Detailed financial information supplement to the Hitachi Capital Report 2015

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

1. Consolidated financial statements, etc.

(1) Consolidated financial statements

(i) Consolidated statements of financial position

	Notes	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
		(Millions of yen)			(Thousands of U.S. dollars)
Assets					
Cash and cash equivalents	6,7,19	¥ 139,792	¥ 150,480	¥ 119,314	$ 994,283
Trade and other receivables	7, 19	881,155	1,153,893	1,367,886	11,399,050
Finance lease receivables	8, 19	620,244	885,232	996,438	8,303,650
Other financial assets	7, 19	50,387	55,312	54,830	456,916
Operating leased assets	10, 11	247,303	273,628	302,765	2,523,041
Investments accounted for using the equity method	9	20,166	18,344	19,267	160,558
Other property, plant and equipment	10	3,203	11,297	16,150	134,583
Other intangible assets	11	10,461	9,079	12,735	106,125
Deferred tax assets	12	22,888	23,174	21,179	176,491
Other assets	13	28,411	38,666	41,903	349,191
Total assets		2,024,016	2,619,108	2,952,471	24,603,925
Liabilities					
Trade and other payables	7, 19	256,221	276,345	273,036	2,275,300
Borrowings and bonds	18, 19	1,290,813	1,843,043	2,149,103	17,909,191
Other payables	7, 19	41,294	25,762	27,912	232,600
Other financial liabilities	7, 19	70,561	79,242	89,844	748,700
Income tax payable		2,806	4,730	2,684	22,366
Retirement and severance benefits	14	9,689	7,766	6,285	52,375
Deferred tax liabilities	12	3,717	2,928	1,965	16,375
Other liabilities	13	67,172	70,598	64,809	540,075
Total liabilities		1,742,278	2,310,417	2,615,641	21,797,008
Equity					
Equity attributable to owners of the parent					
Common stock	15	9,983	9,983	9,983	83,191
Capital surplus	15	45,823	45,823	45,823	381,858
Retained earnings	15	229,813	246,364	265,152	2,209,600
Accumulated other comprehensive income	16	857	10,449	18,597	154,975
Treasury stock	15	(14,331)	(14,332)	(14,333)	(119,441)
Total equity attributable to owners of the parent		272,146	298,288	325,223	2,710,191
Non-controlling interests		9,591	10,402	11,607	96,725
Total equity		281,737	308,690	336,830	2,806,916
Total liabilities and equity		2,024,016	2,619,108	2,952,471	24,603,925

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

【Consolidated statements of profit or loss】

	Notes	Year ended March 31, 2014 (Millions of yen)	Year ended March 31, 2015 (Millions of yen)	Year ended March 31, 2015 (Thousands of U.S. dollars)
Revenues	4, 23	¥ 342,675	¥ 356,291	$ 2,969,091
Cost of sales	24	237,351	236,922	1,974,350
Gross profit		105,323	119,368	994,733
Selling, general and administrative expenses	25	72,236	80,381	669,841
Other income	26	1,582	120	1,000
Other expenses	26	2,810	5,149	42,908
Share of profits of investments accounted for using the equity method	9	1,311	1,640	13,666
Income before income taxes	4	33,171	35,598	296,650
Income taxes	12	10,820	10,660	88,833
Net income		22,350	24,937	207,808
Net income attributable to:				
Owners of the parent		21,547	24,140	201,166
Non-controlling interests		803	797	6,641
			(Yen)	(U.S. dollars)
Earnings per share	27			
Earnings per share attributable to owners of the parent (basic and diluted)		¥184.35	¥206.53	$ 1.72

【Consolidated statements of comprehensive income】

	Notes	Year ended March 31, 2014 (Millions of yen)	Year ended March 31, 2015 (Millions of yen)	Year ended March 31, 2015 (Thousands of U.S. dollars)
Net income		¥ 22,350	¥ 24,937	$ 207,808
Other comprehensive income	16			
Items not to be reclassified to net income				
Financial assets measured at fair value through other comprehensive income		645	966	8,050
Remeasurements of defined benefit plans		1,123	206	1,716
Share of other comprehensive income of investments accounted for using the equity method	9	78	164	1,366
Total items not to be reclassified to net income		1,847	1,338	11,150
Items that can be reclassified to net income				
Foreign currency translation adjustments		6,752	10,141	84,508
Cash flow hedges		1,145	(2,336)	(19,466)
Total items that can be reclassified to net income		7,897	7,805	65,041
Other comprehensive income		9,745	9,143	76,191
Comprehensive income		32,096	34,080	284,000
Comprehensive income attributable to:				
Owners of the parent		31,169	33,013	275,108
Non-controlling interests		927	1,066	8,883

(iii) Consolidated statements of changes in equity

Year ended March 31, 2014

(Millions of yen)

	Notes	Equity attributable to equity holders of the parent					Total equity attributable to equity owners of the parent	Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock			
Transition date (April 1, 2013)		¥ 9,983	¥ 45,823	¥ 229,813	¥ 857	¥ (14,331)	¥ 272,146	¥ 9,591	¥ 281,737
Changes in equity									
Net income				21,547			21,547	803	22,350
Other comprehensive income	16				9,621		9,621	124	9,745
Comprehensive income				21,547	9,621		31,169	927	32,096
Dividends to owners of the parent	17			(5,026)			(5,026)		(5,026)
Dividends to non-controlling interests								(225)	(225)
Acquisition of treasury stock	15					(0)	(0)		(0)
Transfer to retained earnings	19				(29)		(29)		(29)
Transfer from accumulated other comprehensive income	19			29			29		29
Equity transactions with non-controlling interests								108	108
Total changes in equity		–	–	16,551	9,592	(0)	26,142	810	26,953
March 31, 2014		9,983	45,823	246,364	10,449	(14,332)	298,288	10,402	308,690

Year ended March 31, 2015

(Millions of yen)

	Notes	Equity attributable to equity holders of the parent					Total equity attributable to equity owners of the parent	Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock			
April 1, 2014		¥ 9,983	¥ 45,823	¥ 246,364	¥ 10,449	¥ (14,332)	¥ 298,288	¥ 10,402	¥ 308,690
Changes in equity									
Net income				24,140			24,140	797	24,937
Other comprehensive income	16				8,873		8,873	269	9,143
Comprehensive income				24,140	8,873		33,013	1,066	34,080
Dividends to owners of the parent	17			(6,078)			(6,078)		(6,078)
Dividends to non-controlling interests								(141)	(141)
Acquisition of treasury stock	15					(1)	(1)		(1)
Transfer to retained earnings	19				(726)		(726)		(726)
Transfer from accumulated other comprehensive income	19			726			726		726
Increase in other non-controlling interests								279	279
Total changes in equity		—	—	18,788	8,147	(1)	26,934	1,204	28,139
March 31, 2015		9,983	45,823	265,152	18,597	(14,333)	325,223	11,607	336,830

(Thousands of U.S. dollars)

	Notes	Equity attributable to equity holders of the parent					Total equity attributable to equity owners of the parent	Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock			
April 1, 2014		$ 83,191	$ 381,858	$2,053,033	$ 87,075	$ (119,433)	$ 2,485,733	$ 86,683	$ 2,572,416
Changes in equity									
Net income				201,166			201,166	6,641	207,808
Other comprehensive income	16				73,941		73,941	2,241	76,191
Comprehensive income				201,166	73,941		275,108	8,883	284,000
Dividends to owners of the parent	17			(50,650)			(50,650)		(50,650)
Dividends to non-controlling interests								(1,175)	(1,175)
Acquisition of treasury stock	15					(8)	(8)		(8)
Transfer to retained earnings	19				(6,050)		(6,050)		(6,050)
Transfer from accumulated other comprehensive income	19			6,050			6,050		6,050
Increase in other non-controlling interests								2,325	2,325
Total changes in equity		—	—	156,566	67,891	(8)	224,450	10,033	234,491
March 31, 2015		83,191	381,858	2,209,600	154,975	(119,441)	2,710,191	96,725	2,806,916

(iv) Consolidated statements of cash flows

	Notes	Year ended March 31, 2014 (Millions of yen)	Year ended March 31, 2015 (Millions of yen)	Year ended March 31, 2015 (Thousands of U.S. dollars)
Cash flows from operating activities	28			
Net income		¥ 22,350	¥ 24,937	$ 207,808
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	4	87,877	89,554	746,283
Income taxes		10,820	10,660	88,833
Share of profits of investments accounted for using the equity method		(1,311)	(1,640)	(13,666)
(Increase) decrease in trade and other receivables		(172,551)	(165,086)	(1,375,716)
(Increase) decrease in finance lease receivables		(111,062)	(82,250)	(685,416)
Purchase of operating leased assets		(114,906)	(124,520)	(1,037,666)
Proceeds from sale of operating leased assets		41,587	36,552	304,600
Increase (decrease) in trade and other payables		17,076	(9,602)	(80,016)
Increase (decrease) in payable due to collection of securitized receivables		(13,286)	(2,824)	(23,533)
Other		(21,138)	(5,244)	(43,700)
Subtotal		(254,546)	(229,464)	(1,912,200)
Income taxes paid		(6,147)	(12,382)	(103,183)
Net cash provided by (used in) operating activities		(260,693)	(241,846)	(2,015,383)
Cash flows from investing activities				
Purchase of other property, plant and equipment		(8,410)	(5,798)	(48,316)
Purchase of other intangible assets		(2,025)	(2,843)	(23,691)
Purchase of investments in securities and payments to time deposits		(29,089)	(20,500)	(170,833)
Proceeds from sale and redemption of investments in securities and withdrawal of time deposits		22,525	32,616	271,800
Net proceeds from business combinations		4,142	–	–
Net payments for business combinations		–	(7,019)	(58,491)
Other		107	102	850
Net cash provided by (used in) investing activities		(12,750)	(3,443)	(28,691)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		(33,304)	52,191	434,925
Proceeds from long-term borrowings and bonds		594,517	573,448	4,778,733
Repayments of long-term borrowings and bonds		(273,297)	(408,841)	(3,407,008)
Proceeds from non-controlling interests		108	279	2,325
Dividends paid to owners of the parent		(5,026)	(6,077)	(50,641)
Dividends paid to non-controlling interests		(225)	(141)	(1,175)
Other		(0)	(1)	(8)
Net cash provided by (used in) financing activities		282,772	210,858	1,757,150
Effect of exchange rate changes on cash and cash equivalents		1,359	3,265	27,208
Net increase (decrease) in cash and cash equivalents		10,687	(31,165)	(259,708)
Cash and cash equivalents at beginning of year	6	139,792	150,480	1,254,000
Cash and cash equivalents at end of year	6	150,480	119,314	994,283

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 Company's consolidated financial statements include the Company, its subsidiaries and interests in its associates. The Company and its subsidiaries (collectively "the Group") provide financial services, including combined functions of leasing, installment sales, insurance and trust account services, and work in collaboration with the Hitachi Group. The Group has the following major six business segments. The Japan Business consists of two business segments: Account Solution, which provides financial services that meet the diversified needs of customers, and Vendor Solution, which provides financial solutions that meet associated vendors' needs for sales promotion. The Global Business consists of four business segments based on regional classification consisting of Europe, the Americas, China and ASEAN.

The consolidated financial statements were approved by Kazuya Miura, President and CEO, and Yoshikazu Ohashi, Executive Officer and Chief Financial Officer, on June 24, 2015.

2. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with IFRS issued by the International Accounting Standards Board pursuant to Article 93 of the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976, hereinafter referred to as the "Ordinance for Consolidated Financial Statements")" as the Company meets the requirements for a "Specified Company" defined in Article 1-2 of the Ordinance for Consolidated Financial Statements. These are the first consolidated financial statements the Company has prepared in accordance with IFRS. The date of transition to IFRS is April 1, 2013, and the Company has adopted IFRS 1 *First-time Adoption of International Financial Reporting Standards*. Details of the Company's transition to IFRS are set forth in Note 33 "First-time adoption of IFRS."

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

In the preparation of the consolidated financial statements in accordance with IFRS, management are required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Any impact arising on the revision of accounting estimates is recognized in the period in which the estimate is revised and future periods.

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

- Note 3 "Summary of significant accounting policies (1) Basis of consolidation"
- Note 3 "Summary of significant accounting policies (4) Financial instruments" and Note 18 "Financial instruments"
- Note 3 "Summary of significant accounting policies (5) Leasing arrangements as a lessor" and Note 8 "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 subsequent fiscal years 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 14 "Employee

benefits”

- Note 3 “Summary of significant accounting policies (10) Provisions, (11) Contingencies”, and Note 31 “Commitments and contingencies”
- Note 3 “Summary of significant accounting policies (13) Income tax” and Note 12 “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, 2015 are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120 to $1, the approximate rate of exchange at March 31, 2015. 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 (companies accounted for using the equity method)

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

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

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

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

(2) Cash and cash equivalents

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

(3) Foreign currency translation

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

(i) Foreign currency transactions

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

(ii) Translation of financial statements of overseas subsidiaries

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

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

(4) Financial instruments

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

(i) Non-derivative financial assets

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

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

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

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

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

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

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

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

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

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

<u>Financial assets measured at FVTPL</u>

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

<u>Financial assets measured at FVTOCI</u>

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

<u>Derecognition of financial assets</u>

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

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

(ii) Non-derivative financial liabilities

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

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

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

(iii) Derivative financial instruments and hedge accounting

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

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

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. Gains or losses on hedged items attributable to the hedged risk are recognized in profit or loss and is also recorded as part of the carrying amount of the hedged item.

- Cash flow hedges

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

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

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

Derivatives that do not meet the criteria for hedge accounting

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

(iv) Financial guarantee contracts

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

(v) Offsetting financial assets and financial liabilities

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

(5) Leasing arrangements as a lessor

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

Finance leases

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

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

Operating leases

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

Operating leased assets are depreciated using the straight-line method over the lease term (mainly three to seven years). Depreciation expense on operating leased assets is included in cost of sales.

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

(6) Other property, plant and equipment

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

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

Other property, plant and equipment comprises own-used assets and construction in progress, and own-used assets mainly comprise machinery. The major estimated useful life of machinery at March 31, 2014 and 2015 is 20 years.

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

(7) Other intangible assets

(i) Goodwill

Goodwill is presented at cost less any accumulated impairment losses.

(ii) Other intangible assets

The Group has adopted the cost model for measurement of intangible assets, and intangible assets with definite 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 a straight-line basis.

Other intangible assets mainly comprise software for internal use, whose estimated useful life at March 31, 2014 and 2015 is mainly five years.

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

(8) Impairment of non-financial assets

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

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

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

(9) Post-retirement benefits

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

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

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

(10) Provisions

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

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

(11) Contingencies

In accordance with provisions of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* the Group discloses an outflow of resources embodying economic benefits that is not probable to occur at the end of reporting period as contingent liabilities in Note 31 "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

<u>Leases</u>

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

Revenue under operating lease contracts is recognized over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which the benefit of use derived from the leased asset is diminished.

Proceeds from sale of lease property are recognized when significant risks and economic value of ownership of the property are transferred to the buyer, the Group retains neither continuing involvement nor effective control over the property, the amount of revenue and the costs incurred in respect of the transaction can be measured reliably, and it is probable that the economic benefits which is the consideration for the transaction will flow to the Group. Generally, revenue is recognized when the delivery of the property to the buyer is complete.

<u>Revenue on installment sales</u>

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

(13) Income taxes

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

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

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

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

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

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

(14) Consumption taxes

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

(15) Earnings per share (“EPS”)

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

(16) Business combinations

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

(17) 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 Company as of March 31, 2015 are as follows. The Company is currently evaluating the potential impact of applying these on its financial position and operating results.

