

Consolidated Second Quarter Earnings Report [IFRS]

For the Six Months Ended September 30, 2020

Corporate Name: **Hitachi Capital Corporation**Stock Code: 8586 URL: <https://www.hitachi-capital.co.jp>

Stock Listing: Tokyo Stock Exchange

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Scheduled date of submission of financial reports: November 10, 2020

Scheduled commencement of dividend payment: December 7, 2020

Preparation of supplementary material for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for investors and analysts)

(All amounts rounded down)

1. Consolidated Financial Results for the Second Quarter Ended September 30, 2020 (April 1, 2020 – September 30, 2020)

(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, 2020	223,850	(0.9)	17,707	(14.2)	12,856	(17.9)	12,633	(16.9)	13,014	325.6
Six Months Ended September 30, 2019	225,972	0.0	20,644	(21.3)	15,664	(19.5)	15,209	(21.0)	3,057	(86.6)

	Earnings per share (basic)	Earnings per share (diluted)	ROE
Six Months Ended September 30, 2020	¥ 108.18	—	6.6
Six Months Ended September 30, 2019	¥ 130.16	—	8.0

(Ref.) Volume of business: Six Months Ended September 30, 2020: ¥798,832 million; Six Months Ended September 30, 2019: ¥1,156,399 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
As of September 30, 2020	¥ million 3,629,689	¥ million 402,261	¥ million 386,631	10.7	¥ 3,310.78
As of March 31, 2020	3,719,474	396,013	380,728	10.2	3,260.23

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year End	For the Year
Year ended March 31, 2020	¥ —	¥ 52.00	¥ —	¥ 58.00	¥ 150.00
Year ending March 31, 2021	—	40.00	—	—	—
Year ending March 31, 2021 (Forecast)	—	—	—	54.00	94.00

Note: Changes from the latest released dividend forecasts: None

As announced in "Re: Appropriation of Dividends (Special Dividends) from Retained Earnings," on July 29, 2019, the Company paid a special dividends of 40 yen per share with the record date of August 14, 2019. As the Company paid the annual dividend of 150 yen per share for the year ended March 31, 2020, consisting of two ordinary dividends (110 yen per share) and the special dividends, the total amount for the year ended March 31, 2020 in the above table shows equivalent amount.

3. Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

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

Fiscal year	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	%	¥
	450,200	(3.0)	38,500	(9.5)	29,000	(9.3)	27,500	(10.4)	235.49

Note: Changes from the latest released performance forecasts: None

(Ref.) Volume of business: Fiscal year: ¥1,755,000 million

The consolidated earnings forecast is estimated based on certain assumptions as it is difficult to predict when the COVID-19 will be contained at this point. For details, please refer to "(3) Explanation on Future Forecast Information including Consolidated Earnings Forecast" on page 9.

* 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 : None
 - (ii) Changes to accounting policies other than (i) above : None
 - (iii) Changes to accounting estimates : None
- (3) Number of outstanding shares (common shares)
- (i) Shares issued at end of term (including treasury stock)
As of September 30, 2020: 124,826,552 shares As of March 31, 2020: 124,826,552 shares
 - (ii) Treasury stock at end of term
As of September 30, 2020: 8,046,996 shares As of March 31, 2020: 8,046,875 shares
 - (iii) Weighted average number of shares outstanding
Six months ended September 30, 2020: 116,779,648 shares Six months ended September 30, 2019: 116,856,751 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 9. Hitachi Capital Corporation will have the quarterly financial results meeting to report the financial results for the second quarter ended September 30, 2020 for institutional investors and financial analysts on November 5, 2020.

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1. Qualitative Information concerning Financial Results for the Second Quarter Ended September 30, 2020

(1) Explanation about Operating Results

1) Summary of operating results

Summarized results for the six months ended September 30, 2020 were as follows.

(¥ million, %)

	Six Months Ended September 30, 2019	Six Months Ended September 30, 2020	Y on Y Change
Volume of business	1,156,399	798,832	(30.9)
Revenues	225,972	223,850	(0.9)
Gross profit	66,285	63,895	(3.6)
Profit before tax	20,644	17,707	(14.2)
Net income attributable to owners of the parent	15,209	12,633	(16.9)

During the six months ended September 30, 2020, the Group strived to steadily carry out “FY2019-FY2021 Mid-Term Management Plan” released in October 2019, while, in light of the global spread of the COVID-19, making various efforts to reduce infection risk through teleworking and staggered working hours, ensure implementation of BCP/BCM and recover the topline in the environment coexisting with the COVID-19, with the highest priority placed on the safety and health of our stakeholders including employees.

