Hitachi Capital Group
Financial Information Details 2019

Consolidated financial statements,
Notes to the consolidated financial statements and
Independent Auditor's Report

1. Consolidated financial statements, etc.

(1) Consolidated financial statements

(i) Consolidated statements of financial position

	Notes	March 31, 2018	(Millions of yen) March 31, 2019	(Thousands of U.S. dollars) March 31, 2019
Assets				
Cash and cash equivalents	5,6,18,29	¥174,805	¥219,858	$1,980,702
Trade and other receivables	6,18,21,29	1,385,805	1,517,882	13,674,612
Finance lease receivables	7,18,29	1,149,772	1,206,090	10,865,675
Other financial assets	6,18	82,275	91,653	825,702
Operating leased assets	9,10,29	470,644	503,486	4,535,909
Investments accounted for using the equity method	8	33,644	36,746	331,045
Other property, plant and equipment	9,29	80,983	93,655	843,738
Other intangible assets	10	34,604	41,604	374,810
Deferred tax assets	11	15,225	15,167	136,639
Other assets	12	40,993	46,640	420,180
Total assets		3,468,756	3,772,784	33,989,045
Liabilities				
Trade and other payables	6,18	96,308	104,810	944,234
Borrowings and bonds	17,18,29	2,812,991	3,118,052	28,090,558
Other payables	6,18	16,034	11,510	103,693
Other financial liabilities	6,18	59,786	58,494	526,972
Income tax payable		4,280	3,867	34,837
Retirement and severance benefits	13	5,851	6,395	57,612
Deferred tax liabilities	11	3,740	4,865	43,828
Other liabilities	12,21	76,654	74,368	669,981
Total liabilities		3,075,649	3,382,365	30,471,756
Equity				
Equity attributable to owners of the parent				
Common stock	14	9,983	9,983	89,936
Capital surplus	14	45,215	45,313	408,225
Retained earnings	14	335,085	339,655	3,059,954
Accumulated other comprehensive income	15	2,907	(2,968)	(26,738)
Treasury stock	14	(14,336)	(14,425)	(129,954)
Total equity attributable to owners of the parent		378,855	377,557	3,401,414
Non-controlling interests		14,251	12,861	115,864
Total equity		393,107	390,418	3,517,279
Total liabilities and equity		3,468,756	3,772,784	33,989,045

(ii) Consolidated statements of profit or loss and comprehensive income

Consolidated statements of profit or loss

	Notes	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
			(Millions of yen)	(Thousands of U.S. dollars)
Revenues	4,21	¥404,124	¥453,253	$4,083,360
Cost of sales	22	272,425	312,859	2,818,549
Gross profit		131,698	140,393	1,264,801
Selling, general and administrative expenses	23	86,274	110,997	999,972
Other income	24	723	1,023	9,216
Other expenses	24	2,987	714	6,432
Share of profits of investments accounted for using the equity method	8	1,135	3,001	27,036
Income before income taxes	4	44,295	32,706	294,648
Income taxes	11	11,070	14,544	131,027
Net income		33,224	18,161	163,612
Net income attributable to:				
Owners of the parent		32,057	19,363	174,441
Non-controlling interests		1,167	(1,201)	(10,819)
			(Yen)	(US dollars)
Earnings per share	25			
Earnings per share attributable to owners of the parent (basic and diluted)		¥274.26	¥165.69	$1.49

Consolidated statements of comprehensive income

	Notes	Year ended March 31, 2018 (Millions of yen)	Year ended March 31, 2019 (Millions of yen)	Year ended March 31, 2019 (Thousands of U.S. dollars)
Net income		¥33,224	¥18,161	$163,612
Other comprehensive income	15			
Items not to be reclassified to net income				
Financial assets measured at fair value through other comprehensive income		1,610	(1,198)	(10,792)
Remeasurements of defined benefit plans		2,447	(1,395)	(12,567)
Share of other comprehensive income of investments accounted for using the equity method	8	10	(157)	(1,414)
Total items not to be reclassified to net income		4,068	(2,752)	(24,792)
Items that can be reclassified to net income				
Foreign currency translation adjustments		2,033	(1,504)	(13,549)
Cash flow hedges		1,354	(1,583)	(14,261)
Share of other comprehensive income of investments accounted for using the equity method	8	36	(153)	(1,378)
Total items that can be reclassified to net income		3,424	(3,241)	(29,198)
Other comprehensive income		7,493	(5,993)	(53,990)
Comprehensive income		40,717	12,167	109,612
Comprehensive income attributable to:				
Owners of the parent		39,474	13,514	121,747
Non-controlling interests		1,242	(1,346)	(12,126)

(iii) Consolidated statements of changes in equity

Year ended March 31, 2018

(Millions of yen)

	Notes	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			
April 1, 2017		¥9,983	¥45,600	¥312,736	¥(4,139)	¥(14,335)	¥349,844	¥13,333	¥363,178
Changes in equity									
Net income				32,057			32,057	1,167	33,224
Other comprehensive income	15				7,417		7,417	75	7,493
Comprehensive income				32,057	7,417		39,474	1,242	40,717
Dividends to owners of the parent	16			(10,052)			(10,052)		(10,052)
Dividends to non-controlling interests								(417)	(417)
Acquisition of treasury stock	14					(0)	(0)		(0)
Disposal of treasury stock	14		0			0	0		0
Transfer to retained earnings	18				(344)		(344)	0	(343)
Transfer from accumulated other comprehensive income	18			344			344	(0)	343
Equity transaction with non-controlling interests			(385)		(25)		(410)	(179)	(589)
Acquisition of non-controlling interests								271	271
Total changes in equity		—	(385)	22,349	7,047	(0)	29,011	918	29,929
March 31, 2018		9,983	45,215	335,085	2,907	(14,336)	378,855	14,251	393,107

Year ended March 31, 2019

(Millions of yen)

	Notes	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			
April 1, 2018		¥9,983	¥45,215	¥335,085	¥2,907	¥(14,336)	¥378,855	¥14,251	¥393,107
Cumulative effect of changes in accounting policy	3			(4,419)			(4,419)	(110)	(4,530)
Balance at beginning of year with changes in accounting policy reflected		9,983	45,215	330,665	2,907	(14,336)	374,436	14,140	388,576
Changes in equity									
Net income				19,363			19,363	(1,201)	18,161
Other comprehensive income	15				(5,848)		(5,848)	(145)	(5,993)
Comprehensive income				19,363	(5,848)		13,514	(1,346)	12,167
Dividends to owners of the parent	16			(10,401)			(10,401)		(10,401)
Dividends to non-controlling interests								(230)	(230)
Acquisition of treasury stock	14					(89)	(89)		(89)
Transfer to retained earnings	18				(27)		(27)		(27)
Transfer from accumulated other comprehensive income	18			27			27		27
Equity transaction with non-controlling interests			97		0		98	32	131
Acquisition of non-controlling interests								264	264
Share-based payment transactions			—				—		—
Total changes in equity		—	97	8,989	(5,876)	(89)	3,121	(1,279)	1,842
March 31, 2019		9,983	45,313	339,655	(2,968)	(14,425)	377,557	12,861	390,418

(Thousands of U.S. dollars)

	Notes	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			
April 1, 2018		$89,936	$407,342	$3,018,783	$26,189	$(129,153)	$3,413,108	$128,387	$3,541,504
Cumulative effect of changes in accounting policy	3			(39,810)			(39,810)	(990)	(40,810)
Balance at beginning of year with changes in accounting policy reflected		89,936	407,342	2,978,963	26,189	(129,153)	3,373,297	127,387	3,500,684
Changes in equity									
Net income				174,441			174,441	(10,819)	163,612
Other comprehensive income	15				(52,684)		(52,684)	(1,306)	(53,990)
Comprehensive income				174,441	(52,684)		121,747	(12,126)	109,612
Dividends to owners of the parent	16			(93,702)			(93,702)		(93,702)
Dividends to non-controlling interests								(2,072)	(2,072)
Acquisition of treasury stock	14					(801)	(801)		(801)
Transfer to retained earnings	18				(243)		(243)		(243)
Transfer from accumulated other comprehensive income	18			243			243		243
Equity transaction with non-controlling interests			873		0		882	288	1,180
Acquisition of non-controlling interests								2,378	2,378
Share-based payment transactions			—				—		—
Total changes in equity		—	873	80,981	(52,936)	(801)	28,117	(11,522)	16,594
March 31, 2019		89,936	408,225	3,059,954	(26,738)	(129,954)	3,401,414	115,864	3,517,279

(iv) Consolidated statements of cash flows

	Notes	Year ended March 31, 2018	(Millions of yen) Year ended March 31, 2019	(Thousands of U.S. dollars) Year ended March 31, 2019
Cash flows from operating activities	26			
Net income		¥33,224	¥18,161	$163,612
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization		119,229	131,608	1,185,657
Income taxes		11,070	14,544	131,027
Share of profits of investments accounted for using the equity method		(1,135)	(3,001)	(27,036)
(Increase) decrease in trade and other receivables		(86,345)	(127,396)	(1,147,711)
(Increase) decrease in finance lease receivables		(60,478)	(68,122)	(613,711)
Purchase of operating leased assets		(203,230)	(167,219)	(1,506,477)
Proceeds from sale of operating leased assets		31,918	46,616	419,963
Increase (decrease) in trade and other payables		(70,719)	348	3,135
Other	3	16,500	(11,170)	(100,630)
Subtotal		(209,966)	(165,629)	(1,492,153)
Income taxes paid		(9,656)	(10,877)	(97,990)
Net cash provided by (used in) operating activities		(219,623)	(176,507)	(1,590,153)
Cash flows from investing activities				
Purchase of other property, plant and equipment		(24,204)	(21,470)	(193,423)
Purchase of other intangible assets		(6,582)	(5,158)	(46,468)
Purchase of investments in securities and payments to time deposits		(5,188)	(21,500)	(193,693)
Proceeds from sale and redemption of investments in securities and withdrawal of time deposits		4,398	6,128	55,207
Proceeds from sales of subsidiary's shares resulting in changes in scope of consolidation		163	—	—
Payment for acquisition of subsidiary's shares resulting in changes in scope of consolidation		(4,663)	(4,922)	(44,342)
Purchase of investments accounted for using the equity method		(328)	(2,696)	(24,288)
Payments for acquisition of business, net of cash acquired		—	(2,207)	(19,882)
Net decrease (increase) in short-term loans receivable		—	(832)	(7,495)
Payments for long-term loans		(356)	(3,691)	(33,252)
Other		81	83	747
Net cash provided by (used in) investing activities		(36,681)	(56,268)	(506,918)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	26	106,400	125,709	1,132,513
Proceeds from long-term borrowings and bonds	26	706,009	770,327	6,939,882
Repayments of long-term borrowings and bonds	26	(547,932)	(607,994)	(5,477,423)
Proceeds from non-controlling interests		—	38	342
Dividends paid to owners of the parent		(9,916)	(10,415)	(93,828)
Dividends paid to non-controlling interests		(417)	(358)	(3,225)
Purchase of shares of consolidated subsidiaries from non controlling interests		(565)	(84)	(756)
Other		(0)	(89)	(801)
Net cash provided by (used in) financing activities		253,577	277,131	2,496,675
Effect of exchange rate changes on cash and cash equivalents		(548)	697	6,279
Net increase (decrease) in cash and cash equivalents		(3,275)	45,053	405,882
Cash and cash equivalents at beginning of year	5	178,081	174,805	1,574,819
Cash and cash equivalents at end of year	5	174,805	219,858	1,980,702

Notes to the consolidated financial statements

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 consolidated financial statements include the Company, its subsidiaries, and its interests in its associates and joint ventures. The Company and its subsidiaries (collectively "the Group") provide financial services, including a combination of financial, service, and commercialization solutions, 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 solutions 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. The Company provides financial services through tie-ups with its partners, including the Hitachi Group.

The consolidated financial statements were approved by Seiji Kawabe, Representative Executive Officer, President and CEO, and Satoshi Inoue, Managing Executive Officer and Chief Financial Officer, on July 26, 2019.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("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 applying Designated International Accounting Standards" defined in Article 1-2 of the Ordinance for Consolidated Financial Statements.

The consolidated financial statements of the Group 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. Due to round down, the total amounts presented in tables may not be equal to the sum of the individual figures shown.

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 3 "Summary of significant accounting policies (1) Basis of consolidation"
・Note 3 "Summary of significant accounting policies (4) Financial instruments" and Note 17 "Financial instruments"
・Note 3 "Summary of significant accounting policies (5) Leasing arrangements as a lessor" and Note 7 "Leases"
・Note 3 "Summary of significant accounting policies (12) Revenue recognition"

Information about uncertainties related to assumptions and estimates that could result in material adjustments in the consolidated fiscal year ended March 31, 2020 is included in the following notes:

・Note 3 "Summary of significant accounting policies (8) Impairment of non-financial assets"
・Note 3 "Summary of significant accounting policies (9) Post-retirement benefits" and Note 13 "Employee benefits"
・Note 3 "Summary of significant accounting policies (10) Provisions, (11) Contingencies", and Note 30 "Commitments and contingencies"
・Note 3 "Summary of significant accounting policies (13) Income tax" and Note 11 "Deferred tax and income tax"

The translations of Japanese yen amounts into U.S. dollar amounts as of and for the year ended March 31, 2019 are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111 to $1, the approximate rate of exchange at March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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 and joint ventures (companies accounted for using the equity method)

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

A joint venture is an entity that is jointly controlled by multiple parties including the Group based on contract agreements, which requires unanimous agreement of all parties for decisions related to relevant activities of the entity.

The Group accounts for investments in associates and joint ventures using the equity method ("Equity method associates and joint ventures").

The consolidated financial statements include the Group's share of profit or loss and changes in other comprehensive income of the equity method associates and joint ventures from the date when the Group obtains significant influence or joint control to the date when the Group loses such influence.

When the equity method associates and joint ventures apply different accounting policies than those applied by the Group, necessary adjustments are made to their financial statements to align with the Group'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 Group'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 applied IFRS 9 Financial Instruments (amended in July 2014).

(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.

Financial assets measured at amortized cost

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.

Impairment of financial assets measured at amortized cost

For the allowance for doubtful accounts for expected credit losses concerning financial assets measured at amortized cost, The Group assesses whether impairment exist quarterly on an ongoing basis, based on whether or not credit risk has increased significantly since the initial recognition.

When credit risk has increased significantly since the initial recognition, the allowance for doubtful accounts is measured in an amount equal to the expected credit losses for the entire expected remaining period of the financial assets. When credit risk has not increased significantly since the initial recognition, the allowance for doubtful accounts is measured in an amount equal to the expected credit losses to occur within 12 months from the end of the year. However, the allowance for doubtful accounts for trade receivables and lease receivables is always measured in an amount equal to the lifetime expected credit losses.

Whether significant increases in credit risk exist or not is determined based on changes in risk of default. The Group defines the term of default as a condition in which a serious problem occurs in contractual cash flow payments by the debtor and no reasonable forecast can be made about the recovery of all or part of the financial assets. The Group considers mainly external credit ratings and information about past due, etc for judgement of whether there are changes in the risk of occurring default or not.

The expected credit losses are measured by weighted average through probability of occurrence of discounted present value of difference between all contractual cash flows regarding the financial assets and all expected future cash flows. If one or more than one event occurs, including past defaults, payment delinquency, extension of recoverable period of receivable that would not have been carried out except for in such circumstances, negative assessment by external ratings agency, excessive debt, or deterioration in financial condition or management results, the Group measures the expected credit losses based mainly on the past write-off rate or future recoverable amount etc after performing an individual assessment of the financial asset for which credit impairment has occurred. For financial assets for which credit impairment has not occurred, the Group measures mainly the expected credit losses by collective assessment based on provision rate adjusted for the present and future economic situation as needed multiplied by the past occurrence of doubtful accounts, after assessing of the unique nature of the credit risk of these financial assets.

Impairment losses are recognized in profit or loss by directly reducing the carrying amount of the asset or through an allowance for doubtful accounts, and included in Selling, General and Administrative Expenses on the consolidated statements of profit or loss. 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.

Financial assets measured at FVTPL

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.

Financial assets measured at FVTOCI

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.

Derecognition of financial assets

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 Group risk management regulations. In addition, an assessment is made at the inception of a hedge and periodically on an ongoing basis thereafter as to whether the derivative used is highly effective in offsetting changes in fair value or future cash flows of the hedged items.

Derivatives that meet the criteria for hedge accounting

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. Changes in the fair value of 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, or forecasted transactions, the effective portion of gains or losses on changes in the fair value of 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 hedged future cash flow affects profit or loss. When the hedged future cash flow 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 amount of expected credit losses.

(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 receivables mainly comprise transactions of various properties, including 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 leased assets mainly comprise transportation equipment, information-related equipment, and software, but do not include intangible assets with indefinite useful lives. The residual value of operating leased 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 (mainly three to seven years). Depreciation expense on operating leased assets is included in cost of sales.

Revenue recognition

Revenue from finance lease transactions is recognized by allocating unearned finance income, which is the difference between the gross investment in the lease and net investment in the lease by the method of reflecting an implicit interest rate over the lease term.

The increase in the unguaranteed residual value due to the passage of time is recognized as revenue by the method of reflecting an implicit interest rate over the lease term.

Revenue from operating lease transactions is recognized by using the straight-line method over the lease term unless another systematic method is more representative of the pattern in which the benefit from use of underlying asset is diminished.

(6) Other property, plant and equipment

The Group has adopted the cost model for measurement of other property, plant and equipment, under which other 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 the straight-line method 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-use assets and construction in progress.

Main own-use assets are machinery and equipment. The major estimated useful life of this machinery and equipment at the consolidated fiscal year ended March 31, 2019 is 20 years.

The estimated useful life and the method of depreciation are reviewed at the end of each consolidated 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 cost model has been adopted for measurement of intangible assets and assets with finite useful lives are presented at cost less any accumulated amortization and accumulated impairment 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 the straight-line method.

Other intangible assets mainly comprise software for internal use, whose estimated useful life is mainly five years at the end of the consolidated fiscal year ended March 31, 2019.

The estimated useful life and the method of amortization are reviewed at the end of each consolidated 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, the Group performs an impairment test. For intangible assets with indefinite useful lives and goodwill, the Group also 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 using the fair value less costs of disposal or value in use, whichever is higher. The value in use 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 consolidated 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

The Group recognizes provisions 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

The Group discloses an outflow of resources embodying economic benefits that is not probable to occur at the end of reporting period as contingent liabilities in Note 30 "Commitments and contingencies" (excluding contingencies recognized as provisions) 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

The Group has applied IFRS 15 Revenue from Contracts with Customers.

