance lease receivables	1,149,772	1,184,035
Other financial assets	82,275	96,129
Operating leased assets	470,644	462,222
Investments accounted for using the equity method	33,644	33,036
Other property, plant and equipment	80,983	84,021
Other intangible assets	34,604	37,311
Deferred tax assets	15,225	16,939
Other assets	40,993	53,215
Total assets	3,468,756	3,672,315
<b>Liabilities</b>		
Trade and other payables	96,308	77,138
Borrowings and bonds	2,812,991	3,047,753
Other payables	16,034	11,990
Other financial liabilities	59,786	50,950
Income tax payable	4,280	4,908
Retirement and severance benefits	5,851	5,924
Deferred tax liabilities	3,740	3,573
Other liabilities	76,654	68,768
Total liabilities	3,075,649	3,271,007
<b>Equity</b>		
Equity attributable to owners of the parent		
Common stock	9,983	9,983
Capital surplus	45,215	45,300
Retained earnings	335,085	350,130
Accumulated other comprehensive income	2,907	(4,293)
Treasury stock	(14,336)	(14,425)
Total equity attributable to owners of the parent	378,855	386,694
Non-controlling interests	14,251	14,613
Total equity	393,107	401,308
Total liabilities and equity	3,468,756	3,672,315

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

## Summary of Quarterly Consolidated Statements of Profit or Loss

(¥ million)

	Nine Months Ended December 31, 2017 (April 1, 2017 to December 31, 2017)	Nine Months Ended December 31, 2018 (April 1, 2018 to December 31, 2018)
Revenues	296,798	338,148
Cost of sales	197,798	233,644
Gross profit	98,999	104,504
Selling, general and administrative expenses	63,824	66,000
Other income	294	517
Other expenses	238	351
Share of profits of investments accounted for using the equity method	990	2,161
Profit before tax	36,221	40,831
Income taxes	8,907	10,414
Net income	27,313	30,416
Net income attributable to:		
Owners of the parent	26,461	29,866
Non-controlling interests	851	550
Earnings per share		
Earnings per share attributable to owners of the parent (basic and diluted)	¥226.39	¥255.57

## Summary of Quarterly Consolidated Statements of Comprehensive Income

(¥ million)

	Nine Months Ended December 31, 2017 (April 1, 2017 to December 31, 2017)	Nine Months Ended December 31, 2018 (April 1, 2018 to December 31, 2018)
Net income	27,313	30,416
Other comprehensive income		
Items not to be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	2,686	(2,029)
Share of other comprehensive income of investments accounted for using the equity method	58	(163)
Total items not to be reclassified to net income	2,744	(2,193)
Items that can be reclassified to net income		
Foreign currency translation adjustments	9,564	(4,923)
Cash flow hedges	220	(84)
Share of other comprehensive income of investments accounted for using the equity method	88	(158)
Total items that can be reclassified to net income	9,872	(5,166)
Other comprehensive income	12,617	(7,359)
Comprehensive income	39,930	23,056
Comprehensive income attributable to:		
Owners of the parent	39,001	22,664
Non-controlling interests	929	392

(3) Summary of Quarterly Consolidated Statements of Changes in Equity  
For the Nine Months Ended December 31, 2017 (April 1, 2017 - December 31, 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			26,461			26,461	851	27,313
Other comprehensive income				12,539		12,539	77	12,617
Comprehensive income for the period			26,461	12,539		39,001	929	39,930
Dividends to equity owners of the parent			(10,052)			(10,052)		(10,052)
Dividends to non-controlling interests							(278)	(278)
Acquisition of treasury stock					(0)	(0)		(0)
Disposal of treasury stock		0			0	0		0
Transfer to retained earnings				(307)		(307)		(307)
Transfer from other comprehensive income			307			307		307
Equity transactions with non-controlling interests		(397)		(25)		(422)	(177)	(600)
Acquisition of non-controlling interests							271	271
Total changes in equity	—	(397)	16,717	12,206	(0)	28,526	744	29,271
As of December 31, 2017	9,983	45,202	329,453	8,066	(14,335)	378,371	14,078	392,449