As a result, the main financial results (volume of business, revenues, and profit before tax, etc.) exceeded initial forecasts of the first half mainly due to a contribution to business performance resulting from revenues for selling electricity from renewable energy in Japan.

One of main topics in Environment/Energy is the promotion of Captive-consumption solar power generation business which the Company started at Shibata Factory of Bourbon Corporation in Niigata Prefecture, as a new effort towards post-FIT (Feed-in Tariff.)

In Mobility business, we acquired all shares of BOT LEASE (HONG KONG) COMPANY LIMITED, mainly engaging in car finance in the Hong Kong Special Administrative Region, from BOT Lease Company Limited with an aim to expand the solution and network base.

We are also working on the establishing of a new business model and collaborating with Hitachi Solutions, Ltd. in developing a service model to provide comprehensive support for the subscription business of B to B companies.

In addition, we have been accelerating cooperation with global partners. For example, Hitachi Capital (UK) PLC and Hitachi Europe Ltd. signed a deal to collaborate on new net-zero solutions utilizing big data and AI for fleet owners. Hitachi Capital America Corp. and Hitachi America, Ltd. each entered into strategic agreements with Workhorse Group Inc., to support Workhorse’s manufacture and distribution of electric vehicles for the last-mile delivery.

Meanwhile, Mitsubishi UFJ Lease & Finance Company Limited and the Company concluded the business integration (“the Business Integration”) agreement and the merger agreement in September 2020.

Based on the capital and business alliance concluded in May 2016, the two companies have been in collaboration, including incorporation of the Japan Infrastructure Initiative Company Limited (“JII”) in order to reinforce the overseas infrastructure investment business. Also, the two companies had considered business integration as one of the options and constructively continued discussions to strengthen the relationship. Through that process, the two companies recognized that JII’s business had steadily progressed, and that the two companies’ businesses had little duplication and were in an ideal complementary relationship. Eventually, the two companies reached an agreement, determining that business integration through merger is the optimal means to promptly adapt to drastic environmental changes, pursue further increase of added values toward achieving social values

creation and further open up new areas of their advanced asset businesses, based on a constructive discussion in the spirit of mutual respect and fairness.

As a result of the Business Integration, the two companies will become a global player in the sector in terms of size and business lines by being able to complement each other's business domains and strengthen their respective management bases. Upon the Business Integration, a new integrated company will aim to create sustainable social value by operating an advanced asset business beyond the leasing business framework and providing customers with new value in countries and regions across the world.

The Business Integration is planned to be implemented and become effective on April 1, 2021 (the "Effective Date"), upon the approval to be granted at each of the extraordinary meetings of shareholders of the two companies planned to be held in late February, 2021. The implementation of the Business Integration is premised on the receipt of necessary authorizations and approvals from relevant domestic and overseas authorities, as well as other approvals necessary for its taking effect.

Prior to the Effective Date (April 1, 2021), the common stock of Hitachi Capital is scheduled to be delisted as of March 30, 2021 (the last day of trading will be March 29, 2021) in the 1st Section of the Tokyo Stock Exchange, Inc..

(Schedule of the Business Integration)

Date of resolution at the board of directors' meetings on the execution of the business integration and merger agreements, and the date of execution of these agreements (both companies)	September 24, 2020
Date of public notice of the record date for the extraordinary meetings of shareholders (both companies)	December 16, 2020 (scheduled)
Record date of the extraordinary meetings of shareholders (both companies)	December 31, 2020 (scheduled)
Date of resolution at the extraordinary meetings of shareholders (both companies)	Late February, 2021 (scheduled)
Last day of trading (Hitachi Capital)	March 29, 2021 (scheduled)
Delisting date (Hitachi Capital)	March 30, 2021 (scheduled)
Effective date of the Business Integration	April 1, 2021 (scheduled)

The Schedule of the Business Integration may be changed upon discussion and agreement between the two companies, according to the necessity in the procedures and other reasons.

*For details, please refer to the news release, "Notice concerning Conclusion of Agreement on Business Integration through Merger between Mitsubishi UFJ Lease and Hitachi Capital" dated September 24, 2020.

During the six months ended September 30, 2020, the movement of people and products were restricted through government restrictions or self-restraint on outings due to the global spread of the COVID-19, causing various restrictions on economic activities and decreases in corporate capital investments and personal consumption; and the Group's volume of business dropped 30.9% year on year to ¥798,832 million.