The Group recognizes revenue based on the following five-step approach, excluding revenue based on IAS 17 Leases, revenue based on IFRS 9 Financial Instruments, and insurance income based on IFRS 4 Insurance Contracts.

Step 1: Identification of contract with customer.
Step 2: Identification of performance obligations in the contract.
Step 3: Determination of transaction price.
Step 4: Allocation of transaction price to each performance obligation in the contract.
Step 5: Recognization of revenue at the point in time when the performance obligations are satisfied (or as they are satisfied).

Revenue on installment sales

The Group determines that a performance obligation is satisfied at the time the delivery of goods to the customer is completed. For contracts that contain significant financing components for promised consideration, the amount equivalent to interest income is recognized as revenue using the effective interest rate method in each consolidated fiscal year. The effective interest rate is the rate that discounts the estimated future cash receipts over the expected remaining term of the installment sale contact to the net carrying amount of the installment sales receivable.

Revenue from the sale of lease properties

The Group recognizes revenue when significant risks and economic value of ownership of the property are transferred to the customer, the Group retains neither continuing involvement nor substantial control for the property, furthermore the amount of revenue and the costs concerning to 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, the Group recognizes revenue at the time when delivery of goods to the customer is completed and performance obligation is satisfied.

(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 companies accounted for using the equity method associates and joint ventures, 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 consolidated fiscal year when the asset 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 consolidated 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 Group 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.

(17) Changes in accounting policy

The Group has applied the following standard from the consolidated fiscal year ended March 31, 2019.

For applying of IFRS 9 Financial Instruments (amended July 2014), the Group recognizes the cumulative effects of initial application as revised opening balance of retained earnings for the consolidated fiscal year ended March 31, 2019 retrospectively accordance with transactional requirements of the standard.

The Impact amounts of the Group’s consolidated financial statements at the beginning of the consolidated fiscal year ended March 31, 2019 caused by the application of the expected credit loss impairment model include a decrease of ¥2,809 million ($25,306 thousand) in accounts receivable and other trade receivables, a decrease of ¥3,035 million ($27,342 thousand) in finance lease receivables, a decrease of ¥4,419 million ($39,810 thousand) in retained earnings, a decrease of ¥110 million ($990 thousand) in non-controlling interests, and an increase of ¥1,314 million ($11,837 thousand) in deferred tax assets.

This change does not have material effects on “Net income” and “Earnings per share attributable to owners of the parent” for the consolidated fiscal year ended March 31, 2019.

Furthermore, amendments to hedge accounting and classification and measurement of financial instruments do not have material changes on the Group's consolidated financial statements.

For applying of IFRS 15 Revenue from Contacts with Customers, the Group recognizes the cumulative effects of initial application as revised opening balance of retained earnings for the consolidated fiscal year ended March 31, 2019 retrospectively accordance with transactional requirements of the standard.

Furthermore, the application of this standard do not have material changes on the Group's consolidated financial statements.

Standard	Name of standard	Summary of new standards/amendments
IFRS 9	Financial Instruments	Amendments to hedge accounting (amended November 2013), Amendments to classfication and measurement of financial instruments, and introduction of expected credit loss impairment model for financial assets (amended July 2014)
IFRS 15	Revenue from Contracts with Customers	Amendments to standard for revenue recognition

(18) Changes in presentation

Consolidated statements of cash flows

“Increase（decrease）in payable due to collection of securitized receivables” was presented independently in “Cash flows from operating activities” before, but since the consolidated fiscal year ended March 31, 2019 it has been included in “Other” , because the materielity decreased. The consolidated statements of cash flows for the consolidated fiscal year ended March 31, 2018 have been reclassified to reflect this change in presentation.

As a result, （¥924 million）of “Increase（decrease）in payable due to collection of securitized receivables” and ¥17,424 million of “Other” presented in “Cash flows from operating activities” at the end of the consolidated fiscal year ended March 31, 2018 have been reclassified as ¥16,500 million of “Other”.

(19) New accounting standards issued but not yet applied

Major new standards or amendments to standards that have been issued up to the approval date of the consolidated financial statements but not applied by the Group at the consolidated fiscal year ended March 31, 2019 are as follows.

The Group accounts for lease based on a single lease accounting model for lessee following the application of IFRS 16 Leases. Under this model, on the commencement date of the lease, the lessee recognizes right-of-use assets that represent the right to use underlying assets for lease term and lease liabilities that represent the obligation to pay lease payments to the lessor. After recognition of the right-of-use assets and lease liabilities, the depreciation cost of the right-of-use assets and the interest cost related to the lease liabilities are recorded. In addition, in the classification of sub lease, the intermediate lessor classifies the sub lease as a finance lease or an operating lease by reference to the right-of-use assets arising from the head lease, rather than by reference to the underlying assets.

When applying this standard from the beginning of the consolidated fiscal year ended March 31, 2020, the Group plans to recognize the cumulative effect of initial application as an adjustment to the opening balance of retained earnings retrospectively in accordance with the transition requirements of the standard.

The estimated impact amounts on the Group's consolidated financial statements at the beginning of the consolidated fiscal year ended March 31, 2020 include an increase of ¥16,180 million ($145,765 thousand) in right-of-use assets, an increase of ¥67,254 million ($605,891 thousand) in finance lease receivables, an increase of ¥83,627 million ($753,396 thousand) in lease obligations, and a decrease of ¥193 million ($1,738 thousand) in retained earnings.

Standard	Name of standard	Effective date (First year of application)	Year to be applied by the Group	Summary of new standards/amendments
IFRS 16	Leases	January 1, 2019	FY2019	Amendments to lease accounting

4. Segment information

(1) Reportable segments

Reportable segments of the Group are components of the Group for which separate financial information is available that are reviewed by the Board of Directors ("the chief operating decision maker") regularly to make decisions regarding the allocation of management resources and evaluation of operating performance.

The Group classifies its reportable segments based on area into Japan and other four segments, Europe, the Americas, China, and ASEAN. The Group further classifies Japan into two segments ("Account Solution" and "Vendor Solution") in view of its business model and customers to provide solutions, resulting in six reportable segments in total.

The respective services and customers by reportable segment are described below:

(i) Account Solution (Japan)

The Group provides solutions to meet various needs of customers such as enterprises and government and municipal offices by combining diverse functions such as leasing, installments, insurance and trust account services, and through collaboration with partners including the Hitachi Group.

(ii) Vendor Solution (Japan)

The Group provides solutions to meet associated vendors' needs including sales promotion utilizing its financial services, mainly related to leasing and installments.

(iii) Europe, the Americas, China, and ASEAN

The Group provides solutions to customers and vendors in each area utilizing its wide range of financial services and in collaboration with partners including the Hitachi Group.

Segment information for the years ended March 31, 2018 and 2019 is as follows.

Year ended March 31, 2018

(Millions of yen)

	Reportable segments							Others	Total	Adjustments	Consolidated statement of profit or loss
	Japan		Europe	The Americas	China	ASEAN	Total				
	Account Solution	Vendor Solution									
Revenues											
External customers	¥208,583	¥25,597	¥104,841	¥21,505	¥16,945	¥15,979	¥393,451	¥13,890	¥407,342	¥(3,218)	¥404,124
Intersegment	791	201	―	―	―	―	992	1,108	2,101	(2,101)	―
Total	209,374	25,799	104,841	21,505	16,945	15,979	394,444	14,999	409,444	(5,320)	404,124
Income before income taxes	17,289	5,346	16,907	3,701	7,677	998	51,919	1,267	53,187	(8,891)	44,295
Interest expenses	5,629	1,981	7,735	5,149	6,699	4,082	31,277	1,103	32,380	(2,140)	30,240
Depreciation and amortization	79,400	2,604	28,443	1,994	1,161	3,213	116,817	1,337	118,155	1,074	119,229

(Notes)

1. "Others" include business segments not included in any other reportable segments and include companies transforming its business structure through business development and revitalization.
2. Adjustment of income before income taxes, adjustment of interest expenses, and adjustment of depreciation and amortization represent company-wide expense that is not allocated to any reportable segments and the difference between the amount allocated to reportable segments and the actual amount incurred.
   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 segments used by the chief operating decision maker.
4. Intersegment transactions are executed on an arm's length basis.

Year ended March 31, 2019

(Millions of yen)

	Reportable segments							Others	Total	Adjustments	Consolidated statement of profit or loss
	Japan		Europe	The Americas	China	ASEAN	Total				
	Account Solution	Vendor Solution									
Revenues											
External customers	¥228,634	¥24,870	¥127,091	¥26,945	¥18,600	¥17,534	¥443,676	¥11,683	¥455,360	¥(2,107)	¥453,253
Intersegment	747	85	–	–	–	–	832	1,103	1,936	(1,936)	–
Total	229,381	24,956	127,091	26,945	18,600	17,534	444,509	12,787	457,297	(4,044)	453,253
Income (loss) before income taxes	22,718	6,245	18,251	5,100	(13,895)	1,493	39,914	1,302	41,216	(8,509)	32,706
Interest expenses	5,669	1,660	10,360	8,134	8,742	4,506	39,074	811	39,886	(1,570)	38,316
Depreciation and amortization	86,754	2,558	33,584	2,308	1,162	3,545	129,914	770	130,685	923	131,608

(Thousands of U.S. dollars)

	Reportable segments							Others	Total	Adjustments	Consolidated statement of profit or loss
	Japan		Europe	The Americas	China	ASEAN	Total				
	Account Solution	Vendor Solution									
Revenues											
External customers	$2,059,765	$224,054	$1,144,963	$242,747	$167,567	$157,963	$3,997,081	$105,252	$4,102,342	$(18,981)	$4,083,360
Intersegment	6,729	765	–	–	–	–	7,495	9,936	17,441	(17,441)	–
Total	2,066,495	224,828	1,144,963	242,747	167,567	157,963	4,004,585	115,198	4,119,792	(36,432)	4,083,360
Income (loss) before income taxes	204,666	56,261	164,423	45,945	(125,180)	13,450	359,585	11,729	371,315	(76,657)	294,648
Interest expenses	51,072	14,954	93,333	73,279	78,756	40,594	352,018	7,306	359,333	(14,144)	345,189
Depreciation and amortization	781,567	23,045	302,558	20,792	10,468	31,936	1,170,396	6,936	1,177,342	8,315	1,185,657

(Notes)

1. "Others" include business segments not included in any other reportable segments and include companies transforming its business structure through business development and revitalization.
2. Adjustment of income (loss) before income taxes, adjustment of interest expenses, and adjustment of depreciation and amortization represent company-wide expense that is not allocated to any reportable segments and the difference between the amount allocated to reportable segments and the actual amount incurred.
   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 segments used by the chief operating decision maker.
4. Intersegment transactions are executed on an arm's length basis.

(2) Geographic information

Revenues attributed to geographic areas based on the location of the customers for the years ended March 31, 2018 and 2019 are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Japan	¥244,852	¥263,080	$2,370,090
Europe and the Americas	126,347	154,037	1,387,720
Asia	32,924	36,134	325,531
Total	404,124	453,253	4,083,360

At March 31, 2018 and 2019, balances of property, plant and equipment and intangible assets for each geographic area are as follows.

	March 31, 2018 (Millions of yen)	March 31, 2019 (Millions of yen)	March 31, 2019 (Thousands of U.S. dollars)
Japan	¥383,648	¥406,786	$3,664,738
Europe and the Americas	180,841	212,781	1,916,945
Asia	21,743	19,178	172,774
Total	586,233	638,746	5,754,468

(3) Customer information

For the consolidated fiscal years ended March 31, 2018 and 2019, there is no concentration of revenue from a specific customer.

5. Cash and cash equivalents

The components of cash and cash equivalents do not include time deposits with maturities over three months.

6. Components of financial assets and liabilities by period up to collection or settlement

The components of financial assets and liabilities by period up to collection or settlement are as follows.

(Millions of yen) (Thousands of U.S. dollars)

	March 31, 2018			March 31, 2019			March 31, 2019		
	Period up to collection or settlement		Total	Period up to collection or settlement		Total	Period up to collection or settlement		Total
	Within 12 months	Over 12 months		Within 12 months	Over 12 months		Within 12 months	Over 12 months	
Financial assets									
Cash and cash equivalents	¥174,805	¥ —	¥174,805	¥219,858	¥ —	¥219,858	$1,980,702	$ —	$1,980,702
Trade and other receivables	703,962	681,843	1,385,805	732,289	785,592	1,517,882	6,597,198	7,077,405	13,674,612
Other financial assets	34,080	48,195	82,275	36,664	54,989	91,653	330,306	495,396	825,702
Total financial assets	912,848	730,039	1,642,887	988,811	840,582	1,829,394	8,908,207	7,572,810	16,481,027
Financial liabilities									
Trade and other payables	85,582	10,726	96,308	100,000	4,810	104,810	900,900	43,333	944,234
Other payables	15,861	173	16,034	11,502	7	11,510	103,621	63	103,693
Other financial liabilities	27,039	32,746	59,786	28,562	29,931	58,494	257,315	269,648	526,972
Total financial liabilities	128,483	43,646	172,130	140,065	34,750	174,815	1,261,846	313,063	1,574,909

See Note 7 “Leases” for components of “Finance lease receivables” by period up to collection.

See Note 17 “Financial instruments” for components of “Borrowings and bonds” by period up to settlement

7. Leases

Gross investment in leases and present value in respect of minimum lease payments receivable under finance leases at March 31, 2018 and 2019 are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)	(Millions of yen)		(Thousands of U.S. dollars)
	Gross investments in leases			Present value of minimum lease payments receivable		
	March 31, 2018	March 31, 2019	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2019
Within 1 year	¥379,295	¥389,272	$3,506,954	¥362,635	¥372,123	$3,352,459
After 1 year but not more than 5 years	745,045	805,640	7,258,018	651,928	704,704	6,348,684
More than 5 years	131,648	126,549	1,140,081	100,548	96,574	870,036
Total	1,255,989	1,321,461	11,905,054	1,115,112	1,173,402	10,571,189
Unearned finance income	(102,249)	(108,141)	(974,243)			
Net investment in finance lease	1,153,740	1,213,320	10,930,810			
Unguaranteed residual value	(38,628)	(39,918)	(359,621)			
Present value of minimum lease payments receivable	1,115,112	1,173,402	10,571,189			

At March 31, 2018 and 2019, the accumulated allowance for uncollectible minimum lease payments receivable amounted to ¥3,968 million, and ¥7,230 million ($65,135 thousand), respectively.

Future minimum lease payments receivable under non-cancellable operating leases at March 31, 2018, and March 31, 2019 are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Within 1 year	¥58,072	¥71,767	$646,549
After 1 year but not more than 5 years	88,614	107,806	971,225
More than 5 years	6,577	5,613	50,567
Total	153,264	185,188	1,668,360

At March 31, 2018 and 2019, there was no material agreement with the legal form of a lease that did not, in substance, involve a lease.

8. Investments accounted for using the equity method

For the years ended March 31, 2018 and 2019, the following investments in associates and joint ventures that are not individually significant and accounted for using the equity method are included in the consolidated financial statements.

(1) Associates

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Carrying amount of investments	¥22,322	¥25,042	$225,603

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Net income	¥1,392	¥2,707	$24,387
Other comprehensive income	15	(231)	(2,081)
Total comprehensive income	1,407	2,476	22,306

(2) Joint ventures

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Carrying amount of investments	¥11,322	¥11,704	$105,441

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Net income	¥(257)	¥293	$2,639
Other comprehensive income	31	(79)	(711)
Total comprehensive income	(226)	213	1,918

9. Property, plant and equipment

The changes in net carrying amount, gross carrying amount, accumulated depreciation and accumulated impairment losses of property, plant and equipment are as follows.

(Millions of yen)

	Operating leased assets	Other property, plant and equipment				Total
		Machinery and equipment	Other own-use assets	Construction in progress	Subtotal	
Net carrying amount						
April 1, 2017	¥338,495	¥45,192	¥4,494	¥7,563	¥57,249	¥395,745
Additions	156,323	14,736	942	8,960	24,640	180,963
Sales or disposals	(25,444)	—	(140)	—	(140)	(25,585)
Depreciation	(92,635)	(3,076)	(1,054)	—	(4,130)	(96,766)
Impairment losses	(233)	(17)	(0)	(16)	(33)	(267)
Reversal of impairment losses	182	—	—	—	—	182
Changes in scope of consolidation	9,553	—	116	1,673	1,790	11,344
Exchange differences	6,850	0	107	(2)	105	6,956
Transfers and other	16,663	4,583	487	(3,568)	1,502	18,165
March 31, 2018	409,755	61,418	4,954	14,610	80,983	490,739
Additions	151,940	1,421	1,431	19,432	22,285	174,226
Sales or disposals	(36,252)	—	(460)	—	(460)	(36,712)
Depreciation	(101,994)	(3,875)	(949)	—	(4,824)	(106,819)
Impairment losses	(123)	(27)	(25)	—	(53)	(176)
Reversal of impairment losses	56	—	—	—	—	56
Changes in scope of consolidation	16,147	43	334	0	378	16,526
Exchange differences	(4,513)	(0)	(77)	(0)	(77)	(4,591)
Transfers and other	10,916	490	69	(5,136)	(4,576)	6,339
March 31, 2019	445,933	59,471	5,276	28,907	93,655	539,588

(Thousands of U.S. dollars)

	Operating leased assets	Machinery and equipment	Other own-use assets	Construction in progress	Subtotal	Total
March 31, 2018	$3,691,486	$553,315	$44,630	$131,621	$729,576	$4,421,072
Additions	1,368,828	12,801	12,891	175,063	200,765	1,569,603
Sales or disposals	(326,594)	—	(4,144)	—	(4,144)	(330,738)
Depreciation	(918,864)	(34,909)	(8,549)	—	(43,459)	(962,333)
Impairment losses	(1,108)	(243)	(225)	—	(477)	(1,585)
Reversal of impairment losses	504	—	—	—	—	504
Changes in scope of consolidation	145,468	387	3,009	0	3,405	148,882
Exchange differences	(40,657)	(0)	(693)	(0)	(693)	(41,360)
Transfers and other	98,342	4,414	621	(46,270)	(41,225)	57,108
March 31, 2019	4,017,414	535,774	47,531	260,423	843,738	4,861,153

The amount recognized as depreciation, impairment losses and reversal of impairment losses for the consolidated fiscal year ended March 31, 2018 was ¥96,850 million, with ¥95,763 million included in “Cost of sales”, ¥1,054 million in “Selling, general and administrative expenses” and ¥33 million in “Other expenses” in the consolidated statements of profit or loss. The amount recognized as impairment losses mainly includes the Europe segment.