For the Nine Months Ended December 31, 2018 (April 1, 2018 - December 31, 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			29,866			29,866	550	30,416
Other comprehensive income				(7,201)		(7,201)	(158)	(7,359)
Comprehensive income for the period			29,866	(7,201)		22,664	392	23,056
Dividends to equity owners of the parent			(10,401)			(10,401)		(10,401)
Dividends to non-controlling interests							(218)	(218)
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		75		0		75	33	109
Acquisition of non-controlling interests							264	264
Share-based payment transaction		9				9		9
Total changes in equity	—	85	19,464	(7,201)	(89)	12,258	472	12,731
As of December 31, 2018	9,983	45,300	350,130	(4,293)	(14,425)	386,694	14,613	401,308

## (4) Summary of Quarterly Consolidated Statements of Cash Flows

(¥ million)

	Nine Months Ended December 31, 2017 (April 1, 2017 to December 31, 2017)	Nine Months Ended December 31, 2018 (April 1, 2018 to December 31, 2018)
<b>Cash flows from operating activities</b>		
Net income	27,313	30,416
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	87,187	97,516
Income taxes	8,907	10,414
Share of profits of investments accounted for using the equity method	(990)	(2,161)
(Increase) decrease in trade and other receivables	(45,887)	(111,525)
(Increase) decrease in finance lease receivables	(34,008)	(45,131)
Purchase of operating leased assets	(142,253)	(116,741)
Proceeds from sale of operating leased assets	26,394	35,058
Increase (decrease) in trade and other payables	(76,816)	(11,165)
Other	1,031	(17,853)
Subtotal	(149,119)	(131,172)
Income taxes paid	(8,745)	(9,433)
Net cash provided by (used in) operating activities	(157,865)	(140,605)
<b>Cash flows from investing activities</b>		
Purchase of other property, plant and equipment	(6,251)	(10,995)
Purchase of other intangible assets	(3,616)	(3,803)
Purchase of investments in securities and payments to time deposits	(2,424)	(18,126)
Proceeds from sale and redemption of investments in securities and withdrawal of time deposits	2,429	2,908
Payment for acquisition of subsidiary's shares resulting in changes in scope of consolidation	(4,535)	(594)
Advance payment for acquisition of subsidiary's shares resulting in changes in scope of consolidation	—	(4,359)
Purchase of investments accounted for using the equity method	(328)	(168)
Payments of long-term loans receivable	(356)	(3,690)
Other	57	70
Net cash provided by (used in) investing activities	(15,025)	(38,757)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	80,853	142,628
Proceeds from long-term borrowings and bonds	577,665	581,170
Payments on long-term borrowings and bonds	(431,550)	(476,873)
Dividends paid to owners of the parent	(10,049)	(10,412)
Dividends paid to non-controlling interests	(278)	(346)
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	216,074	236,031
Effect of exchange rate changes on cash and cash equivalents	1,077	527
Net increase (decrease) in cash and cash equivalents	44,261	57,195
Cash and cash equivalents at beginning of period	178,081	174,805
Cash and cash equivalents at end of period	222,342	232,000

(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 nine months ended December 31, 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 nine months ended December 31, 2018 because the amount is immaterial. The summary of quarterly consolidated statements of cash flows for the nine months ended December 31, 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 ¥(1,102) million and “Other” of ¥2,134 million in “Cash flows from operating activities” in the summary of quarterly consolidated statements of cash flows for the nine months ended December 31, 2017 were reclassified as “Other” of ¥1,031 million.

## (Segment information)

For the Nine Months Ended December 31, 2017 (April 1, 2017 - December 31, 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	153,886	19,689	74,844	16,044	12,734	11,678	288,877	10,639	299,517	(2,719)	296,798
Intersegment	530	68	—	—	—	—	598	823	1,422	(1,422)	—
Total	154,416	19,757	74,844	16,044	12,734	11,678	289,476	11,463	300,939	(4,141)	296,798
Profit before tax	13,630	4,178	13,261	2,978	5,869	733	40,651	949	41,601	(5,379)	36,221

(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.

For the Nine Months Ended December 31, 2018 (April 1, 2018 - December 31, 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	172,040	18,606	94,316	19,396	14,005	13,042	331,408	8,746	340,155	(2,006)	338,148
Intersegment	536	75	—	—	—	—	611	837	1,449	(1,449)	—
Total	172,576	18,681	94,316	19,396	14,005	13,042	332,019	9,584	341,604	(3,455)	338,148
Profit before tax	17,595	4,537	13,820	3,862	5,762	1,321	46,900	1,031	47,932	(7,101)	40,831

(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.