As a result, revenues decreased 0.9% year on year to ¥223,850 million and profit before tax decreased 14.2% year on year to ¥17,707 million.

However, volume of business, revenues, and profit before tax generally showed steady growth and exceeded the initial forecasts.

Results by segment for the six months ended September 30, 2020 were as follows.

(Japan: Account Solution)

Revenues increased 4.4% year on year to ¥117,506 million and profit before tax increased 7.6% to

¥9,891 million mainly due to a steady performance of Environment/Energy business.

(Japan: Vendor Solution)

Revenues decreased 1.6% year on year to ¥12,278 million mainly due to a decrease in the volume of business because of the spread of the COVID-19.

Profit before tax increased 15.6% year on year to ¥3,622 million mainly due to a decrease in selling, general and administrative expenses despite a decrease in revenues.

(Europe)

Revenues remained flat year on year and amounted to ¥65,590 million mainly due to the U.K. business' gradual recovery from a severe business environment and Mobility business' expansion in the business area in continental Europe.

Profit before tax decreased 13.1% to ¥7,077 million mainly due to a temporary increase in allowance for doubtful accounts in relation to a moratorium in the U.K. business.

(The Americas)

Revenues decreased 18.2% year on year to ¥12,827 million and profit before tax decreased 12.6% to ¥1,645 million mainly due to a decrease in the volume of business because of the spread of the COVID-19 in addition to the closing of the large-scale factoring business in FY2019.

(China)

Revenues decreased 28.8% year on year to ¥4,830 million and profit before tax decreased 29.6% to ¥884 million mainly due to a decrease in operating assets because of the COVID-19 in addition to the closing of the large-scale factoring business, etc. in FY2019.

(ASEAN)

Revenues decreased 19.1% year on year to ¥7,268 million mainly due to a decrease in the volume of business because of the spread of the COVID-19.

The segment recorded loss before tax of ¥342 million due to a temporary increase in allowance for doubtful accounts in relation to a moratorium in the Indonesia business in addition to a decrease in revenues.

2) Key management indicators (Annualized)

	(%)	
	Six Months Ended September 30, 2019	Six Months Ended September 30, 2020
ROA	1.1	1.0
OHR	63.7	66.2
[Reference] ROE	8.0	6.6

(2) Explanation about Consolidated Financial Position

1) Assets, liabilities and net assets

Financial position as of September 30, 2020 was as follows:

(¥ million, %)

	As of March 31, 2020	As of September 30, 2020	Change	
			Amount	%
Total assets	3,719,474	3,629,689	(89,784)	(2.4)
Interest-bearing debt	3,081,051	2,998,944	(82,106)	(2.7)
Total equity	396,013	402,261	6,247	1.6

i . Total assets

Total assets as of September 30, 2020 decreased ¥89,784 million from March 31, 2020 to ¥3,629,689 million due to a decrease in trade and other receivables mainly in Europe and Japan as a consequence of a decrease in the volume of new business because of the COVID-19 impact and a decrease in finance lease receivables mainly in Japan and China.

ii . Interest-bearing debt

Interest-bearing debt as of September 30, 2020 decreased ¥82,106 million from March 31, 2020 to ¥2,998,944 million mainly due to a decrease in bonds in Japan and Europe.

iii .Total equity

Total equity as of September 30, 2020 increased ¥6,247 million from March 31, 2020 to ¥402,261 million, and major components consist of an increase due to recording net income attributable to owners of the parent of ¥12,633 million and a decrease due to cash dividends paid of ¥6,773 million.

2) Cash flows

Cash flows during six months ended September 30, 2020 were as follows:

(¥ million)

	Six Months Ended September 30, 2019	Six Months Ended September 30, 2020	Change
Cash flows from operating activities	79,820	106,879	27,058
Cash flows from investing activities	(15,190)	(13,448)	1,742
Cash flows from financing activities	(55,605)	(111,937)	(56,331)
Free cash flow	64,629	93,430	28,800

i . Cash flows from operating activities

Net cash provided by operating activities was ¥106,879 million primarily due to a decrease in trade and other receivables of ¥62,700 million as a consequence of a decrease in the volume of new business because of the COVID-19 impact, purchase of operating leased assets of ¥79,100 million, proceeds from sale of operating leased assets of ¥20,433 million, and a decrease in finance lease receivables of ¥17,604 million.

ii . Cash flows from investing activities

Net cash used in investing activities was ¥13,448 million primarily due to purchase of investments accounted for using the equity method of ¥7,804 million, purchase of other property, plant and equipment of ¥2,338 million, purchase of other intangible assets of ¥2,051 million, proceeds from sale and redemption of investments in securities and withdrawal of time deposits of ¥2,014 million, and purchase of investments in securities and payments to time deposits of ¥1,841 million.

iii . Cash flows from financing activities

Net cash used in financing activities was ¥111,937 million primarily due to payments on long-term borrowings and bonds of ¥375,702 million, and proceeds from long-term borrowings and bonds of ¥282,361 million.