The amount recognized as depreciation, impairment losses and reversal of impairment losses for the consolidated fiscal year ended March 31, 2019 was ¥106,938 million ($963,405 thousand), with ¥105,933 million ($954,351 thousand) included in “Cost of sales”, ¥952 million ($8,576 thousand) in “Selling, general and administrative expenses” and ¥53 million ($477 thousand) in “Other expenses” in the consolidated statements of profit or loss. The amount recognized as impairment losses mainly includes the Europe segment.

At March 31, 2018 and 2019, the amounts of contractual commitments for the acquisition of operating leased assets were ¥26,546 million and ¥53,726 million ($484,018 thousand), respectively.

(Millions of yen)

	Operating leased assets	Other property, plant and equipment				Total
		Machinery and equipment	Other own-use assets	Construction in progress	Subtotal	
Gross carrying amount						
April 1, 2017	¥1,197,324	¥61,782	¥9,051	¥7,563	¥78,397	¥1,275,721
March 31, 2018	1,226,376	81,006	9,827	14,610	105,444	1,331,820
March 31, 2019	1,214,674	82,978	11,160	28,907	123,046	1,337,721
Accumulated depreciation and impairment losses						
April 1, 2017	858,829	16,590	4,556	—	21,147	879,976
March 31, 2018	816,620	19,587	4,873	—	24,460	841,081
March 31, 2019	768,741	23,507	5,883	—	29,391	798,132

(Thousands of U.S. dollars)

	Operating leased assets	Other property, plant and equipment				Total
		Machinery and equipment	Other own-use assets	Construction in progress	Subtotal	
Gross carrying amount						
March 31, 2019	$10,943,009	$747,549	$100,540	$260,423	$1,108,522	$12,051,540
Accumulated depreciation and impairment losses						
March 31, 2019	6,925,594	211,774	53,000	—	264,783	7,190,378

10. Intangible assets

(1) Net carrying amount, gross carrying amount, accumulated amortization and accumulated impairment losses of intangible assets

The changes in net carrying amount, gross carrying amount, accumulated amortization and accumulated impairment losses of intangible assets are as follows.

(Millions of yen)

	Operating leased assets	Other intangible assets				Total
		Software for internal use	Goodwill	Other	Subtotal	
Net carrying amount						
April 1, 2017	¥54,832	¥4,361	¥16,551	¥8,583	¥29,495	¥84,328
Additions	24,404	843	—	5,739	6,582	30,987
Amortization	(19,657)	(2,248)	—	(557)	(2,805)	(22,463)
Impairment losses	—	(16)	(25)	(1)	(43)	(43)
Disposals	(950)	(61)	—	(174)	(236)	(1,186)
Changes in scope of consolidation	—	(0)	1,544	807	2,351	2,351
Exchange differences	(0)	20	(969)	0	(948)	(948)
Transfers and other	2,259	3,104	—	(2,895)	208	2,467
March 31, 2018	60,888	6,003	17,100	11,501	34,604	95,493
Additions	18,090	539	—	4,619	5,158	23,249
Amortization	(21,621)	(2,528)	—	(640)	(3,168)	(24,789)
Disposals	(519)	(167)	—	(65)	(232)	(752)
Changes in scope of consolidation	—	173	4,328	1,215	5,717	5,717
Exchange differences	—	(29)	44	(99)	(84)	(84)
Transfers and other	714	6,385	(1)	(6,774)	(390)	323
March 31, 2019	57,552	10,376	21,472	9,756	41,604	99,157

(Thousands of U.S. dollars)

March 31, 2018	$548,540	$54,081	$154,054	$103,612	$311,747	$860,297
Additions	162,972	4,855	—	41,612	46,468	209,450
Amortization	(194,783)	(22,774)	—	(5,765)	(28,540)	(223,324)
Disposals	(4,675)	(1,504)	—	(585)	(2,090)	(6,774)
Changes in scope of consolidation	—	1,558	38,990	10,945	51,504	51,504
Exchange differences	—	(261)	396	(891)	(756)	(756)
Transfers and other	6,432	57,522	(9)	(61,027)	(3,513)	2,909
March 31, 2019	518,486	93,477	193,441	87,891	374,810	893,306

The amount recognized as amortization for intangible and impairment losses assets for the consolidated fiscal year ended March 31, 2018 was ¥22,506 million, with ¥19,657 million included in “Cost of sales”, ¥2,805 million in “Selling, general and administrative expenses” and ¥43 million in “Other expenses” in the consolidated statements of profit or loss.

The amount recognized as amortization for intangible assets for the consolidated fiscal year ended March 31, 2019 was ¥24,789 million ($223,324 thousand), with ¥21,621 million ($194,783 thousand) in “Cost of sales” and ¥3,168 million ($28,540 thousand) in “Selling, general, and administrative expenses” in the consolidate statements of profit or loss.

(Millions of yen)

	Operating leased assets	Other intangible assets				Total
		Software for internal use	Goodwill	Other	Subtotal	
Gross carrying amount						
April 1, 2017	¥142,073	¥38,986	¥18,660	¥9,515	¥67,162	¥209,235
March 31, 2018	146,164	41,873	19,887	12,832	74,594	220,759
March 31, 2019	144,681	35,397	24,212	11,749	71,359	216,041
Accumulated amortization and impairment losses						
April 1, 2017	87,240	34,624	2,109	932	37,666	124,907
March 31, 2018	85,275	35,870	2,787	1,331	39,989	125,265
March 31, 2019	87,128	25,021	2,740	1,993	29,755	116,883

(Thousands of U.S. dollars)

	Operating leased assets	Other intangible assets				Total
		Software for internal use	Goodwill	Other	Subtotal	
Gross carrying amount						
March 31, 2019	$1,303,432	$318,891	$218,126	$105,846	$642,873	$1,946,315
Accumulated amortization and impairment losses						
March 31, 2019	784,936	225,414	24,684	17,954	268,063	1,053,000

(2) Impairment losses

(i) Impairment losses on other intangible assets

There were no material impairment losses on other intangible assets recognized during the consolidated fiscal years ended March 31, 2018 and 2019.

(ii) Allocation of goodwill to a cash generating unit ("CGU")

Goodwill arising from a business combination is allocated on the acquisition date to the CGU that is expected to benefit from the business combination.

At the end of the consolidated fiscal year ended March 31, 2019, significant goodwill allocated to CGU relates to CLE Capital Inc. with the carrying amount of ¥3,380 million ($30,450 thousand) (¥3,350 million at March 31, 2018), Creekridge Capital LLC with the carrying amount of ¥7,452 million ($67,135 thousand) (¥7,133 million at March 31, 2018), and Hitachi Capital Mobility Holding Netherlands B.V. with the carrying amount of ¥4,372 million ($39,387 thousand) (¥4,582 million at March 31, 2018).

In July 2018, Noordlease B.V., the wholly-owned subsidiary of Noordlease Holding B.V., absorbed and merged Lease Visie B.V. and Noordlease Holding B.V. and Noordlease B.V. changed their names to Hitachi Capital Mobility Holding Netherlands B.V. and Hitachi Capital Mobility Netherlands B.V., respectively.

As a result, Hitachi Capital Mobility Holding Netherlands B.V. Group is considered a single CGU and the amount of goodwill allocated to Noordlease B.V. and Lease Visie B.V. is totaled and disclosed.

The recoverable amount of each CGU is calculated using value in use, which is calculated by discounting estimated future cash flows based on the business plan approved by the management at a pre-tax rate (13.0% to 15.8%). The business plan is drawn up based on past experiences using external and internal information, and cash flows beyond the period covered by the business plan (generally five years) are estimated considering past financial results and average growth rates, etc. expected in respective markets.

The Company believes that any reasonably possible changes in the key assumptions used in the calculation of the recoverable amount (e.g. discount rate and average growth rate) are unlikely to cause the carrying amount to exceed value in use.

11. Deferred taxes and income taxes

The components of income taxes recognized in the consolidated statements of profit or loss and deferred taxes recognized in the consolidated statements of comprehensive income are as follows.

	Year ended March 31, 2018 (Millions of yen)	Year ended March 31, 2019 (Millions of yen)	Year ended March 31, 2019 (Thousands of U.S. dollars)
Income taxes			
Current	¥8,734	¥10,566	$95,189
Deferred	2,336	3,978	35,837
Origination and reversal of temporary differences	3,142	5,661	51,000
Changes in unrecognized temporary differences	(127)	(1,683)	(15,162)
Adjusted deferred tax assets and liabilities due to changes in tax rate of foreign subsidiaries	(678)	—	—
Total	11,070	14,544	131,027
Deferred taxes recognized in the consolidated statements of comprehensive income			
Financial assets measured at FVTOCI	712	(529)	(4,765)
Remeasurements of defined benefit plans	966	(562)	(5,063)
Cash flow hedges	288	(400)	(3,603)
Total	1,967	(1,491)	(13,432)

The Company and its domestic subsidiaries are mainly subject to corporate income tax, inhabitant tax and business tax. The effective statutory tax rate calculated with these taxes as a basis was approximately 30.6% because of reductions in the corporate tax rate beginning from the consolidated fiscal years, starting on or after April 1, 2016, following approval by the Japanese Diet on March 29, 2016 of "the Act on Partial Revision of the Income Tax Act" (Act No. 15 of 2016) and "the Act on Partial Revision of the Local Tax Act" (Act No. 13 of 2016). However, subsidiaries outside of Japan are subject to corporation tax and other taxes based on their location.

The reconciliations between the statutory income tax rates and the effective income tax rates are as follows:

(%)

	Year ended March 31, 2018	Year ended March 31, 2019
Statutory income tax rates	30.9	30.6
Difference in statutory income tax rates of foreign subsidiaries	(5.5)	(6.7)
Changes in tax rate of foreign subsidiaries	(1.5)	—
Non-deductible expenses	0.1	14.0
Changes in unrecognized temporary differences	(0.3)	5.1
Share of profits of investments accounted for using the equity method	(0.8)	(2.8)
Non-taxable revenue, such as dividend income	(2.4)	(11.7)
Elimination of dividends from subsidiaries	3.7	14.7
Other, net	0.8	1.3
Effective income tax rates	25.0	44.5

The movements in deferred tax assets and liabilities are as follows.

(Millions of yen)

	March 31, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2018
Deferred tax assets					
Depreciation	¥3,878	¥(22)	¥ —	¥(366)	¥3,490
Addition of revenue from lease contracts, etc.	5,843	(861)	—	3	4,984
Net defined benefit liability	2,830	(547)	(966)	(54)	1,262
Allowance for doubtful accounts	2,474	17	—	(31)	2,460
Asset retirement obligations	3,299	547	—	—	3,847
Accrued expenses	1,548	(12)	—	(10)	1,526
Net operating loss carryforwards	1,981	486	—	3	2,471
Bad debt write-off	609	(151)	—	(11)	446
Other	4,644	183	(345)	134	4,617
Total deferred tax assets	27,111	(359)	(1,312)	(332)	25,107
Deferred tax liabilities					
Additional depreciation by overseas subsidiaries	(5,381)	(612)	—	150	(5,843)
Gains or losses on sale or purchase of lease receivables	(168)	71	—	—	(97)
Asset retirement obligations	(2,087)	(538)	—	—	(2,626)
Financial assets measured at FVTOCI	(1,290)	—	(712)	281	(1,721)
Intangible assets	(1,365)	137	—	(31)	(1,259)
Other	(1,071)	(1,034)	57	(22)	(2,072)
Total deferred tax liabilities	(11,365)	(1,977)	(655)	377	(13,620)
Net deferred tax assets	15,745	(2,336)	(1,967)	44	11,485

(Note) Other includes changes in scope of consolidation and foreign currency translation gains and losses, etc.

(Millions of yen)

	March 31, 2018	Cumulative effect of change in accounting policy	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2019
Deferred tax assets						
Depreciation	¥3,490	¥ —	¥(513)	¥ —	¥85	¥3,061
Addition of revenue from lease contracts, etc.	4,984	—	(1,312)	—	—	3,672
Net defined benefit liability	1,262	—	80	562	4	1,909
Allowance for doubtful accounts	2,460	1,314	(393)	—	182	3,563
Asset retirement obligations	3,847	—	116	—	—	3,963
Accrued expenses	1,526	—	(79)	—	5	1,451
Net operating loss carryforwards	2,471	—	344	—	27	2,843
Bad debt write-off	446	—	(104)	—	10	352
Other	4,617	—	(1,730)	400	239	3,527
Total deferred tax assets	25,107	1,314	(3,591)	962	554	24,347
Deferred tax liabilities						
Additional depreciation by overseas subsidiaries	(5,843)	—	(1,012)	—	(172)	(7,029)
Gains or losses on sale or purchase of lease receivables	(97)	—	22	—	—	(74)
Asset retirement obligations	(2,626)	—	37	—	—	(2,589)
Financial assets measured at FVTOCI	(1,721)	—	—	529	0	(1,192)
Intangible assets	(1,259)	—	118	—	(204)	(1,345)
Other	(2,072)	—	447	—	(188)	(1,813)
Total deferred tax liabilities	(13,620)	—	(387)	529	(565)	(14,043)
Net deferred tax assets	11,485	1,314	(3,978)	1,491	(10)	10,302

(Thousands of U.S. dollars)

	March 31, 2018	Cumulative effect of change in accounting policy	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2019
Deferred tax assets						
Depreciation	$31,441	$ ―	$(4,621)	$ ―	$765	$27,576
Addition of revenue from lease contracts, etc.	44,900	―	(11,819)	―	―	33,081
Net defined benefit liability	11,369	―	720	5,063	36	17,198
Allowance for doubtful accounts	22,162	11,837	(3,540)	―	1,639	32,099
Asset retirement obligations	34,657	―	1,045	―	―	35,702
Accrued expenses	13,747	―	(711)	―	45	13,072
Net operating loss carryforwards	22,261	―	3,099	―	243	25,612
Bad debt write-off	4,018	―	(936)	―	90	3,171
Other	41,594	―	(15,585)	3,603	2,153	31,774
Total deferred tax assets	226,189	11,837	(32,351)	8,666	4,990	219,342
Deferred tax liabilities						
Additional depreciation by overseas subsidiaries	(52,639)	―	(9,117)	―	(1,549)	(63,324)
Gains or losses on sale or purchase of lease receivables	(873)	―	198	―	―	(666)
Asset retirement obligations	(23,657)	―	333	―	―	(23,324)
Financial assets measured at FVTOCI	(15,504)	―	―	4,765	0	(10,738)
Intangible assets	(11,342)	―	1,063	―	(1,837)	(12,117)
Other	(18,666)	―	4,027	―	(1,693)	(16,333)
Total deferred tax liabilities	(122,702)	―	(3,486)	4,765	(5,090)	(126,513)
Net deferred tax assets	103,468	11,837	(35,837)	13,432	(90)	92,810

(Note) Other includes changes in scope of consolidation and foreign currency translation gains and losses, etc.

The Group does not generally recognize deferred tax liabilities on taxable temporary differences related to its investments in subsidiaries. This is because the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

At March 31, 2018 and 2019, the total amounts of temporary differences related to undistributed profit of subsidiaries that were not recognized as deferred tax liabilities were ¥133,178 million and ¥128,515 million ($1,157,792 thousand), respectively.

In assessing the recoverability of deferred tax assets, the Group considers the probability that part or all of the deferred tax assets will not be recovered. The ultimate recovery of deferred tax assets is dependent on whether taxable profit will be available during the period in which deductible temporary differences can be reversed and unused tax credits can be utilized in the calculation of tax amounts in each respective tax jurisdiction. Although the recoverability is not definitive, the Group considers the reversal schedule of deferred tax liabilities and expected future taxable profit in assessing the recoverability of deferred tax assets. Based on these factors, the Group believes that it is probable that deferred tax assets that are determined to be recognizable as of March 31, 2019 will be recovered.

The deductible temporary differences for which deferred tax assets have not been recognized are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Deductible temporary differences	¥2,940	¥6,647	$59,882
Total	2,940	6,647	59,882

12. Other assets and other liabilities

The components of other assets and other liabilities are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Other assets			
Inventories	¥5,377	¥5,767	$51,954
Advance payments	9,129	11,067	99,702
Prepaid expenses	22,762	24,813	223,540
Other	3,723	4,992	44,972
Total other assets	40,993	46,640	420,180
Other liabilities			
Accrued expenses	16,654	18,182	163,801
Advances received	23,569	16,130	145,315
Asset retirement obligations	13,473	13,835	124,639
Other	22,957	26,219	236,207
Total other liabilities	76,654	74,368	669,981

"Other" in Other liabilities includes provision for bonuses and contractual liabilities etc. Furthermore, part of advances received is transferred to contractual liabilities for the consolidated fiscal year ended March 31, 2019.

13. Employee benefits

(1) Post-retirement benefits

The Group has externally-funded defined benefit corporate pension plans and unfunded severance lump-sum payment plans as defined benefit plans to provide for the payment of employee retirement benefits. The Group also has defined contribution pension plans as defined contribution plans.

Defined benefit corporate pension plans provide a lump-sum payment or pension as retirement benefits based on the employees' salary and length of service, and severance lump-sum payment plans provide a lump-sum payment based on the employees' salary and length of service.

The plan is administered by the Hitachi Capital Corporate Pension Fund ("Fund") that is legally separated from the Group. Under the Defined Benefit Corporate Pension Act, the Group is obligated to make contributions to Fund that provides pension benefits. The amount of contributions is reviewed on a regular basis by the Fund to the extent permitted by laws, and the Group is obligated to make contributions into the future.

Directors of the Fund are required to comply with administrative measures by the Minister of Health, Labour and Welfare or Chief of Regional Bureau of Health and Welfare in accordance with laws and regulations, as well as the bylaws of the Fund and resolutions by the board of trustees, and fulfill their duties for the best interest of the Fund. The board of trustees consists of representatives selected by the employer ("Selected Trustees") and those selected by employees ("Co-optative Trustees") in equal numbers. All resolutions of the board of trustees shall be passed by a majority of the attendees, unless otherwise provided for by laws and regulations and the bylaws. In the case of a tie vote, the chairperson shall make the decision.

