April 28, 2016

Consolidated Earnings Report ［IFRS］

For the Year Ended March 31, 2016

Corporate Name: **Hitachi Capital Corporation**
Stock Code: 8586 URL: http://www.hitachi-capital.co.jp
Stock Listing: Tokyo Stock Exchange
Representative Director: Seiji Kawabe, President and CEO
Inquiries: Yoshikazu Ohashi, Executive Officer
Phone: (03)3503-2118
Date of ordinary general meeting of shareholders: June 24, 2016
Scheduled commencement of dividend payment: May 30, 2016
Scheduled date of submission of annual securities report: June 27, 2016
Preparation of supplementary material for financial results: Yes
Holding of financial results meeting: Yes (for investors & analysts)

(All amounts rounded down)

1. Consolidated Results for the Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)

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

	Revenues		Operating income		Profit before tax		Net income		Net income attributable to owners of the parent		Comprehensive income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Year ended March 31, 2016	365,354	2.5	45,230	16.0	46,667	31.1	33,615	34.8	32,694	35.4	19,565	(42.6)
Year ended March 31, 2015	356,291	4.0	38,986	17.8	35,598	7.3	24,937	11.6	24,140	12.0	34,080	6.2

【Important】"Operating income" on this page represents "Adjusted operating income" which Hitachi Capital uses as an indicator for its consolidated operating results. "Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses. On other pages, "Operating income" is presented as "Adjusted operating income."

	Earnings per share (basic)	Earnings per share (diluted)	ROE	ROA	Profit before tax margin
	¥	¥	%	%	%
Year ended March 31, 2016	279.71	—	9.9	1.5	12.8
Year ended March 31, 2015	206.53	—	7.7	1.3	10.0

(Ref.) Share of profits of investments accounted for using the equity method:
Year ended March 31, 2016: ¥1,775 million Year ended March 31, 2015: ¥1,640 million
Volume of business: Year ended March 31, 2016: ¥2,290,156 million Year ended March 31, 2015: ¥2,118,850 million

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Equity attributable to owners of the parent ratio	Equity per share attributable to owners of the parent
	¥ million	¥ million	¥ million	%	¥
Year ended March 31, 2016	3,081,201	347,559	335,503	10.9	2,870.33
Year ended March 31, 2015	2,952,471	336,830	325,223	11.0	2,782.37

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of period
	¥ million	¥ million	¥ million	¥ million
Year ended March 31, 2016	(206,372)	(6,408)	252,425	157,091
Year ended March 31, 2015	(241,846)	(3,443)	210,858	119,314

(Note) Purchase and sale of operating leased assets are included in operating activities.

2. Dividends

	Dividends per share					Total dividends (For the year)	Payout ratio (Consolidated)	Dividends to Equity (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year End	For the Year			
	¥	¥	¥	¥	¥	¥ million	%	%
Year ended March 31, 2015	—	27.00	—	33.00	60.00	7,013	29.1	2.2
Year ended March 31, 2016	—	42.00	—	42.00	84.00	9,818	30.0	3.0
Year ending March 31, 2017 (Forecast)	—	43.00	—	43.00	86.00		30.5	

Unaudited

3. Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

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

	Revenues		Operating income		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	%	¥ million	%	¥
Interim	176,400	(2.7)	21,500	(8.8)	22,500	(8.3)	16,400	(8.3)	15,800	(9.1)	135.17
Fiscal year	370,000	1.3	45,300	0.2	47,000	0.7	34,500	2.6	33,000	0.9	282.32

(Ref.) Volume of business: Interim: ¥1,042,000 million Fiscal year: ¥ 2,105,000 million

＊Notes

(1) Major changes in subsidiaries during the period under review
(Transfer of specific subsidiaries accompanying the change of scope of consolidation) : None

(2) Changes to accounting policies; changes to accounting estimates
1) Changes to accounting policies required by IFRS : None
2) Changes other than (a) above : None
3) Changes to accounting estimates : None

(3) Number of outstanding shares (common shares)
1) Shares issued at end of term (including treasury stock)
As of March 31, 2016: 124,826,552 shares As of March 31, 2015: 124,826,552 shares
2) Treasury stock at end of term
As of March 31, 2016: 7,939,936 shares As of March 31, 2015: 7,939,627 shares
3) Weighted average number of shares outstanding
Year ended March 31, 2016: 116,886,724 shares Year ended March 31, 2015: 116,887,224 shares

✱Implementation status of audit procedures

Audit procedures for the financial statements under the Financial Instruments and Exchange Act are being performed at the time of disclosure of this report.

✱Explanation for proper use of earnings forecasts, etc.

Consolidated forecasts stated herein have been prepared based on the information available on the date of release, and the actual results may differ from the forecast due to a variety of reasons.
See page 5 of the accompanying document (3) Consolidated earnings forecasts for the year ending March 31, 2017.
The Company will have a financial results meeting for institutional investors and financial analysts on April 28, 2016.

Contents

Unaudited

1. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

1) Summary of operating results

Summarized results for the year ended March 31, 2016 were as follows:

(¥ million, %)

	Year Ended March 31, 2015	Year Ended March 31, 2016	Y on Y Change
Volume of business	2,118,850	2,290,156	8.1
Revenues	356,291	365,354	2.5
Gross profit	119,368	130,014	8.9
Adjusted operating income	38,986	45,230	16.0
Profit before tax	35,598	46,667	31.1
Net income attributable to owners of the parent	24,140	32,694	35.4

During the year ended March 31, 2016, while the economy showed solid growth in the U.S. and U.K, the global economy remained uncertain due to deceleration in economic growth in China and ASEAN and actualized geopolitical risks around the world. In Japan, while the economic recovery is sluggish due to factors including the persistently strong yen and uncertain business environment in global areas, there was a sign of improvement in corporate earnings due to factors including monetary easing policy, economic policy, and lower crude oil price.

Under the “Mid-Term Management Plan” for the period ended in FY2015, the Company is working on the transformation into a “highly competitive management base” by focusing primarily on business structural reform through “transformation.” While we aim to achieve growth strategies with the group common strategy for service business (collaboration with the Hitachi Group, vehicle solution, and key account solution) in addition to regional strategy in Japan and in four key management areas of Global Business (Europe, the Americas, China, and ASEAN), we have worked to strengthen our management base by maintaining sound financial structure, improving the quality of operations, enhancing risk managements, developing human resources, and reforming cost structure.

During the year ended March 31, 2016, Japan Business worked on a shift of resources primarily on focused six sectors (social infrastructure, environment and renewable energy, vendor finance, auto leasing, healthcare, and agriculture) and also enhancement of customer-oriented, key account sales by promoting strong collaboration with partners including the Hitachi Group. We also pursued enhancement of profitability through business selection and concentration including downsizing consumer business whose profitability had declined. In social infrastructure sector, we opened “Harappa,” a facility for local revitalization, in Higashimatsushima in April 2016 as a measure to promote the reconstruction from the Great East Japan Earthquake and Local Abenomics which aims to revitalize local economy. In the environment and renewable energy sector, with the aim to expand the energy solution business of the Hitachi Group, we agreed to conduct wind power generation business in cooperation with Saibugas and Hitachi, Ltd.in September 2015. In April 2016, we initiated the construction of 36MW mega solar power generation system in Okayama prefecture. In the agriculture sector, we have entered into an agreement to form a business alliance regarding agricultural business development with Seibukaihatsu-Nosan Co., Ltd., a leading Japanese agricultural production firm, in August 2015, in anticipation of the regulatory reform and 6th industrialization of agriculture in Japan.

In Global Business, we worked on “systematic globalization” with a further promotion of growth strategy and enhancement of governance in four key management areas. In Europe and the Americas, we promoted to expand consumer and corporate business in the U.K. and development of vehicle solution business in Poland and Canada. In ASEAN, where mid- to long-term growth can be expected, we enhanced governance and business under the leadership of Regional Headquarters in Singapore. In Indonesia, we started full-scale operation of corporate business including real estate lease. In August 2015, we also opened a new branch in Kuala Lumpur economic area to aim for further growth and business expansion in Malaysia.

As a result, consolidated volume of business for for the year ended March 31, 2016 increased 8.1% year on year to ¥2,290,156 million as Global Business showed a stable growth in Europe and a growth in the Americas and Japan Business showed a steady performance in wholesale segment related mainly to information equipment.