As a result, cash and cash equivalents as of September 30, 2020 decreased ¥18,023 million from March 31, 2020 to ¥247,439 million. Free cash flow, a sum of cash flows from operating and investing activities, resulted in cash inflows of ¥93,430 million, an increase of ¥28,800 million from the six months ended September 30, 2019.

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

The outlook of the business environment surrounding the Company remains unpredictable, despite signs of economic recovery after the lifting of the state of emergency and movement restrictions, as the global outbreak of COVID-19 has continued to have serious effects on the global economy, with the number of new global cases still showing upward trend partly due to a resurgence of COVID-19 in some areas.

In light of these circumstances, the consolidated earnings forecasts for the year ending March 31, 2021 remain unchanged from those announced on August 5, 2020.

We expect that the economy will gradually recover from the COVID-19 impacts towards March 2021, but such expectation may change in the future.

	(¥ million)
	Fiscal Year Ending March 31, 2021
Volume of business	1,755,000
Revenues	450,200
Gross profit	136,000
Profit before tax	38,500
Net income attributable to owners of the parent	27,500
Basic earnings per share attributable to owners of the parent	¥235.49

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, 2020	As of September 30, 2020
Assets		
Cash and cash equivalents	265,463	247,439
Trade and other receivables	1,279,496	1,230,381
Finance lease receivables	1,256,013	1,240,721
Other financial assets	103,494	96,889
Operating leased assets	544,434	535,191
Investments accounted for using the equity method	37,623	45,810
Other property, plant and equipment	122,071	120,401
Other intangible assets	41,306	41,530
Deferred tax assets	14,292	14,733
Other assets	55,279	56,590
Total assets	3,719,474	3,629,689
Liabilities		
Trade and other payables	87,675	71,115
Borrowings and bonds	3,081,051	2,998,944
Other payables	12,638	13,049
Other financial liabilities	50,610	51,942
Income tax payable	3,435	2,589
Retirement and severance benefits	7,440	7,593
Deferred tax liabilities	5,915	5,883
Other liabilities	74,692	76,309
Total liabilities	3,323,460	3,227,427
Equity		
Equity attributable to owners of the parent		
Common stock	9,983	9,983
Capital surplus	45,029	45,079
Retained earnings	359,572	365,432
Accumulated other comprehensive income	(19,231)	(19,238)
Treasury stock	(14,626)	(14,626)
Total equity attributable to owners of the parent	380,728	386,631
Non-controlling interests	15,285	15,629
Total equity	396,013	402,261
Total liabilities and equity	3,719,474	3,629,689

(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, 2019 (April 1, 2019 to September 30, 2019)	Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Revenues	225,972	223,850
Cost of sales	159,687	159,955
Gross profit	66,285	63,895
Selling, general and administrative expenses	46,764	48,297
Other income	205	743
Other expenses	35	43
Share of profits of investments accounted for using the equity method	954	1,409
Profit before tax	20,644	17,707
Income taxes	4,980	4,851
Net income	15,664	12,856
Net income attributable to:		
Owners of the parent	15,209	12,633
Non-controlling interests	454	223
Earnings per share		
Earnings per share attributable to owners of the parent (basic and diluted)	¥130.16	¥108.18

Summary of Quarterly Consolidated Statements of Comprehensive Income

(¥ million)

	Six Months Ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Net income	15,664	12,856
Other comprehensive income		
Items not to be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	1,163	(484)
Share of other comprehensive income of investments accounted for using the equity method	(24)	55
Total items not to be reclassified to net income	1,139	(428)
Items that can be reclassified to net income		
Foreign currency translation adjustments	(11,686)	2,086
Cash flow hedges	(1,647)	(1,083)
Share of other comprehensive income of investments accounted for using the equity method	(411)	(417)
Total items that can be reclassified to net income	(13,746)	586
Other comprehensive income	(12,606)	157
Comprehensive income	3,057	13,014
Comprehensive income attributable to:		
Owners of the parent	2,663	12,626
Non-controlling interests	393	388