Standard	Name	Effective date (First year of application)	Year to be applied by the Company	Summary
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	TBD	Amendment to accounting treatment and disclosure for revenue recognition
IFRS 9	Financial Instruments	January 1, 2018	TBD	Amendment to hedge accounting (amended in November 2013), amendment to classification and measurement of financial instruments, and introduction of expected loss impairment model for financial assets (amended in July 2014)

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 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 Global. The Group further classifies Japan into two segments ("Account Solution" and "Vendor Solution") and Global into four segments (Europe, the Americas, China, and ASEAN) 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:

(1) Account Solution

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

(2) Vendor Solution

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

(3) 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, 2014 and 2015 is as follows.

Year ended March 31, 2014 (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	¥192,118	¥ 27,162	¥ 82,779	¥ 4,695	¥ 13,833	¥ 9,266	¥ 329,855	¥ 15,017	¥344,872	¥ (2,197)	¥ 342,675
Intersegment	1,227	43	—	—	—	—	1,271	3,393	4,665	(4,665)	—
Total	193,346	27,205	82,779	4,695	13,833	9,266	331,126	18,410	349,537	(6,862)	342,675
Income before income taxes	15,175	3,839	11,056	1,193	3,387	52	34,705	2,382	37,087	(3,916)	33,171
Interest expenses	9,291	2,274	5,349	672	4,039	2,445	24,074	2,362	26,436	(5,330)	21,105
Depreciation and amortization	57,188	2,996	23,320	70	166	963	84,706	1,429	86,135	1,741	87,877

(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, 2015 (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	¥ 186,777	¥ 20,811	¥ 99,615	¥ 8,674	¥ 15,855	¥ 11,039	¥ 342,774	¥ 14,161	¥ 356,935	¥ (644)	¥ 356,291
Intersegment	1,387	54	―	―	―	―	1,441	3,052	4,494	(4,494)	―
Total	188,164	20,865	99,615	8,674	15,855	11,039	344,215	17,214	361,430	(5,138)	356,291
Income before income taxes	14,876	3,491	14,849	2,222	5,596	28	41,064	2,222	43,286	(7,688)	35,598
Interest expenses	8,699	2,083	7,198	1,407	4,353	3,208	26,951	1,942	28,893	(4,926)	23,967
Depreciation and amortization	57,620	2,981	24,713	128	242	1,280	86,967	1,368	88,336	1,218	89,554

(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	$1,556,475	$173,425	$830,125	$ 72,283	$132,125	$ 91,991	$2,856,450	$ 118,008	$2,974,458	$ (5,366)	$ 2,969,091
Intersegment	11,558	450	―	―	―	―	12,008	25,433	37,450	(37,450)	―
Total	1,568,033	173,875	830,125	72,283	132,125	91,991	2,868,458	143,450	3,011,916	(42,816)	2,969,091
Income before income taxes	123,966	29,091	123,741	18,516	46,633	233	342,200	18,516	360,716	(64,066)	296,650
Interest expenses	72,491	17,358	59,983	11,725	36,275	26,733	224,591	16,183	240,775	(41,050)	199,725
Depreciation and amortization	480,166	24,841	205,941	1,066	2,016	10,666	724,725	11,400	736,133	10,150	746,283

(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.

(2) Geographic information

Revenues attributed to geographic areas based on the location of the customers for the years ended March 31, 2014 and 2015 are as follows.

	Year ended March 31, 2014 (Millions of yen)	Year ended March 31, 2015 (Millions of yen)	Year ended March 31, 2015 (Thousands of U.S. dollars)
Japan	¥ 232,099	¥ 221,136	$ 1,842,800
Europe and the Americas	87,474	108,290	902,416
Asia	23,100	26,864	223,866
Total	342,675	356,291	2,969,091

As of March 31, 2014 and 2015, balances of property, plant and equipment and intangible assets for each geographic area are as follows.

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

	March 31, 2014	March 31, 2015	March 31, 2015
Japan	¥ 194,601	¥ 213,008	$ 1,775,066
Europe and the Americas	92,945	110,622	921,850
Asia	6,458	8,020	66,833
Total	294,005	331,651	2,763,758

(3) Customer information

For the years ended March 31, 2014 and 2015, there is no concentration of revenue to a specific customer.

5. Business combination and acquisition of non-controlling interests

The following significant business combination occurred during the year ended March 31, 2014.

On April 1, 2013, the Company additionally acquired voting shares of NBL Co., Ltd. (currently, Hitachi Capital NBL Corporation, "NBL") in exchange for cash consideration of ¥2,400 million. As a result of this transaction, the Company's share of total voting rights of NBL's shareholders increased by 60% from 40% to 100%, and, accordingly, NBL became the Company's wholly-owned subsidiary as of April 1, 2013 (acquisition date).

NBL is engaged in general leasing business, mainly vendor leases, and the Company acquired additional shares of NBL in order to aim at fundamental business enhancement through integration of the Company's vendor lease-related major business with NBL's business.

The fair value of consideration paid, previously held equity interest and assets acquired and liabilities assumed as of the acquisition date are summarized as follows.

(Millions of yen)

	Amount
Fair value of consideration paid	¥ 2,400
Fair value of previously held equity interest	1,600
Total	4,000
Cash and cash equivalents	6,541
Trade and other receivables	40,806 *
Finance lease receivables	160,014 *
Other assets	6,905
Total	214,267
Borrowings and bonds	(204,846)
Other liabilities	(3,869)
Total	(208,716)
Net assets	5,551
Gain on bargain purchase	(1,551)
Total	4,000

* The total contractual amount of receivables obtained through this business combination is as follows.

(Millions of yen)

	Face value	Of which, the amount expected to be unrecoverable
Trade and other receivables	¥ 41,463	¥ 80
Finance lease receivables	168,526	1,279

As net assets measured at fair value exceeded the consideration paid, a gain on bargain purchase of ¥1,551 million arose, which is immediately recognized in profit or loss and recorded in *Other income* in the consolidated statements of profit or loss for the year ended March 31, 2014.

In addition, a remeasurement of 40% of NBL's voting shares held by the Company immediately before the business combination at fair value resulted in a loss of ¥840 million, which is recorded in *Other expenses*.

As a result of the above business combination that occurred on April 1, 2013, ¥13,729 million and ¥2,060 million are recorded in *Revenues* and *Net income*, respectively, in the consolidated statements of profit or loss for the year ended March 31, 2014.

There was no significant business combination for the year ended March 31, 2015.

6. Cash and cash equivalents

The components of cash and cash equivalents are as follows.

	(Millions of yen)			(Thousands of U.S. dollars)
	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
Cash on hand and at banks	¥ 24,998	¥ 32,878	¥ 46,701	$ 389,175
Related company deposits	114,793	117,602	72,613	605,108
Cash and cash equivalents	139,792	150,480	119,314	994,283

(Notes) 1 *Cash on hand and at banks* do not include time deposits with maturities over three months.

2 *Related company deposits* are funds deposited through participation in a centralized cash management system conducted by the parent company, Hitachi, Ltd., for the Hitachi Group companies.

7. 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)

	Transition date (April 1, 2013)			March 31, 2014			March 31, 2015			March 31, 2015		
	Period up to collection or settlement		Total	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		Within 12 months	Over 12 months	
Financial assets												
Cash and cash equivalents	¥ 139,792	¥ –	¥ 139,792	¥ 150,480	¥ –	¥ 150,480	¥ 119,314	¥ –	¥ 119,314	$ 994,283	$ –	$ 994,283
Trade and other receivables	486,624	394,530	881,155	605,416	548,476	1,153,893	678,153	689,733	1,367,886	5,651,275	5,747,775	11,399,050
Other financial assets	27,622	22,764	50,387	32,206	23,105	55,312	31,925	22,904	54,830	266,041	190,866	456,916
Total financial assets	654,040	417,295	1,071,335	788,103	571,581	1,359,685	829,393	712,637	1,542,031	6,911,608	5,938,641	12,850,258
Financial liabilities												
Trade and other payables	232,010	24,211	256,221	247,434	28,910	276,345	238,771	34,264	273,036	1,989,758	285,533	2,275,300
Other payables	37,892	3,402	41,294	22,629	3,132	25,762	25,303	2,608	27,912	210,858	21,733	232,600
Other financial liabilities	31,382	39,178	70,561	30,951	48,290	79,242	49,797	40,047	89,844	414,975	333,725	748,700
Total financial liabilities	301,285	66,792	368,078	301,016	80,333	381,349	313,873	76,919	390,792	2,615,608	640,991	3,256,600

See Note 8 "Leases" for components of *Finance lease receivables* by period up to collection.
See Note 18 "Financial instruments" for components of *Borrowings and bonds* by period up to settlement.

8. Leases

Gross investment in leases and present value in respect of minimum lease payments receivable under finance leases at April 1, 2013, March 31, 2014, and March 31, 2015 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			
	Transition date (April 1,2013)	March 31, 2014	March 31, 2015	March 31, 2015	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
Within 1 year	¥ 222,680	¥ 293,319	¥ 325,368	$ 2,711,400	¥ 196,181	¥ 268,094	¥ 301,386	$ 2,511,550
After 1 year but not more	369,330	575,468	650,751	5,422,925	322,322	499,930	573,346	4,777,883
More than 5 years	94,909	107,985	118,576	988,133	73,821	86,551	95,531	796,091
Total	686,920	976,773	1,094,696	9,122,466	592,326	854,576	970,264	8,085,533
Unearned finance income	(61,219)	(83,212)	(88,327)	(736,058)				
Net investment in finance lease	625,701	893,561	1,006,368	8,386,400				
Unguaranteed residual value	(33,374)	(38,984)	(36,104)	(300,866)				
Present value of minimum lease payments receivable	592,326	854,576	970,264	8,085,533				

At April 1, 2013, March 31, 2014, and March 31, 2015, the accumulated allowance for uncollectible minimum lease payments receivable amounted to ¥5,456 million, ¥8,328 million, and ¥9,930 million ($82,750 thousand), respectively.

Future minimum lease payments receivable under non-cancellable operating leases at April 1, 2013, March 31, 2014, and March 31, 2015 are as follows.

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

	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
Within 1 year	¥ 44,132	¥ 47,844	¥ 52,911	$ 440,925
After 1 year but not more than 5 years	54,656	60,615	69,003	575,025
More than 5 years	2,022	1,752	1,633	13,608
Total	100,811	110,212	123,547	1,029,558

At April 1, 2013, March 31, 2014, and March 31, 2015, there was no significant agreement with the legal form of a lease that did not, in substance, involve a lease.

9. Investments accounted for using the equity method

At April 1, 2013, March 31, 2014, and March 31, 2015, the following investments in associates that are not individually significant and accounted for using the equity method are included in the consolidated financial statements.

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

	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
Carrying amount of investments	¥ 20,166	¥ 18,344	¥ 19,267	$ 160,558

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

	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Net income	¥ 1,311	¥ 1,640	$ 13,666
Other comprehensive income	78	164	1,366
Total comprehensive income	1,390	1,805	15,041

10. 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	Own-used assets	Construction in progress	Total
Net carrying amount				
Transition date (April 1, 2013)	¥ 207,331	¥ 3,202	¥ 1	¥ 210,535
Additions	100,242	2,655	5,755	108,653
Sales or disposals	(38,113)	(203)	―	(38,317)
Depreciation	(68,790)	(740)	―	(69,531)
Impairment losses	(918)	―	―	(918)
Acquisitions through business combinations	1,634	93	―	1,728
Exchange differences	14,387	291	0	14,678
Transfers and other	17,613	1,799	(1,557)	17,855
March 31, 2014	233,386	7,098	4,199	244,683
Additions	110,005	1,451	4,346	115,804
Sales or disposals	(34,582)	(561)	―	(35,143)
Depreciation	(69,716)	(1,269)	―	(70,985)
Reversal of impairment losses	2,829	―	―	2,829
Acquisitions through business combinations	845	295	―	1,140
Exchange differences	3,881	177	0	4,058
Transfers and other	12,196	7,837	(7,425)	12,608
March 31, 2015	258,845	15,029	1,120	274,996

(Thousands of U.S. dollars)

	Operating leased assets	Own-used assets	Construction in progress	Total
Net carrying amount				
March 31, 2014	$ 1,944,883	$ 59,150	$ 34,991	$ 2,039,025
Additions	916,708	12,091	36,216	965,033
Sales or disposals	(288,183)	(4,675)	―	(292,858)
Depreciation	(580,966)	(10,575)	―	(591,541)
Reversal of impairment losses	23,575	―	―	23,575
Acquisitions through business combinations	7,041	2,458	―	9,500
Exchange differences	32,341	1,475	0	33,816
Transfers and other	101,633	65,308	(61,875)	105,066
March 31, 2015	2,157,041	125,241	9,333	2,291,633

The amount recognized as depreciation and impairment losses for the year ended March 31, 2014 was ¥70,450 million, with ¥69,709 million included in *Cost of sales* and ¥740 million in *Selling, general and administrative expenses* in the consolidated statements of profit or loss. The impairment loss recognized is included in the Account Solution and Europe segments.

The amount recognized as depreciation and reversal of impairment losses for the year ended March 31, 2015 was ¥68,155 million ($567,958 thousand), with ¥67,281 million ($560,675 thousand) included in *Cost of sales* and ¥874 million ($7,283 thousand) in *Selling, general and administrative expenses* in the consolidated statements of profit or loss. The reversal of impairment loss recognized is included in the Europe segment.

At April 1, 2013, March 31, 2014, and March 31, 2015, the amount of contractual commitments for the acquisition of operating leased assets were ¥19,493 million, ¥25,851 million and ¥21,416 million ($178,466 thousand), respectively.

(Millions of yen)

	Operating leased assets	Own-used assets	Construction in progress	Total
Gross carrying amount				
Transition date (April 1, 2013)	¥ 1,524,176	¥ 7,696	¥ 1	¥ 1,531,874
March 31, 2014	1,434,679	11,353	4,199	1,450,232
March 31, 2015	1,331,478	19,679	1,120	1,352,278
Accumulated depreciation and impairment losses				
Transition date (April 1, 2013)	1,316,845	4,493	―	1,321,339
March 31, 2014	1,201,293	4,255	―	1,205,548
March 31, 2015	1,072,632	4,649	―	1,077,281

(Thousands of U.S. dollars)

	Operating leased assets	Own-used assets	Construction in progress	Total
Gross carrying amount				
March 31, 2015	$ 11,095,650	$ 163,991	$ 9,333	$ 11,268,983
Accumulated depreciation and impairment losses				
March 31, 2015	8,938,600	38,741	―	8,977,341

11 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	Software for internal use	Goodwill	Other	Total
Net carrying amount					
Transition date (April 1, 2013)	¥ 39,971	¥ 5,377	¥ 4,325	¥ 758	¥ 50,433
Additions	15,192	1,506	―	518	17,217
Amortization	(15,388)	(2,913)	―	(43)	(18,345)
Impairment losses	―	―	(1,812)	―	(1,812)
Disposals	(1,713)	(64)	―	(10)	(1,789)
Acquisitions through business combinations	206	1,371	―	25	1,603
Exchange differences	0	101	278	0	380
Transfers and other	1,972	233	(5)	(566)	1,634
March 31, 2014	40,241	5,611	2,786	681	49,321
Additions	19,194	1,349	―	1,494	22,038
Amortization	(15,600)	(2,747)	―	(221)	(18,568)
Impairment losses	―	―	(475)	(1,713)	(2,188)
Disposals	(1,388)	(21)	―	(0)	(1,409)
Acquisitions through business combinations	―	3	3,914	327	4,245
Exchange differences	0	34	843	21	901
Transfers and other	1,471	584	―	259	2,316
March 31, 2015	43,919	4,815	7,069	850	56,655

(Thousands of U.S. dollars)

	Operating leased assets	Software for internal use	Goodwill	Other	Total
Net carrying amount					
March 31, 2014	$ 335,341	$ 46,758	$ 23,216	$ 5,675	$ 411,008
Additions	159,950	11,241	—	12,450	183,650
Amortization	(130,000)	(22,891)	—	(1,841)	(154,733)
Impairment losses	—	—	(3,958)	(14,275)	(18,233)
Disposals	(11,566)	(175)	—	0	(11,741)
Acquisitions through business combinations	—	25	32,616	2,725	35,375
Exchange differences	0	283	7,025	175	7,508
Transfers and other	12,258	4,866	—	2,158	19,300
March 31, 2015	365,991	40,125	58,908	7,083	472,125

The amount recognized as amortization and impairment losses for the year ended March 31, 2014 was ¥20,157 million, with ¥15,388 million included in *Cost of sales*, ¥2,957 million in *Selling, general and administrative expenses*, and ¥1,812 million in *Other expenses* in the consolidated statements of profit or loss.