Revenues increased 2.5% to ¥365,354 million and gross profit increased 8.9% to ¥130,014 million due to the expansion of Global Business primarily in the Americas. Profit before tax increased 31.1% to ¥46,667 million mainly due to the business structural reform in Japan Business and the expansion of Global Business. As a result, net income attributable to owners of the parent for the year ended March 31, 2016 increased 35.4% to ¥32,694 million.

Results by segment for the year ended March 31, 2016 were as follows.

(Account Solution)

Revenues increased 4.7% to ¥196,967 million due to a steady performance in focused sectors and fundamental businesses.

Profit before tax increased 30.3% to ¥19,388 million due to an increase in revenues and an effect of business structural reform.

(Vendor Solution)

Revenues decreased 6.9% to ¥19,421 million due to a decrease in operating assets.

Profit before tax decreased 26.7% to ¥2,557 million due to a decrease in revenues and IT related cost.

(Europe)

Revenues decreased 1.8% to ¥97,814 million despite a steady performance in U.K. business.

Profit before tax increased 17.2% to ¥17,398 million due to an expansion of cosumer business.

(The Americas)

Revenues increased 47.8% to ¥12,823 million due to a strong performance in vehicle solution business and factoring business in the U.S. and Canada.

Profit before tax increased 59.1% to ¥3,534 million due to an increase in revenues.

(China)

Revenues increased 7.1% to ¥16,984 million due to solid performance of leasing business in China and finance business in Hong Kong.

Profit before tax increased 28.5% to ¥7,193 million due to an increase in revenues and a decrease in bad debt expenses.

(ASEAN)

Revenues increased 8.5% to ¥11,982 million due to an increase in revenues in Singapore, Thailand, and Malaysia.

Profit before tax increased 748.3% to ¥245 million due to an increase in revenues and a decrease in other expenses.

2) Key management indicators

(%)

	Year Ended March 31, 2015	Year Ended March 31, 2016
ROE	7.7	9.9
ROA	1.3	1.5
Equity attributable to owners of the parent ratio	11.0	10.9

Unaudited

3) Consolidated earnings forecasts for the year ending March 31, 2017

While the U.S. and the U.K showed a gradual growth, the management environment surrounding the Company continues to remain uncertain because of factors including deceleration of the economic growth in China and ASEAN, concerns over the U.K.'s departure from EU, and increasing geopolitical risks in various countries. In Japan, despite the monetary easing policy including implementation of negative interest rates and the government's growth support policies, the future outlook of improvement in corporate earnings and expantion of capital expenditure is uncertain due to unstable business environment in global areas.

Under such circumstances, the Company strives to pursue "Strength and uniqueness independent of economic environment changes," and aims to become a "Social Values Creating Company" that creates and provides the value needed by society.

Based on the situation described above, consolidated earnings forecasts for the year ending March 31, 2017 are as follows.

(¥ million)

	Fiscal Year Ended March 31, 2016	Fiscal Year Ending March 31, 2017 (Forecast)
Revenues	365,354	370,000
Adjusted operating income	45,230	45,300
Profit before tax	46,667	47,000
Net income	33,615	34,500
Net income attributable to owners of the parent	32,694	33,000
Basic earnings per share attributable to owners of the parent	¥279.71	¥282.32

Consolidated earnings forecasts stated herein have 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 these forecasts due to changes in various factors.

(2) Analysis of Financial Position

1) Assets, liabilities and equity

Financial position as of March 31, 2016 was as follows:

(¥ million, %)

	As of March 31, 2015	As of March 31, 2016	Change	
			Amount	%
Total assets	2,952,471	3,081,201	128,729	4.4
Interest-bearing debt	2,149,103	2,341,683	192,579	9.0
Total equity	336,830	347,559	10,729	3.2

i . Total assets

Total assets as of March 31, 2016 increased ¥128,729 million from March 31, 2015 to ¥3,081,201 million due to an increase in finance lease receivables mainly in Japan and China.

ii . Interest-bearing debt

Interest-bearing debt as of March 31, 2016 increased ¥192,579 million from March 31, 2015 to ¥2,341,683 million due to increases in long-term debt mainly in Japan and the Americas.

iii . Total equity

Total equity as of March 31, 2016 increased ¥10,729 million from March 31, 2015 to ¥347,559 million, and major components consist of net income attributable to owners of the parent of ¥32,694 million and cash dividends paid of ¥8,766 million, and a decrease in foreign currency translation adjustments of ¥10,488 billion.

2) Cash flows

Cash and cash equivalents as of March 31, 2016 increased ¥37,776 million from March 31, 2015 to ¥ 157,091 million.

Cash flows by activity were as follows:

(¥ million)

	Year Ended March 31, 2015	Year Ended March 31, 2016
Cash flows from operating activities	(241,846)	(206,372)
Cash flows from investing activities	(3,443)	(6,408)
Cash flows from financing activities	210,858	252,425

i . Cash flows from operating activities

Net cash used in operating activities was ¥206,372 million. This was primarily due to an increase in finance lease receivables of ¥102,011 million, purchase of operating leased assets of ¥148,186 million, and proceeds from sale of operating leased assets of ¥28,344 million.

ii . Cash flows from investing activities

Net cash used in investing activities was ¥6,408 million. This was primarily due to proceeds from sale and redemption of investments in securities and withdrawal of time deposits of ¥8,685 million and purchase of investments in securities and payments to time deposits of ¥6,181 million, and purchase of other property, plant and equipment of ¥6,180 million.

iii . Cash flows from financing activities

Net cash provided by financing activities was ¥252,425 million mainly due to proceeds from long-term borrowings and bonds of ¥650,483 million and payments on long-term borrowings and bonds of ¥387,840 million.

As a result of the above, free cash flows, a sum of cash flows from operating activities and investing activities, resulted in an outflow of ¥212,781 million.

(3) Basic Policy for Profit Sharing and Dividends for the Current and Next Fiscal Years

1) Cash dividends

Returning profits to the shareholders is one of the most important management measures for the Company. And as a fundamental policy, we seek to maintain a stable distribution of dividends linked to business performance, while ensuring a sound financial position and securing internal reserves necessary for sustainable growth and to cope with the changing operating environment.

Also, the following policies were taken into consideration for distribution.

ⅰ. Secure own capital necessary to execute business as a financial service company

ⅱ. Determine the amount of dividends based on the dividend on equity ratio and gross dividend payout ratio

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 about capital needs to maintain financial position and carry out business plans and the market environment.

3) Dividends for the current and next fiscal years

(¥, %)

	Year Ended March 31, 2016	Year Ending March 31, 2017 (Forecast)	Change	
			Amount	%
Annual dividend per share	84.00	86.00	2.00	2.4

Unaudited

(4) Business Risk

Possible risk factors inherent to the Group's business include the followings.

1) Internal control-related risk

The Hitachi Capital Group has established and maintained an internal control system based on the internal control resolutions. Nevertheless, if internal controls fail to function effectively or unexpected problems arise, there could be an adverse impact on the Group's business results.

2) Interest rate risk

The Group finances large amount of funds to provide financial services, including leasing and installment sales, and carries out thorough ALM through asset liquidation. A rapid fluctuation in market interest rates, however, could cause a rise in funding costs and have an adverse impact on the Group's business results.

3) Liquidity risk

Although the Group works to appropriately manage its cash position, there are times it may be difficult to secure the funds required, including if the creditworthiness of the Group has declined, or due to turmoil in financial markets or changes in the market environment. Additionally, the Company may be forced to procure funds at the interest rates significantly higher than normal. Factors such as these could have an adverse impact on the Group's business results.

4) Credit risk

The Group focuses on evaluating credit risk quantitatively, and performs credit review and set up credit limit on an individual case basis based on credit rating. For receivables classified as special mention, possible bankrupt or legally bankrupt, the Group estimates uncollectible amounts individually and records allowance for losses on receivables, etc. However, an increase in credit risk due to deterioration of economic environment or economic trend may result in additional allowance for losses on receivables, etc. and have an adverse impact on the Group's business results.

5) Laws and regulations changes risk

Changes in laws and regulations related to Group business could also impact results. As the Group has always complied with the Interest Rate Restriction Act, there is no direct impact of returning excess payments.

6) Business structure reform risk

The Group is undergoing business structural reform aiming at sustainable growth, but a delay or failure to achieve these reforms, for any reason, could have an adverse impact on the Group's business results.

7) Leased assets residual value risk

One of the Group's business strategies is to "provide financial services that focus on 'products'." To achieve this, we concentrate on operating leases in order to respond to changes in market demand accompanied by changes in accounting standards for finance leases.

