Hitachi Capital Group
Financial Information Details 2016

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

			(Millions of yen)	(Thousands of U.S. dollars)
	Notes	March 31, 2015	March 31, 2016	March 31, 2016
Assets				
Cash and cash equivalents	5, 6, 18	¥119,314	¥157,091	$1,390,185
Trade and other receivables	6, 18	1,367,886	1,358,973	12,026,309
Finance lease receivables	7, 18	996,438	1,054,180	9,329,026
Other financial assets	6, 18	54,830	61,601	545,141
Operating leased assets	9, 10	302,765	341,296	3,020,318
Investments accounted for using the equity method	8	19,267	20,254	179,238
Other property, plant and equipment	9	16,150	20,162	178,424
Other intangible assets	10	12,735	12,165	107,654
Deferred tax assets	11	21,179	17,950	158,849
Other assets	12	41,903	37,524	332,070
Total assets		2,952,471	3,081,201	27,267,265
Liabilities				
Trade and other payables	6, 18	273,036	228,989	2,026,451
Borrowings and bonds	17, 18	2,149,103	2,341,683	20,722,858
Other payables	6, 18	27,912	20,492	181,345
Other financial liabilities	6, 18	89,844	58,724	519,681
Income tax payable		2,684	4,494	39,769
Retirement and severance benefits	13	6,285	9,540	84,424
Deferred tax liabilities	11	1,965	1,839	16,274
Other liabilities	12	64,809	67,878	600,690
Total liabilities		2,615,641	2,733,641	24,191,513
Equity				
Equity attributable to owners of the parent				
Common stock	14	9,983	9,983	88,345
Capital surplus	14	45,823	45,828	405,557
Retained earnings	14	265,152	289,745	2,564,115
Accumulated other comprehensive income	15	18,597	4,280	37,876
Treasury stock	14	(14,333)	(14,334)	(126,849)
Total equity attributable to owners of the parent		325,223	335,503	2,969,053
Non-controlling interests		11,607	12,056	106,690
Total equity		336,830	347,559	3,075,743
Total liabilities and equity		2,952,471	3,081,201	27,267,265

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

Consolidated statements of profit or loss

	Notes	Year ended March 31, 2015 (Millions of yen)	Year ended March 31, 2016 (Millions of yen)	Year ended March 31, 2016 (Thousands of U.S. dollars)
Revenues	4, 21	¥356,291	¥365,354	$3,233,221
Cost of sales	22	236,922	235,340	2,082,654
Gross profit		119,368	130,014	1,150,566
Selling, general and administrative Expenses	23	80,381	84,783	750,292
Other income		120	82	725
Other expenses	24	5,149	421	3,725
Share of profits of investments accounted for using the equity method	8	1,640	1,775	15,707
Income before income taxes	4	35,598	46,667	412,982
Income taxes	11	10,660	13,051	115,495
Net income		24,937	33,615	297,477
Net income attributable to:				
Owners of the parent		24,140	32,694	289,327
Non-controlling interests		797	920	8,141
			(Yen)	(US dollars)
Earnings per share	25			
Earnings per share attributable to owners of the parent (basic and diluted)		¥206.53	¥279.71	$2.47

Consolidated statements of comprehensive income

	Notes	Year ended March 31, 2015 (Millions of yen)	Year ended March 31, 2016 (Millions of yen)	Year ended March 31, 2016 (Thousands of U.S. dollars)
Net income		¥24,937	¥33,615	$297,477
Other comprehensive income	15			
Items not to be reclassified to net income				
Financial assets measured at fair value through other comprehensive income		966	181	1,601
Remeasurements of defined benefit Plans		206	(3,607)	(31,920)
Share of other comprehensive income of investments accounted for using the equity method	8	164	1	8
Total items not to be reclassified to net income		1,338	(3,425)	(30,309)
Items that can be reclassified to net income				
Foreign currency translation Adjustments		10,141	(10,743)	(95,070)
Cash flow hedges		(2,336)	119	1,053
Total items that can be reclassified to net income		7,805	(10,624)	(94,017)
Other comprehensive income		9,143	(14,049)	(124,327)
Comprehensive income		34,080	19,565	173,141
Comprehensive income attributable to:				
Owners of the parent		33,013	19,048	168,566
Non-controlling interests		1,066	516	4,566

(iii) Consolidated statements of changes in equity

Year ended March 31, 2015

(Millions of yen)