The amount recognized as amortization and impairment losses for the year ended March 31, 2015 was ¥20,757 million ($172,975 thousand), with ¥15,600 million ($130,000 thousand) included in *Cost of sales*, ¥2,968 million ($24,733 thousand) in *Selling, general and administrative expenses,* and ¥2,188 million ($18,233 thousand) in *Other expenses* in the consolidated statements of profit or loss.

(Millions of yen)

	Operating leased assets	Software for internal use	Goodwill	Other	Total
Gross carrying amount					
Transition date (April 1, 2013)	¥ 299,513	¥ 27,263	¥ 4,325	¥ 907	¥ 332,010
March 31, 2014	276,373	37,067	4,599	917	318,957
March 31, 2015	262,218	38,751	9,377	1,351	311,698
Accumulated amortization and impairment losses					
Transition date (April 1, 2013)	259,542	21,886	—	149	281,577
March 31, 2014	236,131	31,456	1,812	235	269,636
March 31, 2015	218,298	33,936	2,307	500	255,043

(Thousands of U.S. dollars)

	Operating leased assets	Software for internal use	Goodwill	Other	Total
Gross carrying amount					
March 31, 2015	$ 2,185,150	$ 322,925	$ 78,141	$ 11,258	$ 2,597,483
Accumulated amortization and impairment losses					
March 31, 2015	1,819,150	282,800	19,225	4,166	2,125,358

(2) Impairment losses

(i) Impairment of goodwill

For the year ended March 31, 2014, an impairment loss on goodwill in the amount of ¥1,812 million was recognized and included in *Other expenses* in the consolidated statements of profit or loss. This impairment loss was recorded in PT. Arthaasia Finance, an Indonesian subsidiary, to write down the carrying amount of a cash generating unit (CGU) because its recoverable amount calculated using value in use fell below its carrying amount at the review of PT. Arthaasia Finance's business plan to reflect the economic slowdown and changes in market conditions in Indonesia.

The recoverable amount was calculated using a pre-tax discount rate of 29.2%.

(ii) Allocation of goodwill to a cash generating unit

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 March 31, 2015, significant goodwill allocated to CGUs relates to Hitachi Capital (UK) PLC with the carrying amount of ¥2,206 million ($18,383 thousand) (¥1,773 million at April 1, 2013 and ¥2,122 million at March 31, 2014) and CLE Canadian Leasing Enterprises Ltd. with the carrying amount of ¥4,606 million ($38,383 thousand) arising during the year ended March 31, 2015.

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 (13.7% to 14.8%). 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 calculation of the recoverable amount (e.g. discount rate and average growth rate) are less likely to cause the carrying amount to exceed value in use.

(iii) Impairment of other intangible assets

For the year ended March 31, 2015, an impairment loss on other intangible assets in the amount of ¥1,713 million ($14,275 thousand) was recognized and included in *Other expenses* in the consolidated statements of profit or loss. This is due to a write-down of part of a previously incurred development cost of the in-house core system that is no longer expected to be used in the future as a result of partial changes in the development plan. The recoverable amount of the core system is calculated using value in use, but value in use of the part that is not expected to be used in the future is estimated to have no value in use.

12. 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.

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Income taxes			
Current	¥ 8,826	¥ 9,133	$ 76,108
Deferred	1,994	1,527	12,725
Origination and reversal of temporary differences	2,182	(162)	(1,350)
Changes in unrecognized temporary differences	(552)	(121)	(1,008)
Adjustments of deferred tax assets and liabilities due to domestic tax rate change	364	1,811	15,091
Total	10,820	10,660	88,833
Deferred taxes recognized in the consolidated statements of comprehensive income			
Financial assets measured at FVTOCI	349	279	2,325
Remeasurements of defined benefit plans	611	171	1,425
Cash flow hedges	369	(695)	(5,791)
Total	1,330	(244)	(2,033)

The Company and its domestic subsidiaries are subject to a number of taxes based on taxable income, including corporate income tax at the tax rate of 25.5%, corporate inhabitant tax at rates from 17.3% to 20.7% and business tax and special local corporate tax at rates from 4.9% to 10.1%.

Following the promulgation of “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.10/2014) on March 31, 2014, special corporate tax for reconstruction was no longer imposed for the fiscal years beginning on or after April 1, 2014. Consequently, from the fiscal year ended March 31, 2014, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for temporary differences expected to be reversed during the fiscal year beginning on April 1, 2014 was changed to 35.6% from 37.8%.

As a result, the aggregated statutory tax rates were approximately 37.8% and 35.6% for the years ended March 31, 2014 and 2015, respectively.

Also, “Act for Partial Amendment of the Income Tax Act, etc."(Act No. 9/2015) and “Act for Partial Amendment of the Local Tax Act, etc. (Act No. 2/2015) were promulgated on March 31, 2015, and the corporate tax rate, etc. will be changed from fiscal years beginning on or after April 1, 2015. As a result, the statutory tax rate used to calculate deferred tax assets and liabilities will be reduced from 35.6% to 33.1% for temporary differences that are expected to be reversed in the fiscal year beginning on April 1, 2015, and to 32.3% for temporary differences that are expected to be reversed in the fiscal year beginning on April 1, 2016 and thereafter.

The Company and its certain subsidiaries have applied the consolidated tax system.

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

(%)

	Year ended March 31, 2014	Year ended March 31, 2015
Statutory income tax rates	37.8	35.6
Net gain from investments accounted for using the equity method	(1.5)	(1.6)
Difference in statutory income tax rates of foreign subsidiaries	(6.9)	(8.7)
Non-deductible expenses	0.9	0.9
Changes in unrecognized temporary differences	(1.7)	(0.3)
Effects of change in domestic tax rates	1.1	5.1
Other, net	2.9	(1.1)
Effective income tax rates	32.6	29.9

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

(Millions of yen)

	Transition date (April 1, 2013)	Recognized in profit or loss	Recognized in other comprehensive income	Acquisitions through business combinations and others	March 31, 2014
Deferred tax assets					
Depreciation	¥ 11,360	¥ (3,499)	¥ −	¥ 1,720	¥ 9,580
Addition of revenue from lease contracts, etc.	5,369	346	−	3	5,720
Net defined benefit liability	3,285	(195)	(611)	215	2,694
Allowance for doubtful accounts	2,516	(993)	−	2,013	3,535
Asset retirement obligations	1,863	320	−	2	2,186
Accrued expenses	1,618	(4)	−	91	1,705
Net operating loss carryforwards	2,022	(459)	−	142	1,705
Bad debt write-off	1,653	(518)	−	32	1,167
Other	2,245	58	(369)	1,273	3,207
Total deferred tax assets	31,935	(4,945)	(980)	5,495	31,504
Deferred tax liabilities					
Additional depreciation by overseas subsidiaries	(6,951)	2,431	−	(794)	(5,314)
Gains or losses on sale or purchase of lease receivables	(2,249)	1,078	−	−	(1,171)
Asset retirement obligations	(1,360)	(242)	−	(0)	(1,604)
Financial assets measured at FVTOCI	(1,054)	−	(349)	16	(1,387)
Other	(1,148)	(314)	−	(315)	(1,778)
Total deferred tax liabilities	(12,764)	2,951	(349)	(1,094)	(11,257)
Net deferred tax assets	19,170	(1,994)	(1,330)	4,400	20,246

(Millions of yen)

	March 31, 2014	Recognized in profit or loss	Recognized in other comprehensive income	Acquisitions through business combinations and others	March 31, 2015
Deferred tax assets					
Depreciation	¥ 9,580	¥ (2,594)	¥ —	¥ 0	¥ 6,986
Addition of revenue from lease contracts, etc.	5,720	(162)	—	2	5,559
Net defined benefit liability	2,694	(772)	(171)	0	1,751
Allowance for doubtful accounts	3,535	(609)	—	338	3,265
Asset retirement obligations	2,186	(147)	—	—	2,039
Accrued expenses	1,705	53	—	101	1,860
Net operating loss carryforwards	1,705	(275)	—	105	1,535
Bad debt write-off	1,167	(456)	—	288	999
Other	3,207	473	695	351	4,727
Total deferred tax assets	31,504	(4,491)	524	1,188	28,725
Deferred tax liabilities					
Additional depreciation by overseas subsidiaries	(5,314)	1,833	—	(1,202)	(4,684)
Gains or losses on sale or purchase of lease receivables	(1,171)	658	—	—	(512)
Asset retirement obligations	(1,604)	104	—	—	(1,500)
Financial assets measured at FVTOCI	(1,387)	—	(279)	398	(1,268)
Other	(1,778)	367	—	(135)	(1,547)
Total deferred tax liabilities	(11,257)	2,963	(279)	(939)	(9,512)
Net deferred tax assets	20,246	(1,527)	244	249	19,213

(Thousands of U.S. dollars)

	March 31, 2014	Recognized in profit or loss	Recognized in other comprehensive income	Acquisitions through business combinations and others	March 31, 2015
Deferred tax assets					
Depreciation	$ 79,833	$ (21,616)	$ —	$ 0	$ 58,216
Addition of revenue from lease contracts, etc.	47,666	(1,350)	—	16	46,325
Net defined benefit liability	22,450	(6,433)	(1,425)	0	14,591
Allowance for doubtful accounts	29,458	(5,075)	—	2,816	27,208
Asset retirement obligations	18,216	(1,225)	—	—	16,991
Accrued expenses	14,208	441	—	841	15,500
Net operating loss carryforwards	14,208	(2,291)	—	875	12,791
Bad debt write-off	9,725	(3,800)	—	2,400	8,325
Other	26,725	3,941	5,791	2,925	39,391
Total deferred tax assets	262,533	(37,425)	4,366	9,900	239,375
Deferred tax liabilities					
Additional depreciation by overseas subsidiaries	(44,283)	15,691	—	(10,016)	(39,033)
Gains or losses on sale or purchase of lease receivables	(9,758)	5,483	—	—	(4,266)
Asset retirement obligations	(13,366)	866	—	—	(12,500)
Financial assets measured at FVTOCI	(11,558)	—	(2,325)	3,316	(10,566)
Other	(14,816)	3,058	—	(1,125)	(12,891)
Total deferred tax liabilities	(93,808)	24,691	(2,325)	(7,825)	(79,266)
Net deferred tax assets	168,716	(12,725)	2,033	2,075	160,108

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 April 1, 2013, March 31, 2014, and March 31, 2015, the total amount of temporary differences related to undistributed profit of subsidiaries that were not recognized as deferred tax liabilities were ¥37,319 million, ¥60,361 million, and ¥84,250 million ($702,083 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, 2015 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)
	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
Deductible temporary differences	¥ 4,281	¥ 2,722	¥ 2,607	$ 21,725
Total	4,281	2,722	2,607	21,725

13. Other assets and other liabilities

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

			(Millions of yen)	(Thousands of U.S. dollars)
	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
Other assets				
Inventories	¥ 1,606	¥ 2,662	¥ 3,325	$ 27,708
Advance payments	9,247	17,471	16,780	139,833
Prepaid expenses	13,696	15,321	17,694	147,450
Other	3,860	3,211	4,102	34,183
Total other assets	28,411	38,666	41,903	349,191
Other liabilities				
Accrued expenses	8,472	10,381	13,075	108,958
Unperformed obligations for securitized receivables	16,777	10,561	6,286	52,383
Advances received	24,247	27,786	26,785	223,208
Other	17,675	21,869	18,661	155,508
Total other assets	67,172	70,598	64,809	540,075

Unperformed obligations for securitized receivables represent reasonable estimates and accruals of the amount that is expected to be paid by the Group in future periods in respect of derecognized finance lease receivables. These include amounts for consumption taxes on future lease payments by lessees and property taxes which are levied on the Company as legal owner of underlying assets, etc.

Other included in *other liabilities* includes provisions for asset retirement obligations, etc.

14. Employee benefits

(1) Retirement and severance 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 fiscal years ended March 31, 2014 and 2015, 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, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Defined benefit obligations at beginning of year	¥ 49,070	¥ 51,461	$ 428,841
Service cost	1,635	1,648	13,733
Interest cost	895	978	8,150
Benefits paid	(2,181)	(2,084)	(17,366)
Past service cost	24	−	−
Acquisitions through business combinations	665	−	−
Exchange differences and other	980	250	2,083
Remeasurements of defined benefit obligations			
Actuarial gains and losses arising from changes in financial assumptions	(669)	3,983	33,191
Actuarial gains and losses arising from changes in demographic assumptions	637	841	7,008
Other	403	(922)	(7,683)
Defined benefit obligations at end of year	51,461	56,158	467,983

Changes in fair value of plan assets

	(Millions of yen) Year ended March 31, 2014	(Millions of yen) Year ended March 31, 2015	(Thousands of U.S. dollars) Year ended March 31, 2015
Fair value of plan assets at beginning of year	¥ 39,476	¥ 44,416	$ 370,133
Interest income	728	918	7,650
Remeasurements of defined benefit plan assets – Return on plan assets	2,106	4,283	35,691
Employer's contributions	3,041	2,608	21,733
Benefits paid	(1,985)	(1,600)	(13,333)
Exchange differences and other	1,049	239	1,991
Fair value of plan assets at end of year	44,416	50,866	423,883

The weighted average key actuarial assumptions used in actuarial calculation of defined benefit obligations at April 1, 2013, March 31, 2014, and March 31, 2015 are as follows.

	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015
Discount rate:	1.8%	1.9%	1.5%

At March 31, 2014 and 2015, 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) March 31, 2014	(Millions of yen) March 31, 2015	(Thousands of U.S. dollars) March 31, 2015
Increase by 0.5%	¥ (3,758)	¥ (4,319)	$ (35,991)
Decrease by 0.5%	4,130	4,748	39,566

At April 1, 2013, March 31, 2014, and March 31, 2015, the weighted average duration of defined benefit obligations is as follows.

	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015
Weighted average duration:	16.40 years	15.94 years	15.82 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 April 1, 2013, March 31, 2014, and March 31, 2015 is as follows.