We will continue to improve our abilities and expertise in evaluating "products" and the resale of leased assets as the Group's core skills. However, there is a possibility of a decline in actual disposal value from the initial estimated value of leased property due to such factors as unexpected changes in the market environment and technological innovations.

8) Administrative and system risk

The Group carries out its business activities using various information systems. Any error, including administrative or accidental human errors as well as fraudulence by employees, unauthorized access to systems or a computer virus from outside the Group, a stoppage or breakdown of internal operating systems, or external leaks or illicit use of information concerning customers or affiliates due to similar causes may result in damage to the customers or affiliates and lead to loss of trust from society, and this could have an adverse impact on the Group's business results.

Also, natural disasters such as earthquakes could cause damage to our data centers. As countermeasures for such risks, we have set up and maintain backup systems at both domestic and overseas sites. However, disasters of an unforeseeable scale could have an adverse impact on the Group's business results.

9) Compliance risk

Given that the Group offers a variety of financial services, it must comply with a number of laws and regulations, such as the Installment Sales Act, the Financial Instruments and Exchange Act and the Money Lending Business Act, as well as various consumer protection and waste disposal regulations.

The Company must also comply with a wide range of social rules, from internal regulations and voluntary industry rules to social ethics and norms. The Company established a compliance section at the headquarters and is working to develop its compliance structure. However, failure to comply with any of the applicable laws, regulations and social norms could have an adverse impact on the Group's business results due to criminal prosecution and loss of trust from society.

10) Human resources risk

The Group considers employees' abilities as our important assets and is implementing intensified recruitment, well-planned educational programs and improved training programs. However, there is a risk that the Group will not be able to secure the human resources required for business operations in cases where employees of existing businesses cannot adapt to new businesses, where appropriate employee placement is not conducted or where new personnel cannot be hired.

Moreover, in case the critical business know-how such as screening and collection management know-how which the Group accumulated over the years are not properly passed on to new employees, it could have an adverse impact on the Group's business results.

11) Business partners-related risk

The Group conducts business in cooperation with numerous business partners due to the characteristics of the business. Despite thorough screening of other companies before committing to collaboration, the Group may have to assume responsibility in case of bankruptcy or illegal activity by a business partner, which could have an adverse impact on the Group's business results.

12) Non-life insurance risk

The Group is engaged in non-life insurance business and works to reduce risks related to insurance underwriting. However, a major disaster could have an adverse impact on the Group's business due to payment of insurance claims that exceed expectations.

13) Global business risk

The Hitachi Capital Group has identified business growth in overseas markets as one of its priority strategies. The Group provides a wide range of financial services to variety of customers from local companies and individuals to Japanese and foreign companies in “Europe,” “the Americas,” “China,” and “ASEAN.” In this context, shifts in the Group’s environment resulting from changes in the statutory, regulatory and taxation requirements of each country and region as well as fluctuations in economic conditions could have an adverse impact on the Group’s business results.

2. The Hitachi Capital Group

(1) Hitachi Capital Group

The Group consists of the Company and its 34 consolidated subsidiaries (consolidated trust accounts are not included in the number of consolidated subsidiaries) and, together with Hitachi Ltd., the Company's parent, and the Hitachi Group companies engaging in manufacturing and sales, provides various types of financial services to consumers and corporations in each area.

(2) Description of Business

The Group's businesses consist of the followings.

1) Account Solution (Japan)

Meet various customers' needs by combining our functions such as lease, insurance and trust and financial services in collaboration with the Hitachi Group.

2) Vendor Solution (Japan)

Meet vendors' needs for sales promotion by financial services including lease and Installments.

3) Europe, the Americas, China, and ASEAN

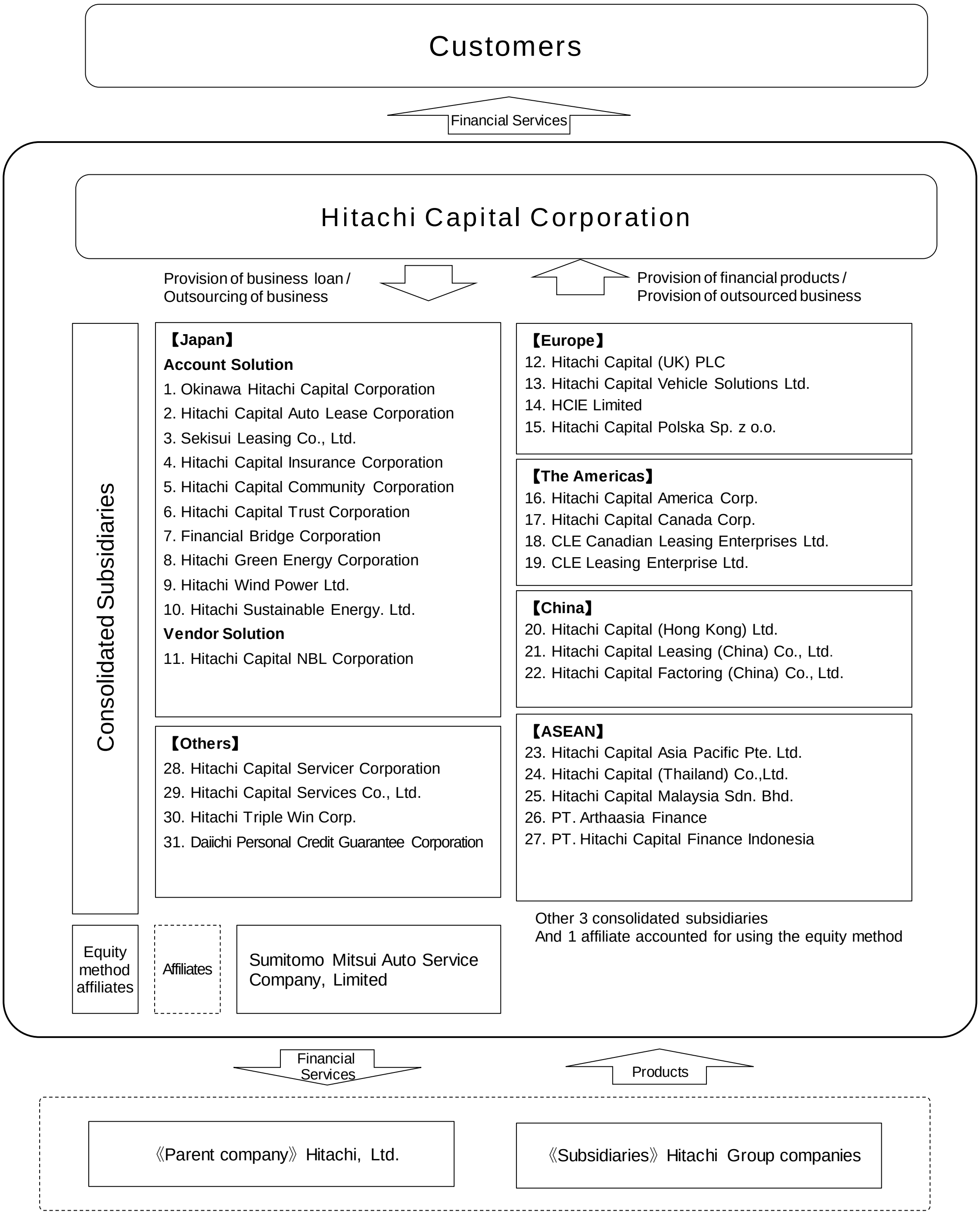
Provide financial services to meet various needs of customers and vendors in each area and those in collaboration with the Hitachi Group.

4) Others

Finance services by companies to transform the structure through development and revitalization of business.

(3) Organization

The Group’s businesses are organized as follows.



(Notes)

1. Hitachi Capital Singapore Pte. Ltd. changed its company name to Hitachi Capital Asia Pacific Pte. Ltd. on April 1, 2015.
2. Hitachi Capital Insurance Europe Ltd. changed its company name to HCIE Limited on June 9, 2015.
3. First Peninsula Credit Sdn. Bhd. changed its company name to Hitachi Capital Malaysia Sdn. Bhd. on August 3, 2015.
4. Hitachi Capital Corporation sold its shares of PT. Arthaasia Finance to Hitachi Capital Asia Pacific Pte. Ltd. on August 24, 2015.
5. Corpo Flota Sp. z o. o. changed its company name to Hitachi Capital Polska Sp. z o.o. on October 26, 2015.
6. Hitachi Sustainable Energy. Ltd. was co-established with Hitachi Power Solutions Co., Ltd. and became a consolidated subsidiary of Hitachi Capital on March 1, 2016.
7. Hitachi Capital Trust Corporation absorbed Financial Bridge Corporation on April 1, 2016.