It is also stipulated that the directors of the Fund are prohibited to conduct any activity, for the benefit of themselves or any third party, that may prevent appropriate administration and management of contributions that should be used to pay benefits ("Contributions") and that when the directors fail to perform their duties related to operation of the Fund regarding administration and management of the Contributions, they shall be held jointly and severally liable for damages arising from such failure against the Fund.

The Contributions are managed by managing trustees in accordance with the terms and conditions set forth by the investment management rules approved by the board of trustees. The Fund fulfills its duties to manage the Contributions safely and efficiently by setting a basic policy on management of the Contributions and relevant implementation guidelines and provide them to the managing trustees.

For severance lump-sum payment plans, the Group is responsible for making direct payments to pensioners.

For the years ended March 31, 2018 and 2019, the changes in the present value of defined benefit obligations and fair value of plan assets are as follows:

Changes in present value of defined benefit obligations

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Defined benefit obligations at beginning of year	¥61,033	¥60,171	$542,081
Service cost	1,797	1,630	14,684
Interest cost	535	513	4,621
Benefits paid	(2,769)	(3,074)	(27,693)
Prior service costs	—	(55)	(495)
Exchange differences and other	432	(200)	(1,801)
Remeasurements of defined benefit obligations			
Actuarial gains and losses arising from changes in financial assumptions	(279)	1,416	12,756
Actuarial gains and losses arising from changes in demographic assumptions	12	230	2,072
Other	(591)	453	4,081
Defined benefit obligations at end of year	60,171	61,085	550,315

Changes in fair value of plan assets

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Fair value of plan assets at beginning of year	¥52,003	¥55,916	$503,747
Interest income	482	500	4,504
Remeasurements of defined benefit plan assets – Return on plan assets	2,557	141	1,270
Employer’s contributions	2,333	1,112	10,018
Benefits paid	(1,919)	(2,607)	(23,486)
Exchange differences and other	458	(286)	(2,576)
Fair value of plan assets at end of year	55,916	54,778	493,495

The weighted average key actuarial assumptions used in actuarial calculation of defined benefit obligations at March 31, 2018 and 2019 are as follows.

	March 31, 2018	March 31, 2019
Discount rate	0.9%	0.8%

At March 31, 2018 and 2019, changes of 0.5% in the discount rate, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below. This impact reflects only changes in the discount rate, and actual changes may have a different impact on the defined benefit obligations.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Increase by 0.5%	¥(4,586)	¥(4,610)	$(41,531)
Decrease by 0.5%	5,070	5,098	45,927

At March 31, 2018 and 2019, the weighted average duration of defined benefit obligations is as follows.

	March 31, 2018	March 31, 2019
Weighted average duration	15.41 years	17.00 years

The plan assets are exposed to general investment risk, interest rate risk, inflation risk, and longevity risk, etc. The Fund's investment policy of the plan assets is to maintain current value of assets that are necessary and sufficient to pay lump-sum payments and pension benefits, to ensure stable profits in the long term, and to aim at sound financial position.

To this end, the Fund has set a target rate of return in consideration of the composition of the employees, funding level of the plan assets, risk-bearing capacity of the Company and its certain subsidiaries and the trend of management environment of the plan assets, and then, determined a policy asset mix to achieve the target rate of return, by taking account of expected rate of return for each asset class, standard deviation of rate of return and correlation coefficient between assets.

The policy asset mix of the Fund aims to have a portfolio mix of approximately 25% in domestic and foreign equity securities, approximately 68% in domestic and foreign public and corporate bonds, approximately 5% in alternative investments and approximately 2% in cash on hand and at banks for a diversified investment through commingled funds.

The fair value of plan assets invested at March 31, 2018 and 2019 is as follows.

(Millions of yen)

	March 31, 2018		
	Quoted market price in an active market		Total
	Yes	No	
Public and corporate bonds	¥170	¥ —	¥170
Commingled funds	—	48,947	48,947
Cash on hand and at banks	6,656	—	6,656
Other	140	1	141
Total	6,967	48,949	55,916

(Millions of yen)

	March 31, 2019		
	Quoted market price in an active market		Total
	Yes	No	
Public and corporate bonds	¥ —	¥ —	¥ —
Commingled funds	—	47,417	47,417
Cash on hand and at banks	7,228	—	7,228
Other	130	1	132
Total	7,359	47,418	54,778

(Thousands of U.S. dollars)

	March 31, 2019		
	Quoted market price in an active market		Total
	Yes	No	
Public and corporate bonds	$ —	$ —	$ —
Commingled funds	—	427,180	427,180
Cash on hand and at banks	65,117	—	65,117
Other	1,171	9	1,189
Total	66,297	427,189	493,495

At the end of the consolidated fiscal years ended March 31, 2018 and 2019, commingled funds of the Group consist of listed shares of 26% and 26%, respectively, and public and corporate bonds of 62% and 60%, respectively, and other assets of 12% and 14%, respectively.

Plan assets presented above do not include the Group's transferable financial instruments.

The Group sets the respective end of the reporting period as the measurement date.

For the purpose of maintaining the financial soundness of the Fund in which the Company and its certain subsidiaries participate, the

Fund recalculates the pension financing every five years so as to reflect the funding status to contributions.

The Group expects to contribute ¥953 million ($8,585 thousand) to the defined benefit pension plans in the consolidated fiscal year ended March 31, 2020.

(2) Employee benefits expense

(i) Defined benefit plans

For the consolidated fiscal years ended March 31, 2018 and 2019, the Group recognized expenses related to defined benefit plans of ¥1,850 million and ¥1,588 million ($14,306 thousand.)

(ii) Defined contribution plans

For the consolidated fiscal years ended March 31, 2018 and 2019, the Group recognized expenses related to contributions to the defined contribution plans of ¥815 million and ¥1,002 million ($9,027 thousand.)

14. Equity

(1) Common stock

(Number of shares)

	March 31, 2018	March 31, 2019
Number of authorized shares	270,000,000	270,000,000

	Total number of shares issued	Issued capital (Millions of yen)	Issued capital (Thousands of U.S. dollars)
April 1, 2017	124,826,552 shares	¥9,983	
March 31, 2018	124,826,552 shares	9,983	
March 31, 2019	124,826,552 shares	9,983	$89,936

The Company issues common stock without par value. The total number of shares issued above includes treasury stock.

The changes in the number of shares and amounts of treasury stock during the consolidated fiscal years ended March 31, 2018 and 2019 are as follows.

	Number of shares of treasury stock	Treasury stock (Millions of yen)	Treasury stock (Thousands of U.S. dollars)
April 1, 2017	7,940,222 shares	¥14,335	
Acquisition of treasury stock	344 shares	0	
Sale of treasury stock	66 shares	0	
March 31, 2018	7,940,500 shares	14,336	$129,153
Acquisition of treasury stock	29,270 shares	89	801
March 31, 2019	7,969,770 shares	14,425	129,954

(2) Surplus

(i) Capital surplus

The Companies Act of Japan (“Companies Act”) stipulates that 50% or more of the amounts paid in or provided as consideration for issued stocks shall be recorded as issued capital, with the remaining amount recorded as capital reserve included in capital surplus.

(ii) Retained earnings

The Companies Act requires that an amount equal to 10% of distribution of surplus be appropriated as capital reserve or earned surplus reserve until the aggregate amount of capital reserve and earned surplus reserve equals to 25% of issued capital. Earned surplus reserve may be used based on a resolution at the general shareholders’ meeting.

15. Accumulated other comprehensive income and other comprehensive income

Accumulated other comprehensive income, net of related tax effect, recognized in the consolidated statements of changes in equity for the years ended March 31, 2018 and 2019 is as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Foreign currency translation adjustments			
Beginning balance	¥(2,621)	¥(629)	$(5,666)
Net other comprehensive income	2,017	(1,600)	(14,414)
Transfer to non-controlling interests	(25)	0	0
Ending balance	(629)	(2,229)	(20,081)
Remeasurements of defined benefit plans			
Beginning balance	(2,982)	(623)	(5,612)
Net other comprehensive income	2,359	(1,452)	(13,081)
Transfer to retained earnings	—	(6)	(54)
Transfer to non-controlling interests	—	0	0
Ending balance	(623)	(2,082)	(18,756)
Financial assets measured at FVTOCI			
Beginning balance	2,882	4,186	37,711
Net other comprehensive income	1,648	(1,256)	(11,315)
Transfer to retained earnings	(344)	(21)	(189)
Transfer to non-controlling interests	—	—	—
Ending balance	4,186	2,908	26,198
Cash flow hedges			
Beginning balance	(1,419)	(25)	(225)
Net other comprehensive income	1,393	(1,539)	(13,864)
Transfer to non-controlling interests	—	(0)	(0)
Ending balance	(25)	(1,565)	(14,099)
Total accumulated other comprehensive income			
Beginning balance	(4,139)	2,907	26,189
Net other comprehensive income	7,417	(5,848)	(52,684)
Transfer to retained earnings	(344)	(27)	(243)
Transfer to non-controlling interests	(25)	0	0
Ending balance	2,907	(2,968)	(26,738)

An analysis of adjustments to items presented in the consolidated statements of profit or loss by category of other comprehensive income, including non-controlling interests, and related tax effect by item for the years ended March 31, 2018 and 2019 is as follows.

(Millions of yen)

	Year ended March 31, 2018		
	Before tax effect	Tax effect	Net of tax effect
Other comprehensive income			
Foreign currency translation adjustments	¥2,033	¥ —	¥2,033
Remeasurements of defined benefit plans	3,414	(966)	2,447
Financial assets measured at FVTOCI	2,323	(712)	1,610
Cash flow hedges	14,646	(2,763)	11,882
Share of other comprehensive income of investments accounted for using the equity method	51	(4)	46
Total	22,469	(4,448)	18,021
Reconciliation between other comprehensive income and profit or loss items			
Foreign currency translation adjustments	—	—	—
Cash flow hedges	(13,003)	2,475	(10,528)
Share of other comprehensive income of investments accounted for using the equity method	—	—	—
Total	(13,003)	2,475	(10,528)
Net other comprehensive income			
Foreign currency translation adjustments	2,033	—	2,033
Remeasurements of defined benefit plans	3,414	(966)	2,447
Financial assets measured at FVTOCI	2,323	(712)	1,610
Cash flow hedges	1,643	(288)	1,354
Share of other comprehensive income of investments accounted for using the equity method	51	(4)	46
Total	9,465	(1,972)	7,493
Net other comprehensive income attributable to non-controlling interests			
Foreign currency translation adjustments			52
Remeasurements of defined benefit plans			61
Financial assets measured at FVTOCI			—
Cash flow hedges			(38)
Total			75
Net other comprehensive income attributable to owners of the parent			
Foreign currency translation adjustments			1,980
Remeasurements of defined benefit plans			2,385
Financial assets measured at FVTOCI			1,610
Cash flow hedges			1,393
Share of other comprehensive income of investments accounted for using the equity method			46
Total			7,417

(Millions of yen)

	Year ended March 31, 2019		
	Before tax effect	Tax effect	Net of tax effect
Other comprehensive income			
Foreign currency translation adjustments	¥(1,504)	¥ —	¥(1,504)
Remeasurements of defined benefit plans	(1,958)	562	(1,395)
Financial assets measured at FVTOCI	(1,728)	529	(1,198)
Cash flow hedges	(2,591)	537	(2,053)
Share of other comprehensive income of investments accounted for using the equity method	(382)	70	(311)
Total	(8,163)	1,699	(6,464)
Reconciliation between other comprehensive income and profit or loss items			
Foreign currency translation adjustments	—	—	—
Cash flow hedges	607	(136)	470
Share of other comprehensive income of investments accounted for using the equity method	—	—	—
Total	607	(136)	470
Net other comprehensive income			
Foreign currency translation adjustments	(1,504)	—	(1,504)
Remeasurements of defined benefit plans	(1,958)	562	(1,395)
Financial assets measured at FVTOCI	(1,728)	529	(1,198)
Cash flow hedges	(1,983)	400	(1,583)
Share of other comprehensive income of investments accounted for using the equity method	(382)	70	(311)
Total	(7,556)	1,562	(5,993)
Net other comprehensive income attributable to non-controlling interests			
Foreign currency translation adjustments			(57)
Remeasurements of defined benefit plans			(43)
Financial assets measured at FVTOCI			—
Cash flow hedges			(43)
Total			(145)
Net other comprehensive income attributable to owners of the parent			
Foreign currency translation adjustments			(1,446)
Remeasurements of defined benefit plans			(1,352)
Financial assets measured at FVTOCI			(1,198)
Cash flow hedges			(1,539)
Share of other comprehensive income of investments accounted for using the equity method			(311)
Total			(5,848)

(Thousands of U.S. dollars)

	Year ended March 31, 2019		
	Before tax effect	Tax effect	Net of tax effect
Other comprehensive income			
Foreign currency translation adjustments	$(13,549)	$ —	$(13,549)
Remeasurements of defined benefit plans	(17,639)	5,063	(12,567)
Financial assets measured at FVTOCI	(15,567)	4,765	(10,792)
Cash flow hedges	(23,342)	4,837	(18,495)
Share of other comprehensive income of investments accounted for using the equity method	(3,441)	630	(2,801)
Total	(73,540)	15,306	(58,234)
Reconciliation between other comprehensive income and profit or loss items			
Foreign currency translation adjustments	—	—	—
Cash flow hedges	5,468	(1,225)	4,234
Share of other comprehensive income of investments accounted for using the equity method	—	—	—
Total	5,468	(1,225)	4,234
Net other comprehensive income			
Foreign currency translation adjustments	(13,549)	—	(13,549)
Remeasurements of defined benefit plans	(17,639)	5,063	(12,567)
Financial assets measured at FVTOCI	(15,567)	4,765	(10,792)
Cash flow hedges	(17,864)	3,603	(14,261)
Share of other comprehensive income of investments accounted for using the equity method	(3,441)	630	(2,801)
Total	(68,072)	14,072	(53,990)
Net other comprehensive income attributable to non-controlling interests			
Foreign currency translation adjustments			(513)
Remeasurements of defined benefit plans			(387)
Financial assets measured at FVTOCI			—
Cash flow hedges			(387)
Total			(1,306)
Net other comprehensive income attributable to owners of the parent			
Foreign currency translation adjustments			(13,027)
Remeasurements of defined benefit plans			(12,180)
Financial assets measured at FVTOCI			(10,792)
Cash flow hedges			(13,864)
Share of other comprehensive income of investments accounted for using the equity method			(2,801)
Total			(52,684)

16. Dividends

Dividends paid for the consolidated fiscal years ended March 31, 2018 and 2019 are as follows.

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend source	Dividends per share (yen)	Record date	Effective date
Board of directors meeting on:						
May 25, 2017	Common stock	¥5,026	Retained earnings	¥43.00	March 31, 2017	May 29, 2017
October 31, 2017	Common stock	5,026	Retained earnings	43.00	September 30, 2017	November 28, 2017
May 24, 2018	Common stock	5,026	Retained earnings	43.00	March 31, 2018	May 28, 2018
November 5, 2018	Common stock	5,376	Retained earnings	46.00	September 30, 2018	November 27, 2018

Resolution	Class of shares	Total dividends (Thousands of U.S. dollars)	Dividend source	Dividends per share (U.S. dollar)	Record date	Effective date
Board of directors meeting on:						
May 24, 2018	Common stock	$45,279	Retained earnings	$0.38	March 31, 2018	May 28, 2018
November 5, 2018	Common stock	48,432	Retained earnings	0.41	September 30, 2018	November 27, 2018

There are no dividends with the record date in the consolidated fiscal year ended March 31, 2019 but with the effective date in the consolidated fiscal year ended March 31, 2020.

17. Financial instruments

(1) Policy for financial instruments

Together with partners including Hitachi, Ltd., the Group provides consumers and enterprise with a wide range of financial services in various geographic regions that meet customers' needs, including leases, loans, collection of accounts receivable and settlement of accounts payable. To conduct this business, the Group raises funds through direct funding such as securitization of receivables and issuance of bonds, medium-term notes and commercial paper, as well as through indirect methods such as bank loans, with consideration of the market environment and the balance between direct and indirect funding.

To reduce the impact of interest rate fluctuations on revenues, the Group employs asset-liability management (ALM) and uses fixed-rate funding such as securitization of receivables, bonds, medium-term notes and bank loans to fund fixed-rate assets. The Group also uses derivative transactions as part of its measures to reduce the risk but not for speculative purposes.

(2) Contents and risk of financial instruments

Financial assets held by the Group are mainly corporate and consumer receivables, which are exposed to credit risk arising from the possibility of customer default and the price fluctuation risk caused by interest rate fluctuations. Certain foreign currency-denominated receivables are exposed to foreign exchange risk, but the risk is hedged with payables denominated in the same currency as the receivables and foreign exchange forward transactions, etc.

Other financial assets are mainly trust beneficiary rights and shares, etc. held for policy purposes. Also, the Company's non-life insurance subsidiary primarily holds debt securities for investment purposes. These other financial assets are exposed to the credit risk of the issuer and price fluctuation risk caused by interest rate fluctuation.

Financial liabilities, including borrowings, bonds, medium-term notes, commercial paper, borrowings associated with consolidation of structured entity for securitization, and borrowings associated with securitization of receivables, are primarily funded at fixed interest rates in accordance with the Group's ALM policy, and part of the borrowings with variable interest rates are converted to fixed-rate borrowings using interest rate swap transactions.

Certain overseas subsidiaries use currency swap transactions, etc. to hedge foreign exchange risk on funds raised in foreign currencies and also use interest rate swap transactions to fix the interest rates on funds procured at variable interest rates. Such transactions may have impacts on profit or loss if they do not meet the requirements for hedge accounting.

Borrowings, bonds, medium-term notes, commercial paper, borrowings associated with consolidation of structured entities for securitization, and borrowings associated with securitization of receivables are exposed to liquidity risk that the Group will encounter difficulty in funding or issuing these securities and not be able to make payments when due under certain environments.

(3) Risk management system for financial instruments

(i) Management of credit risk (risk of customer default)

The Group mainly holds receivables for corporate and consumer and these assets are exposed to credit risk arising from the possibility of customer default. In general, the Group has no significant concentration of credit risk as the Group works to identify credit risk when appropriate and manage it at a reasonable level by the method of measuring credit risk, among others, and the counterparties and business areas of the Group are well diversified.

The Group extends various types of credit, including leases and loans, and, in accordance with the credit risk management rules, etc., the Group has developed and operated a system for credit management, including credit review for each deal, credit limit, credit information management, internal ratings, requirements for guarantees or collaterals, response to problem receivables, and periodic monitoring of the financial status.