	Notes	Equity attributable to owners of the parent					Total equity attributable to owners of the parent	Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock			
April 1, 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	15				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	16			(6,078)			(6,078)		(6,078)
Dividends to non-controlling interests								(141)	(141)
Acquisition of treasury stock	14					(1)	(1)		(1)
Transfer to retained earnings	18				(726)		(726)		(726)
Transfer from accumulated other comprehensive income	18			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

Year ended March 31, 2016

(Millions of yen)

	Notes	Equity attributable to owners of the parent					Total equity attributable to owners of the parent	Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock			
April 1, 2015		¥9,983	¥45,823	¥265,152	¥18,597	¥(14,333)	¥325,223	¥11,607	¥336,830
Changes in equity									
Net income				32,694			32,694	920	33,615
Other comprehensive income	15				(13,646)		(13,646)	(403)	(14,049)
Comprehensive income				32,694	(13,646)		19,048	516	19,565
Dividends to owners of the parent	16			(8,766)			(8,766)		(8,766)
Dividends to non-controlling interests								(209)	(209)
Acquisition of treasury stock	14					(1)	(1)		(1)
Sale of treasury stock	14		0			0	0		0
Transfer to retained earnings	18				(664)		(664)		(664)
Transfer from accumulated other comprehensive income	18			664			664		664
Equity transacitons with non controlling interests			5		(6)		(1)	142	141
Total changes in equity		—	5	24,592	(14,316)	(1)	10,280	449	10,729
March 31, 2016		9,983	45,828	289,745	4,280	(14,334)	335,503	12,056	347,559

(Thousands of U.S. dollars)

	Notes	Equity attributable to owners of the parent					Total equity attributable to owners of the parent	Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock			
April 1, 2015		$88,345	$405,513	$2,346,477	$164,575	$(126,840)	$2,878,079	$102,716	$2,980,796
Changes in equity									
Net income				289,327			289,327	8,141	297,477
Other comprehensive income	15				(120,761)		(120,761)	(3,566)	(124,327)
Comprehensive income				289,327	(120,761)		168,566	4,566	173,141
Dividends to owners of the parent	16			(77,575)			(77,575)		(77,575)
Dividends to non-controlling interests								(1,849)	(1,849)
Acquisition of treasury stock	14					(8)	(8)		(8)
Sale of treasury stock	14		0			0	0		0
Transfer to retained earnings	18				(5,876)		(5,876)		(5,876)
Transfer from accumulated other comprehensive income	18			5,876			5,876		5,876
Equity transacitons with non controlling interests			44		(53)		(8)	1,256	1,247
Total changes in equity		―	44	217,628	(126,690)	(8)	90,973	3,973	94,946
March 31, 2016		88,345	405,557	2,564,115	37,876	(126,849)	2,969,053	106,690	3,075,743

(iv) Consolidated statements of cash flows

	Notes	Year ended March 31, 2015 (Millions of yen)	Year ended March 31, 2016 (Millions of yen)	Year ended March 31, 2016 (Thousands of U.S. dollars)
Cash flows from operating activities	26			
Net income		¥24,937	¥33,615	$297,477
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	4	89,554	95,591	845,938
Income taxes		10,660	13,051	115,495
Share of profits of investments accounted for using the equity method		(1,640)	(1,775)	(15,707)
(Increase) decrease in trade and other receivables		(165,086)	(67,682)	(598,955)
(Increase) decrease in finance lease receivables		(82,250)	(102,011)	(902,752)
Purchase of operating leased assets		(124,520)	(148,186)	(1,311,380)
Proceeds from sale of operating leased assets		36,552	28,344	250,831
Increase (decrease) in trade and other payables		(9,602)	(41,367)	(366,079)
Increase (decrease) in payable due to collection of securitized receivables		(2,824)	(4,463)	(39,495)
Other		(5,244)	(5,752)	(50,902)
Subtotal		(229,464)	(200,637)	(1,775,548)
Income taxes paid		(12,382)	(5,734)	(50,743)
Net cash provided by (used in) operating activities		(241,846)	(206,372)	(1,826,300)
Cash flows from investing activities				
Purchase of other property, plant and equipment		(5,798)	(6,180)	(54,690)
Purchase of other intangible assets		(2,843)	(2,859)	(25,300)
Purchase of investments in securities and payments to time deposits		(20,500)	(6,181)	(54,699)
Proceeds from sale and redemption of investments in securities and withdrawal of time deposits		32,616	8,685	76,858
Net payments for business combinations		(7,019)	—	—
Purchase of investments accounted for using the equity method		—	(34)	(300)
Other		102	160	1,415
Net cash provided by (used in) investing activities		(3,443)	(6,408)	(56,707)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		52,191	(1,383)	(12,238)
Proceeds from long-term borrowings and bonds		573,448	650,483	5,756,486
Repayments of long-term borrowings and bonds		(408,841)	(387,840)	(3,432,212)
Proceeds from non-controlling interests		279	14	123
Dividends paid to owners of the parent		(6,077)	(8,764)	(77,557)
Dividends paid to non-controlling interests		(141)	(209)	(1,849)
Purchase of shares of consolidated subsidiaries from non-controlling interests		—	(175)	(1,548)
Proceeds from sale of shares of consolidated subsidiaries to non-controlling interests		—	302	2,672
Other		(1)	(1)	(8)
Net cash provided by (used in) financing activities		210,858	252,425	2,233,849
Effect of exchange rate changes on cash and cash equivalents		3,265	(1,868)	(16,530)
Net increase (decrease) in cash and cash equivalents		(31,165)	37,776	334,300
Cash and cash equivalents at beginning of year	5	150,480	119,314	1,055,876
Cash and cash equivalents at end of year	5	119,314	157,091	1,390,185