(4) Group Companies

(Parent company)

	Company name	Capital (¥ million)	Ownership ratio of voting rights (%)	Description of major business
1	Hitachi, Ltd.	458,790	60.61 (2.09)	Development, production, sales and provision of services of products related to information and telecommunication systems and power and industry systems

(Note) Figures in parenthesis represent indirect ownership ratio.

(Consolidated subsidiaries)

	Company name	Capital (¥ million)	Ownership ratio of voting rights (%)	Description of major business
1	Okinawa Hitachi Capital Corporation	30	100.00	General leasing business / Auto leasing and credit services
2	Hitachi Capital Servicer Corporation	500	100.00	Collection management of monetary claims under the servicer law / Loan purchase and factoring
3	Hitachi Capital Services Co., Ltd.	130	100.00	Leased asset management agency / Old property collection and recycling business / Prepaid television service
4	Hitachi Capital Auto Lease Corporation	300	51.00	Auto leasing and vehicle management business
5	Hitachi Triple Win Corp.	50	100.00	Outsourcing of payroll calculation and accounting, treasury operations, and collections service for public fund receivables
6	Sekisui Leasing Co., Ltd.	100	90.00	General leasing business / Various types of loans
7	Hitachi Capital Insurance Corporation	6,200	79.36	Non-life insurance business / Agent service for other insurance companies and administrative operations
8	Hitachi Capital Community Corporation	80	100.00	Development, operation and management of commercial facilities and residential facility
9	Hitachi Capital Trust Corporation	1,000	100.00	Trust for monetary claims, movable estates, money, securities, and real estate / Property management / Sales and purchase of trust beneficiary rights
10	Financial Bridge Corporation	50	100.00	Provision of outsourcing services for “collective settlement system” service
11	Daiichi Personal Credit Guarantee Corporation	10	100.00	Credit guarantee for consumer finance
12	Hitachi Capital NBL Corporation	10,000	100.00	General Lease business
13	Hitachi Green Energy Corporation	3	100.00	Power generation by natural energy and others
14	Hitachi Wind Power Ltd.	50	85.10	Power generation by wind power
15	Hitachi Sustainable Energy. Ltd.	50	85.10	Renweable energy power generation business

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	Company name	Capital	Ownership ratio of voting rights (%)	Description of major business
16	Hitachi Capital (UK) PLC	£10,668 thousand	100.00	Leasing and credit services for industrial equipment / Invoice discounting and factoring / Credit service for PCs, furniture, and home appliances
17	Hitachi Capital Vehicle Solutions Ltd.	£1,700 thousand	100.00 (100.00)	Leasing for car and commercial vehicle / Fleet management
18	HCIE Limited	€8,580 thousand	100.00 (100.00)	Underwriting of non-life insurance such as credit insurance / Underwriting of income indemnity insurance and product assurance insurance
19	Hitachi Capital Polska Sp. z o.o.	PLN50 thousand	90.00 (90.00)	Car fleet management business
20	Hitachi Capital America Corp.	US$48,000 thousand	100.00	Leasing, loan, and inventory finance services for information communication equipment, industrial equipment, medical equipment, trucks, and others / Factoring business
21	Hitachi Capital Canada Corp.	C$25,000 thousand	100.00 (100.00)	Leasing, loan, and inventory finance services for information communication equipment, industrial equipment, trucks, and others / Factoring business
22	CLE Canadian Leasing Enterprises Ltd.	C$10,126 thousand	100.00 (100.00)	Finance business primarily for automobiles, healthcare related equipment, construction machinery, information equipment and industrial machinery
23	CLE Leasing Enterprise Ltd.	C$2,750 thousand	100.00 (100.00)	Finance business primarily for automobiles, healthcare related equipment, construction machinery, information equipment and industrial machinery
24	Hitachi Capital (Hong Kong) Ltd.	HK$310,000 thousand	100.00	Leasing and credit services for information communication equipment, industrial equipment, and others / Credit services for automobiles, PCs, furniture, residential equipment, home appliances, and others
25	Hitachi Capital Leasing (China) Co., Ltd.	US$100,000 thousand	90.00	Leasing for Hitachi Group and public facilities / Leasing for medical equipment, information equipment, and industrial equipment / Other finance services permitted within the scope of business
26	Hitachi Capital Factoring (China) Co., Ltd.	RMB 306,570 thousand	100.00	Factoring business
27	Hitachi Capital Asia Pacific Pte.Ltd.	S$126,400 thousand	100.00	Leasing and credit services for information communication equipment, industrial equipment, and others / Credit services for PCs, furniture, residential equipment, home appliances / Car sales, auto leasing, car maintenance
28	Hitachi Capital (Thailand) Co., Ltd.	THB100,000 thousand	73.99 (73.99)	Leasing and credit services for information communication equipment, industrial equipment, and motor vehicles / Factoring business
29	Hitachi Capital Malaysia Sdn. Bhd.	RM15,000 thousand	75.00 (75.00)	Financing for commercial vehicles and leasing for information communication equipment, industrial equipment, and others
30	PT. Arthaasia Finance	IDR 100,000,000 thousand	85.00 (85.00)	Financing for commercial and passenger vehicles and leasing for information communication equipment, industrial equipment, and others
31	PT. Hitachi Capital Finance Indonesia	IDR 100,000,000 thousand	70.00 (70.00)	Finance service for Hitachi Group / Leasing for real estate

＊ And other three consolidated subsidiaries

(Note) Figures in parenthesis represent indirect ownership ratio.

3. Mission

(1) Basic Management Policy

[Principles]

Hitachi Capital advocates the following Principles "to contribute to the creation of a richer society by creating values desired by society and customers".

1. Sustainable growth

We will achieve sustainable growth backed by high quality management with trust as our first priority.

2. Respect for human dignity

We will improve ourselves as disciplined individuals and strive to increase our corporate strengths by treating each other with respect.

3. Implementation of corporate ethics

We will voluntarily act in accordance with laws and ethics and contribute to the development of a wholesome society.

[Mission]

“Social Values Creating Company ”

We will be conscientious of the global environment and aim to become a Social Values Creating Company that provides new values to realize social development and richer life for people.

(2) Mid- to Long-Term Management Strategies and Issues to be Addressed

The Company strives to pursue “Strength and uniqueness independent of economic environment changes,” and aims to become a “Social Value Creating Company” that creates and provides the value needed by society.

As a growth strategy, the Company will pursue its strength and uniqueness suitable for each region mainly in Japan, Europe, the America, China, and ASEAN, and at the same time, promote horizontal expansion and business structural reform. The Group will also aim to expand on a global basis with our strength (Key Account Solution, Hitachi Group Business, Vehicle Solution, and Environment and Energy) as our common strategy.

In order to strengthen the management base, the Group will continue to work on maintaining sound financial structure, improving the business quality, strengthening risk management, fostering “human resources,” enhancing IT infrastructure and cost structure reform.

(3) Target Management Indicator

The Group uses “ROE” and “ROA” as management indicators from a perspective of shareholder-oriented business, profitability and business efficiency.

We aim to improve these indicators by ensuring to achieve management strategies and address issues.

4. Basic Policy for Selection of Accounting Standards

The Company has adopted International Financial Reporting Standard (IFRS) voluntarily for the annual securities report for the fiscal year ended March 31, 2015. By adopting IFRS, global accounting standards, and improving the comparability of the financial information in the capital market, the Company seeks to broaden domestic and overseas shareholder and investor base and to diversify funding methods in the global markets.