(3) Summary of Quarterly Consolidated Statements of Changes in Equity
For the Six Months Ended September 30, 2019 (April 1, 2019 - September 30, 2019)

(¥ 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, 2019	9,983	45,313	339,655	(2,968)	(14,425)	377,557	12,861	390,418
Cumulative effects of changes in accounting policies			(193)			(193)	(1)	(194)
Restated balance	9,983	45,313	339,462	(2,968)	(14,425)	377,364	12,859	390,224
Changes in equity								
Net income			15,209			15,209	454	15,664
Other comprehensive income				(12,546)		(12,546)	(60)	(12,606)
Comprehensive income for the period			15,209	(12,546)		2,663	393	3,057
Dividends to non-controlling interests							(117)	(117)
Acquisition of treasury stock					(0)	(0)		(0)
Transfer to retained earnings			168	(168)		—		—
Equity transactions with non-controlling interests		12				12	35	48
Total changes in equity	—	12	15,378	(12,714)	(0)	2,676	311	2,988
As of September 30, 2019	9,983	45,325	354,840	(15,682)	(14,426)	380,040	13,171	393,212

For the Six Months Ended September 30, 2020 (April 1, 2020 - September 30, 2020)

(¥ 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, 2020	9,983	45,029	359,572	(19,231)	(14,626)	380,728	15,285	396,013
Changes in equity								
Net income			12,633			12,633	223	12,856
Other comprehensive income				(6)		(6)	164	157
Comprehensive income for the period			12,633	(6)		12,626	388	13,014
Dividends to equity owners of the parent			(6,773)			(6,773)		(6,773)
Dividends to non-controlling interests							(73)	(73)
Acquisition of treasury stock					(0)	(0)		(0)
Equity transactions with non-controlling interests		(3)				(3)	(0)	(4)
Acquisition of non-controlling interests							30	30
Share-based payment transaction		54				54		54
Total changes in equity	—	50	5,859	(6)	(0)	5,903	343	6,247
As of September 30, 2020	9,983	45,079	365,432	(19,238)	(14,626)	386,631	15,629	402,261

(4) Summary of Quarterly Consolidated Statements of Cash Flows

(¥ million)

	Six Months Ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Net income	15,664	12,856
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	69,560	76,093
Income taxes	4,980	4,851
Share of profits of investments accounted for using the equity method	(954)	(1,409)
(Increase) decrease in trade and other receivables	117,459	62,700
(Increase) decrease in finance lease receivables	(25,750)	17,604
Purchase of operating leased assets	(99,700)	(79,100)
Proceeds from sale of operating leased assets	15,821	20,433
Increase (decrease) in trade and other payables	(7,981)	(7,222)
Other	(3,321)	5,868
Subtotal	85,778	112,676
Income taxes paid	(5,957)	(5,796)
Net cash provided by (used in) operation activities	79,820	106,879
Cash flows from investing activities		
Purchase of other property, plant and equipment	(9,367)	(2,338)
Purchase of other intangible assets	(2,174)	(2,051)
Purchase of investments in securities and payments to time deposits	(3,202)	(1,841)
Proceeds from sale and redemption of investments in securities and withdrawal of time deposits	1,468	2,014
Payment for acquisition of subsidiary's shares resulting in changes in scope of consolidation	—	(561)
Purchase of investments accounted for using the equity method	(344)	(7,804)
Net decrease (increase) in short-term loans receivable	23	23
Payments of long-term loans receivable	(1,621)	(901)
Collection of long-term loans receivable	12	12
Other	15	1
Net cash provided by (used in) investing activities	(15,190)	(13,448)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(42,131)	(11,780)
Proceeds from long-term borrowings and bonds	338,375	282,361
Payments on long-term borrowings and bonds	(351,747)	(375,702)
Dividends paid to owners of the parent	(3)	(6,771)
Dividends paid to non-controlling interests	(117)	(73)
Proceeds from payments from non-controlling interests	20	30
Other	(0)	(0)
Net cash provided by (used in) financing activities	(55,605)	(111,937)
Effect of exchange rate changes on cash and cash equivalents	(2,448)	482
Net increase (decrease) in cash and cash equivalents	6,576	(18,023)
Cash and cash equivalents at beginning of period	219,858	265,463
Cash and cash equivalents at end of period	226,434	247,439

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

(Notes concerning going concern)

Not applicable

(Changes to accounting policies)