Notes to the consolidated financial statements

1. Reporting entity

Hitachi Capital Corporation ("the Company") is a company domiciled in Japan, and its shares are listed. The Company's registered address is 3-1, Nishi Shimbashi 1-chome, Minato-ku, Tokyo, Japan. The consolidated financial statements include the Company, its subsidiaries and 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 Seiji Kawabe, President and CEO, and Yoshikazu Ohashi, Executive Officer and Chief Financial Officer, on June 27, 2016.

2. Basis of preparation

The consolidated financial statements of the Group 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 applying Designated International Financial Reporting Standards" defined in Article 1-2 of the Ordinance for Consolidated Financial Statements.

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

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

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

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

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

Information about uncertainties related to assumptions and estimates that could result in material adjustments in 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 13 "Employee benefits"
・Note 3 "Summary of significant accounting policies (10) Provisions, (11) Contingencies", and Note 29 "Commitments and contingencies"
・Note 3 "Summary of significant accounting policies (13) Income tax" and Note 11 "Deferred tax and income tax"

The translations of Japanese yen amounts into U.S. dollar amounts as of and for the year ended March 31, 2016 are included solely for the convenience of readers outside Japan and have been made at the rate of ¥113 to $1, the approximate rate of exchange at March 31, 2016. 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 or joint control, over the operating and financial policies through ownership of 20% to 50% of the voting rights.

The Group accounts for investments in associates using the equity method ("equity method associates").

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

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

(2) Cash and cash equivalents

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

(3) Foreign currency translation

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

(i) Foreign currency transactions

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

(ii) Translation of financial statements of overseas subsidiaries

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

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

(4) Financial instruments

For accounting treatments of financial instruments, the Group has 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.

Financial assets measured at amortized cost

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

・The asset is held within a business model of the Group whose objective is to collect contractual cash flows, and

・When the contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

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

Impairment of financial assets measured at amortized cost

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.

Financial assets measured at FVTPL

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

Financial assets measured at FVTOCI

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

Derecognition of financial assets

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

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

(ii) Non-derivative financial liabilities

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

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

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

(iii) Derivative financial instruments and hedge accounting

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

The Group has documented the risk management policy including the objective and strategy for using derivative financial instruments as prescribed by the 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 leased 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 leased assets is determined based on market value of secondhand assets, an estimate for the timing and level of obsolescence, and the recovered amounts from similar assets in the past.

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

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

Depreciation expense is calculated based on the depreciable amount. The depreciable amount is the cost of the asset less any residual value. Depreciation expense is recognized on 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, 2015 and 2016 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, 2015 and 2016 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 29 “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 owners of the parent are calculated using the weighted average number of common stocks, and diluted EPS amounts attributable to owners of the parent are calculated using the sum of the average number of common stocks and the number of shares that would be issued on conversion of dilutive securities.

(16) Business combinations

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

(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, 2016 are as follows. The Group 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 Group	Summary
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)
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	TBD	Amendment to accounting treatment and disclosure for revenue recognition
IFRS 16	Leases	January 1, 2019	TBD	Amendment to lease accounting

4. Segment information

(1) Reportable segments

Reportable segments of the Group are components of the Group for which separate financial information is available that are reviewed by the Board of Directors 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 (Japan)

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 (Japan)

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, 2015 and 2016 is as follows.