Credit risk is managed by sales departments as well as by receivable control departments, and large transactions require the approval of the executive officers in charge according to the amount.

Credit risk on issuers of other financial assets is managed by the department handling the transactions and the department in charge of finance by regularly monitoring credit information and fair value. Counterparty risk on derivative transactions is managed by the department in charge of finance by monitoring issuer's ratings and other relevant information and periodically reporting to the executive officer in charge of finance.

The Group executes credit enhancement procedures to secure collection of trade receivables, when deemed necessary.

There is no significant asset held as collateral and other credit enhancements.

The Group's maximum exposure to credit risk without collateral or other credit enhancement (excluding credit guarantees) is the carrying amount of financial assets presented in the consolidated financial statements. See Note 30 "Commitments and contingencies" for credit guarantees.

The contractual balances of financial assets by maturity that are overdue but not impaired at March 31, 2018 are as follows. The Group considers that all financial assets that are not overdue and not impaired at March 31, 2018 are recoverable.

(Millions of yen)

	March 31, 2018				
	Within 30 days	Between 31 days and 90 days	Between 91 days and one year	Over one year	Total
Trade and other receivables	¥1,461	¥2,484	¥18	¥ —	¥3,964
Finance lease receivables	6,643	570	658	—	7,872

Changes in the allowance for doubtful accounts for the consolidated fiscal year ended March 31, 2018 are as follows.

(Millions of yen)

	Trade and other receivables	Finance lease receivables	Other financial assets measured at amortized cost	Total
April 1, 2017	¥8,064	¥4,707	¥5	¥12,777
Increase due to change in companies	41	—	—	41
Increase during the year (addition)	5,019	1,884	4	6,908
Decrease during the year (for intended purpose)	(4,264)	(1,266)	(5)	(5,536)
Decrease during the year (reversal)	(437)	(1,357)	(5)	(1,800)
Other	82	(1)	1	81
March 31, 2018	8,505	3,968	—	12,473

The sum of balances of trade and other receivables, finance lease receivables, and other financial assets measured at amortized cost individually impaired at March 31, 2018 amounted to ¥24,439 million, respectively, and the allowance for doubtful accounts provided for these receivables amounted to ¥5,521 million.

The change in allowance for doubtful accounts related to trade and other receivables and finance lease receivables and the change in the gross carrying amount of trade and other receivables and finance lease receivables for the consolidated fiscal year ended March 31, 2019 are follows.

The main reason for change in the allowance for doubtful accounts related to trade and other receivables (general approach) for the consolidated fiscal year ended March 31, 2019 was recording a provision for allowance for doubtful accounts because of significant increase of credit risk caused by inappropriate deals that were found in factoring transactions carried by Hitachi Capital Factoring (China) Co., Ltd., a subsidiary of the Group.

Furthermore, selling, general and administrative expenses on the consolidated statements of profit or loss increased by ¥20,665 million ($186,171 thousand) because of this allowance for doubtful accounts related to these inappropriate transactions.

The main reason for the changes in the allowance for doubtful accounts of other trade and other receivables (simplified approach) and finance lease receivables (simplified approach) was because of changes in the financial assets and provision rate.

(i) Trade and other receivables (general approach)

(Millions of yen)

	Allowance for doubtful accounts				Gross carrying amount			
	Expected credit losses within 12 months	Expected credit losses for the entire period		Total	Expected credit losses within 12 months	Expected credit losses for the entire period		Total
		Collective assessment	Individual assessment			Collective assessment	Individual assessment	
April 1, 2018	¥796	¥1,115	¥2,852	¥4,764	¥891,811	¥44,112	¥7,129	¥943,053
Cumulative effect of changes in accounting policy	1,013	771	(565)	1,219	—	—	—	—
Balance at beginning of year with changes in accounting policy reflected (April 1, 2018)	1,810	1,887	2,286	5,984	891,811	44,112	7,129	943,053
New appropriation and suspension of recognition	565	14	17,267	17,847	98,262	153	20,573	118,989
Transfer	(309)	490	1,070	1,251	(4,500)	1,969	2,531	—
Write-off (Note 1)	(7)	(177)	(162)	(347)	(167)	(511)	(362)	(1,042)
Change in provision rate	(97)	189	1,459	1,551	—	—	—	—
Other (Note 2)	70	(78)	(148)	(157)	(466)	(125)	(379)	(972)
March 31, 2019	2,031	2,325	21,772	26,130	984,938	45,598	29,492	1,060,028

(Thousands of U.S. dollars)

	Allowance for doubtful accounts				Gross carrying amount			
	Expected credit losses within 12 months	Expected credit losses for the entire period		Total	Expected credit losses within 12 months	Expected credit losses for the entire period		Total
		Collective assessment	Individual assessment			Collective assessment	Individual assessment	
April 1, 2018	$7,171	$10,045	$25,693	$42,918	$8,034,333	$397,405	$64,225	$8,495,972
Cumulative effect of changes in accounting policy	9,126	6,945	(5,090)	10,981	—	—	—	—
Balance at beginning of year with changes in accounting policy reflected (April 1, 2018)	16,306	17,000	20,594	53,909	8,034,333	397,405	64,225	8,495,972
New appropriation and suspension of recognition	5,090	126	155,558	160,783	885,243	1,378	185,342	1,071,972
Transfer	(2,783)	4,414	9,639	11,270	(40,540)	17,738	22,801	—
Write-off (Note 1)	(63)	(1,594)	(1,459)	(3,126)	(1,504)	(4,603)	(3,261)	(9,387)
Change in provision rate	(873)	1,702	13,144	13,972	—	—	—	—
Other (Note 2)	630	(702)	(1,333)	(1,414)	(4,198)	(1,126)	(3,414)	(8,756)
March 31, 2019	18,297	20,945	196,144	235,405	8,873,315	410,792	265,693	9,549,801

(Notes)

1. The Group stops recognition as write-offs at the point in time at which there are no methods for full recovery of the financial assets and recoverability is almost extinguished.

2. Mainly includes the effect of foreign exchange fluctuations.

(ii) Trade and other receivables (simplified approach)

(Millions of yen)

	Allowance for doubtful accounts			Gross carrying amount		
	Expected credit losses for the entire period			Expected credit losses for the entire period		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
April 1, 2018	¥1,544	¥2,196	¥3,740	¥448,018	¥3,238	¥451,257
Cumulative effect of changes in accounting policy	1,583	5	1,589	—	—	—
Balance at beginning of year with changes in accounting policy reflected (April 1, 2018)	3,128	2,201	5,329	448,018	3,238	451,257
New appropriation and suspension of recognition	18	(17)	1	39,169	(655)	38,513
Transfer	20	(9)	11	(757)	757	—
Write-off (Note 1)	(724)	(318)	(1,042)	(805)	(515)	(1,321)
Change in provision rate	(86)	117	30	—	—	—
Change in scope of consolidation	2	89	91	309	123	433
Other (Note 2)	(858)	5	(852)	(1,305)	(24)	(1,329)
March 31, 2019	1,499	2,069	3,569	484,629	2,924	487,553

(Thousands of U.S. dollars)

	Allowance for doubtful accounts			Gross carrying amount		
	Expected credit losses for the entire period			Expected credit losses for the entire period		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
April 1, 2018	$13,909	$19,783	$33,693	$4,036,198	$29,171	$4,065,378
Cumulative effect of changes in accounting policy	14,261	45	14,315	—	—	—
Balance at beginning of year with changes in accounting policy reflected (April 1, 2018)	28,180	19,828	48,009	4,036,198	29,171	4,065,378
New appropriation and suspension of recognition	162	(153)	9	352,873	(5,900)	346,963
Transfer	180	(81)	99	(6,819)	6,819	—
Write-off (Note 1)	(6,522)	(2,864)	(9,387)	(7,252)	(4,639)	(11,900)
Change in provision rate	(774)	1,054	270	—	—	—
Change in scope of consolidation	18	801	819	2,783	1,108	3,900
Other (Note 2)	(7,729)	45	(7,675)	(11,756)	(216)	(11,972)
March 31, 2019	13,504	18,639	32,153	4,366,027	26,342	4,392,369

(Notes)

1. The Group stops recognition as write-offs at the point in time at which there are no methods for full recovery of the financial assets and recoverability is almost extinguished.
2. Mainly includes the effect of foreign exchange fluctuations.

(iii) Finance lease receivables (simplified approach)

(Millions of yen)

	Allowance for doubtful accounts			Gross carrying amount		
	Expected credit losses for the entire period			Expected credit losses for the entire period		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
April 1, 2018	¥1,686	¥2,281	¥3,968	¥1,150,957	¥2,782	¥1,153,740
Cumulative effect of changes in accounting policy	3,106	(70)	3,035	—	—	—
Balance at beginning of year with changes in accounting policy reflected (April 1, 2018)	4,792	2,210	7,003	1,150,957	2,782	1,153,740
New appropriation and suspension of recognition	438	(322)	115	68,420	(686)	67,733
Transfer	52	522	574	(1,289)	1,289	—
Write-off (Note 1)	(302)	(521)	(824)	(1,414)	(668)	(2,082)
Change in provision rate	(624)	(287)	(912)	—	—	—
Other (Note 2)	1,400	(127)	1,272	(5,843)	(227)	(6,070)
March 31, 2019	5,756	1,474	7,230	1,210,830	2,489	1,213,320

(Thousands of U.S. dollars)

	Allowance for doubtful accounts			Gross carrying amount		
	Expected credit losses for the entire period			Expected credit losses for the entire period		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
April 1, 2018	$15,189	$20,549	$35,747	$10,368,981	$25,063	$10,394,054
Cumulative effect of changes in accounting policy	27,981	(630)	27,342	—	—	—
Balance at beginning of year with changes in accounting policy reflected (April 1, 2018)	43,171	19,909	63,090	10,368,981	25,063	10,394,054
New appropriation and suspension of recognition	3,945	(2,900)	1,036	616,396	(6,180)	610,207
Transfer	468	4,702	5,171	(11,612)	11,612	—
Write-off (Note 1)	(2,720)	(4,693)	(7,423)	(12,738)	(6,018)	(18,756)
Change in provision rate	(5,621)	(2,585)	(8,216)	—	—	—
Other (Note 2)	12,612	(1,144)	11,459	(52,639)	(2,045)	(54,684)
March 31, 2019	51,855	13,279	65,135	10,908,378	22,423	10,930,810

(Notes)

1. The Group stops recognition as write-offs at the point in time at which there are no methods for full recovery of the financial assets and recoverability is almost extinguished.
2. Mainly includes the effect of foreign exchange fluctuations.

The Group's credit risk exposure related to trade and other receivable and finance lease receivables at the end of the consolidated fiscal year ended March 31, 2019 is as follows.

(i) Trade and other receivables (general approach)

(Millions of yen)

	Expected credit losses within 12 months	Expected credit losses for the entire period	
		Collective assessment	Individual assessment
No delinquency	¥974,791	¥42,443	¥9,997
Within 30 days	9,098	99	18
Between 31 days and 90 days	1,047	779	12,036
Over 91 days	0	2,276	7,439
Total	984,938	45,598	29,492

(Thousands of U.S. dollars)

	Expected credit losses within 12 months	Expected credit losses for the entire period	
		Collective assessment	Individual assessment
No delinquency	$8,781,900	$382,369	$90,063
Within 30 days	81,963	891	162
Between 31 days and 90 days	9,432	7,018	108,432
Over 91 days	0	20,504	67,018
Total	8,873,315	410,792	265,693

(ii) Trade and other receivables (simplified approach)

	(Millions of yen)		(Thousands of U.S. dollars)	
	Expected credit losses for the entire period		Expected credit losses for the entire period	
	Collective assessment	Individual assessment	Collective assessment	Individual assessment
No delinquency	¥449,589	¥679	$4,050,351	$6,117
Within 30 days	30,113	377	271,288	3,396
Between 31 days and 90 days	4,304	189	38,774	1,702
Over 91 days	621	1,677	5,594	15,108
Total	484,629	2,924	4,366,027	26,342

(iii) Finance lease receivables (simplified approach)

	(Millions of yen)		(Thousands of U.S. dollars)	
	Expected credit losses for the entire period		Expected credit losses for the entire period	
	Collective assessment	Individual assessment	Collective assessment	Individual assessment
No delinquency	¥1,185,376	¥30	$10,679,063	$270
Within 30 days	21,184	59	190,846	531
Between 31 days and 90 days	2,862	179	25,783	1,612
Over 91 days	1,407	2,221	12,675	20,009
Total	1,210,830	2,489	10,908,378	22,423

(ii) Management of market risk (risk of fluctuations in foreign exchange rate or interest rate)

(a) Management of interest rate risk

In accordance with ALM policies approved by the representative executive officer each fiscal year, the Company checks asset and liability durations and manages interest rate fluctuation risk. The progress and status are reported on a monthly basis to the representative executive officer and the executive officer in charge of finance. Certain consolidated subsidiaries also review the effects of interest rate changes on profit or loss, etc. on a regular basis in accordance with the respective ALM policies.

Certain overseas subsidiaries enter into interest rate swap transactions to fix interest rates on funds procured at variable interest rates. Such transactions may have impacts on profit or loss if they do not meet the requirements for hedge accounting.

(b) Management of foreign exchange rate risk

The Group manages foreign exchange rate fluctuation risk on a deal-by-deal basis.

In the absence of corresponding receivables, the Group enters into currency swap transactions, etc. solely for the purpose of hedging foreign exchange rate fluctuation risk on funds raised in foreign currencies.

(c) Management of price fluctuation risk

Investments, including marketable securities, are mainly held for policy purposes, and the Company monitors relevant market environment and the financial status of its business partners on a regular basis. The information is reported to the executive officer in charge of finance on a regular basis.

The Company's non-life insurance subsidiary primarily holds debt securities, whose tolerance for risk is managed by establishing risk limits. In addition, the department in charge of managing investment risk monitors and analyzes investment risk generally twice a year, the result of which is reported to the ERM Committee on a regular basis.

(d) Derivative transactions

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.

(e) Quantitative information related to market risk

The Group's primary financial instruments subject to interest rate risk include "Trade and other receivables", "Finance lease receivables", public and corporate bonds and loan receivables included in "Other financial assets", "Borrowings and bonds", and interest rate swap transactions included in "Other financial assets" and "Other financial liabilities".

Interest rate sensitivity analysis

At March 31, 2018 and 2019, the impact of an increase of 0.01% in interest rates applicable to financial instruments held by the Group at such dates, holding all other variables constant, on income before income taxes in the consolidated statements of profit or loss of the Group, were decreases in the amount of ¥69 million and ¥75 million ($675 thousand), respectively.

(iii) Management of liquidity risk related to funding (risk of not being able to make payments when due)

To reduce the impact of liquidity risk, the Company controls liquidity-on-hand in consideration of market environment, manages the repayment terms taking into account maturity of financial assets, and employs diversified funding methods and financial institutions as the source of funds. The Company has concluded a global commitment line agreement (multi-currency and multi-borrower-type) for a total of ¥50,000 million ($450,450 thousand) with a number of financial institutions to strengthen measures against liquidity risk. The amount available (unused amount) at March 31, 2019 was ¥50,000 million ($450,450 thousand).

The balance of financial liabilities held by the Group by maturity is as follows. Derivative transactions to be settled on a net basis with other contracts are also presented in the gross amount of inflow or outflow on a deal-by-deal basis.

Items without a fixed receivable or payable amount are disclosed at the amount calculated using an interest rate estimated based on the spot rate at the consolidated fiscal years ended March 31, 2018 and 2019.

Under financial guarantee contracts are those contracts that require a payment to be made to reimburse the holder of financial guarantee contracts for a loss incurred because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The maximum exposure is the carrying amount of loan guarantee liabilities described in Note 30 "Commitments and contingencies."

(Millions of yen)

		March 31, 2018				
		Carrying amount	Undiscounted contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Borrowings		¥2,012,197	¥2,045,286	¥1,095,186	¥867,762	¥82,337
Bonds		787,328	805,276	156,533	539,328	109,414
Finance lease obligations		13,465	13,465	726	2,743	9,995
Foreign exchange forward contracts	Inflow	—	—	—	—	—
	Outflow	(1)	(1)	(1)	—	—
Currency swaps	Inflow	5,576	5,576	2,623	2,953	—
	Outflow	(9,437)	(9,437)	(1,078)	(8,116)	(242)
Interest rate swaps	Inflow	1,154	1,154	122	1,032	—
	Outflow	(2,570)	(2,570)	(104)	(638)	(1,827)

(Millions of yen)

		March 31, 2019				
		Carrying amount	Undiscounted contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Borrowings		¥2,186,645	¥2,400,150	¥1,402,206	¥937,837	¥60,106
Bonds		918,099	944,496	216,828	613,244	114,422
Finance lease obligations		13,307	13,307	931	2,899	9,476
Foreign exchange forward contracts	Inflow	—	—	—	—	—
	Outflow	(0)	(0)	(0)	—	—
Currency swaps	Inflow	6,453	6,453	2,343	3,943	165
	Outflow	(7,936)	(7,936)	(4,757)	(2,592)	(585)
Interest rate swaps	Inflow	162	162	68	93	—
	Outflow	(2,443)	(2,443)	(44)	(1,138)	(1,261)

(Thousands of U.S. dollars)

		March 31, 2019				
		Carrying amount	Undiscounted contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Borrowings		$19,699,504	$21,622,972	$12,632,486	$8,448,981	$541,495
Bonds		8,271,162	8,508,972	1,953,405	5,524,720	1,030,828
Finance lease obligations		119,882	119,882	8,387	26,117	85,369
Foreign exchange forward contracts	Inflow	—	—	—	—	—
	Outflow	(0)	(0)	(0)	—	—
Currency swaps	Inflow	58,135	58,135	21,108	35,522	1,486
	Outflow	(71,495)	(71,495)	(42,855)	(23,351)	(5,270)
Interest rate swaps	Inflow	1,459	1,459	612	837	—
	Outflow	(22,009)	(22,009)	(396)	(10,252)	(11,360)

(4) Capital management

The balance of borrowings and bonds, cash and cash equivalents, and capital (equity attributable to owners of the parent) that are subject to the Group's management is as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Borrowings and bonds	¥2,812,991	¥3,118,052	$28,090,558
Cash and cash equivalents	174,805	219,858	1,980,702
Capital (equity attributable to owners of the parent)	378,855	377,557	3,401,414

In addition to general regulations provided by the Companies Act, etc., the Insurance Business Act and other foreign laws and regulations require certain subsidiaries of the Group to maintain such ratios as the solvency margin ratio and capital adequacy ratio above a certain level. Each subsidiary maintains its capital ratio at a sufficient level and other ratios as required by laws and regulations in the respective countries or regions.