(Millions of yen)

	Transition date (April 1, 2013)		
	Quoted market price in an active market		Total
	Yes	No	
Commingled funds	¥ —	¥ 36,076	¥ 36,076
Cash on hand and at banks	14	—	14
Other	2,789	597	3,386
Total	2,803	36,673	39,476

(Millions of yen)

	March 31, 2014		
	Quoted market price in an active market		Total
	Yes	No	
Commingled funds	¥ —	¥ 42,812	¥ 42,812
Cash on hand and at banks	254	—	254
Other	798	552	1,350
Total	1,052	43,364	44,416

(Millions of yen)

	March 31, 2015		
	Quoted market price in an active market		Total
	Yes	No	
Commingled funds	¥ —	¥ 47,369	¥ 47,369
Cash on hand and at banks	6	—	6
Other	3,071	420	3,491
Total	3,077	47,789	50,866

(Thousands of U.S. dollars)

	March 31, 2015		
	Quoted market price in an active market		Total
	Yes	No	
Commingled funds	$ —	$ 394,741	$ 394,741
Cash on hand and at banks	50	—	50
Other	25,591	3,500	29,091
Total	25,641	398,241	423,883

At April 1, 2013, March 31, 2014, and March 31, 2015, commingled funds of the Group consist of listed shares of 28%, 31%, and 28%, respectively, and public and corporate bonds of 62%, 59%, and 61%, respectively, and other assets of 10%, 10%, and 11%, 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 ¥2,294 million to the defined benefit pension plans in the fiscal year ending March 31, 2016.

(2) Employee benefits expense

(i) Defined benefit plans

For the years ended March 31, 2014 and 2015, the Group recognized expenses related to defined benefit plans of ¥1,826 million and ¥1,709 million ($14,241 thousand), respectively.

(ii) Defined contribution plans

For the years ended March 31, 2014 and 2015, the Group recognized expenses related to contributions to the defined contribution plans of ¥597 million and ¥766 million ($6,383 thousand), respectively.

15. Equity

(1) Common stock

(Number of shares)

	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015
Number of authorized shares	270,000,000	270,000,000	270,000,000

	Total number of shares issued	Issued capital (Millions of yen)	Issued capital (Thousands of U.S. dollars)
Transition date (April 1, 2013)	124,826,552 shares	¥ 9,983	
March 31, 2014	124,826,552 shares	9,983	
March 31, 2015	124,826,552 shares	9,983	$ 83,191

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

The changes in the number of treasury stock during the years ended March 31, 2014 and 2015 are as follows.

	Number of treasury stock	Treasury stock (Millions of yen)	Treasury stock (Thousands of U.S. dollars)
Transition date (April 1, 2013)	7,938,899 shares	¥ 14,331	
Acquisition of treasury stock	310 shares	0	
Sale of treasury stock	—	—	
March 31, 2014	7,939,209 shares	14,332	$ 119,433
Acquisition of treasury stock	418 shares	1	8
Sale of treasury stock	—	—	—
March 31, 2015	7,939,627 shares	14,333	119,441

(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 share premium.

(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.

16. 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, 2014 and 2015 is as follows.

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

	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Foreign currency translation of adjustments			
Beginning balance	¥ －	¥ 6,674	$ 55,616
Net other comprehensive income	6,674	9,894	82,450
Transfer to non-controlling interests	－	－	－
Ending balance	6,674	16,568	138,066
Remeasurements of defined benefit plans			
Beginning balance	－	1,116	9,300
Net other comprehensive income	1,116	258	2,150
Transfer to non-controlling interests	－	－	－
Ending balance	1,116	1,375	11,458
Financial assets measured at FVTOCI			
Beginning balance	1,942	2,598	21,650
Net other comprehensive income	685	1,057	8,808
Transfer to retained earning	(29)	(726)	(6,050)
Transfer to non-controlling interests	－	－	－
Ending balance	2,598	2,929	24,408
Cash flow hedges			
Beginning balance	(1,084)	60	500
Net other comprehensive income	1,145	(2,336)	(19,466)
Transfer to non-controlling interests	－	－	－
Ending balance	60	(2,275)	(18,958)
Total accumulated other comprehensive income			
Beginning balance	857	10,449	87,075
Net other comprehensive income	9,621	8,873	73,941
Transfer to retained earning	(29)	(726)	(6,050)
Transfer to non-controlling interests	－	－	－
Ending balance	10,449	18,597	154,975

An analysis of adjustments to items presented in the statement 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, 2014 and 2015 is as follows.

(Millions of yen)

	Year ended March 31, 2014		
	Before tax effect	Tax effect	Net of tax effect
Other comprehensive income			
Foreign currency translation of adjustments	¥ 6,752	¥ –	¥ 6,752
Remeasurements of defined benefit plans	1,734	(611)	1,123
Financial assets measured at FVTOCI	995	(349)	645
Cash flow hedges	1,149	(199)	950
Share of other comprehensive income of investments accounted for using the equity method	122	(43)	78
Total	10,753	(1,203)	9,550
Reconciliation between other comprehensive income and profit or loss items			
Foreign currency translation of adjustments	–	–	–
Cash flow hedges	365	(170)	195
Share of other comprehensive income of investments accounted for using the equity method	–	–	–
Total	365	(170)	195
Net other comprehensive income			
Foreign currency translation of adjustments	6,752	–	6,752
Remeasurements of defined benefit plans	1,734	(611)	1,123
Financial assets measured at FVTOCI	995	(349)	645
Cash flow hedges	1,515	(369)	1,145
Share of other comprehensive income of investments accounted for using the equity method	122	(43)	78
Total	11,119	(1,374)	9,745
Net other comprehensive income attributable to non-controlling interests			
Foreign currency translation of adjustments			77
Remeasurements of defined benefit plans			46
Financial assets measured at FVTOCI			0
Cash flow hedges			0
Total			124
Net other comprehensive income attributable to owners of the parent			
Foreign currency translation of adjustments			6,674
Remeasurements of defined benefit plans			1,077
Financial assets measured at fair FVTOCI			645
Cash flow hedges			1,145
Share of other comprehensive income of investments accounted for using the equity method			78
Total			9,621

(Millions of yen)

	Year ended March 31, 2015		
	Before tax effect	Tax effect	Net of tax effect
Other comprehensive income			
Foreign currency translation of adjustments	¥ 10,141	¥ −	¥ 10,141
Remeasurements of defined benefit plans	378	(171)	206
Financial assets measured at FVTOCI	1,245	(279)	966
Cash flow hedges	(3,095)	693	(2,402)
Share of other comprehensive income of investments accounted for using the equity method	239	(74)	164
Total	8,909	167	9,076
Reconciliation between other comprehensive income and profit or loss items			
Foreign currency translation of adjustments	−	−	−
Cash flow hedges	64	2	66
Share of other comprehensive income of investments accounted for using the equity method	−	−	−
Total	64	2	66
Net other comprehensive income			
Foreign currency translation of adjustments	10,141	−	10,141
Remeasurements of defined benefit plans	378	(171)	206
Financial assets measured at FVTOCI	1,245	(279)	966
Cash flow hedges	(3,031)	695	(2,336)
Share of other comprehensive income of investments accounted for using the equity method	239	(74)	164
Total	8,973	169	9,143
Net other comprehensive income attributable to non-controlling interests			
Foreign currency translation of adjustments			247
Remeasurements of defined benefit plans			21
Financial assets measured at FVTOCI			0
Cash flow hedges			0
Total			269
Net other comprehensive income attributable to owners of the parent			
Foreign currency translation of adjustments			9,894
Remeasurements of defined benefit plans			184
Financial assets measured at FVTOCI			966
Cash flow hedges			(2,336)
Share of other comprehensive income of investments accounted for using the equity method			164
Total			8,873

(Thousands of U.S. dollars)

	Year ended March 31, 2015		
	Before tax effect	Tax effect	Net of tax effect
Other comprehensive income			
Foreign currency translation of adjustments	$ 84,508	$ —	$ 84,508
Remeasurements of defined benefit plans	3,150	(1,425)	1,716
Financial assets measured at FVTOCI	10,375	(2,325)	8,050
Cash flow hedges	(25,791)	5,775	(20,016)
Share of other comprehensive income of investments accounted for using the equity method	1,991	(616)	1,366
Total	74,241	1,391	75,633
Reconciliation between other comprehensive income and profit or loss items			
Foreign currency translation of adjustments	—	—	—
Cash flow hedges	533	16	550
Share of other comprehensive income of investments accounted for using the equity method	—	—	—
Total	533	16	550
Net other comprehensive income			
Foreign currency translation of adjustments	84,508	—	84,508
Remeasurements of defined benefit plans	3,150	(1,425)	1,716
Financial assets measured at FVTOCI	10,375	(2,325)	8,050
Cash flow hedges	(25,258)	5,791	(19,466)
Share of other comprehensive income of investments accounted for using the equity method	1,991	(616)	1,366
Total	74,775	1,408	76,191
Net other comprehensive income attributable to non-controlling interests			
Foreign currency translation of adjustments			2,058
Remeasurements of defined benefit plans			175
Financial assets measured at FVTOCI			0
Cash flow hedges			0
Total			2,241
Net other comprehensive income attributable to owners of the parent			
Foreign currency translation of adjustments			82,450
Remeasurements of defined benefit plans			1,533
Financial assets measured at FVTOCI			8,050
Cash flow hedges			(19,466)
Share of other comprehensive income of investments accounted for using the equity method			1,366
Total			73,941

17. Dividends

Dividends paid for the years ended March 31, 2014 and 2015 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 30, 2013	Common stock	2,337	Retained earnings	20.00	March 31, 2013	May 31, 2013
October 25, 2013	Common stock	2,688	Retained earnings	23.00	September 30, 2013	November 27, 2013
May 29, 2014	Common stock	2,922	Retained earnings	25.00	March 31, 2014	May 30, 2014
October 27, 2014	Common stock	3,155	Retained earnings	27.00	September 30, 2014	November 28, 2014

Dividends with the record date in the fiscal year ended March 31, 2015 but with the effective date in the following fiscal year are as follows.

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend source	Dividend per share (yen)	Record date	Effective date
Board of directors meeting on: May 28, 2015	Common stock	3,857	Retained earnings	33.00	March 31, 2015	May 29, 2015

Resolution	Class of shares	Total dividends (Thousands of U.S. dollars)	Dividend source	Dividend per share (U.S. dollars)	Record date	Effective date
Board of directors meeting on: May 28, 2015	Common stock	32,141	Retained earnings	0.275	March 31, 2015	May 29, 2015

18. Financial instruments

(1) Policy for financial instruments

Together with other members of the Hitachi Group including, Hitachi, Ltd., the parent company, that are engaged in manufacturing and sales, 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 consumer and corporate 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.

In addition to the trust beneficiary interests, other financial assets include debt and equity securities held to maturity or 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 entity 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 consumer and corporate receivables 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 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 its various regulations, 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 status.

Credit risk is managed by sales departments as well as by receivable control departments. Large transactions require the approval of a senior executive officer based on the amount and are reported to the board of directors.

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 market prices. 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.

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 31 “Commitments and contingencies” for credit guarantees.

The contractual balances of financial assets by maturity that are overdue but not impaired at each fiscal year-end are as follows. The Group considers that all financial assets that are not overdue and not impaired at each fiscal year-end are recoverable.

(Millions of yen)

	Transition date (April 1, 2013)				
	Within 30 days	Between 31 days and 90 days	Between 91 days and one year	Over one year	Total
Trade and other receivables	¥ 1,959	¥ 1,501	¥ −	¥ −	¥ 3,461
Finance lease receivables	7,772	2,887	75	−	10,735

(Millions of yen)

	March 31, 2014				
	Within 30 days	Between 31 days and 90 days	Between 91 days and one year	Over one year	Total
Trade and other receivables	¥ 1,995	¥ 2,297	¥ −	¥ −	¥ 4,292
Finance lease receivables	6,903	1,257	607	−	8,769

(Millions of yen)

	March 31, 2015				
	Within 30 days	Between 31 days and 90 days	Between 91 days and one year	Over one year	Total
Trade and other receivables	¥ 1,355	¥ 3,526	¥ —	¥ —	¥ 4,882
Finance lease receivables	13,265	2,159	690	99	16,214

(Thousands of U.S. dollars)

	March 31, 2015				
	Within 30 days	Between 31 days and 90 days	Between 91 days and one year	Over one year	Total
Trade and other receivables	$ 11,291	$ 29,383	$ —	$ —	$ 40,683
Finance lease receivables	110,541	17,991	5,750	825	135,116

The changes in allowance for doubtful accounts are as follows.

(Millions of yen)

	Trade and other receivables	Finance lease receivables	Other financial assets measured at amortized cost	Total
Transition date (April 1, 2013)	¥ 7,462	¥ 5,456	¥ 12	¥ 12,930
Increase due to changes in companies	204	1,156	—	1,360
Increase during the year (addition)	5,384	5,146	40	10,572
Decrease during the year (for intended purpose)	(2,791)	(842)	(4)	(3,638)
Decrease during the year (reversal)	(3,926)	(2,888)	(4)	(6,820)
Other	367	300	—	667
March 31, 2014	6,699	8,328	44	15,072
Increase due to changes in companies	11	—	—	11
Increase during the year (addition)	9,133	8,786	20	17,940
Decrease during the year (for intended purpose)	(3,023)	(894)	(31)	(3,949)
Decrease during the year (reversal)	(5,694)	(7,283)	(25)	(13,002)
Other	355	993	—	1,348
March 31, 2015	7,483	9,930	8	17,422

(Thousands of U.S. dollars)

	Trade and other receivables	Finance lease receivables	Other financial assets measured at amortized cost	Total
March 31, 2014	$ 55,825	$ 69,400	$ 366	$ 125,600
Increase due to changes in companies	91	—	—	91
Increase during the year (addition)	76,108	73,216	166	149,500
Decrease during the year (for intended purpose)	(25,191)	(7,450)	(258)	(32,908)
Decrease during the year (reversal)	(47,450)	(60,691)	(208)	(108,350)
Other	2,958	8,275	—	11,233
March 31, 2015	62,358	82,750	66	145,183

The balance of trade and other receivables with individually impaired at April 1, 2013, March 31, 2014, and March 31, 2015 amounted to ¥13,361 million, ¥14,181 million and ¥20,759 million ($172,991 thousand), respectively, and the allowance for doubtful accounts provided for these receivables amounted to ¥6,276 million, ¥8,493 million and ¥10,834 million ($90,283 thousand), respectively.

(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 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 to maturity or 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 Risk Management 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 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, 2014 and 2015, 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 tax in the consolidated statements of profit or loss of the Group, was an increase of ¥76 million and a decrease of ¥136 million, 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 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 April 1, 2013, March 31, 2014 and March 31, 2015.

Under financial guarantee contracts, in case a debtor fails to make a payment for the obligation subject to the guarantee, the Group is obligated to compensate the loss upon request. The maximum exposure is the carrying amount of loan guarantee liability described in Note 31 "Commitments and contingencies."