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

(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, 2016

(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	¥195,570	¥19,358	¥97,814	¥12,823	¥16,984	¥11,982	¥354,534	¥12,232	¥366,766	¥(1,411)	¥365,354
Intersegment	1,396	63	—	—	—	—	1,460	2,316	3,776	(3,776)	—
Total	196,967	19,421	97,814	12,823	16,984	11,982	355,994	14,548	370,542	(5,188)	365,354
Income before income taxes	19,388	2,557	17,398	3,534	7,193	245	50,318	1,214	51,532	(4,865)	46,667
Interest expenses	7,677	2,115	8,460	2,220	4,952	3,619	29,046	1,495	30,542	(4,010)	26,532
Depreciation and amortization	63,180	1,852	25,345	304	362	2,326	93,371	1,171	94,543	1,048	95,591

(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	$1,730,707	$171,309	$865,610	$113,477	$150,300	$106,035	$3,137,469	$108,247	$3,245,716	$(12,486)	$3,233,221
Intersegment	12,353	557	–	–	–	–	12,920	20,495	33,415	(33,415)	–
Total	1,743,070	171,867	865,610	113,477	150,300	106,035	3,150,389	128,743	3,279,132	(45,911)	3,233,221
Income before income taxes	171,575	22,628	153,964	31,274	63,654	2,168	445,292	10,743	456,035	(43,053)	412,982
Interest expenses	67,938	18,716	74,867	19,646	43,823	32,026	257,044	13,230	270,283	(35,486)	(234,796)
Depreciation and amortization	559,115	16,389	224,292	2,690	3,203	20,584	826,292	10,362	836,663	9,274	845,938

(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, 2015 and 2016 are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2016
Japan	¥221,136	¥225,750	$1,997,787
Europe and the Americas	108,290	110,637	979,088
Asia	26,864	28,967	256,345
Total	356,291	365,354	3,233,221

As of March 31, 2015 and 2016, 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, 2015	March 31, 2016	March 31, 2016
Japan	¥213,008	¥237,731	$2,103,814
Europe and the Americas	110,622	118,776	1,051,115
Asia	8,020	17,117	151,477
Total	331,651	373,624	3,306,407

(3) Customer information

For the years ended March 31, 2015 and 2016, there is no concentration of revenue to a specific customer.

5. Cash and cash equivalents

The components of cash and cash equivalents are as follows.

	March 31, 2015 (Millions of yen)	March 31, 2016 (Millions of yen)	March 31, 2016 (Thousands of U.S. dollars)
Cash on hand and at banks	¥46,701	¥38,389	$339,725
Related company deposits	72,613	118,701	1,050,451
Cash and cash equivalents	119,314	157,091	1,390,185

(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.

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

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

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

	March 31, 2015			March 31, 2016			March 31, 2016		
	Period up to collection or settlement		Total	Period up to collection or settlement		Total	Period up to collection or settlement		Total
	Within 12 months	Over 12 months		Within 12 months	Over 12 months		Within 12 months	Over 12 months	
Financial assets									
Cash and cash equivalents	¥119,314	¥—	¥119,314	¥157,091	¥—	¥157,091	$1,390,185	$—	$1,390,185
Trade and other receivables	678,153	689,733	1,367,886	703,004	655,968	1,358,973	6,221,274	5,805,026	12,026,309
Other financial assets	31,925	22,904	54,830	30,747	30,854	61,601	272,097	273,044	545,141
Total financial assets	829,393	712,637	1,542,031	890,843	686,823	1,577,666	7,883,566	6,078,079	13,961,646
Financial liabilities									
Trade and other payables	238,771	34,264	273,036	194,642	34,346	228,989	1,722,495	303,946	2,026,451
Other payables	25,303	2,608	27,912	19,465	1,026	20,492	172,256	9,079	181,345
Other financial liabilities	49,797	40,047	89,844	31,034	27,690	58,724	274,637	245,044	519,681
Total financial liabilities	313,873	76,919	390,792	245,142	63,063	308,205	2,169,398	558,079	2,727,477

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

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

7. Leases

Gross investment in leases and present value in respect of minimum lease payments receivable under finance leases at March 31, 2015 and 2016 are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)	(Millions of yen)		(Thousands of U.S. dollars)
	Gross investments in leases			Present value of minimum lease payments receivable		
	March 31, 2015	March 31, 2016	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2016
Within 1 year	¥325,368	¥345,956	$3,061,557	¥301,386	¥330,202	$2,922,141
After 1 year but not more	650,751	696,070	6,159,911	573,346	605,552	5,358,867
More than 5 years	118,576	115,813	1,024,893	95,531	87,561	774,876
Total	1,094,696	1,157,840	10,246,371	970,264	1,023,316	9,055,893
Unearned finance income	(88,327)	(97,236)	(860,495)			
Net investment in finance lease	1,006,368	1,060,604	9,385,876			
Unguaranteed residual value	(36,104)	(37,288)	(329,982)			
Present value of minimum lease payments receivable	970,264	1,023,316	9,055,893			

At March 31, 2015 and 2016, the accumulated allowance for uncollectible minimum lease payments receivable amounted to ¥9,930 million, and ¥6,423 million ($56,840 thousand), respectively.