(5) Borrowings and bonds

(i) Details of borrowings and bonds

The details of borrowings are as follows:

			(Millions of yen)		(Thousands of U.S. dollars)
	Maturity	Average interest rate (%)	March 31, 2018	March 31, 2019	March 31, 2019
Short-term borrowings (mainly bank loans)	—	2.34%	¥402,896	¥485,467	$4,373,576
Commercial paper	—	0.71%	228,647	277,114	2,496,522
Long-term borrowings (mainly bank loans)	April 2019–March 2050	1.36%	1,009,292	964,906	8,692,846
Borrowings associated with consolidation of structured entities for securitization	April 2019–March 2042	0.40%	259,261	315,318	2,840,702
Borrowings associated with securitization of receivables	April 2019–December 2025	1.05%	112,097	143,838	1,295,837
Finance lease obligations	April 2019–April 2043	—	13,465	13,307	119,882
Total		1.34%	2,025,663	2,199,953	19,819,396

(Notes)

1. "Maturity" represents the repayment date for the balance of each borrowing at March 31, 2019.
2. "Average interest rate" represents the weighted average interest rate applicable to the balance of each borrowing at March 31, 2019.
3. Long-term borrowings (mainly bank loans), Borrowings associated with consolidation of structured entity for securitization, Borrowings associated with securitization of receivables, and Financial lease obligations include current portion of respective borrowings.
4. Borrowings associated with consolidation of structured entity for securitization represents funds raised through securitization of Trade and other receivables and finance lease receivables by the structured entities that were consolidated by the Group.
5. Borrowings associated with securitization of receivables represent part of the funds raised through securitization of Trade and other receivables and finance lease receivables, of which corresponding financial assets are not derecognized.

The details of bonds are as follows:

Company name/ description	Issue date	Maturity	Interest rate (%)	Collateral	March 31, 2018 (Millions of yen)	March 31, 2019 (Millions of yen)	March 31, 2019 (Thousands of U.S. dollars)
Hitachi Capital Corporation							
The 45th unsecured domestic bonds payable	Oct. 18, 2012	Dec. 20, 2019	0.67%	No	¥10,008	¥10,014	$90,216
The 46th unsecured domestic bonds payable	Apr. 23, 2013	June 20, 2018	0.45%	No	20,020	—	—
The 47th unsecured domestic bonds payable	Apr. 23, 2013	Mar. 20, 2023	0.87%	No	14,970	14,974	134,900
The 48th unsecured domestic bonds payable	Sept. 13, 2013	Sept. 20, 2018	0.44%	No	14,997	—	—
The 49th unsecured domestic bonds payable	Sept. 13, 2013	Sept. 18, 2020	0.72%	No	9,987	9,994	90,036
The 50th unsecured domestic bonds payable	Mar. 20, 2014	Mar. 19, 2024	0.89%	No	19,948	19,957	179,792
The 51st unsecured domestic bonds payable	June 3, 2014	June 20, 2019	0.31%	No	20,000	20,017	180,333
The 52nd unsecured domestic bonds payable	June 3, 2014	June 18, 2021	0.51%	No	14,994	15,003	135,162
The 53rd unsecured domestic bonds payable	June 3, 2014	Mar. 19, 2024	0.82%	No	14,962	14,969	134,855
The 54th unsecured domestic bonds payable	Sept. 11, 2014	Sept. 17, 2021	0.42%	No	14,971	14,980	134,954
The 55th unsecured domestic bonds payable	Sept. 11, 2014	Sept. 18, 2026	0.96%	No	14,954	14,960	134,774
The 56th unsecured domestic bonds payable	Dec. 19, 2014	Dec. 20, 2019	0.20%	No	9,990	9,999	90,081
The 57th unsecured domestic bonds payable	Dec. 19, 2014	Dec. 20, 2024	0.62%	No	9,984	9,989	89,990
The 58th unsecured domestic bonds payable	May 1, 2015	June 19, 2020	0.22%	No	9,986	9,996	90,054
The 60th unsecured domestic bonds payable	Oct. 26, 2015	Oct. 19, 2018	0.16%	No	30,003	—	—
The 61st unsecured domestic bonds payable	June. 9, 2016	June 19, 2026	0.31%	No	9,968	9,973	89,846
The 62nd unsecured domestic bonds payable	Sept. 27, 2016	Sept. 20, 2019	0.001%	No	29,950	29,983	270,117
The 63rd unsecured domestic bonds payable	Feb. 28, 2017	Apr. 20, 2020	0.001%	No	19,953	19,976	179,963
The 64th unsecured domestic bonds payable	Feb. 28, 2017	Feb. 18, 2022	0.13%	No	9,968	9,976	89,873
The 65th unsecured domestic bonds payable	Apr. 18, 2017	Apr. 20, 2022	0.15%	No	14,959	14,971	134,873
The 66th unsecured domestic bonds payable	June 13, 2017	June 20, 2024	0.26%	No	9,969	9,975	89,864
The 67th unsecured domestic bonds payable	June 13, 2017	June 18, 2027	0.33%	No	9,964	9,969	89,810
The 68th unsecured domestic bonds payable	Aug. 31, 2017	Sept. 20, 2022	0.19%	No	14,950	14,959	134,765
The 69th unsecured domestic bonds payable	Dec. 6, 2017	Dec. 18, 2020	0.08%	No	29,918	29,951	269,828
The 70th unsecured domestic bonds payable	Dec. 6, 2017	Dec. 20, 2022	0.20%	No	14,951	14,963	134,801
The 71th unsecured domestic bonds payable	Apr. 23, 2018	Mar. 19, 2021	0.04%	No	—	14,963	134,801
The 72th unsecured domestic bonds payable	Apr. 23, 2018	Apr. 18, 2025	0.28%	No	—	9,975	89,864
The 73th unsecured domestic bonds payable	July 11, 2018	July 20, 2021	0.01%	No	—	24,936	224,648
The 74th unsecured domestic bonds payable	July 11, 2018	July 20, 2023	0.17%	No	—	9,967	89,792
The 75th unsecured domestic bonds payable	July 11, 2018	July 20, 2028	0.36%	No	—	9,962	89,747
The 76th unsecured domestic bonds payable	Dec. 4, 2018	Dec. 20, 2023	0.18%	No	—	9,965	89,774
The 77th unsecured domestic bonds payable	Feb. 28, 2019	Dec. 20, 2023	0.21%	No	—	9,959	89,720
The 1st unsecured, interest deferrable and early redeemable subordinated bonds	Dec. 19, 2016	Dec.19, 2076	1.04%	No	19,959	19,985	180,045
The 2nd unsecured, interest deferrable and early redeemable	Dec. 19, 2016	Dec.19, 2076	1.31%	No	9,966	9,974	89,855

Company name/ description	Issue date	Maturity	Interest rate (%)	Collateral	March 31, 2018 (Millions of yen)	March 31, 2019 (Millions of yen)	March 31, 2019 (Thousands of U.S. dollars)
subordinated bonds							
Hitachi Capital(UK) PLC							
MTN program bonds	Jan. 30, 2014– Mar. 25, 2019	Apr. 6, 2019– Feb. 26, 2029	1.10%– 3.07%	No	¥307,780	¥389,014	$3,504,630
Hitachi Capital America Corp.							
MTN program bonds	Feb. 3, 2015– Mar. 15, 2019	Apr. 5, 2019– Nov. 27, 2023	2.05%– 3.92%	No	28,047	51,388	462,954
Hitachi Capital (Hong Kong) Ltd.							
The 3rd bonds payable in HKD	Sept. 18, 2015	Sept. 18, 2018	1.59%	No	4,062	—	—
The 4th bonds payable in HKD	Sept. 26, 2016	Sept. 26, 2018	1.68%	No	4,062	—	—
The 5th bonds payable in HKD	Jan. 26, 2017	Jan. 24, 2020	2.73%	No	8,109	8,476	76,360
Hitachi Capital Management (China) Ltd.							
The 1st bonds payable in USD (green bonds)	Dec. 15, 2017	Dec. 15, 2022	3.00%	No	10,563	11,091	99,918
The 1st bonds payable in HKD	Sept. 26, 2018	Sept. 24, 2021	2.53%	No	—	8,439	76,027
Other companies							
Unsecured domestic bonds payable	May 28, 2015– Mar. 30, 2016	Sept. 30, 2038	1.50%	No	440	440	3,963
Total					787,328	918,099	8,271,162

(Notes)

1. “Interest rate” shows a nominal coupon rate applicable to each bond, and therefore it differs from an effective interest rate used to measure amortized cost.
2. MTN (Medium Term Notes) program bond includes the hedged items subject to interest rate swaps that convert variable rates to fixed rates and fixed rates to variable rates, and “Interest rate” shows an interest rate taking into account the effect of the hedge.
3. The 1st unsecured, interest deferrable and early redeemable subordinated bonds have a special clause that enables early redemption at the discretion of the Company on each interest payment date from December 19, 2021.
4. The 2nd unsecured, interest deferrable and early redeemable subordinated bonds have a special clause that enables early redemption at the discretion of the Company on each interest payment date from December 19, 2026.

18. Fair value of financial instruments

(1) Details of financial assets and fair value

(Millions of yen) (Thousands of U.S. dollars)

	March 31, 2018		March 31, 2019		March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Finance lease receivables	¥1,149,772	¥1,191,399	¥1,206,090	¥1,252,725	$10,865,675	$11,285,810
Financial assets measured at amortized cost						
Cash and cash equivalents	174,805	174,805	219,858	219,858	1,980,702	1,980,702
Notes receivable	2,305	2,305	2,331	2,331	21,000	21,000
Accounts receivable	1,383,499	1,390,745	1,515,550	1,535,161	13,653,603	13,830,279
Trade and other receivables	1,385,805	1,393,051	1,517,882	1,537,493	13,674,612	13,851,288
Public and corporate bonds	4,766	4,784	5,648	5,673	50,882	51,108
Time deposits with a maturity of more than three months or more	2,500	2,500	14,324	14,324	129,045	129,045
Other receivables	27,626	27,626	19,024	19,024	171,387	171,387
Other investments	4,494	4,494	4,612	4,612	41,549	41,549
Loans receivable	348	348	4,747	4,797	42,765	43,216
Other	350	350	425	425	3,828	3,828
Other financial assets	40,085	40,103	48,782	48,858	439,477	440,162
Financial assets measured at FVTPL						
Equity securities	—	—	3,308	3,308	29,801	29,801
Other investments	12,967	12,967	12,173	12,173	109,666	109,666
Other financial assets	12,967	12,967	15,482	15,482	139,477	139,477
Financial assets measured at FVTOCI						
Equity securities	22,491	22,491	20,772	20,772	187,135	187,135
Other investments	0	0	0	0	0	0
Other financial assets	22,491	22,491	20,772	20,772	187,135	187,135
Derivative financial assets						
Interest rate swaps	1,154	1,154	162	162	1,459	1,459
Currency swaps	5,576	5,576	6,453	6,453	58,135	58,135
Other financial assets	6,731	6,731	6,616	6,616	59,603	59,603
Total financial assets	2,792,659	2,841,550	3,035,484	3,101,806	27,346,702	27,944,198

(Changes in presentation)

"Loans receivable" was presented in "Other financial assets" at the end of the consolidated fiscal year ended March 31, 2018, but since the end of the consolidated fiscal year ended March 31, 2019 it has been presented independently because the monetary materiality increased. The notes at the end of the consolidated fiscal year ended March 31, 2018 have been reclassified to reflect this change in presentation.

As a result, the book value of ¥698 million and fair value of ¥698 million presented in "Other financial assets" at the end of the consolidated fiscal year ended March 31, 2018 have been reclassified as the book value of ¥348 million and fair value of ¥348 million for “Loans receivable” and the book value of ¥350 million and fair value of ¥350 million for “Other financial assets”.

(i) Finance lease receivables

The portion of finance lease receivables recognized as finance lease transactions that are related to the right to receive future lease payments is classified according mainly to the type of receivables, collection history of individual receivables (e.g. internal rating), and the respective term, and the fair value is calculated for each classification by discounting the sum of principals and interests, taking into consideration early repayments, cancellations and estimated bad debt losses, using the risk-free rate. With regard to receivables with credit impairment, estimated bad debt losses are calculated based on the recoverable amount from insurance, collateral and sale of pledged properties, and therefore it is assumed that the carrying amount, net of estimated bad debt losses, of these receivables approximates the fair value.

(ii) Financial assets measured at amortized cost

(a) Accounts receivable

The fair value of accounts receivable, most of which bear fixed interest rates, is determined in the similar manner as finance lease receivables.

(b) Notes receivable, other receivables and time deposits with a maturity of more than three months

Due to the short-term nature, it is assumed that the carrying amount of notes receivable, other receivables and time deposits with a maturity of more than three months approximates the fair value.

(c) Public and corporate bonds and other investments

The Company’s non-life insurance subsidiary primarily holds debt securities for investment purposes. For public and corporate bonds and other investments whose fair value can be measured using market prices, the fair value is calculated based on such market prices.

(d) Loans receivable

Loans receivable are mainly provided to affiliated companies. The fair value is calculated using the same method as finance lease receivables.

(iii) Financial assets measured at FVTPL

Equity securities

The Group holds unlisted shares for investment purposes.

Furthermore, the Group does not hold any shares for the purpose of trading.

Other investments

The details of other investments include trust beneficiary interests, investment partnerships, and silent partnership funds, etc.

See Note 18 “Fair value of financial instruments (3) fair value measurements”.

(iv) Financial assets measured at FVTOCI

Equity securities

The Group holds listed and unlisted shares for policy purposes.

See Note 18 “Fair value of financial instruments (3) fair value measurements”.

(v) Derivative financial assets

See Note 18 “Fair value of financial instruments (3) fair value measurements” and Note 19 “Derivatives and hedging activities”.

(vi) Fair value of financial assets measured at FVTOCI by issuer

The fair value of major equity instruments designated as at FVTOCI is as follows.

(Millions of yen)

March 31, 2018	
Issuer	Amount
Mitsubishi UFJ Lease & Finance Company Limited	¥16,647
Sompo Holdings, Inc.	1,284
BOT Lease Co., Ltd.	922
AEON CO., LTD.	855
The Mortgage Corporation of Japan, Limited	805
Other (24 issuers)	1,976

(Millions of yen) (Thousands of U.S. dollars)

March 31, 2019		
Issuer	Amount	Amount
Mitsubishi UFJ Lease & Finance Company Limited	¥15,046	$135,549
Sompo Holdings, Inc.	1,229	11,072
AEON CO., LTD.	1,043	9,396
The Mortgage Corporation of Japan, Limited	928	8,360
BOT Lease Co., Ltd.	604	5,441
Other (24 issuers)	1,919	17,288

(vii) Disposal of financial assets measured at FVTOCI

Equity instruments designated as at FVTOCI that were disposed during the years ended March 31, 2018 and 2019 were as follows:

(Millions of yen) (Thousands of U.S. dollars)

Year ended March 31, 2018			Year ended March 31, 2019			Year ended March 31, 2019		
Fair value at the disposal date	Accumulated gains	Dividend income	Fair value at the disposal date	Accumulated gains	Dividend income	Fair value at the disposal date	Accumulated gains	Dividend income
¥781	¥497	¥7	¥10	¥0	¥8	$90	$0	$72

These instruments were sold primarily as a result of reviewing the business relationship with the issuers. For the years ended March 31, 2018 and 2019, accumulated gains, net of tax, reclassified from other comprehensive income to retained earnings, amounted to ¥344 million and ¥0 million ($0 thousand).

For equity instruments designated as at FVTOCI, for which a significant fall in their fair value from the acquisition cost was not temporary, there were no such instruments during the years ended March 31, 2018 and 2019 in which accumulated losses after tax were transferred from accumulated other comprehensive income to retained earnings.

(2) Details of financial liabilities and fair value

	(Millions of yen)				(Thousands of U.S. dollars)	
	March 31, 2018		March 31, 2019		March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities						
Finance lease obligations	¥13,465	¥13,465	¥13,307	¥13,307	$119,882	$119,882
Borrowings and bonds	13,465	13,465	13,307	13,307	119,882	119,882
Financial liabilities measured at amortized cost						
Notes payable	1,319	1,319	1,823	1,823	16,423	16,423
Accounts payable	94,989	94,989	102,987	102,987	927,810	927,810
Trade and other payables	96,308	96,308	104,810	104,810	944,234	944,234
Short-term borrowings	631,544	631,544	762,581	762,581	6,870,099	6,870,099
Bonds	787,328	791,548	918,099	926,319	8,271,162	8,345,216
Long-term borrowings	1,380,652	1,382,128	1,424,063	1,428,584	12,829,396	12,870,126
Borrowings and bonds	2,799,525	2,805,222	3,104,745	3,117,485	27,970,675	28,085,450
Other payables	16,034	16,034	11,510	11,510	103,693	103,693
Accrued interest expenses	3,640	3,640	4,232	4,232	38,126	38,126
Deposits received	10,981	10,981	11,331	11,331	102,081	102,081
Financial guarantee contracts	1,638	1,638	1,330	1,330	11,981	11,981
Contract guarantees	29,350	28,735	30,977	30,582	279,072	275,513
Other	2,168	2,168	241	241	2,171	2,171
Other financial liabilities	47,777	47,163	48,113	47,718	433,450	429,891
Derivative financial liabilities						
Interest rate swaps	2,570	2,570	2,443	2,443	22,009	22,009
Currency swaps	9,437	9,437	7,936	7,936	71,495	71,495
Foreign exchange forward contracts	1	1	0	0	0	0
Other financial liabilities	12,008	12,008	10,380	10,380	93,513	93,513
Total financial liabilities	2,985,121	2,990,203	3,292,868	3,305,213	29,665,477	29,776,693

(i) Finance lease obligations

Due to the immateriality on the consolidated statements of financial position, the fair value of finance lease obligations is determined by discounting the balance of minimum lease payments to the present value using the implicit rate in the lease at initial recognition or additional borrowing rates. Accordingly, the fair value is based on the carrying amount.

(ii) Financial liabilities measured at amortized cost

(a) Notes payable, accounts payable, short-term borrowings, other payables, accrued interest expenses and deposits received

It is assumed that the carrying amount approximates the fair value as these liabilities are mostly settled within a year.