(Millions of yen)

		Transition date (April 1, 2013)				
		Carrying amount	Undiscounted contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Borrowings		¥ 995,982	¥ 1,013,673	¥ 429,005	¥ 508,820	¥ 75,846
Bonds		292,139	299,885	45,381	244,371	10,133
Finance lease obligations		2,691	2,691	1,084	1,410	195
Foreign exchange forward contracts	Inflow	0	0	0	―	―
	Outflow	―	―	―	―	―
Currency swaps	Inflow	3,936	3,936	1,214	2,721	―
	Outflow	(6,644)	(6,644)	(2,036)	(4,608)	―
Interest rate swaps	Inflow	674	674	―	674	―
	Outflow	(1,036)	(1,036)	(214)	(821)	―

(Millions of yen)

		March 31, 2014				
		Carrying amount	Undiscounted contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Borrowings		¥ 1,419,152	¥ 1,440,731	¥ 679,326	¥ 674,439	¥ 86,964
Bonds		421,189	432,726	110,206	257,802	64,717
Finance lease obligations		2,701	2,701	1,013	1,591	95
Foreign exchange forward contracts	Inflow	2	2	2	―	―
	Outflow	(18)	(18)	(18)	―	―
Currency swaps	Inflow	147	147	112	35	―
	Outflow	(20,182)	(20,182)	(2,334)	(17,793)	(54)
Interest rate swaps	Inflow	1,107	1,107	170	936	―
	Outflow	(279)	(279)	(118)	(156)	(5)

(Millions of yen)

		March 31, 2015				
		Carrying amount	Undiscounted contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Borrowings		¥ 1,578,815	¥ 1,592,683	¥ 776,637	¥ 736,154	¥ 79,891
Bonds		568,337	602,841	124,390	338,149	140,301
Finance lease obligations		1,951	1,951	684	1,266	―
Foreign exchange forward contracts	Inflow	1	1	1	―	―
	Outflow	(84)	(84)	(43)	(41)	―
Currency swaps	Inflow	7,368	7,368	1,486	5,717	164
	Outflow	(27,762)	(27,762)	(11,503)	(16,258)	―
Interest rate swaps	Inflow	203	203	155	48	―
	Outflow	(1,570)	(1,570)	(52)	(1,310)	(207)

(Thousands of U.S. dollars)

		March 31, 2015				
		Carrying amount	Undiscounted contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Borrowings		$ 13,156,791	$ 13,272,358	$ 6,471,975	$ 6,134,616	$ 665,758
Bonds		4,736,141	5,023,675	1,036,583	2,817,908	1,169,175
Finance lease obligations		16,258	16,258	5,700	10,550	—
Foreign exchange forward contracts	Inflow	8	8	8	—	—
	Outflow	(700)	(700)	(358)	(341)	—
Currency swaps	Inflow	61,400	61,400	12,383	47,641	1,366
	Outflow	(231,350)	(231,350)	(95,858)	(135,483)	—
Interest rate swaps	Inflow	1,691	1,691	1,291	400	—
	Outflow	(13,083)	(13,083)	(433)	(10,916)	(1,725)

(4) Capital management

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

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

	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
Borrowings and bonds	¥ 1,290,813	¥ 1,843,043	¥ 2,149,103	$ 17,909,191
Cash and cash equivalents	139,792	150,480	119,314	994,283
Capital (equity attributable to equity holders of the parent)	272,146	298,288	325,223	2,710,191

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 (%)	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
Short-term borrowings (mainly bank loans)	—	1.58%	¥ 137,776	¥ 150,577	¥ 257,711	$ 2,147,591
Commercial paper	—	0.42%	138,626	171,220	166,529	1,387,741
Long-term borrowings (mainly bank loans)	Apr. 17, 2015 – Mar. 25, 2030	1.28%	523,932	701,554	769,292	6,410,766
Borrowings associated with consolidation of structured entity for securitization	Apr. 10, 2015 – Mar. 10, 2042	0.97%	124,126	198,825	209,064	1,742,200
Borrowings associated with securitization of receivables	Apr. 20, 2015 – Apr. 30, 2019	0.55%	71,520	196,974	176,217	1,468,475
Finance lease obligations	Apr. 30, 2015 – Feb. 28, 2020	—	2,691	2,701	1,951	16,258
Total		1.12%	998,674	1,421,853	1,580,766	13,173,050

(Notes)

1 "Maturity" represents the repayment date for the balance of each borrowing at March 31, 2015.

2 "Average interest rate" represents the weighted average interest rate applicable to the balance of each borrowing at March 31, 2015.

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	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
					(Millions of yen)			(Thousands of U.S. dollars)
Hitachi Capital Corporation								
The 35th unsecured domestic bonds payable	Apr. 21, 2008	June 20, 2013	1.24%	No	¥ 25,082	¥ —	¥ —	$ —
The 38th unsecured domestic bonds payable	Oct. 20, 2009	Sept. 19, 2014	1.13%	No	39,973	40,031	—	—
The 40th unsecured domestic bonds payable	Apr. 20, 2010	Mar. 20, 2015	0.82%	No	29,958	29,983	—	—
The 41st unsecured domestic bonds payable	May 27, 2011	Mar. 18, 2016	0.68%	No	19,951	19,968	19,984	166,533
The 42nd unsecured domestic bonds payable	Oct. 14, 2011	Dec. 20, 2016	0.57%	No	14,979	14,993	15,007	125,058
The 43rd unsecured domestic bonds payable	Apr. 18, 2012	June 20, 2017	0.57%	No	29,949	29,972	29,996	249,966
The 44th unsecured domestic bonds payable	Oct. 18, 2012	Dec. 20, 2017	0.42%	No	9,972	9,981	9,989	83,241
The 45th unsecured domestic bonds payable	Oct. 18, 2012	Dec. 20, 2019	0.67%	No	9,978	9,984	9,990	83,250
The 46th unsecured domestic bonds payable	Apr. 23, 2013	June 20, 2018	0.45%	No	—	19,958	19,973	166,441
The 47th unsecured domestic bonds payable	Apr. 23, 2013	Mar. 20, 2023	0.87%	No	—	14,939	14,946	124,550
The 48th unsecured domestic bonds payable	Sept. 13, 2013	Sept. 20, 2018	0.44%	No	—	14,946	14,959	124,658
The 49th unsecured domestic bonds payable	Sept. 13, 2013	Sept. 18, 2020	0.72%	No	—	9,962	9,968	83,066
The 50th unsecured domestic bonds payable	Mar. 20, 2014	Mar. 19, 2024	0.89%	No	—	19,916	19,921	166,008
The 51st unsecured domestic bonds payable	June 3, 2014	June 20, 2019	0.31%	No	—	—	19,950	166,250
The 52nd unsecured domestic bonds payable	June 3, 2014	June 18, 2021	0.51%	No	—	—	14,966	124,716
The 53rd unsecured domestic bonds payable	June 3, 2014	Mar. 19, 2024	0.82%	No	—	—	14,939	124,491
The 54th unsecured domestic bonds payable	Sept. 11, 2014	Sept. 17, 2021	0.42%	No	—	—	14,944	124,533
The 55th unsecured domestic bonds payable	Sept. 11, 2014	Sept. 18, 2026	0.96%	No	—	—	14,936	124,466
The 56th unsecured domestic bonds payable	Dec. 19, 2014	Dec. 20, 2019	0.20%	No	—	—	9,965	83,041
The 57th unsecured domestic bonds payable	Dec. 19, 2014	Dec. 20, 2024	0.62%	No	—	—	9,970	83,083
MTN program bond	Mar. 22, 2012	Mar. 23, 2015	3.75%	No	7,572	8,368	—	—
Hitachi Capital (UK) PLC								
MTN program bond	June 7, 2010 – Jan. 21, 2015	Apr. 10, 2015 – Oct. 12, 2021	0.86%– 3.18%	No	93,597	162,501	285,974	2,383,116
Hitachi Capital America Corp.								
MTN program bond	Feb. 13, 2012 – Feb. 3, 2015	Oct. 28, 2015 – Feb. 3, 2020	0.93% – 2.10%	No	7,487	11,700	8,652	72,100
Hitachi Capital (Hong Kong) Ltd.								
The 1st bond payable in HKD	Dec. 21, 2012	Dec. 21, 2016	1.38%	No	3,636	3,981	4,650	38,750
The 2nd bond payable in HKD	Jan. 30, 2015	Jan. 27, 2017	1.25%	No	—	—	4,650	38,750
Total					292,139	421,189	568,337	4,736,141

(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.

19. Fair value of financial instruments

(1) Details of financial instruments and fair value

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

	Transition date (April 1, 2013)		March 31, 2014		March 31, 2015		March 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets								
Finance lease receivables	¥ 620,244	¥ 640,736	¥ 885,232	¥ 915,519	¥ 996,438	¥1,033,161	$ 8,303,650	$ 8,609,675
Financial assets measured at amortized cost								
Cash on hand and at bank	24,998	24,998	32,878	32,878	46,701	46,701	389,175	389,175
Parent company deposits	114,793	114,793	117,602	117,602	72,613	72,613	605,108	605,108
Cash and cash equivalents	139,792	139,792	150,480	150,480	119,314	119,314	994,283	994,283
Notes receivable	3,243	3,243	3,357	3,357	4,876	4,876	40,633	40,633
Accounts receivable	877,912	908,818	1,150,535	1,164,191	1,363,009	1,385,001	11,358,408	11,541,675
Trade and other receivables	881,155	912,062	1,153,893	1,167,549	1,367,886	1,389,878	11,399,050	11,582,316
Public and corporate bonds	8,055	8,078	8,890	8,919	5,581	5,616	46,508	46,800
Time deposits with a maturity of three months or more	4,598	4,598	10,474	10,474	4,067	4,067	33,891	33,891
Other receivables	11,323	11,323	9,698	9,698	12,233	12,233	101,941	101,941
Other investments	3,780	3,780	5,310	5,310	6,185	6,185	51,541	51,541
Other	5,045	5,045	5,031	5,031	5,020	5,020	41,833	41,833
Other financial assets	32,804	32,827	39,406	39,435	33,088	33,122	275,733	276,016
Financial assets measured at FVTPL								
Other investments	6,482	6,482	7,227	7,227	7,699	7,699	64,158	64,158
Other financial assets	6,482	6,482	7,227	7,227	7,699	7,699	64,158	64,158
Financial assets measured at FVTOCI								
Equity	6,489	6,489	7,420	7,420	6,468	6,468	53,900	53,900
Other investments	0	0	0	0	―	―	―	―
Other financial assets	6,489	6,489	7,420	7,420	6,468	6,468	53,900	53,900
Derivative financial assets								
Interest rate swaps	674	674	1,107	1,107	203	203	1,691	1,691
Currency swaps	3,936	3,936	147	147	7,368	7,368	61,400	61,400
Foreign exchange forward contracts	0	0	2	2	1	1	8	8
Other financial assets	4,610	4,610	1,257	1,257	7,573	7,573	63,108	63,108
Total financial assets	1,691,580	1,743,001	2,244,917	2,288,889	2,538,469	2,597,218	21,153,908	21,643,483

(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 possible bankrupt receivables, 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.

Finance lease receivables include retained subordinate interests related to the transfer of finance lease receivables which have been derecognized in accordance with the previous accounting principle as permitted by IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

(Note) See Note 19 “Fair value of financial instruments (3) fair value measurements” for details of retained subordinate interests related to the transfer of finance lease receivables included in finance lease receivables.

(ii) Financial instruments measured at amortized cost

(a) Parent company deposits

The Group deposits funds with the parent company, etc. for investment purpose and receives fixed or variable interest income. Due to the short-term nature, the carrying amount of parent company deposits is assumed to approximate the fair value.

(b) Accounts receivable

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

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

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 three months or more approximates the fair value.

(d) Public and corporate bonds and other investments

The Company primarily holds debt securities to maturity in order to collect contractual cash flows. 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.

(e) Other

Other mainly comprise short-term loans to associates, and due to the short-term nature, it is assumed that the carrying amount approximates the fair value.

(iii) Financial assets measured at FVTPL

Other investments

The Group holds trust beneficiary interests and preferred securities for policy purposes.

See Note 19 “Fair value of financial instruments (3) fair value measurements” for the calculation method of fair value of financial assets measured at FVTPL.

(iv) Financial assets measured at FVTOCI

Equity securities and other investments

The Group holds listed and unlisted shares for policy purposes.

See Note 19 “Fair value of financial instruments (3) fair value measurements” for the calculation method of fair value of financial assets measured at FVTOCI.

(v) Derivative financial assets

See Note 19 “Fair value of financial instruments (3) fair value measurements” and Note 20 “Derivatives and hedging activities” for derivative financial assets.

(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)

Transition date (April 1, 2013)	
Issuer	Amount
NKSJ Holdings, Inc.	¥ 1,799
ISEKI & CO., LTD.	742
BOT Lease Co., Ltd.	549
AEON CO., LTD.	547
Credit Information Center Corp. (CIC)	408
The Mortgage Corporation of Japan, Limited	392
SEKISUI CHEMICAL CO., LTD.	320
SOGO MEDICAL CO., LTD.	315
VT HOLDINGS CO., LTD.	268
CARDNET	199
Kantou Eco Recycle Co., Ltd.	154
The Dai-ichi Life Insurance Company, Limited	143
Other (31 issuers)	647

(Millions of yen)

March 31, 2014	
Issuer	Amount
NKSJ Holdings, Inc	¥ 2,430
ISEKI & CO., LTD.	627
BOT Lease Co., Ltd.	606
AEON CO., LTD.	523
The Mortgage Corporation of Japan, Limited	463
Credit Information Center Corp. (CIC)	432
VT HOLDINGS CO., LTD.	406
SOGO MEDICAL CO., LTD.	393
SEKISUI CHEMICAL CO., LTD.	333
CARDNET	244
The Dai-ichi Life Insurance Company, Limited	170
Kantou Eco Recycle Co., Ltd.	165
Other (26 issuers)	623

March 31, 2015		
Issuer	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Sompo Japan Nipponkoa Holdings, Inc.	¥ 1,120	$ 9,333
BOT Lease Co., Ltd.	692	5,766
SOGO MEDICAL CO., LTD.	642	5,350
AEON CO., LTD.	594	4,950
The Mortgage Corporation of Japan, Limited	533	4,441
ISEKI & CO., LTD.	529	4,408
SEKISUI CHEMICAL CO., LTD.	484	4,033
Credit Information Center Corp. (CIC)	430	3,583
CARDNET	291	2,425
The Dai-ichi Life Insurance Company, Limited	198	1,650
Kantou Eco Recycle Co., Ltd.	184	1,533
Mitsubishi UFJ Financial Group, Inc.	133	1,108
Other (23 issuers)	633	5,275

(vii) Disposal of financial assets measured at FVTOCI

Equity instruments designated as at FVTOCI that were disposed during the years ended March 31, 2014 and 2015 were as follows:

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

Year ended March 31, 2014			Year ended March 31, 2015			Year ended March 31, 2015		
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
¥ 65	¥ 45	¥ 0	¥ 2,207	¥ 1,131	¥ 39	$ 18,391	$ 9,425	$ 325

These instruments were sold primarily as a result of reviewing the business relationship with issuers. For the years ended March 31, 2014 and 2015, accumulated gains, net of tax, reclassified from other comprehensive income to retained earnings amounted to ¥29 million and ¥730 million ($6,083 thousand), respectively.

For the year ended March 31, 2015, ¥4 million of accumulated losses, net of tax, was reclassified from accumulated other comprehensive income to retained earnings related to equity instruments designated as at FVTOCI with significant decline in the fair value below acquisition cost that is considered as other-than-temporary.

For the year ended March 31, 2014, there was no accumulated gain or loss, net of tax, reclassified from accumulated other comprehensive income to retained earnings related to equity instruments designated as at FVTOCI with a significant decline in the fair value below acquisition cost that is considered as other-than-temporary.