(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			
		Third Quarter (Results)	Nine Months Ended December 31, 2017 (Results)	Third Quarter (October to December)		Nine Months Ended December 31, 2018 (April to December)	
				(Results)	Y on Y	(Results)	Y on Y
Revenues	1	101,109	296,798	112,192	11.0	338,148	13.9
Cost of sales	2	67,192	197,798	76,412	13.7	233,644	18.1
Gross profit	3	33,916	98,999	35,779	5.5	104,504	5.6
Selling, general and administrative expenses	4	21,946	63,824	21,949	0.0	66,000	3.4
Other income	5	214	294	483	125.1	517	75.4
Other expenses	6	164	238	308	87.4	351	47.6
Share of profits of investments accounted for using the equity method	7	151	990	607	301.4	2,161	118.3
Profit before tax	8	12,172	36,221	14,612	20.0	40,831	12.7
Income taxes	9	2,479	8,907	3,660	47.6	10,414	16.9
Net income	10	9,692	27,313	10,951	13.0	30,416	11.4
Net income attributable to:							
Owners of the parent	11	9,218	26,461	10,619	15.2	29,866	12.9
Non-controlling interests	12	474	851	331	(30.0)	550	(35.3)
Earnings per share							
Earnings per share attributable to owners of the parent (basic and diluted)	13	¥78.87	¥226.39	¥90.88	15.2	¥255.57	12.9

## (2) Contract Segment Information

### 1. For the Nine Months Ended December 31, 2017 (April 1, 2017 - December 31, 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	363,817 (20) (1)	201,414 (11) (-20)	150,706 (9) (1)	715,937 (40) (-6)	195,011 (11) (-1)	692,274 (39) (22)	176,708 (10) (2)	1,063,995 (60) (13)	1,779,933 (100) (5)
Operating assets (Composition %) (Y on Y Change %)	2	1,094,007 (35) (4)	168,619 (5) (-29)	302,262 (10) (-4)	1,564,889 (50) (-3)	511,963 (16) (13)	580,440 (19) (28)	468,416 (15) (4)	1,560,820 (50) (15)	3,125,709 (100) (6)

### 2. For the Nine Months Ended December 31, 2018 (April 1, 2018 - December 31, 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	373,995 (18) (3)	178,382 (9) (-11)	144,281 (7) (-4)	696,660 (34) (-3)	233,409 (11) (20)	885,556 (43) (28)	239,401 (12) (35)	1,358,367 (66) (28)	2,055,028 (100) (15)
Operating assets (Composition %) (Y on Y Change %)	2	1,139,423 (34) (4)	116,645 (4) (-31)	314,717 (10) (4)	1,570,786 (48) (0)	555,435 (17) (8)	653,417 (20) (13)	510,385 (15) (9)	1,719,238 (52) (10)	3,290,025 (100) (5)

(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.	Nine Months Ended December 31, 2017		Nine Months Ended December 31, 2018		Y on Y change
				Composition		Composition	
Japan	Account Solution	1	565,734	31.8	553,558	26.9	(2.2)
	Wholesale	2	429,995	24.2	416,487	20.2	(3.1)
	Information equipment related	3	143,139	8.0	143,929	7.0	0.6
	Industrial construction machinery related	4	38,268	2.2	45,061	2.2	17.8
	Commercial logistics related	5	62,303	3.5	62,046	3.0	(0.4)
	Factoring	6	45,784	2.6	31,041	1.5	(32.2)
	Card	7	51,109	2.9	51,859	2.5	1.5
	Others	8	89,390	5.0	82,548	4.0	(7.7)
	Vehicle	9	39,865	2.2	41,605	2.0	4.4
	Residential CMS	10	95,641	5.4	94,643	4.6	(1.0)
	Others	11	231	0.0	822	0.1	255.7
Vendor Solution	12	134,343	7.6	136,789	6.7	1.8	
Europe	13	418,445	23.5	500,027	24.3	19.5	
The Americas	14	395,580	22.2	564,227	27.4	42.6	
China	15	172,983	9.7	206,444	10.0	19.3	
ASEAN	16	76,985	4.3	87,667	4.3	13.9	
Others	17	17,458	1.0	7,284	0.4	(58.3)	
Elimination and others	18	(1,599)	(0.1)	(971)	0.0	-	
Consolidated business volume	19	1,779,933	100.0	2,055,028	100.0	15.5	

## (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.