5. Consolidated Financial Statements

(1) [Consolidated Statements of Financial Position]

(¥ million)

	As of March 31, 2015	As of March 31, 2016
Assets		
Cash and cash equivalents	119,314	157,091
Trade and other receivables	1,367,886	1,358,973
Finance lease receivables	996,438	1,054,180
Other financial assets	54,830	61,601
Operating leased assets	302,765	341,296
Investments accounted for using the equity method	19,267	20,254
Other property, plant and equipment	16,150	20,162
Other intangible assets	12,735	12,165
Deferred tax assets	21,179	17,950
Other assets	41,903	37,524
Total assets	2,952,471	3,081,201
Liabilities		
Trade and other payables	273,036	228,989
Borrowings and bonds	2,149,103	2,341,683
Other payables	27,912	20,492
Other financial liabilities	89,844	58,724
Income tax payable	2,684	4,494
Retirement and severance benefits	6,285	9,540
Deferred tax liabilities	1,965	1,839
Other liabilities	64,809	67,878
Total liabilities	2,615,641	2,733,641
Equity		
Equity attributable to owners of the parent		
Common stock	9,983	9,983
Capital surplus	45,823	45,828
Retained earnings	265,152	289,745
Accumulated other comprehensive income	18,597	4,280
Treasury stock	(14,333)	(14,334)
Total equity attributable to owners of the parent	325,223	335,503
Non-controlling interests	11,607	12,056
Total equity	336,830	347,559
Total liabilities and equity	2,952,471	3,081,201

Unaudited

(2) [Consolidated Statement of Profit or Loss and Comprehensive Income]

[Consolidated Statement of Profit or Loss]

(¥ million)

	For the Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)	For the Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)
Revenues	356,291	365,354
Cost of sales	236,922	235,340
Gross profit	119,368	130,014
Selling, general and administrative expenses	80,381	84,783
Adjusted operating income	38,986	45,230
Other income	120	82
Other expenses	5,149	421
Share of profits of investments accounted for using the equity method	1,640	1,775
Profit before tax	35,598	46,667
Income taxes	10,660	13,051
Net income	24,937	33,615
Net income attributable to:		
Owners of the parent	24,140	32,694
Non-controlling interests	797	920
Earnings per share		
Earnings per share attributable to owners of the parent (basic and diluted)	¥ 206.53	¥ 279.71

[Consolidated Statement of Comprehensive Income]

(¥ million)

	For the Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)	For the Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)
Net income	24,937	33,615
Other comprehensive income		
Items not to be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	966	181
Remeasurements of defined benefit plans	206	(3,607)
Share of other comprehensive income of investments accounted for using the equity method	164	1
Total items not to be reclassified to net income	1,338	(3,425)
Items that can be reclassified to net income		
Foreign currency translation adjustments	10,141	(10,743)
Cash flow hedges	(2,336)	119
Total items that can be reclassified to net income	7,805	(10,624)
Other comprehensive income	9,143	(14,049)
Comprehensive income	34,080	19,565
Comprehensive income attributable to:		
Owners of the parent	33,013	19,048
Non-controlling interests	1,066	516

Unaudited

(3) [Consolidated Statements of Changes in Equity]

For the Year ended March 31, 2015 (April 1, 2014 - March 31, 2015)

(¥ million)

	Equity attributable to owners of the parent					Total equity attributable to 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, 2014	9,983	45,823	246,364	10,449	(14,332)	298,288	10,402	308,690
Changes in equity								
Net income			24,140			24,140	797	24,937
Other comprehensive income				8,873		8,873	269	9,143
Comprehensive income for the period			24,140	8,873		33,013	1,066	34,080
Dividends to equity owners of the parent			(6,078)			(6,078)		(6,078)
Dividends to non-controlling interests							(141)	(141)
Acquisition of treasury stock					(1)	(1)		(1)
Transfer to retained earnings				(726)		(726)		(726)
Transfer from accumulated other comprehensive income			726			726		726
Changes in other non-controlling interests							279	279
Total changes in equity	—	—	18,788	8,147	(1)	26,934	1,204	28,139
As of March 31, 2015	9,983	45,823	265,152	18,597	(14,333)	325,223	11,607	336,830

For the Year ended March 31, 2016 (April 1, 2015 - March 31, 2016)

(¥ million)

	Equity attributable to owners of the parent					Total equity attributable to 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, 2015	9,983	45,823	265,152	18,597	(14,333)	325,223	11,607	336,830
Changes in equity								
Net income			32,694			32,694	920	33,615
Other comprehensive income				(13,646)		(13,646)	(403)	(14,049)
Comprehensive income for the period			32,694	(13,646)		19,048	516	19,565
Dividends to equity owners of the parent			(8,766)			(8,766)		(8,766)
Dividends to non-controlling interests							(209)	(209)
Acquisition of treasury stock					(1)	(1)		(1)
Disposal of treasury stock		0			0	0		0
Transfer to retained earnings				(664)		(664)		(664)
Transfer from accumulated other comprehensive income			664			664		664
Equity transactions with non-controlling interests		5		(6)		(1)	142	141
Total changes in equity	—	5	24,592	(14,316)	(1)	10,280	449	10,729
As of March 31, 2016	9,983	45,828	289,745	4,280	(14,334)	335,503	12,056	347,559

Unaudited

(4) [Consolidated Statement of Cash Flows]

	Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)	Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)
		(¥ million)
Cash flows from operating activities		
Net income	24,937	33,615
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	89,554	95,591
Income taxes	10,660	13,051
Share of profits of investments accounted for using the equity method	(1,640)	(1,775)
(Increase) decrease in trade and other receivables	(165,086)	(67,682)
(Increase) decrease in finance lease receivables	(82,250)	(102,011)
Purchase of operating leased assets	(124,520)	(148,186)
Proceeds from sale of operating leased assets	36,552	28,344
Increase (decrease) in trade and other payables	(9,602)	(41,367)
Increase (decrease) in payable due to collection of securitized receivables	(2,824)	(4,463)
Other	(5,244)	(5,752)
Subtotal	(229,464)	(200,637)
Income taxes paid	(12,382)	(5,734)
Net cash provided by (used in) operating activities	(241,846)	(206,372)
Cash flows from investing activities		
Purchase of other property, plant and equipment	(5,798)	(6,180)
Purchase of other intangible assets	(2,843)	(2,859)
Purchase of investments in securities and payments to time deposits	(20,500)	(6,181)
Proceeds from sale and redemption of investments in securities and withdrawal of time deposits	32,616	8,685
Payment for from acquisition of subsidiary's shares resulting in changes in scope of consolidation	(7,019)	—
Purchase of investments accounted for using the equity method	—	(34)
Other	102	160
Net cash provided by (used in) investing activities	(3,443)	(6,408)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	52,191	(1,383)
Proceeds from long-term borrowings and bonds	573,448	650,483
Payments on long-term borrowings and bonds	(408,841)	(387,840)
Proceeds from payments from non-controlling interests	279	14
Dividends paid to owners of the parent	(6,077)	(8,764)
Dividends paid to non-controlling interests	(141)	(209)
Purchase of shares of consolidated subsidiaries from non-controlling interests	—	(175)
Proceeds from sales of shares of consolidated subsidiaries to non-controlling interests	—	302
Other	(1)	(1)
Net cash provided by (used in) financing activities	210,858	252,425
Effect of exchange rate changes on cash and cash equivalents	3,265	(1,868)
Net increase (decrease) in cash and cash equivalents	(31,165)	37,776
Cash and cash equivalents at beginning of period	150,480	119,314
Cash and cash equivalents at end of period	119,314	157,091

Unaudited

(5) Notes to the Consolidated Financial Statements

(Notes concerning going concern)

Not applicable

(Accounting standards)

1. Reporting entity

Hitachi Capital Corporation (“the Company”) is a company domiciled in Japan, and its shares are listed. The Company’s registered address is 3-1, Nishi Shimbashi 1-chome, Minato-ku, Tokyo, Japan. The Company’s consolidated financial statements include the Company, its subsidiaries and interests in its associates. The Company and its subsidiaries (collectively “the Group”) provide financial services, including combined functions of leasing, installment sales, insurance and trust account services, and work in collaboration with the Hitachi Group. The Group has the following major six business segments. The Japan Business consists of two business segments: Account Solution, which provides financial services that meet the diversified needs of customers, and Vendor Solution, which provides financial solutions that meet associated vendors’ needs for sales promotion. The Global Business consists of four business segments based on regional classification consisting of Europe, the Americas, China and ASEAN.

2. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with IFRS issued by the International Accounting Standards Board pursuant to Article 93 of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976, hereinafter referred to as the “Ordinance for Consolidated Financial Statements”)” as the Company meets the requirements for a “Specified Company under Designated International Accounting Standards” defined in Article 1-2 of the Ordinance for Consolidated Financial Statements.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments measured at fair value, financial instruments measured at fair value through profit or loss (“FVTPL”), financial instruments measured at fair value through other comprehensive income (“FVTOCI”) and net defined benefit assets or liabilities. The consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency, and amounts are rounded down to the nearest ¥1 million.

In the preparation of the consolidated financial statements in accordance with IFRS, management are required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any impact arising on the revision of accounting estimates is recognized in the period in which the estimate is revised and future periods.