(b) Bonds and long-term borrowings

The fair value of bonds with market price is based on the market price, and the fair value of bonds without market price is determined by discounting the sum of principals and interests using an interest rate adjusted for the remaining term and credit risk of the bonds.

The fair value of long-term borrowings bearing floating interest rates is assumed to approximate the carrying amount because such interest rates reflect the market rates in a short time and the Group's credit condition has not changed significantly since the execution of such borrowings.

The fair value of long-term borrowings bearing fixed interest rates is calculated by discounting the sum of principal and interest categorized according to certain periods using interest rates assumed to be applied to similar borrowings.

(c) Financial guarantee contracts

The carrying amount of financial guarantee contracts are measured at the higher of the amount of initial measurement net of accumulated amortization and the best estimate of the outflow required to settle the present obligation that is likely to arise from the request to perform the financial guarantee contract, and the carrying amount is assumed to approximate the fair value.

(d) Contract guarantees

Contract guarantees are monetary obligations received from certain customers as credit enhancement for finance lease receivables and trade and other receivables, which are normally returned after the repayment of the original loans.

The fair value of contract guarantees with a maturity of one year or more is determined in a similar manner as the underlying receivable by discounting the estimated amount to be returned using risk-free rates.

The fair value of contract guarantees expected to be returned within a year is assumed to approximate the carrying amount due to their short-term nature.

(iii) Derivative financial liabilities

Derivative financial liabilities are described in Note 18 "Fair value of financial instruments (3) fair value measurements" and Note 19 "Derivatives and hedging activities."

(3) Fair value measurements

(i) Fair value hierarchy

Financial instruments measured at fair value on a regular basis subsequent to initial recognition are classified into three different levels in the fair value hierarchy based on observable inputs used for measurement and their significance. In this classification, the fair value hierarchy is defined as follows:

Level 1:

Fair values based on the unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2:

Fair values measured using inputs other than those included in Level 1 that are observable either directly or indirectly

Level 3:

Fair values measured using significant inputs that are unobservable

When the fair value is measured using multiple inputs, then the fair value level is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For the consolidated fiscal years ended March 31, 2018 and 2019, there was no transfer between levels of the fair value hierarchy.

(ii) Financial assets measured at FVTPL or FVTOCI

Other financial assets whose fair value can be measured based on market price are classified as Level 1, and other financial assets classified as Level 1 includes listed shares.

When an active market does not exist for other financial assets, the fair value is determined using market prices of similar other financial assets, non-distressed market prices of identical or similar other financial assets, observable interest rates and yield curves, credit spreads or other relevant information including default, and these investments are classified as Level 2.

When significant inputs used to measure fair value of financial instruments are unobservable, these investments are classified as Level 3. The Group determines fair value, depending on significance, by using prices quoted by counterparty financial institutions, a valuation model based on the investee's discounted future cash flows, earnings, profitability and net assets, a comparable industry analysis method and the method to discount future cash flows using interest rates applicable to a transaction with the same remaining period and conditions. Other financial assets classified as Level 3 include unlisted shares, trust beneficiary rights, investment partnerships, and silent partnership funds, etc.

(iii) Derivatives

Derivatives measured based on a model using non-distressed market prices, prices in inactive markets, observable interest rates and yield curves, futures or spot prices for foreign exchange or commodities, are classified as Level 2.

Derivatives classified as Level 2 mainly include interest rate swaps, currency swaps, and futures and options contracts for foreign exchange or commodities.

Fair values of derivative transactions are calculated based on prices quoted by counterparty financial institutions.

(iv) Finance lease receivables and obligations

Finance lease receivables and obligations are not measured at fair value on the consolidated statements of financial position, but their fair value is disclosed and classified as Level 2.

(v) Financial assets and financial liabilities measured at amortized cost

Financial assets and financial liabilities measured at amortized cost are not measured at fair value on the consolidated statements of financial position, but their fair value is disclosed and classified mainly as Level 2.

The financial instruments measured at fair value on a recurring basis are as follows.

(Millions of yen)

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Equity securities	¥19,648	¥ —	¥2,843	¥22,491
Other investments	—	—	12,967	12,967
Derivative financial assets	—	6,731	—	6,731
Liabilities				
Derivative financial liabilities	—	12,008	—	12,008

(Millions of yen)

	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Equity securities	¥18,095	¥—	¥5,985	¥24,080
Other investments	—	—	12,173	12,173
Derivative financial assets	—	6,616	—	6,616
Liabilities				
Derivative financial liabilities	—	10,380	—	10,380

(Thousands of U.S. dollars)

	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Equity securities	$163,018	$—	$53,918	$216,936
Other investments	—	—	109,666	109,666
Derivative financial assets	—	59,603	—	59,603
Liabilities				
Derivative financial liabilities	—	93,513	—	93,513

The reconciliation of recurring fair value measurement of financial instruments classified as Level 3 in the fair value hierarchy is as follows.

(Millions of yen)

	Other financial assets		Total
	Equity securities	Other investments	
April 1, 2017	¥2,890	¥11,767	¥14,658
Net gain/loss (Note 1)	—	434	434
Other comprehensive income (Note 2)	308	—	308
Purchase	154	3,107	3,262
Sales/redemption	(514)	(2,368)	(2,883)
Transfer to Level 3	—	—	—
Transfer from Level 3	—	—	—
Others	3	26	30
March 31, 2018	2,843	12,967	15,810
Net gain/loss (Note 1)	183	224	408
Other comprehensive income (Note 2)	(167)	—	(167)
Purchase	3,128	2,342	5,470
Sales/redemption	(17)	(3,373)	(3,390)
Transfer to Level 3	—	—	—
Transfer from Level 3	—	—	—
Others	15	12	28
March 31, 2019	5,985	12,173	18,159

(Thousands of U.S. dollars)

March 31, 2018	$25,612	$116,819	$142,432
Net gain/loss (Note 1)	1,648	2,018	3,675
Other comprehensive income (Note 2)	(1,504)	—	(1,504)
Purchase	28,180	21,099	49,279
Sales/redemption	(153)	(30,387)	(30,540)
Transfer to Level 3	—	—	—
Transfer from Level 3	—	—	—
Others	135	108	252
March 31, 2019	53,918	109,666	163,594

(Notes)

1. Gains and losses included in Net gain/loss relate to financial assets measured at FVTPL. They are included in “Revenues” and “Cost of sales”.
2. Gains and losses included in Other comprehensive income relate to financial assets measured at FVTOCI. They are included in “Financial assets measured at fair value through other comprehensive income”.

(vi) Valuation techniques and inputs

The valuation techniques and inputs of Level 3 fair values using unobservable inputs that are used in measuring fair value of trust beneficiary interests are as follows.

Description	Valuation technique	Unobservable inputs	Ratio of unobservable inputs	
			March 31, 2018	March 31, 2019
Trust beneficiary interests	Discounted cash flow method	Risk-free rate	0.07–0.15%	0.04–0.10%

The fair values of unlisted shares, investment partnerships, and silent partnership funds are calculated, depending on significance, by using a valuation model based on the investee's discounted future cash flows, earnings, profitability and net assets and a comparable industry analysis method.

(vii) Sensitivity analysis

For trust beneficiary interests classified as Level 3, the Group believes there is no significant change in the fair value due to changes in the unobservable inputs to other reasonably possible alternative assumptions.

The Group believes that there would be no significant change in the fair values of unlisted shares, investment partnerships and silent partnership funds classified as Level 3 as a result of changing the unobservable inputs to other reasonably possible alternative assumptions.

(viii) Valuation process

Fair value measurement is performed by the finance department that is independent from the sales department in accordance with the applicable rules, by adopting valuation models that can best reflect the nature of asset, characteristics and risks of individual financial instruments.

In addition, the finance department also monitors the trends of significant indicators that could have an effect on market price fluctuation and verifies its consistency with price fluctuations. When it is determined that a significant decline in the fair value of a financial instrument is other-than-temporary as a result of the verification, it is reviewed and approved by the executive officer in charge of finance and then reported to the board of executive officers and the board of directors.

19. Derivatives and hedging activities

(1) Fair value hedges

A fair value hedge is a hedge of the exposure to changes in the fair value of recognized assets and liabilities, or an unrecognized firm commitment. The Group uses currency swaps and foreign exchange forward contracts to hedge changes in the fair value of already recognized assets and liabilities. The Group also uses interest rate swaps to hedge fluctuation of fair value of borrowings with fixed interest payments if such borrowings are used to fund financial assets with variable interest rates.

The changes in the fair value of derivatives designated as hedging instruments are recognized in profit or loss, and offset the gains or losses arising from changes in the fair value of the hedged items to the extent the hedge is effective.

The gains (losses) related to hedged items and hedging instruments attributable to the risk hedged are as follows:

(Millions of yen)

	Consolidated statement of profit or loss	Year ended March 31, 2018	
		Hedged items	Hedging instruments
Interest rate swaps	Cost of sales	¥748	¥(748)
Currency swaps	Cost of sales	1,662	(1,621)
Foreign exchange forward contracts	Revenues and cost of sales	(2)	2

(2) Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in future cash flows that could possibly affect profit or loss.

The Group uses currency swaps and foreign exchange forward contracts to hedge the risk of changes in cash flows of forecast transactions, and uses interest rate swaps to hedge the exposure to risk of changes in cash flows related to borrowings with variable interest rates. There is no significant derivative transaction that is assessed to be ineffective as a result of the hedge effectiveness assessment.

The changes in the fair value of derivatives designated as hedging instruments are recognized in other comprehensive income, while the ineffective portion is immediately recognized in profit or loss. Monetary amounts related to hedging instruments recorded in other comprehensive income are reclassified into profit or loss when the hedged transaction affects profit or loss.

The gains (losses) on derivatives expected to be reclassified to profit or loss due to recognition of the hedged items in profit or loss within one year are as follows:

(Millions of yen)

	March 31, 2018
Interest rate swaps	¥17
Currency swaps	1,541
Foreign exchange forward contracts	(1)

The changes in the amount recognized in other comprehensive income in the previous consolidated fiscal year are presented in Note 15 “Accumulated other comprehensive income and other comprehensive income.” The amount reclassified to profit or loss is included in “Revenues” or “Cost of sales” in the consolidated statements of profit or loss.

(3) Derivative transactions to which hedge accounting is applied

When applying hedge accounting, in order to confirm the economic relationship between the hedged item and the hedging instrument, the important conditions of the hedged item and the hedging instrument match or are closely related and the Group assesses the effectiveness of hedging through qualitative assessment of whether or not the changes in cash flow or fair value of the hedged item and changes in the cash flow or fair value of the hedging instrument will offset one another. In addition, the Group establishes an appropriate hedge ratio based on the economic relationship between the hedging instrument and hedged item and the risk management policy. The ineffectiveness portion of the hedges recognized in profit or loss for the consolidated fiscal year ended March 31, 2019 is immaterial.

The expected principal and book value of the hedging instrument at March 31, 2018 and 2019 are as follows. The book value of the hedging instrument is included in “Other financial assets” and “Other financial liabilities” in the consolidated statement of financial position.

(Millions of yen)

	March 31, 2018		
	Notional principal	Book value	
		Asset	Liability
Fair value hedges			
Interest rate swaps	¥40,186	¥ —	¥849
Currency swaps	47,884	221	1,971
Foreign exchange forward contracts	—	—	—
Cash flow hedges			
Interest rate swaps	296,926	1,154	327
Currency swaps	295,278	5,354	7,465
Foreign exchange forward contracts	233	—	1

(Millions of yen)

	March 31, 2019					
	Book value		Notional principal	Within 1 year	After 1 year but not more than 5 years	More than 5 years
	Asset	Liability				
Fair value hedges						
Interest rate risk						
Interest rate swaps	¥ —	¥164	¥39,144	¥ —	¥39,144	¥ —
Foreign exchange rate risk						
Currency swaps	836	1,958	88,479	19,146	48,171	21,161
Cash flow hedges						
Interest rate risk						
Interest rate swaps	162	1,068	290,420	75,675	212,859	1,884
Foreign exchange rate risk						
Currency swaps	5,616	5,977	344,070	156,371	180,940	6,758
Foreign exchange forward contracts	—	0	233	233	—	—

(Thousands of U.S. dollars)

	March 31, 2019					
	Book value		Notional principal	Within 1 year	After 1 year but not more than 5 years	More than 5 years
	Asset	Liability				
Fair value hedges						
Interest rate risk						
Interest rate swaps	$ —	$1,477	$352,648	$ —	$352,648	$ —
Foreign exchange rate risk						
Currency swaps	7,531	17,639	797,108	172,486	433,972	190,639
Cash flow hedges						
Interest rate risk						
Interest rate swaps	1,459	9,621	2,616,396	681,756	1,917,648	16,972
Foreign exchange rate risk						
Currency swaps	50,594	53,846	3,099,729	1,408,747	1,630,090	60,882
Foreign exchange forward contracts	—	0	2,099	2,099	—	—

The book value of hedged items for which fair value hedging is used at March 31, 2019 is as follows.

	Consolidated statements of financial position	(Millions of yen) March 31,2019	(Thousands of U.S. dollars) March 31,2019
Interest rate risk			
Interest rate swaps	Borrowings and bonds	¥38,975	$351,126
Foreign exchange rate risk			
Currency swaps	Borrowings and bonds	87,793	790,927

The change in the fair value of the hedging instrument and the change in the value of hedged items that used as the basis for hedge ineffective portion where fair value hedging is applied for the consolidated fiscal year ended March 31, 2019 are as follows.

(Millions of yen)

	Hedged items	Hedging instruments
Interest rate risk		
Interest rate swaps	¥(684)	¥684
Foreign exchange rate risk		
Currency swaps	(627)	627

(Thousands of U.S. dollars)

	Hedged items	Hedging instruments
Interest rate risk		
Interest rate swaps	$(6,162)	$6,162
Foreign exchange rate risk		
Currency swaps	(5,648)	5,648

The cumulative amount of other comprehensive income (prior to deductions for tax effects) related to the hedging instrument designated as cash flow hedge at March 31, 2019 is as follows.

	(Millions of yen) March 31,2019	(Thousands of U.S. dollars) March 31,2019
Interest rate risk		
Interest rate swaps	¥(1,058)	$(9,531)
Foreign exchange rate risk		
Currency swaps	(946)	(8,522)
Foreign exchange forward contracts	0	0

The impact on the consolidated income statement and consolidated statements of comprehensive income (prior to deductions for tax effects) related to the hedging instrument designated as cash flow hedge for the year ended March 31, 2019 is as follows.

(Millions of yen)

	Year ended March 31, 2019	
	Changes in fair value of the hedging instruments recognized in other comprehensive income	Transfer to profit or loss (Note 1)
Interest rate risk		
Interest rate swaps	¥(1,159)	¥(11)
Foreign exchange rate risk		
Currency swaps	(1,370)	617
Foreign exchange forward contracts	0	1

(Thousands of U.S. dollars)

	Year ended March 31, 2019	
	Changes in fair value of the hedging instruments recognized in other comprehensive income	Transfer to profit or loss (Note 1)
Interest rate risk		
Interest rate swaps	$(10,441)	$(99)
Foreign exchange rate risk		
Currency swaps	(12,342)	5,558
Foreign exchange forward contracts	0	9

(Notes)

1. The amount transferred to profit or loss is included in “Revenue” and “Cost of sales” on the consolidated income statement.
2. Changes in the value of hedged items that used as the basis for hedge ineffective portion approximate changes of fair value of the hedging instrument.

(4) Derivative transactions to which hedge accounting is not applied

Derivative transactions to which hedge accounting is not applied are as follows.

(Millions of yen) (Thousands of U.S. dollars)

	March 31, 2018			March 31, 2019			March 31, 2019		
	Notional principal	Book value		Notional principal	Book value		Notional principal	Book value	
		Asset	Liability		Asset	Liability		Asset	Liability
Interest rate swaps	¥14,880	¥ —	¥1,393	¥14,880	¥ —	¥1,210	$134,054	$ —	$10,900

20. Transfer of financial assets

The Group transfers certain financial assets including finance lease receivables and accounts receivable to structured entities established by third parties and other entities, aiming at diversified funding sources and stable funding. The structured entities raise funds to purchase these financial assets by means of commercial paper and borrowings. These transfer transactions are similar to those generally conducted by many financial institutions.

In case of default by a debtor, investors in these structured entities only have recourse to the assets held by the structured entities, not to the other assets held by the Group. The Group does not provide non-contractual support to securities and do not have implicit support arrangement with any of them.

The Group's involvement with these structured entities regarding the transfer transactions includes mainly provision of liquidity enhancement and limited credit enhancement, collection agency service of receivables and receipt of fees related to collection of receivables.

(1) Consolidated structured entities for securitization

Certain financial assets are transferred to consolidated structured entities for securitization. These structured entities are trusts to securitize financial assets such as finance lease receivables and accounts receivable.

At March 31, 2018 and 2019, the assets and liabilities held by the structured entities are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Cash and cash equivalents	¥13,713	¥14,639	$131,882
Trade and other receivables	82,210	103,602	933,351
Finance lease receivables	221,459	266,022	2,396,594
Total assets	317,383	384,265	3,461,846
Borrowings and bonds	259,261	315,318	2,840,702

(Note) Substantially all of the assets of the consolidated structured entities for securitization are used solely for repayments of liabilities of these structured entities.

(2) Non-consolidated structured entities for securitization and other entities

(i) Interests in unconsolidated structured entities for securitization

In certain securitization transactions involving financial assets, the Group uses structured entities set up by third party financial institutions. As these structured entities managed by such financial institutions as part of their business also purchase a large amount of assets from other customers, the ratio of the financial assets transferred by the Group to the total assets of the structured entities is small and accordingly the Group's relevance to the assessment of exposures to the risk these structured entities hold is tenuous.

Also, in the securitization of certain financial assets, the Group has established trusts upon investors' request and sold trust interests to investors, and the Group holds limited interests in these trusts.

The Group may retain subordinated interests in the financial assets transferred to unconsolidated structured entities for securitization, mainly for the purpose of liquidity enhancement and limited credit enhancement, and/or repurchase the financial assets under limited certain circumstances.

At the end of the consolidated fiscal years ended March 31, 2018 and 2019, the maximum exposures to loss associated with the Group's interests in the unconsolidated structured entities for securitization, are ¥29,851 million and ¥23,057 million ($207,720 thousand), respectively, and they are included in the outstanding balances of subordinated interests and obligations to repurchase assets or the carrying amount of transferred assets which are not derecognized in their entirety.