Not applicable

(Changes to accounting estimates)

Not applicable

(Segment information)

For the Six Months Ended September 30, 2019 (April 1, 2019 - September 30, 2019)

(¥ 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	112,178	12,454	65,615	15,684	6,779	8,984	221,699	5,354	227,053	(1,081)	225,972
Intersegment	343	21	-	-	-	-	365	534	899	(899)	-
Total	112,522	12,476	65,615	15,684	6,779	8,984	222,064	5,889	227,953	(1,981)	225,972
Profit before tax	9,193	3,133	8,142	1,883	1,257	1,146	24,757	383	25,140	(4,496)	20,644

(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 (loss) 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 Six Months Ended September 30, 2020 (April 1, 2020 - September 30, 2020)

(¥ 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	117,218	12,255	65,590	12,827	4,830	7,268	219,989	5,035	225,024	(1,174)	223,850
Intersegment	288	22	-	-	-	-	311	558	869	(869)	-
Total	117,506	12,278	65,590	12,827	4,830	7,268	220,300	5,593	225,894	(2,043)	223,850
Profit (loss) before tax	9,891	3,622	7,077	1,645	884	(342)	22,779	397	23,177	(5,469)	17,707

(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 (loss) 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, 2021

(¥ million, %)

	No.	Fiscal Year Ended March 31, 2020		Fiscal Year Ending March 31, 2021			
		Second Quarter (Results)	Six Months Ended September 30, 2019 (Results)	Second Quarter (July to September)		Six Months Ended September 30, 2020 (April to September)	
				(Results)	Y on Y	(Results)	Y on Y
Revenues	1	111,454	225,972	114,091	2.4	223,850	(0.9)
Cost of sales	2	78,984	159,687	81,711	3.5	159,955	0.2
Gross profit	3	32,469	66,285	32,380	(0.3)	63,895	(3.6)
Selling, general and administrative expenses	4	23,129	46,764	24,438	5.7	48,297	3.3
Other income	5	14	205	331	—	743	261.9
Other expenses	6	23	35	37	60.5	43	21.3
Share of profits of investments accounted for using the equity method	7	480	954	478	(0.6)	1,409	47.7
Profit before tax	8	9,812	20,644	8,714	(11.2)	17,707	(14.2)
Income taxes	9	2,458	4,980	2,596	5.6	4,851	(2.6)
Net income	10	7,353	15,664	6,117	(16.8)	12,856	(17.9)
Net income attributable to:							
Owners of the parent	11	7,145	15,209	6,058	(15.2)	12,633	(16.9)
Non-controlling interests	12	207	454	59	(71.5)	223	(50.9)
Earnings per share							
Earnings per share attributable to owners of the parent (basic and diluted)	13	¥61.15	¥130.16	¥51.88	(15.2)	¥108.18	(16.9)

(2) Segment Information by Business

(Consolidated Business Volume)

(¥ million, %)

		No.	Six Months Ended September 30, 2019		Six Months Ended September 30, 2020		Y on Y change
				Composition		Composition	
Japan	Account Solution	1	434,752	37.7	274,215	34.3	(36.9)
	Wholesale	2	341,167	29.6	193,520	24.2	(43.3)
	Information equipment related	3	151,253	13.1	74,136	9.3	(51.0)
	Industrial construction machinery related	4	59,649	5.2	30,372	3.8	(49.1)
	Commercial logistics related	5	34,574	3.0	29,939	3.7	(13.4)
	Factoring	6	15,693	1.4	9,844	1.2	(37.3)
	Card	7	33,090	2.9	19,240	2.4	(41.9)
	Others	8	46,906	4.0	29,987	3.8	(36.1)
	Vehicle	9	31,509	2.7	27,023	3.4	(14.2)
	Residential CMS	10	62,075	5.4	53,670	6.7	(13.5)
	Others	11	0	0.0	0	0.0	-
	Vendor Solution	12	99,611	8.6	79,858	10.0	(19.8)
	Europe	13	319,683	27.6	213,942	26.8	(33.1)
	The Americas	14	199,697	17.3	154,431	19.3	(22.7)
	China	15	47,152	4.1	47,154	5.9	0.0
	ASEAN	16	51,269	4.4	25,156	3.2	(50.9)
	Others	17	4,845	0.4	4,741	0.6	(2.1)
	Elimination and others	18	(614)	(0.1)	(667)	(0.1)	-
	Consolidated business volume	19	1,156,399	100.0	798,832	100.0	(30.9)

(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.