Information about judgments made in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note Accounting standards 3 “Summary of significant accounting policies (1) Basis of consolidation”
- Note Accounting standards 3 “Summary of significant accounting policies (4) Financial instruments”
- Note Accounting standards 3 “Summary of significant accounting policies (5) Leasing arrangements as a lessor”
- Note Accounting standards 3 “Summary of significant accounting policies (12) Revenue recognition”

Information about uncertainties related to assumptions and estimates that could result in material adjustments in subsequent fiscal years is included in the following notes:

- Note Accounting standards 3 “Summary of significant accounting policies (8) Impairment of non-financial assets”
- Note Accounting standards 3 “Summary of significant accounting policies (9) Post-retirement benefits”
- Note Accounting standards 3 “Summary of significant accounting policies (10) Provisions”
- Note Accounting standards 3 “Summary of significant accounting policies (11) Contingencies”
- Note Accounting standards 3 “Summary of significant accounting policies (13) Income tax”

3. Summary of significant accounting policies

(1) Basis of consolidation

(i) Subsidiaries including consolidated structured entities (e.g. trust accounts)

Subsidiaries including consolidated structured entities are all companies and entities over which the Company exercises control.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins on the acquisition date when the Company obtains control over a subsidiary and ceases when the Company loses control over a subsidiary. When a subsidiary applies different accounting policies than those applied by the Company, adjustments are made to the financial statements of a subsidiary to align with the Company’s accounting policies. A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If a change in the ownership interest in a subsidiary results in a loss of control over the subsidiary, the Company derecognizes the subsidiary’s assets, liabilities, non-controlling interests, and accumulated other comprehensive income.

(ii) Associates (companies accounted for using the equity method)

An associate is an entity in which the Company has significant influence, but not control, over the operating and financial policies through ownership of 20% to 50% of the voting rights.

The Company accounts for investments in associates using the equity method (“equity method associates”).

The consolidated financial statements include the Company’s share of net profit or loss and changes in other comprehensive income of the equity-method associates from the date when the Company obtains significant influence to the date when the Company loses such influence.

When equity method associates apply different accounting policies than those applied by the Company, necessary adjustments are made to the financial statements of equity method associates to align with the Company’s accounting policies.

(2) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with maturities of three months or less which are readily convertible to cash and subject to insignificant risk of changes in value.

(3) Foreign currency translation

The Company’s consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency.

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the Company’s functional currency at the exchange rates at the dates of the transactions or similar rates. Monetary assets and liabilities denominated in foreign currencies at the end of reporting period are translated into the Company's functional currency using the exchange rate of the end of reporting period, with gains or losses arising from translation and settlement recognized in profit or loss.

(ii) Translation of financial statements of overseas subsidiaries

Assets and liabilities of overseas subsidiaries are translated into Japanese yen using the exchange rate at the end of reporting period, and revenue and expenses are translated into Japanese yen using the average exchange rate during the year.

Translation differences arising from translation of these overseas subsidiaries are recognized in other comprehensive income.

(4) Financial instruments

For accounting treatments of financial instruments, the Group has early applied IFRS 9 Financial Instruments (issued in November 2009 and amended in October 2010).

(i) Non-derivative financial assets

The Group initially recognizes trade and other receivables and non-derivative financial assets other than investments in securities included in other financial assets on the date they occur. Investments in securities are initially recognized on the date when the Group becomes a contracting party to such financial instruments.

The classification and measurement model of non-derivative financial assets is summarized as follows.

<u>Financial assets measured at amortized cost</u>

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The asset is held within a business model of the Group whose objective is to collect contractual cash flows, and
- When the contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value plus directly attributable transaction costs. After initial recognition, the carrying amount of the financial assets measured at amortized cost is calculated using the effective interest method, net of impairment loss, if necessary.

<u>Impairment of financial assets measured at amortized cost</u>

The Group recognizes impairment of a financial asset measured at amortized cost when there is an objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset and the estimated future cash flows of the financial asset or the group of financial assets can be reliably estimated, and assesses whether impairment exists quarterly on an ongoing basis. Objective evidence includes historical credit loss, delinquency in payment, extension of the collection period of receivables on the terms that the Group would not consider otherwise, negative evaluation by external credit agencies, insolvent, or evaluation of deteriorating financial position and performance of the debtor.

Impairment losses are recognized based on historical loss rate or the estimated recoverable amount calculated in consideration of past experience with evaluation of potential risks inherent in the business environment including commercial practices unique to the country or region where the debtor of the financial asset operates.

Impairment losses are recognized in profit or loss by directly reducing the carrying amount of the asset or through an allowance for doubtful accounts. Receivables are written off when all means of collection have been exhausted and there is no realistic prospect of future recovery. Generally, all means of collection are considered to be exhausted when a debtor initiates bankruptcy or liquidation procedures. If any event occurs that decreases the amount of impairment loss after the impairment was recognized, the decrease in impairment loss or in the allowance for doubtful accounts is reversed through profit or loss to the extent that the revised carrying amount does not exceed the amortized cost that would have been determined at the time of reversal had no impairment loss been recognized.

<u>Financial assets measured at FVTPL</u>
Equity instruments that are not designated as financial assets measured at FVTOCI at initial recognition and debt instruments that are not classified as financial assets measured at amortized cost are classified as financial assets measured at FVTPL. Subsequent to initial recognition, they are measured at fair value with changes in fair value recognized in profit or loss.

<u>Financial assets measured at FVTOCI</u>
The Group irrevocably designates equity instruments that are held for the purpose of expanding its revenue base through the maintenance and enhancement of business relationships with its investees as financial assets measured at FVTOCI at initial recognition. Subsequent to initial recognition, the equity instruments designated as financial assets measured at FVTOCI are measured at fair value, with changes in fair value recognized in other comprehensive income and accumulated in accumulated other comprehensive income. When a financial asset measured at FVTOCI is derecognized, the accumulated amount in accumulated other comprehensive income is directly transferred to retained earnings and not recognized in profit or loss. Dividends from equity instruments designated as financial assets measured at FVTOCI are recognized in profit or loss unless they clearly represent a return of the investment.

<u>Derecognition of financial assets</u>
The Group derecognizes a financial asset when the contractual rights to receive cash flows from the asset have expired, or when the Group has transferred its contractual rights to receive cash flows from the financial assets in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial asset created or retained by the Group is recognized as a separate asset or liability.

When the Group has transferred financial assets but neither transferred nor retained substantially all of the risks and rewards of ownership of the asset, and retained control over the asset, the Group continues to recognize the transferred assets to the extent of the Group’s continuing involvement. In that case, the Group also recognizes associated liabilities.

(ii) Non-derivative financial liabilities

The Group has trade and other payables, borrowings and bonds, and non-derivative financial liabilities included in other financial liabilities and initially recognizes them at fair value less any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Debt securities issued by the Group are initially recognized on the issue date. All other financial liabilities are recognized on the transaction date when the Group becomes a contractual party to the financial instruments.

The Group derecognizes financial liabilities when they are extinguished, i.e., when its contractual obligation is performed or discharged, cancelled or expired.

(iii) Derivative financial instruments and hedge accounting

With regard to derivative transactions, the Group separates the execution and approval functions in different departments to meet internal control requirements, and manages and conducts derivative transactions in accordance with the Group risk management regulations.

The Group has documented the risk management policy including the objective and strategy for using derivative financial instruments as prescribed by the regulation. In addition, an assessment is made at the inception of a hedge and periodically on an ongoing basis as to whether the derivative used is highly effective in offsetting changes in fair value or future cash flows of the hedged items.

<u>Derivatives that meet the criteria for hedge accounting</u>

The Group enters into derivative transactions to hedge exposures to fluctuations in fair value, interest rates and foreign exchange rates. The primary derivatives used by the Group are interest rate swaps, currency swaps and foreign exchange forward contracts. Derivatives used as hedging instruments are initially recognized at fair value, with related transaction costs recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, with changes in fair value accounted for as follows:

- Fair value hedges

  Gains or losses arising from remeasurements of derivatives used as hedging instruments at fair value are recognized in profit or loss. Gains or losses on hedged items attributable to the hedged risk are recognized in profit or loss and is also recorded as part of the carrying amount of the hedged item.

- Cash flow hedges

  When derivatives are designated as hedging instruments to hedge exposures to fluctuations in cash flows that are attributable to a particular risk associated with recognized assets or liabilities, the effective portion of gains or losses on the derivatives is recognized in other comprehensive income. The gain or loss recognized in other comprehensive income is transferred to profit or loss in the same line item as the hedged item in the consolidated statements of comprehensive income in the period when cash flows from the hedged item affect profit or loss. Any ineffective portion of changes in fair value of derivatives is recognized immediately in profit or loss.