(2) Details of financial liabilities and fair value

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

	Transition date (April 1, 2013)		March 31, 2014		March 31, 2015		March 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities								
Finance lease obligations	¥ 2,691	¥ 2,691	¥ 2,701	¥ 2,701	¥ 1,951	¥ 1,951	$ 16,258	$ 16,258
Borrowings and bonds	2,691	2,691	2,701	2,701	1,951	1,951	16,258	16,258
Financial liabilities measured at amortized cost								
Notes payable	482	482	355	355	356	356	2,966	2,966
Accounts payable	255,739	255,739	275,989	275,989	272,679	272,679	2,272,325	2,272,325
Trade and other payables	256,221	256,221	276,345	276,345	273,036	273,036	2,275,300	2,275,300
Short-term borrowings	276,402	276,402	390,046	390,046	483,434	483,434	4,028,616	4,028,616
Bonds	292,139	294,043	421,189	422,858	568,337	572,759	4,736,141	4,772,991
Long-term borrowings	719,579	725,771	1,029,105	1,035,314	1,095,380	1,101,201	9,128,166	9,176,675
Borrowings and bonds	1,288,122	1,296,217	1,840,341	1,848,220	2,147,152	2,157,396	17,892,933	17,978,300
Other payables	41,294	41,294	25,762	25,762	27,912	27,912	232,600	232,600
Accrued interest expenses	2,043	2,043	2,620	2,620	3,057	3,057	25,475	25,475
Deposits received	22,471	22,471	13,168	13,168	11,957	11,957	99,641	99,641
Financial guarantee contracts	11,340	11,340	8,827	8,827	5,649	5,649	47,075	47,075
Contract guarantee	25,583	25,100	32,372	31,660	37,891	36,539	315,758	304,491
Other	1,442	1,442	1,766	1,766	1,866	1,866	15,550	15,550
Other financial liabilities	62,880	62,398	58,754	58,042	60,423	59,070	503,525	492,250
Derivative financial liabilities								
Interest rate swaps	1,036	1,036	279	279	1,570	1,570	13,083	13,083
Currency swaps	6,644	6,644	20,182	20,182	27,762	27,762	231,350	231,350
Foreign exchange forward contracts	—	—	18	18	84	84	700	700
Other derivative liabilities	—	—	6	6	3	3	25	25
Other financial liabilities	7,680	7,680	20,488	20,488	29,421	29,421	245,175	245,175
Total financial liabilities	1,658,892	1,666,504	2,224,393	2,231,559	2,539,896	2,548,787	21,165,800	21,239,891

(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 19 "Fair value of financial instruments (3) fair value measurements" and Note 20 "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 years ended March 31, 2014 and 2015, there was no transfer between levels of the fair value hierarchy.

(ii) Retained subordinate interests related to the transfer of finance lease receivables

Finance lease receivables recognized as a result of finance lease transactions include retained subordinate interests related to the transfer of finance lease receivables which have been derecognized in accordance with the previous accounting principle as permitted by IFRS 1 *First-time Adoption of International Financial*

Reporting Standards, and are measured at fair value on a recurring basis subsequent to initial recognition.

As the significant inputs to measure fair value of the subordinate interests are unobservable, the Group classifies the subordinate interests as Level 3, and determines the fair value by discounting the sum of principal and interest, taking into consideration early repayments, cancellations, estimated bad debt losses, and its subordinate nature, using the risk-free rate.

(iii) 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 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 interests and preferred securities.

(iv) 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 financial institutions.

(v) 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.

(vi) 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)

	Transition date (April 1, 2013)			
	Level 1	Level 2	Level 3	Total
Assets				
Finance lease receivables	¥ —	¥ —	¥ 50,423	¥ 50,423
Other financial assets				
Equity securities	4,666	—	1,823	6,489
Other investments	—	—	6,482	6,482
Derivative financial assets	—	4,610	—	4,610
Liabilities				
Derivative financial liabilities	—	7,680	—	7,680

(Millions of yen)

	March 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Finance lease receivables	¥ —	¥ —	¥ 49,583	¥ 49,583
Other financial assets				
Equity securities	5,396	—	2,024	7,420
Other investments	—	—	7,227	7,227
Derivative financial assets	—	1,257	—	1,257
Liabilities				
Derivative financial liabilities	—	20,488	—	20,488

(Millions of yen)

	March 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Finance lease receivables	¥ —	¥ —	¥ 34,028	¥ 34,028
Other financial assets				
Equity securities	4,215	—	2,253	6,468
Other investments	—	—	7,699	7,699
Derivative financial assets	—	7,573	—	7,573
Liabilities				
Derivative financial liabilities	—	29,421	—	29,421

(Thousands of U.S. dollars)

	March 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Finance lease receivables	$ —	$ —	$ 283,566	$ 283,566
Other financial assets				
Equity securities	35,125	—	18,775	53,900
Other investments	—	—	64,158	64,158
Derivative financial assets	—	63,108	—	63,108
Liabilities				
Derivative financial liabilities	—	245,175	—	245,175

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)

	Finance lease receivables	Other financial assets		Total
		Equity securities	Other investments	
Transition date (April 1, 2013)	¥ 50,423	¥ 1,823	¥ 6,482	¥ 58,729
Net gain/loss (Note 1)	(840)	–	37	(802)
Other comprehensive income (Note 2)	–	212	–	212
Purchase	–	1	1,930	1,932
Sales/redemption	–	(12)	(1,223)	(1,236)
Transfer to Level 3	–	–	–	–
Transfer from Level 3	–	–	–	–
Others	–	0	0	0
March 31, 2014	49,583	2,024	7,227	58,835
Net gain/loss (Note 1)	(639)	–	9	(630)
Other comprehensive income (Note 2)	–	218	–	218
Purchase	–	11	1,705	1,716
Sales/redemption	(14,915)	(1)	(1,243)	(16,159)
Transfer to Level 3	–	–	–	–
Transfer from Level 3	–	–	–	–
Others	–	0	0	0
March 31, 2015	34,028	2,253	7,699	43,981

(Thousands of U.S. dollars)

	Finance lease receivables	Other financial assets		Total
		Equity securities	Other investments	
March 31, 2014	$ 413,191	$ 16,866	$ 60,225	$ 490,291
Net gain/loss (Note 1)	(5,325)	–	75	(5,250)
Other comprehensive income (Note 2)	–	1,816	–	1,816
Purchase	–	91	14,208	14,300
Sales/redemption	(124,291)	(8)	(10,358)	(134,658)
Transfer to Level 3	–	–	–	–
Transfer from Level 3	–	–	–	–
Others	–	0	0	0
March 31, 2015	283,566	18,775	64,158	366,508

(Notes) 1 Gains and losses included in “Net gain/loss” relate to financial assets measured at FVTPL at the end of the reporting period. 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 at the end of the reporting period. They are included in *Financial assets measured at fair value through other comprehensive income*.

(vii) 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 retained subordinate interests related to the transfer of finance lease receivables and trust beneficiary interests are as follows.

Description	Valuation technique	Unobservable inputs	Ratio of unobservable inputs		
			Transition date (April 1, 2013)	March 31, 2014	March 31, 2015
Retained subordinate interests related to the transfer of finance lease receivables	Discounted cash flow method	Risk-free rate	0.26－0.35%	0.18－0.25%	0.14－0.16%
		Expected overall bad debt ratio of transferred finance lease receivables	0.31%	0.34%	0.29%
Trust beneficiary interests		Risk-free rate	0.35%－0.38%	0.25%－0.34%	0.16%－0.26%

The fair value of unlisted shares is 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.

The fair value of preferred equity securities is measured based on prices quoted by financial institutions.

(viii) Sensitivity analysis

For retained subordinate interests related to the transfer of finance lease receivables and trust beneficiary interests classified as Level 3, the Company believes there is no significant change in the fair value due to changes in the unobservable inputs to other reasonably possible alternative assumptions.

The Company believes that there would be no significant change in the fair value of unlisted shares and preferred equity securities classified as Level 3 as a result of changing the unobservable inputs to other reasonably possible alternative assumptions.

(ix) 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.

20. 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 assets and liabilities, or a firm commitment. The Group uses currency swaps and foreign exchange forward contracts to hedge changes in the fair value of a firm commitment. 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 fair value hedges 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) (Thousands of U.S. dollars)

	Consolidated statement of profit or loss	Year ended March 31, 2014		Year ended March 31, 2015		Year ended March 31, 2015	
		Hedged item	Hedging instrument	Hedged item	Hedging instrument	Hedged item	Hedging instrument
Interest rate swaps	Cost of sales	¥ 296	¥ (239)	¥ 232	¥ (278)	$ 1,933	$ (2,316)
Currency swaps	Cost of sales	4,208	(4,077)	(991)	1,162	(8,258)	9,683
Foreign exchange forward contracts	Revenues and cost of sales	16	(16)	25	(23)	208	(191)

(2) Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in future cash flows.

The Group uses currency swaps and foreign exchange forward contracts to hedge the exposure to changes in cash flows of forecast transactions, and uses interest rate swaps to hedge the exposure to 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 cash flow hedge are recognized in other comprehensive income and included in equity, and subsequently reclassified into profit or loss when the hedged item is recognized in 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) (Thousands of U.S. dollars)

	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
Interest rate swaps	¥ (187)	¥ (34)	¥ (49)	$ (408)
Currency swaps	(1,120)	(1,991)	(8,487)	(70,725)
Foreign exchange forward contracts	―	―	(1)	(8)

The changes in the amount recognized in other comprehensive income are presented in Note 16 "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

Derivative transactions to which hedge accounting is applied are as follows.

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

	Transition date (April 1, 2013)			March 31, 2014			March 31, 2015			March 31, 2015		
	Notional principal	Fair value		Notional principal	Fair value		Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability		Asset	Liability		Asset	Liability
Fair value hedges												
Interest rate swaps	¥28,000	¥ 674	¥ ―	¥28,000	¥ 435	¥ ―	¥13,000	¥ 157	¥ ―	$108,333	$1,308	$ ―
Currency swaps	24,750	595	1,329	29,471	―	4,811	44,408	709	4,357	370,066	5,908	36,308
Foreign exchange forward contracts	33	0	―	1,203	2	18	753	1	41	6,275	8	341
Cash flow hedges												
Interest rate swaps	95,771	―	1,006	157,592	672	279	216,267	46	1,562	1,802,225	383	13,016
Currency swaps	119,824	3,340	5,315	217,782	147	15,371	314,838	6,658	23,404	2,623,650	55,483	195,033
Foreign exchange forward contracts	―	―	―	―	―	―	540	―	43	4,500	―	358

(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)

	Transition date (April 1, 2013)			March 31, 2014			March 31, 2015			March 31, 2015		
	Notional principal	Fair value		Notional principal	Fair value		Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability		Asset	Liability		Asset	Liability
Interest rate swaps	¥2,290	¥ ―	¥ 29	¥ ―	¥ ―	¥ ―	¥ 260	¥ ―	¥ 8	$ 2,166	$ ―	$ 66
Credit default swaps	―	―	―	1,235	―	6	1,442	―	3	12,016	―	25

21. 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 April 1, 2013, March 31, 2014 and 2015, the assets and liabilities held by the structured entities are as follows.

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

	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
Cash and cash equivalents	¥ 7,036	¥ 12,329	¥ 12,556	$ 104,633
Trade and other receivables	140,281	130,482	117,053	975,441
Finance lease receivables	8,885	103,557	128,197	1,068,308
Total assets	156,203	246,369	257,808	2,148,400
Borrowings and bonds	124,126	198,825	209,064	1,742,200

(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 in the total assets of the structured entities are 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 April 1, 2013, March 31, 2014, and March 31, 2015, the maximum exposures to loss associated with the Group's interests in the unconsolidated structured entities for securitization, are ¥112,755 million, ¥124,255 million and ¥105,203 million ($876,691 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

(i) 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, 2014 and 2015, 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, 2014	March 31, 2015	March 31, 2015
Carrying amount of transferred financial assets			
Trade and other receivables	¥ 145,244	¥ 93,716	$ 780,966
Finance lease receivables	64,808	82,643	688,691
Total assets	210,052	176,360	1,469,666
Carrying amount of related liabilities			
Borrowings and bonds	196,974	176,217	1,468,475

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

At March 31, 2014 and 2015, 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, 2014	March 31, 2015	March 31, 2015
Fair value of transferred financial assets	¥ 219,738	¥ 180,267	$ 1,502,225
Cash and cash equivalents related to collections of the transferred financial assets	18,851	27,237	226,975
Fair value of related liabilities	198,315	176,297	1,469,141
Net position	40,274	31,207	260,058

(ii) 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, 2014 and 2015, 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, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Revenues	¥ (17)	¥ (43)	$ (358)

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 insignificant.

22. Assets pledged as collateral

The Group pledged a portion of its assets as collateral as presented below.

	Transition date (April 1, 2013) (Millions of yen)	March 31, 2014 (Millions of yen)	March 31, 2015 (Millions of yen)	March 31, 2015 (Thousands of U.S. dollars)
Cash and cash equivalents	¥ 1,880	¥ 3,580	¥ –	$ –
Other financial assets	38	38	38	316
Total	1,918	3,618	38	316

Secured liabilities corresponding to the assets pledged as collateral are as follows.

	Transition date (April 1, 2013) (Millions of yen)	March 31, 2014 (Millions of yen)	March 31, 2015 (Millions of yen)	March 31, 2015 (Thousands of U.S. dollars)
Borrowings and bonds	¥ 1,772	¥ 3,295	¥ –	$ –
Business guarantee deposits	–	–	–	–
Borrowings of the parent’s related company	–	–	–	–
Total	1,772	3,295	–	–

23. Revenues

The major components of revenues are as follows.

	Year ended March 31, 2014 (Millions of yen)	Year ended March 31, 2015 (Millions of yen)	Year ended March 31, 2015 (Thousands of U.S. dollars)
Revenues			
Interest income from finance leases	¥ 37,253	¥ 37,892	$ 315,766
Income from operating leases and other lease-related income	230,323	228,237	1,901,975
Interest income from installments and other loan receivables	52,531	64,973	541,441
Others	22,567	25,187	209,891
Total revenues	342,675	356,291	2,969,091

24. Cost of sales

The major components of cost of sales are as follows.

	Year ended March 31, 2014 (Millions of yen)	Year ended March 31, 2015 (Millions of yen)	Year ended March 31, 2015 (Thousands of U.S. dollars)
Cost of sales			
Interest expenses arising from financial liabilities measured at amortized cost	¥ 21,105	¥ 23,967	$ 199,725
Operating lease and lease related expenses	193,203	188,498	1,570,816
Other	23,042	24,456	203,800
Total cost of sales	237,351	236,922	1,974,350

25. 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, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Employee benefit expenses	¥ 36,026	¥ 38,374	$ 319,783
Welfare expenses	4,352	4,847	40,391
Rent expenses	3,897	4,427	36,891
Communication expenses	1,305	1,340	11,166
Operations consignment expenses	5,195	6,057	50,475
Provision (reversal) of allowance for doubtful accounts and bad debt losses	3,708	5,088	42,400
Other	17,748	20,246	168,716
Total selling, general and administrative expenses	72,236	80,381	669,841

26. Other revenues and expenses

The components of other revenues and expenses are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Other revenues			
Gain on bargain purchase	¥ 1,551	¥ —	$ —
Other	31	120	1,000
Total other revenues	1,582	120	1,000

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Other expenses			
Additional retirement payments	¥ —	¥ 2,896	$ 24,133
Impairment loss	1,812	2,188	18,233
Loss on step acquisition	840	—	—
Other	157	63	525
Total other expenses	2,810	5,149	42,908

27. 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 is no dilutive share.

(Number of shares)

	Year ended March 31, 2014	Year ended March 31, 2015
Weighted average number of shares	116,887,531	116,887,224

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Net income attributable to equity owners of the parent	¥ 21,547	¥ 24,140	$ 201,166

	(Yen)		(U.S. dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Earnings per share attributable to equity owners of the parent	¥ 184.35	¥ 206.53	$ 1.72

28. 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*.