(ii) Transfer of financial assets to unconsolidated structured entities for securitization

(a) Transfer of financial assets derecognized in their entirety

The Group does not derecognize transferred financial assets when substantially all credit risks and economic value related to such financial assets are retained through subordinate interests.

At March 31, 2018 and 2019, the carrying amounts of transferred financial assets that continued to be recognized in their entirety and related liabilities are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Carrying amount of transferred financial assets			
Trade and other receivables	¥76,116	¥114,563	$1,032,099
Finance lease receivables	62,045	63,156	568,972
Total assets	138,162	177,719	1,601,072
Carrying amount of related liabilities			
Borrowings and bonds	112,097	143,838	1,295,837

(Note) Substantially all of the financial assets transferred by the Group are used solely for repayments of liabilities to the investors.

At March 31, 2018 and 2019, the fair value of the transferred financial assets whose investors do not have recourse to the Group's Other assets, Cash and cash equivalents related to collections of the transferred financial assets, the fair value of related liabilities, and the net position are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Fair value of transferred financial assets	¥138,949	¥178,203	$1,605,432
Cash and cash equivalents related to collections of the transferred financial assets	3,672	3,520	31,711
Fair value of related liabilities	112,138	143,965	1,296,981
Net position	30,483	37,758	340,162

(b) Transfer of financial assets derecognized in their entirety

The Group derecognizes financial assets when substantially all credit risks and economic value related to the financial assets are transferred.

For the years ended March 31, 2018 and 2019, gains (losses) on transfers of Finance lease receivables and Trade and other receivables derecognized in their entirety are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Revenues	¥332	¥165	$1,486

During the years ended March 31, 2018 and 2019, gains (losses) recognized from the entity's continuing involvement of the Group in the Trade and other receivables that are derecognized in their entirety are as follows

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Revenues	¥1,500	¥1,086	$9,783
Cost of sales	(63)	(6)	(54)
Gross profit	1,437	1,080	9,729

The Group retains obligations to provide servicing for financial assets derecognized in their entirety (service to collect principal and interest of transferred financial assets for commission), but servicing assets or liabilities are not recorded because the amounts of servicing expense and commission received are immaterial.

21. Revenues

(1) Disaggregation of revenue

(i) Revenue recognized from contracts with customers and other sources

	(Millions of yen) Year ended March 31, 2019	(Thousands of U.S. dollars) Year ended March 31, 2019
Revenue recognized from contracts with customers	¥172,216	$1,551,495
Revenue recognized from other sources	281,036	2,531,855
Total	453,253	4,083,360

Revenue recognized from other sources includes lease revenue based on IAS 17, interest and dividend revenue based on IFRS 9, and insurance income based on IFRS 4.

(ii) Correlation between disaggregated revenue and segment revenue

(Millions of yen)

	Reporting segment							Other	Total	Adjusted amount	Amount recorded in consolidated income statement
	Japan		Europe	Americas	China	ASEAN	Total				
	Account Solutions	Vendor Solutions									
Revenues											
Interest income from finance leases	¥3,695	¥13,247	¥1,035	¥8,489	¥10,689	¥2,944	¥40,101	¥773	¥40,875	¥3,874	¥44,749
Income from operating leases and other lease-related income	172,725	8,628	55,030	2,759	225	5,946	245,316	1,570	246,887	(6,395)	240,492
Interest income from installments and other lean receivables	9,325	1,649	29,375	13,859	7,199	6,873	68,284	1,270	69,555	(1,023)	68,532
Sales income of lease properties	15,850	1,109	30,994	130	55	1,286	49,428	195	49,624	(372)	49,251
Other	27,783	320	10,655	1,706	429	482	41,377	8,976	50,354	(127)	50,227
Total	229,381	24,956	127,091	26,945	18,600	17,534	444,509	12,787	457,297	(4,044)	453,253

(Thousands of U.S. dollars)

	Reporting segment							Other	Total	Adjusted amount	Amount recorded in consolidated income statement
	Japan		Europe	Americas	China	ASEAN	Total				
	Account Solutions	Vendor Solutions									
Revenues											
Interest income from finance leases	$33,288	$119,342	$9,324	$76,477	$96,297	$26,522	$361,270	$6,963	$368,243	$34,900	$403,144
Income from operating leases and other lease-related income	1,556,081	77,729	495,765	24,855	2,027	53,567	2,210,054	14,144	2,224,207	(57,612)	2,166,594
Interest income from installments and other lean receivables	84,009	14,855	264,639	124,855	64,855	61,918	615,171	11,441	626,621	(9,216)	617,405
Sales income of lease properties	142,792	9,990	279,225	1,171	495	11,585	445,297	1,756	447,063	(3,351)	443,702
Other	250,297	2,882	95,990	15,369	3,864	4,342	372,765	80,864	453,639	(1,144)	452,495
Total	2,066,495	224,828	1,144,963	242,747	167,567	157,963	4,004,585	115,198	4,119,792	(36,432)	4,083,360

Regarding Installments and other loan receivables, the amount equivalent to interest received using effective interest method are recognized as revenue for each period. The effective interest rate is calculated by applying the discount interest rate until the net book value of the receivables related to the contract to the estimated amount of cash to be received in the future throughout the expected remaining period of the contract.

Revenue from sale of lease properties is 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 into the Group. Generally, revenue is recognized when the delivery of the related asset to the buyer is completed and the performance obligation is satisfied.

The Group provides maintenance and other services attached to lease agreements with customers and determines that the performance obligation was satisfied at the time the service was provided. Mainly, the revenue is recognized based on cost incurred to the satisfaction of performance obligation relative to the expected total cost. In addition, this revenue is included in revenue from operating lease and other lease related revenue. Furthermore, if payment is received from the customer prior to the satisfaction of the performance obligation, the amount is recognized as contract liabilities at the point in time, and as performance obligation is satisfied, the contract liability is recognized as revenue generally within one year.

(2) Contract balances

Contract balances are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)	
	April 1, 2018	March 31, 2019	April 1, 2018	March 31, 2019
Trade and other receivables	¥333,483	¥363,098	$3,004,351	$3,271,153
Contract liabilities	5,036	4,561	45,369	41,090

Within the revenue recognized for the consolidated fiscal year ended March 31, 2019, the amount included in contract liabilities as at the beginning of the year is immaterial.

Furthermore, “Contract liabilities” are presented in “Other liabilities” on the consolidated statement of financial position.

(3) Remaining performance obligations

The total amount of transaction price and the period for which recognition of revenue allocated to remaining performance obligations in contracts concerning long-term contracts of maintenance income, etc. is expected as follows.

	(Millions of yen)	(Thousands of U.S. dollars)
	March 31, 2019	March 31, 2019
Less than 1 year	¥37,845	$340,945
1 to 5 years	63,805	574,819
Over 5 years	2,329	20,981
Total	103,980	936,756

(4) Assets recognized from the costs to obtain or fulfill contracts with customers

The amount of assets recognized from costs to obtain or fulfill contracts with customers at the end of the consolidated fiscal year ended March 31, 2019 is immaterial. In addition, if the amortization period of assets that should be recognized is less than one year, the incremental cost of obtaining a contract is recognized as an expense when incurred as a practically expedient.

22. Cost of sales

The major components of cost of sales are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Cost of sales			
Interest expenses arising from financial liabilities measured at amortized cost	¥30,240	¥38,316	$345,189
Operating lease and lease related expenses	223,762	250,497	2,256,729
Other	18,422	24,045	216,621
Total cost of sales	272,425	312,859	2,818,549

23. Selling, general and administrative expenses

The major components of selling, general and administrative expenses are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Employee benefit expenses	¥42,192	¥43,348	$390,522
Welfare expenses	5,131	5,355	48,243
Rent expenses	3,939	4,147	37,360
Communication expenses	1,175	1,095	9,864
Operations consignment expenses	7,591	8,089	72,873
Provision (reversal) of allowance for doubtful accounts and bad debt losses	6,134	28,171	253,792
Other	20,108	20,789	187,288
Total selling, general and administrative expenses	86,274	110,997	999,972

The Group recorded a provision for allowance for doubtful accounts because of significant increase of credit risk caused by inappropriate deals that were found in factoring transactions carried out by Hitachi Capital Factoring (China) Co., Ltd., a subsidiary of the Company.

As a result, selling, general and administrative expenses increased by ¥20,665 million ($186,171 thousand).

24. Other income and expenses

The major components of other income and expenses are as follows:

	Year ended March 31, 2018	(Millions of yen) Year ended March 31, 2019	(Thousands of U.S. dollars) Year ended March 31, 2019
Other income			
Casualty insurance income	¥175	¥475	$4,279
Other	548	547	4,927
Total other income	723	1,023	9,216

	Year ended March 31, 2018	(Millions of yen) Year ended March 31, 2019	(Thousands of U.S. dollars) Year ended March 31, 2019
Other expenses			
Extra retirement payments	¥ 1,413	¥112	¥1,009
Impairment losses	840	53	477
Other	733	548	4,936
Total other expenses	2,987	714	6,432

25. Earnings per share

Earnings per share attributable to equity owners of the parent are as follows.

Diluted earnings per share attributable to equity owners of the parent are not presented as there are no dilutive shares.

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Net earnings attributable to owners of the parent	¥32,057 million	¥19,363 million	$174,441 thousand
Weighted average number of shares	116,886,292 shares	116,860,470 shares	116,860,470 shares
Earnings per share attributable to owners of the parent	¥274.26	¥165.69	$1.49

26. Cash flow information

(1) Interest and dividends received and interest paid

Cash flows from operating activities include the following interest and dividends received and interest paid.

	Year ended March 31, 2018	(Millions of yen) Year ended March 31, 2019	(Thousands of U.S. dollars) Year ended March 31, 2019
Interest and dividends received	¥67,434	¥69,963	$630,297
Interest paid	(29,251)	(37,671)	(339,378)

(2) Changes in liabilities of cash flows from financing activities

Year ended March 31, 2018

(Millions of yen)

	Short-term borrowings	Long-term borrowings	Bonds	Total
April 1, 2017	¥532,590	¥1,370,536	¥637,170	¥2,540,297
Changes associated with cash flow	106,400	1,196	156,880	264,477
Changes not associated with cash flow	(7,445)	8,919	(6,722)	(5,248)
Change in scope of consolidation	537	12,930	440	13,907
Exchange differences	(7,983)	(3,935)	(7,192)	(19,111)
Other	—	(75)	30	(45)
March 31, 2018	631,544	1,380,652	787,328	2,799,525

Year ended March 31, 2019

(Millions of yen)

	Short-term borrowings	Long-term borrowings	Bonds	Total
April 1, 2018	¥631,544	¥1,380,652	¥787,328	¥2,799,525
Changes associated with cash flow	125,709	25,060	137,271	288,041
Changes not associated with cash flow	5,327	18,350	(6,500)	17,178
Change in scope of consolidation	1,173	14,795	—	15,969
Exchange differences	4,154	3,562	(6,485)	1,230
Other	—	(7)	(14)	(21)
March 31, 2019	762,581	1,424,063	918,099	3,104,745

(Thousands of U.S. dollars)

	Short-term borrowings	Long-term borrowings	Bonds	Total
April 1, 2018	$5,689,585	$12,438,306	$7,093,045	$25,220,945
Changes associated with cash flow	1,132,513	225,765	1,236,675	2,594,963
Changes not associated with cash flow	47,990	165,315	(58,558)	154,756
Change in scope of consolidation	10,567	133,288	—	143,864
Exchange differences	37,423	32,090	(58,423)	11,081
Other	—	(63)	(126)	(189)
March 31, 2019	6,870,099	12,829,396	8,271,162	27,970,675

27. Major subsidiaries

The consolidated financial statements of the Group include the financial statements of the following subsidiaries.

(%)

Name	Location	March 31, 2018	March 31, 2019
		Ownership ratio	Ownership ratio
Hitachi Capital Servicer Corporation	Minato, Tokyo	100.00	100.00
Hitachi Capital Services Co., Ltd.	Minato, Tokyo	100.00	100.00
Hitachi Capital Auto Lease Corporation	Minato, Tokyo	51.00	51.00
Hitachi Triple Win Corp.	Minato, Tokyo	100.00	100.00
Sekisui Leasing Co., Ltd.	Osaka, Osaka	90.00	90.00
Hitachi Capital Insurance Corporation	Chiyoda, Tokyo	79.36	79.36
Hitachi Capital Community Corporation	Minato, Tokyo	100.00	100.00
Hitachi Capital Trust Corporation	Minato, Tokyo	100.00	100.00
Hitachi Capital NBL Corporation	Minato, Tokyo	100.00	100.00
Hitachi Green Energy Corporation	Minato, Tokyo	100.00	100.00
Hitachi Wind Power Ltd.	Minato, Tokyo	85.10	85.10
Hitachi Sustainable Energy Ltd.	Hitachi, Ibaraki	85.10	85.10
Hitachi Capital (UK) PLC	Surrey, UK	100.00	100.00
Hitachi Capital Polska Sp. z o.o.	Warsaw, Poland	100.00	100.00
Hitachi Capital Mobility Holding Netherlands B.V.	Groningen, Netherland	96.70	98.35
Hitachi Capital Mobility Netherlands B.V.	Groningen, Netherland	96.70 (96.70)	98.35 (98.35)
Maske Fleet GmbH	Germany, Niedersachsen	—	100.00
Maske Langzeit-Vermietung GmbH	Austria, Vienna	—	100.00 (100.00)
Hitachi Capital America Corp.	Connecticut, USA	100.00	100.00
Hitachi Capital Canada Corp.	Ontario, Canada	100.00 (100.00)	100.00 (100.00)
CLE Capital Inc.	Quebec, Canada	100.00 (100.00)	100.00 (100.00)
Hitachi Capital Management (China) Ltd.	Hong Kong, China	100.00	100.00
Hitachi Capital (Hong Kong) Ltd.	Hong Kong, China	100.00 (100.00)	100.00 (100.00)
Hitachi Capital Leasing (China) Co., Ltd.	Beijing, China	90.00 (90.00)	90.00 (90.00)
Hitachi Capital Factoring (China) Co., Ltd.	Shanghai, China	100.00 (100.00)	100.00 (100.00)
Hitachi Capital Asia Pacific Pte. Ltd.	Singapore	100.00	100.00
Hitachi Capital (Thailand) Co., Ltd.	Bangkok, Thailand	73.99 (73.99)	73.99 (73.99)
Hitachi Capital Malaysia Sdn. Bhd.	Malaysia, Kuala Lumpur	100.00 (100.00)	100.00 (100.00)

Name	Location	March 31, 2018	March 31, 2019
		Ownership ratio	Ownership ratio
PT. Arthaasia Finance	Jakarta, Indonesia	84.98 (84.98)	85.00 (85.00)
PT. Hitachi Capital Finance Indonesia	Jakarta, Indonesia	70.00 (70.00)	70.00 (70.00)

(Notes)

1. Figures in parentheses below “Ownership ratio” represent the percentage of indirect ownership within the total ownership.
2. In addition to the subsidiaries listed above, the Group also consolidates trusts used for the securitization of receivables.

28. Related party transactions

Significant transactions and balances of receivables and payables between the Group and its related parties are as follows.

(1) Companies and the subsidiaries thereof having significant influence over the Group

The following transactions involve companies having significant influence over the Group, and the subsidiaries of such companies.

(Millions of yen) (Thousands of U.S. dollars)

	March 31, 2018	March 31, 2019	March 31, 2019
Accounts receivable	¥78,375	¥79,527	$716,459
Accounts payable	35,706	32,621	293,882
Borrowings	361,651	373,623	3,365,972

(Millions of yen) (Thousands of U.S. dollars)

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Revenues	¥22,850	¥23,525	$211,936
Interest expense	6,356	7,857	70,783

(2) Management

Remuneration of the Company’s directors is as follows.

(Millions of yen) (Thousands of U.S. dollars)

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Remunerations for management (short-term employee benefits)	¥528	¥602	$5,423

29. Pledged assets

The Group pledged certain assets as collateral as follows.

	March 31, 2018 (Millions of yen)	March 31, 2019 (Millions of yen)	March 31, 2019 (Thousands of U.S. dollars)
Cash and cash equivalents	¥ —	¥13,270	$119,549
Accounts receivable	1	384	3,459
Finance lease receivables	2,518	840	7,567
Operating leased assets	5,729	27,449	247,288
Other property, plant and equipment	2,039	1,917	17,270
Total	10,288	43,862	395,153

The balance of obligations corresponding to pledged assets is as follows.

	March 31, 2018 (Millions of yen)	March 31, 2019 (Millions of yen)	March 31, 2019 (Thousands of U.S. dollars)
Borrowings	¥8,736	¥38,411	$346,045
Total	8,736	38,411	346,045

30. Commitments and contingencies

(1) Liability guarantee agreements

The Group provides guarantees for customer obligations related to sales of affiliated loans, etc. (maximum term up to fiscal 2042). The outstanding balance of the loan guarantee liabilities is as follows.

	March 31, 2018 (Millions of yen)	March 31, 2019 (Millions of yen)	March 31, 2019 (Thousands of U.S. dollars)
Loan guarantee liabilities	¥58,872	¥42,462	$382,540

The Group is obligated to reimburse the holder of financial guarantee contracts for a loss incurred because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

The Group receives collateral for certain guarantee liabilities.

At March 31, 2018 and 2019, these guarantee liabilities amounted to ¥1,638 million and ¥1,330 million ($11,981 thousand), respectively.

(2) Loan commitments

The Company provides loan commitments to its customers and associates.

The undrawn amount of the total loan commitment is as follows.

	March 31, 2018 (Millions of yen)	March 31, 2019 (Millions of yen)	March 31, 2019 (Thousands of U.S. dollars)
Total loan commitments	¥30,531	¥41,400	$372,972
Amount utilized	531	5,476	49,333
Balance available	30,000	35,923	323,630

As loans under the loan commitment agreements are subject to credit review of borrowers, the full amount may not be utilized.

31. Business combinations

There were no material business combinations during the consolidated fiscal years ended March 31, 2018 and 2019.

32. Subsequent event

There was no subsequent event.

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Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
ey.com

Independent Auditor's Report

The Board of Directors
Hitachi Capital Corporation

We have audited the accompanying consolidated financial statements of Hitachi Capital Corporation and its consolidated subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2019, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended and notes to the consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi Capital Corporation and its consolidated subsidiaries as at March 31, 2019 and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

July 26, 2019
Tokyo, Japan