  When hedge accounting is terminated, the amount previously recognized in other comprehensive income remains until the forecast transaction, which is the hedged item, affects profit or loss. When the forecast transaction is no longer expected to occur, the amount is recognized immediately in profit or loss.

  When fair value and cash flow hedge transactions no longer meet the criteria for hedge accounting, when the hedging instrument expires or is sold, terminated or exercised, or when its designation as a hedge is revoked, application of hedge accounting is discontinued prospectively.

Derivatives that do not meet the criteria for hedge accounting

The Group has derivatives for hedging purposes that do not meet the criteria for hedge accounting. Any changes in fair value of these derivatives are recognized immediately in profit or loss.

(iv) Financial guarantee contracts

Financial guarantee contracts entered into by the Group are those contracts that require a payment to be made to reimburse the holder for a loss incurred because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of initial measurement net of accumulated amortization and the best estimate of the cash outflow required to settle the present obligation that is likely to arise from the request to fulfill the financial guarantee in the contract.

(v) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position, only if there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(5) Leasing arrangements as a lessor

The Group leases various assets to customers and classifies the contracts as either finance or operating leases based on the terms and conditions of the arrangements. A lease that transfers substantially all the risks and rewards of ownership of the asset to a lessee is classified as a finance lease. Lease contracts not classified as finance leases are classified as operating leases.

Finance leases

Finance lease assets mainly comprise information-related equipment, office equipment, and industrial equipment.

Finance lease receivables are initially recognized at the inception date at the amount of the net investment in the finance lease calculated as the sum of the future minimum lease payments of the lessee and the unguaranteed residual value receivable discounted at an interest rate implicit in the lease. The unguaranteed residual value is estimated when the lease contract is entered into as the recoverable amount from disposal of the assets upon expiration of the lease term, based on market value of secondhand assets, an estimate for the timing and level of obsolescence, and the recovered amounts from similar assets in the past. An interest rate implicit in the lease is the rate that causes the net investment in the finance lease to be equal to the sum of the fair value of the leased asset and any initial direct costs of the lessor.

Operating leases

The Group has adopted the cost model for measurement of operating leases, under which operating leases are presented at cost less any accumulated depreciation and accumulated impairment losses. Operating lease assets mainly comprises transportation equipment, information-related equipment, and software, but do not include intangible assets with indefinite useful lives. The residual value of operating lease assets is determined based on market value of secondhand assets, an estimate for the timing and level of obsolescence, and the recovered amounts from similar assets in the past.

Operating leased assets are depreciated using the straight-line method over the lease term. Depreciation expense on operating leased assets is included in cost of sales.

Lease revenue recognition is described in Note Accounting standards 3 “Summary of significant accounting policies (12) Revenue recognition.”

(6) Other property, plant and equipment

The Group has adopted the cost model for measurement of property, plant and equipment, under which property, plant and equipment are presented at cost less any accumulated depreciation and accumulated impairment losses. Cost includes expenses directly related to purchase the assets, and an initial estimate of the cost to dismantle, dispose and restore to the original state.

Depreciation expense is calculated based on the depreciable amount. The depreciable amount is the cost of the asset less any residual value. Depreciation expense is recognized on a straight-line basis in profit or loss over the estimated useful life of each component of other property, plant and equipment.

Other property, plant and equipment comprises own-used assets and construction in progress, and own-used assets mainly comprise machinery.

The estimated useful life and the method of depreciation are reviewed at the end of each fiscal year and any changes will be applied prospectively as changes in accounting estimates.

(7) Other intangible assets

(i) Goodwill

Goodwill is presented at cost less any accumulated impairment losses.

(ii) Other intangible assets

The Group has adopted the cost model for measurement of intangible assets, and intangible assets with losses.

Amortization expense is calculated based on the amount of cost less any residual value. Amortization expense on assets with definite useful lives is recognized in profit or loss on a straight-line basis.

Other intangible assets mainly comprise software for internal use.

The estimated useful life and the method of amortization are reviewed at the end of each fiscal year and any changes will be applied prospectively as changes in accounting estimates.

(8) Impairment of non-financial assets

The Group assesses whether there is an indication that an asset may be impaired, and if there is any indication that the carrying amount of such asset may not be recoverable due to changes in certain events or circumstances, the Group performs an impairment test. For intangible assets with indefinite useful lives and goodwill, the Group performs an impairment test annually, mainly in the fourth quarter, regardless of any indication of impairment, by estimating the recoverable amount for each cash-generating unit (CGU) to which the asset belongs. For impairment testing, assets are grouped together into the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows of other assets or CGUs.

The Group measures the recoverable amount of an asset or a CGU as the higher of fair value or value less costs of disposal and value in use. The fair value is calculated using the income approach (present value method) based on the current market price or the estimated future cash flows generated from use and sale of such asset. When the carrying amount of an asset allocated to a CGU exceeds its recoverable amount, an impairment loss is recognized on the asset belonging to such CGU.

For assets excluding goodwill, the recoverable amount of the asset or CGU is estimated if there is an indication that previously recognized impairment losses no longer exist or have decreased due to material changes in assumptions used to determine the recoverable amount. If the calculated recoverable amount exceeds the carrying amount of the asset or CGU, a previously recognized impairment loss is reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

(9) Post-retirement benefits

The present value of defined benefit obligations and retirement benefit expenses are determined using the projected unit credit method.

The present value of defined benefit obligations and fair value of plan assets are remeasured at the end of each fiscal year. Actuarial gains and losses and changes in fair value of plan assets, excluding interest income, are recognized in other comprehensive income and are not subsequently reclassified into retained earnings. Past service costs resulting from plan amendments are recognized in profit or loss as incurred.

The amount of the present value of defined benefit obligations, net of fair value of plan assets, is presented as net defined benefit liability or asset in the consolidated statements of financial position.

(10) Provisions

In accordance with provisions of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, provisions are recognized at the best estimate of the amount required to settle the present obligation when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the time to settle an obligation is expected to be long and the effect of the time value of money is considered material, a provision is measured based on the present value of the expected payment for settlement. The present value is calculated using a pre-tax discount rate that reflects the time value of money and the risks specific to the obligation.

(11) Contingencies

In accordance with provisions of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Group discloses an outflow of resources embodying economic benefits that is not probable to occur at the end of reporting period as contingent when such outflow cannot be confirmed as the present obligation at the end of reporting period or when it does not meet the recognition criteria for provisions, unless the possibility of any outflow of resources embodying economic benefits in settlement is remote.

(12) Revenue recognition

<u>Leases</u>

Revenue from finance lease transactions is recognized by allocating unearned finance income, which is the difference between the gross investment in a finance lease and the net investment in a finance lease, over the lease term so as to reflect an implicit interest rate. The increase in the unguaranteed residual value due to the passage of time is recognized as income over the lease term so as to reflect an implicit interest rate.

Revenue under operating lease contracts is recognized over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which the benefit of use derived from the leased asset is diminished. Proceeds from sale of lease property are recognized when significant risks and economic value of ownership of the property are transferred to the buyer, the Group retains neither continuing involvement nor effective control over the property, the amount of revenue and the costs incurred in respect of the transaction can be measured reliably, and it is probable that the economic benefits which is the consideration for the transaction will flow to the Group. Generally, revenue is recognized when the delivery of the property to the buyer is complete.

Revenue on installment sales

The amount equivalent to interest income is recognized as revenue using the effective interest method in each fiscal year. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected term of the installment sales to the net carrying amount of the installment sales receivable.

(13) Income taxes

Income tax expense comprises current and deferred taxes. These are recognized in profit or loss, except for those arising from business combinations or those recognized either directly in equity or in other comprehensive income.

Current tax is the amount expected to be paid to (recovered from) the taxation authorities in respect of the taxable profit or loss for the current period, calculated using the tax rates that are enacted or substantially enacted at the end of reporting period, adjusted for the amount of income tax payable (recoverable) in prior years.

Deferred tax assets and liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position and their tax bases. Deferred tax assets and liabilities are not recognized when the temporary differences arise from initial recognition of goodwill, when the temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss, and, in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the taxable profit in the fiscal year when the assets is realized or the liability is settled. Any impact on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss and other comprehensive income in the fiscal year in which the law regarding the tax rate change is enacted.

Deferred tax assets are recognized for any unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available against which unused tax losses, tax credits and deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow tax benefits to be realized.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and income taxes are levied by the same taxation authority on the same taxable entity.