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Interest and dividends received	¥ 53,733	¥ 65,955	$ 549,625
Interest paid	(20,745)	(23,736)	(197,800)

29. Major subsidiaries

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

(%)

Name	Location	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015
		Ownership ratio	Ownership ratio	Ownership ratio
Okinawa Hitachi Capital Corporation	Naha, Okinawa	100.00	100.00	100.00
Hitachi Capital Auto Lease Corporation	Minato, Tokyo	51.00	51.00	51.00
Sekisui Leasing Co., Ltd.	Osaka, Osaka	90.00	90.00	90.00
Hitachi Capital Insurance Corporation	Chiyoda, Tokyo	79.36	79.36	79.36
Hitachi Capital Community Corporation	Ayase, Kanagawa	100.00	100.00	100.00
Hitachi Capital Trust Corporation	Minato, Tokyo	100.00	100.00	100.00
Financial Bridge Corporation	Shinagawa, Tokyo	90.00	90.00	90.00
Hitachi Green Energy Corporation	Minato, Tokyo	–	100.00	100.00
Hitachi Wind Power Ltd.	Minato, Tokyo	–	85.10	85.10
Hitachi Capital NBL Corporation	Minato, Tokyo	40.00	100.00	100.00
Hitachi Capital Servicer Corporation	Minato, Tokyo	100.00	100.00	100.00
Hitachi Capital Services Co., Ltd.	Minato, Tokyo	100.00	100.00	100.00
Hitachi Triple Win Corp.	Minato, Tokyo	100.00	100.00	100.00
Daiichi Personal Credit Guarantee Corporation	Minato, Tokyo	100.00	100.00	100.00
Hitachi Capital (UK) PLC	Surrey, UK	100.00	100.00	100.00
Hitachi Capital Vehicle Solutions Ltd.	Berkshire, UK	100.00 (100.00)	100.00 (100.00)	100.00 (100.00)
Hitachi Capital Insurance Europe Ltd.	Dublin, Ireland	100.00 (100.00)	100.00 (100.00)	100.00 (100.00)
Corpo Flota Sp. z o.o.	Warsaw, Poland	–	–	90.00 (90.00)
Hitachi Capital America Corp.	Connecticut, USA	100.00	100.00	100.00
Hitachi Capital Canada Corp.	Ontario, Canada	100.00 (100.00)	100.00 (100.00)	100.00 (100.00)
CLE Canadian Leasing Enterprises Ltd.	Quebec, Canada	–	–	100.00 (100.00)
CLE Leasing Enterprises Ltd.	Ontario, Canada	–	–	100.00 (100.00)
Hitachi Capital (Hong Kong) Ltd.	Hong Kong, China	100.00	100.00	100.00
Hitachi Capital Leasing (China) Co., Ltd.	Beijing, China	90.00	90.00	90.00
Hitachi Capital Factoring (China) Co., Ltd.	Shanghai, China	–	100.00	100.00

(%)

Name	Location	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015
		Ownership ratio	Ownership ratio	Ownership ratio
Hitachi Capital Singapore Pte. Ltd.	Singapore	100.00	100.00	100.00
Hitachi Capital (Thailand) Co., Ltd.	Bangkok, Thailand	73.99 (49.49)	73.99 (49.49)	73.99 (73.99)
First Peninsula Credit Sdn. Bhd.	Penang, Malaysia	75.00	75.00	75.00 (75.00)
PT. Arthaasia Finance	Jakarta, Indonesia	75.00	75.00	75.00
PT. Hitachi Capital Finance Indonesia	Jakarta, Indonesia	–	–	70.00 (70.00)

(Notes) 1. Figures in parentheses below "Ownership ratio" represent the percentage of indirect ownership within the total ownership.
2. Hitachi Capital NBL Corporation was accounted for using the equity method at the transition date.
3. In addition to the subsidiaries listed above, the Group also consolidates trusts used for the securitization of receivables.

30. Related party transactions

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

(1) Parent company

Transactions with Hitachi, Ltd., the Group's parent company, are as follows:

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

	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
Related company deposit	¥ 114,767	¥ 117,308	¥ 72,121	$ 601,008
Accounts receivable	11,478	33,046	31,447	262,058

(2) Companies that have the same parent company

Transactions with companies that have the same parent company, Hitachi, Ltd., are as follows.

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

	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
Related company deposits	¥ 26	¥ 293	¥ 492	$ 4,100
Accounts receivable	181,958	168,219	195,378	1,628,150
Finance lease receivables	33,585	34,772	44,278	368,983
Accounts payable	26,396	24,844	26,942	224,516
Borrowings	74,915	94,967	98,578	821,483

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

	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Revenues	¥ 22,979	¥ 19,296	$ 160,800

(3) Management

Remuneration of the Company's directors is as follows.

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

	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Remunerations for management (short-term employee benefits)	¥ 426	¥ 456	$ 3,800

31. 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.

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

	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
Loan guarantee liabilities	¥ 374,857	¥ 297,851	¥ 206,648	$ 1,722,066

If a customer fails to make a payment for the obligation under the loan guarantee and the guarantee incurs a loss, the Group is obligated to compensate such loss upon request to perform the payment.

The Group receives collateral for certain guarantee liabilities.

At April 1, 2013, March 31, 2014 and March 31, 2015, these guarantee liabilities amounted to ¥11,340 million, ¥8,827 million and ¥5,649 million ($47,075 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.

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

	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
Total loan commitments	¥ 40,450	¥ 40,304	¥ 40,197	$ 334,975
Amount utilized	5,398	5,252	5,156	42,966
Balance available	35,052	35,052	35,041	292,008

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

32. Subsequent event

Not applicable.

33. First-time adoption of IFRS

(1) Adoption of IFRS

The consolidated financial statements for the year ended March 31, 2015 are the first consolidated financial statements that the Company has prepared in accordance with IFRS, and accounting policies used in preparing these financial statements are described in Note 3 "Summary of significant accounting policies."

In transitioning to IFRS, the Company's opening consolidated statement of financial position was prepared as of April 1, 2013, the Company's transition date to IFRS, and certain adjustments were made to the amounts reported in the financial statements prepared under Japan GAAP. The elections of initial adoption of IFRS adopted by the Group and adjustments for the transition to IFRS are as follows.

(2) Exemptions and mandatory exceptions in adopting IFRS

(i) Exemptions of IFRS 1 *First-time Adoption of International Financial Reporting Standards*

IFRS requires a first-time adopter to apply IFRS retrospectively. Certain exemptions are granted, however, and the Group has applied the exemptions as follows. The effects from applying these exemptions are adjusted to retained earnings or accumulated other comprehensive income at the date of transition to IFRS.

(a) Business combinations

The Group elected not to apply IFRS 3 *Business Combinations* retrospectively to past business combinations that occurred before the date of transition to IFRS (April 1, 2013). Accordingly, goodwill arising from the acquisition before the date of transition to IFRS, with some exceptions, is stated at the carrying amount under Japan GAAP.

(b) Foreign currency translation differences for foreign operations

The cumulative foreign currency translation differences for all foreign operations are deemed to be zero at the transition date to IFRS.

(c) Designation of financial instruments recognized before the transition date to IFRS

The Group has determined classification of financial instruments in accordance with IFRS 9 *Financial Instruments* based on facts and circumstances that existed at the date of transition to IFRS, and designated equity financial assets as financial assets measured at FVTOCI.

(ii) Mandatory exceptions

IFRS 1 prohibits retrospective application of IFRS with respect to “accounting estimates,” “derecognition of financial assets and financial liabilities,” “hedge accounting,” and “non-controlling interests.” The Group has applied relevant IFRSs to these transactions prospectively from the transition date.

(3) Reconciliations

(i) Reconciliation of equity

(a) Date of transition to IFRS (April 1, 2013)

(Millions of yen)

Account name under Japan GAAP	Japan GAAP	Reclassification of presentation	Difference in recognition/ measurements	IFRS	Notes	Account name under IFRS
ASSETS						ASSETS
Cash on hand and at bank	¥ 22,561	¥ 110,194	¥ 7,036	¥ 139,792	(i)	Cash and cash equivalents
Notes and accounts receivable - trade	706,993	(7,440)	181,602	881,155	(i)(iii)	Trade and other receivables
Investment in direct finance leases	608,376	(6,252)	18,120	620,244	(i)(ii)(iii)	Finance lease receivables
Parent company deposits	114,793	(114,793)	－	－		
Short-term investments	6,700	(6,700)	－	－		
Advance payments-trade	9,247	(9,247)	－	－		
Prepaid expenses	5,961	(5,961)	－	－		
Deferred tax assets (current assets)	10,674	(10,674)	－	－		
Other (current assets)	18,107	(18,107)	－	－		
Allowance for doubtful accounts (current assets)	(13,699)	13,699	－	－		
Equipment held for lease (property, plant and equipment)	204,051	(204,051)	－	－		
		243,863	3,439	247,303	(ii)	Operating lease assets
Own-used assets	3,161	－	42	3,203		Other property, plant and equipment
Equipment held for lease (intangible fixed assets)	39,811	(39,811)	－	－		
Other intangible fixed assets	11,593	－	(1,132)	10,461	(iv)	Other intangible assets
Investments in securities	104,908	(104,908)	－	－		
		20,235	(68)	20,166		Investments accounted for using the equity method
Deferred tax assets (non-current assets)	8,377	10,674	3,835	22,888		Deferred tax assets
Other (non-current assets)	29,813	(29,813)	－	－		
Allowance for doubtful accounts (non-current assets)	(5)	5	－	－		
		118,252	(67,865)	50,387	(i)	Other financial assets
		40,838	(12,426)	28,411	(v)	Other assets
Total assets	1,891,431	－	132,584	2,024,016		Total assets

(Millions of yen)

Account name under Japan GAAP	Japan GAAP	Reclassification of presentation	Difference in recognition/ measurements	IFRS	Notes	Account name under IFRS
LIABILITIES						LIABILITIES
Notes and accounts payable - trade	¥ 256,226	¥ −	¥ (5)	¥ 256,221		Trade and other payables
Short-term bank loans	221,315	(221,315)	−	−		
Commercial paper	138,626	(138,626)	−	−		
Current portion of bonds	42,561	(42,561)	−	−		
Current portion of long-term obligation for securitized receivables	53,731	(53,731)	−	−		
Other payables	41,915	3,402	(4,022)	41,294	(i)	Other payables
Income taxes payable	3,517	(711)	−	2,806		Income tax payable
Allowance for losses on guarantees	3,978	(3,978)	−	−		
Asset retirement obligations	64	(64)	−	−		
Other	49,542	(49,542)	−	−		
Bonds	249,739	(249,739)	−	−		
Long-term debt	440,393	(440,393)	−	−		
		1,166,809	124,004	1,290,813	(i)	Borrowings and bonds
Long-term obligation for securitized receivables	36,429	(36,429)	−	−		
Deferred tax liabilities	3,762	−	(45)	3,717		Deferred tax liabilities
Allowance for retirement benefit	4,469	−	5,219	9,689	(v)	Retirement and severance benefits
Retirement benefits for directors	185	(185)	−	−		
Reserve for insurance contract	6,724	(6,724)	−	−		
Asset retirement obligations	5,213	(5,213)	−	−		
Other	44,140	(44,140)	−	−		
		58,492	12,068	70,561	(iii)	Other financial liabilities
		64,651	2,520	67,172	(ii)(iii)	Other liabilities
Total liabilities	1,602,537	−	139,740	1,742,278		Total liabilities
NET ASSETS						EQUITY
Stockholders' equity						
Common stock	9,983	−	−	9,983		Common stock
Capital surplus	45,972	−	(149)	45,823		Capital surplus
Retained earnings	235,504	−	(5,691)	229,813		Retained earnings
		2,298	(1,440)	857	(i)	Accumulated other comprehensive income
Treasury stock	(14,331)	−	−	(14,331)		Treasury stock
Total stockholders' equity	277,128					
Accumulated other comprehensive income						
Net unrealized holding gain on securities	6,556	(6,556)	−	−		
Net unrealized loss on hedging derivatives	(1,434)	1,434	−	−		
Foreign currency translation adjustments	(2,823)	2,823	−	−		
Total accumulated other comprehensive income	2,298					
				272,146		Total equity attributable to owners of the parent
Minority interests	9,466	−	124	9,591		Non-controlling interests
Total net assets	288,894	−	(7,156)	281,737		Total equity
Total liabilities and net assets	1,891,431	−	132,584	2,024,016		Total liabilities and equity

(b) March 31, 2014

(Millions of yen)

Account name under Japan GAAP	Japan GAAP	Reclassification of presentation	Difference in recognition/ measurements	IFRS	Notes	Account name under IFRS
ASSETS						ASSETS
Cash on hand and at bank	¥ 31,023	¥ 107,127	¥ 12,329	¥ 150,480	(i)	Cash and cash equivalents
Notes and accounts receivable - trade	955,301	(6,331)	204,923	1,153,893	(i)(iii)	Trade and other receivables
Investment in direct finance leases	827,641	(9,716)	67,306	885,232	(i)(ii)(iii)	Finance lease receivables
Parent company deposit	117,602	(117,602)	–	–		
Short-term investments	7,033	(7,033)	–	–		
Advance payments-trade	17,471	(17,471)	–	–		
Prepaid expenses	6,280	(6,280)	–	–		
Deferred tax assets (current asset)	11,066	(11,066)	–	–		
Other (current assets)	18,227	(18,227)	–	–		
Allowance for doubtful accounts (current assets)	(16,086)	16,086	–	–		
Equipment held for lease (property, plant and equipment)	230,131	(230,131)	–	–		
		270,144	3,483	273,628	(ii)	Operating lease assets
Own-used assets	11,260	–	37	11,297		Other property, plant and equipment
Equipment held for lease (intangible fixed assets)	40,012	(40,012)	–	–		
Other intangible fixed assets	9,323	–	(244)	9,079	(iv)	Other intangible assets
Investments in securities	89,499	(89,499)	–	–		
		17,982	361	18,344	(iv)	Investments accounted for using the equity method
Net defined benefit asset	722	(722)	–	–		
Deferred tax assets (non-current assets)	12,298	11,066	(190)	23,174		Deferred tax assets
Other (non-current assets)	21,796	(21,796)	–	–		
Allowance for doubtful accounts(non-current assets)	(5)	5	–	–		
		111,911	(56,598)	55,312	(i)	Other financial assets
		41,568	(2,902)	38,666		Other assets
Total assets	2,390,601	–	228,506	2,619,108		Total assets

(Millions of yen)

Account name under Japan GAAP	Japan GAAP	Reclassification of presentation	Difference in recognition/ measurements	IFRS	Notes	Account name under IFRS
LIABILITIES						LIABILITIES
Notes and accounts payable - trade	¥ 276,349	¥ −	¥ (4)	¥ 276,345		Trade and other payables
Short-term bank loans	319,639	(319,639)	−	−		
Commercial paper	171,220	(171,220)	−	−		
Current portion of bonds	106,757	(106,757)	−	−		
Current portion of long-term obligation for securitized lease receivables	81,183	(81,183)	−	−		
Other payables	40,322	3,132	(17,692)	25,762	(i)	Other payables
Income taxes payable	4,730	−	−	4,730		Income tax payable
Allowance for losses on guarantees	3,500	(3,500)	−	−		
Asset retirement obligations	556	(556)	−	−		
Other	58,592	(58,592)	−	−		
Bonds	314,720	(314,720)	−	−		
Long-term debt	532,491	(532,491)	−	−		
		1,609,128	233,915	1,843,043	(i)	Borrowings and bonds
Long-term obligation for securitized lease receivables	89,123	(89,123)	−	−		
Deferred tax liabilities	2,929	−	(1)	2,928		Deferred tax liabilities
Retirement benefits for directors	168	(168)	−	−		
Reserve for insurance contract	7,228	(7,228)	−	−		
Retirement and severance benefits	7,766	−	−	7,766		Retirement and severance benefits
Asset retirement obligations	5,761	(5,761)	−	−		
Other	60,551	(60,551)	−	−		
		70,662	8,579	79,242	(iii)	Other financial liabilities
		68,572	2,026	70,598	(ii)(iii)	Other liabilities
Total liabilities	2,083,595	−	226,821	2,310,417		Total liabilities
NET ASSETS						EQUITY
Stockholders' equity						
Common stock	9,983	−	−	9,983		Common stock
Capital surplus	45,972	−	(149)	45,823		Capital surplus
Retained earnings	252,581	−	(6,217)	246,364		Retained earnings
		2,930	7,519	10,449	(i)(v)	Accumulated other comprehensive income
Treasury stock	(14,332)	−	−	(14,332)		Treasury stock
Total stockholders' equity	294,205					
Accumulated other comprehensive income						
Net unrealized holding gain on securities	5,870	(5,870)	−	−		
Net unrealized loss on hedging derivatives	(354)	354	−	−		
Foreign currency translation adjustments	3,702	(3,702)	−	−		
Remeasurements of defined benefit plans	(6,288)	6,288	−	−		
Total accumulated other comprehensive income	2,930					
				298,288		Total equity attributable to owners of the parent
Minority interests	9,869	−	532	10,402		Non-controlling interests
Total net assets	307,005	−	1,685	308,690		Total equity
Total liabilities and net assets	2,390,601	−	228,506	2,619,108		Total liabilities and equity

(ii) Adjustments to net income and comprehensive income

Consolidated statement of profit or loss for the year ended March 31, 2014

(Millions of yen)

Account name under Japan GAAP	Japan GAAP	Reclassification of presentation	Difference in recognition/ measurements	IFRS	Notes	Account name under IFRS
Revenues						
Operating revenues	¥ 126,927	¥ (126,927)	¥ −	¥ −		
Interest and dividend income	1,051	(1,051)	−	−		
Total revenues	127,979					
		344,664	(1,988)	342,675	(i)(ii)	Revenues
		236,820	531	237,351	(ii)(iii)	Cost of sales
				105,323		Gross profit
Expenses						
Selling, general and administrative expenses	75,244	(1,696)	(1,312)	72,236	(iii)(iv)(v)	Selling, general and administrative expenses
Financing costs	20,135	(20,135)	−	−		
Total expenses	95,380					
Operating income	32,598					
		1,848	(266)	1,582		Other income
		2,867	(56)	2,810		Other expenses
Non-operating income						
Share of profits of investments accounted for using the equity method	1,103	−	208	1,311	(iv)	Share of profits of investments accounted for using the equity method
Gain on sale of investment securities	45	(45)	−	−		
Other	31	(31)	−	−		
Total non-operating income	1,180					
Non-operating expenses						
Loss on retirement of fixed assets	147	(147)	−	−		
Loss on valuation of investment securities	1	(1)	−	−		
Other	10	(10)	−	−		
Total non-operating expenses	159					
Ordinary income	33,619					
Extraordinary income						
Gain on negative goodwill	1,771	(1,771)	−	−		
Total extraordinary income	1,771					
Extraordinary losses						
Loss on step acquisitions	1,011	(1,011)	−	−		
Total extraordinary losses	1,011					
Income before income taxes and minority interests	34,380	−	(1,208)	33,171		Income before income taxes
Current income taxes	8,843					
Deferred income taxes	2,615					
Total income taxes	11,459	−	(639)	10,820		Income taxes
Income before minority interests	22,920	−	(569)	22,350		Net income
						Attributable to:
Net income	22,195	−	(648)	21,547		Owners of the parent
Minority interests	724	−	78	803		Non-controlling interests

Consolidated statement of comprehensive income for the year ended March 31, 2014

(Millions of yen)

Account name under Japan GAAP	Japan GAAP	Reclassification of presentation	Discrepancy on recognition/ measurements	IFRS	Notes	Account name under IFRS
Income before minority interests	¥ 22,920	¥ –	¥ (569)	¥ 22,350		Net income
Other comprehensive income						Other comprehensive income
						Items not to be reclassified to net income
Net unrealized holding losses on securities	(723)	–	1,369	645	(i)	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans	2,010	–	(886)	1,123	(v)	Remeasurements of defined benefit plans
Share of other comprehensive income of associates accounted for by the equity method	87	–	(8)	78		Share of other comprehensive income of investments accounted for using the equity method
				1,847		Total items not to be reclassified to net income
						Items that can be reclassified to net income:
Foreign currency translation adjustments	6,602	–	149	6,752		Foreign currency translation adjustments
Net unrealized gains on hedging derivatives	1,080	–	65	1,145		Cash flow hedges
				7,897		Total items that can be reclassified to net income
Total other comprehensive income	9,056	–	689	9,745		Other comprehensive income
Comprehensive income	31,977	–	119	32,096		Comprehensive income
(Comprehensive income attributable to)						Comprehensive income attributable to:
Shareholders of Hitachi Capital Corporation	31,082	–	86	31,169		Owners of the parent
Minority interests	895	–	32	927		Non-controlling interests

(iii) Components of differences in retained earnings

(a) Adjustments to retained earnings

(Millions of yen)

	Transition date (April 1, 2013)	March 31, 2014	Notes
Japan GAAP	¥ 235,504	¥ 252,581	
Transfer of financial assets	1,429	(523)	(i)
Lease as lessor	2,190	1,184	(ii)
Provisions	6,371	5,885	(iii)
Goodwill	–	730	(iv)
Retirement benefits	(13,192)	(11,727)	(v)
Cumulative translation differences on the date of transition to IFRS	(3,732)	(3,732)	
Other	(41)	193	(vi)
Adjustments to income before income taxes	(6,975)	(7,989)	
Income taxes	1,394	1,965	
Non-controlling interests	(109)	(193)	
Total differences	(5,691)	(6,217)	
IFRS	229,813	246,364	

(b) Adjustments to income before income taxes

(Millions of yen)

	Year ended March 31, 2014	Notes
Japan GAAP	¥ 34,380	
Transfer of financial assets	(1,952)	(i)
Lease as lessor	(1,005)	(ii)
Provisions	(486)	(iii)
Goodwill	730	(iv)
Retirement benefits	1,465	(v)
Other	40	(vi)
Total differences	(1,208)	
IFRS	33,171	

(4) Notes related to differences in recognition and measurement

(i) Transfer of financial assets

The Group securitizes trade receivables as one of the diversified funding methods to ensure stable funding. As there are differences between Japan GAAP and IFRS in the accounting treatment for receivables securitization transactions, certain adjustments have been made in adopting IFRS. See Note 21 “Transfer of financial assets.”

(a) Difference in scope of consolidation

Under Japan GAAP, an entity consolidates another entity when it controls the other entity’s decision-making body but does not consolidate trusts when it is determined that it does not control their decision-making body.

Under IFRS, whether an entity has substantial control over a trust is assessed based on the perspective that the entity has power over the investee’s activities that affects the investee’s returns, and consolidates the trust when it is determined that the entity has such power. Based on the assessment of scope of consolidation, the Group consolidates trusts over which it has substantial control.

In consolidating the trusts, trust beneficiary interests related to receivables securitization recorded in *Investments in securities* under Japan GAAP are eliminated as intra-group transactions under IFRS, and *Net unrealized holding gain on securities* arising from mark-to-market of the trust beneficiary interests under Japan GAAP are also eliminated under IFRS.

(b) Difference in “derecognition of financial assets and financial liabilities”

Under Japan GAAP, financial assets are derecognized in securitization of receivables when a control over financial elements comprising the financial assets is transferred to a third party.

Under IFRS, financial assets are derecognized when contractual rights to receive cash flows from the financial asset have expired, or when financial assets have been transferred and substantially all the risks and rewards of ownership of the financial asset are transferred.

As IFRS 1 prohibits retrospective application of IFRS 9 “derecognition of financial assets and financial liabilities,” the Group continues to recognize receivables in the securitization transactions in which derecognition of receivables are not allowed under IFRS from the transfer transactions that took place after the transition date.

Interests retained in the securitization transactions that took place before the transition date and the transferee of the assets was not consolidated are measured at amortized cost under Japan GAAP. Under IFRS, they are classified as financial assets measured at FVTPL and measured at fair value.

(ii) Lease as lessor

(a) Re-leasing

Under Japan GAAP, annual lease contract renewal payment paid in full in advance is recognized in full at the beginning of the lease term. IFRS requires revenue to be recognized over the service period, and accordingly the Group made adjustments to recognize revenue over the service period.

(b) Lessor’s finance lease income regarding amendment to lease accounting standard under Japan GAAP in 2008

Under Japan GAAP, for finance lease transactions that commenced prior to the initial application of accounting standard for lease on April 1, 2008 and do not transfer ownership, the appropriate carrying amount of the fixed assets, net of accumulated depreciation, at March 31, 2008 was recorded as the beginning balance of lease investment assets and the aggregate amount equivalent to interest on the lease investment assets is recognized using the straight-line method over the remaining lease term after the application of accounting standard.

Under IFRS, regardless of whether the finance lease contracts commenced prior to April 1, 2008, the lessor should recognize finance income based on a pattern reflecting a constant periodic rate of return on the outstanding balance of the lessor’s net investment in the lease, and accordingly the Group made certain adjustments.

(iii) Provisions

(a) Allowance for doubtful accounts

Under Japan GAAP, the expected unrecoverable amount calculated using the historical rate of credit loss is recognized as a general allowance for doubtful accounts.

Under IFRS, based on the incurred loss model, a general allowance is not allowed to be recognized for future expected credit loss that "has not occurred yet," and accordingly the Group made certain adjustments.

(b) Allowance for loan guarantees

Under Japan GAAP, the Group recognizes the allowance for loan guarantees corresponding to credit risk related to affiliated loans based on accounting standard for financial instruments.

Under IFRS, such allowance for loan guarantee is not recognized and instead, loan guarantee liabilities are recognized in accordance with IFRS 9.

(c) Policy reserve

Catastrophic loss reserve, a part of policy reserve recorded under Japan GAAP, is provided for potential insurance payments that may incur in the future and does not meet recognition requirements for liabilities under IFRS. Accordingly, the catastrophic loss reserve recorded under Japan GAAP is reversed under IFRS.

(iv) Goodwill

Under Japan GAAP, goodwill is amortized over certain period using the straight-line method. Under IFRS, goodwill is not amortized regularly, but tested for impairment annually or whenever there is any indication of impairment. Accordingly, the Group no longer amortizes goodwill on a regular basis but performs impairment test.

(v) Employee benefits

Under Japan GAAP, actuarial gains or losses and past service costs not recognized in profit or loss for the current period are recognized in *Other comprehensive income* and reclassified to profit or loss over a certain future period. Service costs, interest cost and expected return on assets are recognized in profit or loss.

Under IFRS, the present value of defined benefit obligations and fair value of plan assets are remeasured at the fiscal year-end, and actuarial gains or losses and changes in fair value of plan assets (excluding interest income) are fully recognized in *Other comprehensive income* and not reclassified to *Retained earnings* in subsequent periods. Past service costs arising from amendments of plans are fully recognized in profit or loss when incurred.

The Group previously recognized unrecognized actuarial gains or losses and past service costs in profit or loss over certain future period, but following the amendment of accounting standard for retirement benefits, the Group recognizes unrecognized actuarial differences and unrecognized past service costs in accumulated comprehensive income from April 1, 2013.

However, the consolidated statements of financial position published at the date of transition to IFRS prepared under the previous accounting standards did not reflect the above changes due to the amendment of the accounting standard for retirement benefits. Accordingly, there were differences at the date of transition to IFRS as presented in the table in (3)-(i)-(a) above for which notes are required for differences between the consolidated statements of financial position prepared under the previous accounting standard. The differences are recognized in *Retained earnings* under IFRS at the date of transition to IFRS.

(vi) Other

(a) Equity financial assets

Under Japan GAAP, securities are classified into four categories: “Securities held for trading,” “Held-to-maturity securities,” “Stocks of subsidiaries and associates” and “Available-for-sale securities.” Held-to-maturity securities are measured at amortized cost, and securities held for trading and available-for-sale securities are measured at fair value through profit or loss and other comprehensive income, respectively. Gains or losses on sale of these securities are recognized in profit or loss.

Under IFRS, equity financial assets are stated at fair value regardless of whether there is an active market for such instruments. The changes in fair value are permitted to be recognized in *Other comprehensive income*, in which case, any gain or loss on sale or valuation of such financial assets are not recognized in profit or loss.

(b) Other

In addition to the above, certain adjustments are made to other items for differences between Japan GAAP and IFRS including accrued vacation pay that is not recognized under Japan GAAP.

(5) Notes related to reclassification

(i) Consolidated statement of financial position

(a) Cash and cash equivalents

The sum of *Cash on hand and at bank* and related company deposits under Japan GAAP less time deposits with a maturity of three months or more is presented as *Cash and cash equivalents* under IFRS.

(b) Share of associates accounted for using the equity method

Investments in associates included in *Investments in securities* under Japan GAAP are separately presented as *Investments accounted for using the equity method* under IFRS.

(c) Borrowings and bonds

Liabilities presented as *Short-term bank loans*, *Commercial paper*, *Current portion of bonds*, *Bonds*, *Long-term debt*, *Current portion of long-term obligation for securitized lease receivables*, and *Long-term obligation for securitized receivables* under Japan GAAP are presented in aggregate as *Borrowings and bonds* under IFRS.

(d) Allowance for doubtful accounts

Under Japan GAAP, allowance for doubtful accounts for *Investment in direct finance leases* and *Notes and accounts receivable - trade* are presented in aggregate as a separate line in the consolidated statements of financial position, but under IFRS, such allowance is directly deducted from each financial asset.

(e) Presentation of accounts in the consolidated statements of financial position

Under Japan GAAP, accounts are presented in “Current assets,” “Fixed assets,” “Current liabilities,” and “Fixed liabilities” based on current/fixed classification. Under IFRS, the order of liquidity is applied. The component of financial assets and liabilities by period up to collection or settlement is presented in Note 7 “Components of financial assets and liabilities by period up to collection or settlement.”

In addition to the above, certain accounts under Japan GAAP are aggregated or separately presented under IFRS.

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

(a) Presentation of cost of sales

Expenses under Japan GAAP is presented as *Cost of sales* under IFRS.
Financing cost under Japan GAAP is included in *Cost of sales* under IFRS.

(b) Presentation of profit by level

Operating income and *Ordinary income*, different levels of profit presented under Japan GAAP are not used under IFRS, and as a result, *non-operating income/expenses* and *extraordinary income/losses* presented under Japan GAAP are reclassified.

In addition to the above, certain accounts under Japan GAAP are aggregated or separately presented under IFRS.

(6) Consolidated statement of cash flows

(i) Reconciliation for the year ended March 31, 2014

(Millions of yen)

	Japan GAAP	Reclassification of presentation	Differences in recognition/ measurements	IFRS
Cash flows from operating activities	¥ (133,300)	¥ (15,639)	¥ (111,753)	¥ (260,693)
Cash flows from investing activities	(11,722)	(1,675)	647	(12,750)
Cash flows from financing activities	149,057	17,315	116,399	282,772
Effect of exchange rate changes on cash and cash equivalents	1,359	—	—	1,359
Net increase (decrease) in cash and cash equivalents	5,394	—	5,293	10,687
Cash and cash equivalents at beginning of year	132,756	—	7,036	139,792
Cash and cash equivalents at end of year	138,150	—	12,329	150,480

(ii) Explanation about the differences

(a) Notes related to differences in recognition and measurement

Under Japan GAAP, receivables securitization transactions are included in *Cash flows from operating activities*. Under IFRS, funds obtained from receivables securitization transactions in which financial assets are not derecognized are included in *Borrowings and bonds* in the consolidated statements of financial position and in *Cash flows from financing activities* in the consolidated statements of cash flows.

(b) Notes related to reclassification of presentation

Interest paid is included in *Cash flows from financing activities* under Japan GAAP, but in *Cash flows from operating activities* under IFRS.

Interest and dividend received is included in *Cash flows from investing activities* under Japan GAAP, but in *Cash flows from operating activities* under IFRS.

In addition to the above, certain accounts under Japan GAAP are aggregated or separately presented under IFRS.

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 statement of financial position as at March 31, 2015, 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.

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, 2015, 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

June 24, 2015
Tokyo, Japan