(14) Consumption taxes

Consumption taxes that are withheld from customers and paid to the tax authorities are excluded from revenues, cost of sales and expenses in the consolidated statements of profit or loss.

(15) Earnings per share (“EPS”)

Basic EPS amounts attributable to owners of the parent are calculated using the weighted average number of common stocks, and diluted EPS amounts attributable to owners of the parent are calculated using the sum of the average number of common stocks and the number of shares that would be issued on conversion of dilutive securities.

(16) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred measured at the acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Company measures the non-controlling interests in the acquiree at the proportionate share of the non-controlling interests in the fair value of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred.

(Segment information)

Segment information

The Group’s reportable segments are components of the Group for which separate financial information is available that are reviewed by the Board of Directors regularly to make decisions regarding the allocation of management resources and evaluate operating performance.

The Group classifies reportable segments into Japan and global four key management areas (Europe, the Americas, China, and ASEAN) and, further classifies Japan into “Account Solution” and “Vendor Solution” in view of its business model and customers to provide solutions, resulting in six reportable segments in total.

Services and customers to provide solutions by reportable segment are described below:

(1) Account Solution

Provide solutions to meet diversifying needs of customers such as corporates, public offices, agriculture and medical services by combining our various functions such as lease, factoring, 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, and 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.

Segment information for the years ended March 31, 2015 and 2016 is as follows.

For the Year Ended March 31, 2015 (April 1, 2014 - March 31, 2015)

(¥ 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	186,777	20,811	99,615	8,674	15,855	11,039	342,774	14,161	356,935	(644)	356,291
Intersegment	1,387	54	—	—	—	—	1,441	3,052	4,494	(4,494)	—
Total	188,164	20,865	99,615	8,674	15,855	11,039	344,215	17,214	361,430	(5,138)	356,291
Profit before tax	14,876	3,491	14,849	2,222	5,596	28	41,064	2,222	43,286	(7,688)	35,598

(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 Year ended March 31, 2016 (April 1, 2015 - March 31, 2016)

Information on revenues and income or loss for the respective reporting segments

(¥ 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	195,570	19,358	97,814	12,823	16,984	11,982	354,534	12,232	366,766	(1,411)	365,354
Intersegment	1,396	63	—	—	—	—	1,460	2,316	3,776	(3,776)	—
Total	196,967	19,421	97,814	12,823	16,984	11,982	355,994	14,548	370,542	(5,188)	365,354
Profit before tax	19,388	2,557	17,398	3,534	7,193	245	50,318	1,214	51,532	(4,865)	46,667

(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.

(Per share information)

Equity per share attributable to owners of the parent and the basis for calculation and earnings per share attributable to owners of the parent and the basis for calculation are as follows. Diluted earnings per share attributable to owners of the parent is not disclosed as the Company has no dilutive shares.

Items	As of March 31, 2015	As of March 31, 2016
Number of common stock at year-end (shares)	116,886,925	116,886,616
Total equity attributable to owners of the parent (¥ million)	325,223	335,503
Total equity per share attributable to owners of the parent	2,782.37 Yen	2,870.33 Yen

Items	For the Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)	For the Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)
Weighted average number of common stock during the year (shares)	116,887,224	116,886,724
Net income attributable to owners of the parent (¥ million)	24,140	32,694
Earnings per share attributable to owners of the parent	206.53 Yen	279.71 Yen

(Significant subsequent events)

Not applicable

Unaudited

＜Supplementary Information＞

(1) Change in Quarterly Consolidated Performance

Consolidated Results for the Year Ended March 31, 2016

(¥ million, %)

	No.	Fiscal Year Ended March 31, 2015		Fiscal Year Ended March 31, 2016			
		Fourth Quarter	Twelve Months Ended March 31, 2015	Fourth Quarter (January to March)		Twelve Months Ended March 31, 2016 (April to March)	
		(Results)	(Results)	(Results)	Y on Y	(Results)	Y on Y
Revenues	1	90,659	356,291	92,430	2.0	365,354	2.5
Cost of sales	2	59,839	236,922	60,588	1.3	235,340	(0.7)
Gross profit	3	30,819	119,368	31,842	3.3	130,014	8.9
Selling, general and administrative expenses	4	20,516	80,381	21,068	2.7	84,783	5.5
Adjusted operating income	5	10,302	38,986	10,774	4.6	45,230	16.0
Other income	6	39	120	24	(38.0)	82	(31.3)
Other expenses	7	3,440	5,149	318	(90.8)	421	(91.8)
Share of profits of investments accounted for using the equity method	8	403	1,640	422	4.9	1,775	8.2
Profit before tax	9	7,305	35,598	10,903	49.3	46,667	31.1
Income taxes	10	2,786	10,660	3,352	20.3	13,051	22.4
Net income	11	4,518	24,937	7,550	67.1	33,615	34.8
Net income attributable to:							
Owners of the parent	12	4,332	24,140	7,392	70.6	32,694	35.4
Non-controlling interests	13	185	797	158	(14.7)	920	15.4
Earnings per share							
Earnings per share attributable to owners of the parent (basic and diluted)	14	37.07	206.53	63.24	70.6	279.71	35.4

Unaudited

(2) Contract Segment Information

1. For the Year ended March 31, 2016 (April 1, 2015 - March 31, 2016)

(¥ 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	549,412 (24) (9)	456,720 (20) (-7)	198,431 (9) (-1)	1,204,565 (53) (1)	270,378 (12) (23)	552,754 (24) (22)	262,458 (11) (5)	1,085,591 (47) (18)	2,290,156 (100) (8)
Operating assets (Composition %) (Y on Y Change %)	2	1,055,365 (36) (2)	319,532 (11) (-26)	305,315 (10) (-19)	1,680,213 (57) (-9)	395,114 (13) (9)	476,193 (16) (7)	395,625 (14) (14)	1,266,933 (43) (9)	2,947,146 (100) (-2)

2. For the Year ended March 31, 2015 (April 1, 2014 - March 31, 2015)

(¥ 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	505,316 (24) (-3)	489,659 (23) (-7)	200,570 (9) (-12)	1,195,547 (56) (-7)	219,496 (11) (30)	454,726 (21) (39)	249,080 (12) (39)	923,303 (44) (37)	2,118,850 (100) (8)
Operating assets (Composition %) (Y on Y Change %)	2	1,032,558 (34) (1)	428,932 (14) (0)	376,369 (13) (-19)	1,837,861 (61) (-4)	362,644 (12) (33)	447,096 (15) (37)	348,147 (12) (54)	1,157,888 (39) (41)	2,995,749 (100) (9)

(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) Segmented Information by Business

(Consolidated Business Volume)

(¥ million, %)

	No.	Year ended March 31, 2015		Year ended March 31, 2016		Y on Y change
			Composition		Composition	
Japan: Account Solution	1	1,050,121	49.5	1,059,603	46.2	0.9
Japan: Wholesale	2	819,774	38.7	809,396	35.3	(1.3)
Japan: Information equipment related	3	211,078	10.0	245,385	10.7	16.3
Japan: Industrial construction machinery related	4	62,767	3.0	68,620	3.0	9.3
Japan: Commercial logistics related	5	68,598	3.2	69,159	3.0	0.8
Japan: Factoring	6	333,871	15.8	266,231	11.6	(20.3)
Japan: Card	7	57,770	2.7	61,239	2.7	6.0
Japan: Others	8	85,687	4.0	98,756	4.3	15.3
Japan: Agriculture	9	33,714	1.6	38,459	1.7	14.1
Japan: Healthcare	10	31,713	1.5	37,365	1.6	17.8
Japan: Vehicle	11	58,162	2.7	51,188	2.2	(12.0)
Japan: Residential CMS	12	106,367	5.0	122,942	5.4	15.6
Japan: Others	13	389	0.0	250	0.0	(35.7)
Japan: Vendor Solution	14	131,422	6.2	134,464	5.9	2.3
Europe	15	491,244	23.2	528,447	23.1	7.6
The Americas	16	158,457	7.5	234,210	10.2	47.8
China	17	199,584	9.4	236,482	10.3	18.5
ASEAN	18	74,016	3.5	86,451	3.8	16.8
Others	19	17,027	0.8	13,363	0.6	(21.5)
Elimination and others	20	(3,024)	(0.1)	(2,866)	(0.1)	-
Consolidated business volume	21	2,118,850	100.0	2,290,156	100.0	8.1

(Notes)

1. Account Solution: Provide solutions to meet diversifying needs of customers such as corporates, public offices, agriculture and medical services by combining our various functions such as lease, factoring, 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.