Future minimum lease payments receivable under non-cancellable operating leases at March 31, 2015, and March 31, 2016 are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2015	March 31, 2016	March 31, 2016
Within 1 year	¥52,911	¥55,768	$493,522
After 1 year but not more than 5 years	69,003	62,565	553,672
More than 5 years	1,633	2,000	17,699
Total	123,547	120,335	1,064,911

At March 31, 2015 and 2016, there was no significant agreement with the legal form of a lease that did not, in substance, involve a lease.

8. Investments accounted for using the equity method

At March 31, 2015 and 2016, 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)
	March 31, 2015	March 31, 2016	March 31, 2016
Carrying amount of investments	¥19,267	¥20,254	$179,238

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2016
Net income	¥1,640	¥1,775	$15,707
Other comprehensive income	164	1	8
Total comprehensive income	1,805	1,776	15,716

9. Property, plant and equipment

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

(Millions of yen)

	Operating leased assets	Own-used assets	Construction in progress	Total
Net carrying amount				
April 1, 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
Additions	126,890	4,139	2,041	133,070
Sales or disposals	(22,123)	(244)	(1)	(22,369)
Depreciation	(74,978)	(1,640)	—	(76,619)
Impairment losses	(31)	(29)	—	(60)
Reversal of impairment losses	181	—	—	181
Exchange differences	(11,550)	(260)	(66)	(11,876)
Transfers and other	16,687	790	(716)	16,761
March 31, 2016	293,920	17,784	2,377	314,082

(Thousands of U.S. dollars)

March 31, 2015	$2,290,663	$133,000	$9,911	$2,433,592
Additions	1,122,920	36,628	18,061	1,177,610
Sales or disposals	(195,778)	(2,159)	(8)	(197,955)
Depreciation	(663,522)	(14,513)	—	(678,044)
Impairment losses	(274)	(256)	—	(530)
Reversal of impairment losses	1,601	—	—	1,601
Exchange differences	(102,212)	(2,300)	(584)	(105,097)
Transfers and other	147,672	6,991	(6,336)	148,327
March 31, 2016	2,601,061	157,380	21,035	2,779,486

The amount recognized as depreciation and reversal of impairment losses for the year ended March 31, 2015 was ¥68,155 million, with ¥67,281 million included in *Cost of sales* and ¥874 million 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.

The amount recognized as depreciation, impairment losses and reversal of impairment losses for the year ended March 31, 2016 was ¥76,499 million ($676,982 thousand), with ¥75,463 million ($667,814 thousand) included in *Cost of sales*, ¥1,006 million ($8,902 thousand) in *Selling, general and administrative expenses* and ¥29 million ($256 thousand) in *Other* expenses in the consolidated statements of profit or loss. Impairment losses and the reversal of impairment losses recognized are included mainly in the ASEAN segment and the Europe segment.

At March 31, 2015 and 2016, the amount of contractual commitments for the acquisition of operating leased assets were ¥21,416 million and ¥44,696 million ($395,539 thousand), respectively.

(Millions of yen)

	Operating leased assets	Own-used assets	Construction in progress	Total
Gross carrying amount				
April 1, 2014	¥1,434,679	¥11,353	¥4,199	¥1,450,232
March 31, 2015	1,331,478	19,679	1,120	1,352,278
March 31, 2016	1,258,226	23,084	2,377	1,283,689
Accumulated depreciation and impairment losses				
April 1, 2014	1,201,293	4,255	—	1,205,548
March 31, 2015	1,072,632	4,649	—	1,077,281
March 31, 2016	964,306	5,300	—	969,606

(Thousands of U.S. dollars)

	Operating leased assets	Own-used assets	Construction in progress	Total
Gross carrying amount				
March 31, 2016	$11,134,743	$204,283	$21,035	$11,360,079
Accumulated depreciation and impairment losses				
March 31, 2016	8,533,681	46,902	—	8,580,584

10 Intangible assets

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

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

(Millions of yen)

	Operating leased assets	Software for internal use	Goodwill	Other	Total
Net carrying amount					
April 1, 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
Additions	20,471	1,854	—	1,005	23,331
Amortization	(16,897)	(2,001)	—	(73)	(18,972)
Impairment losses	—	(34)	—	(1)	(36)
Disposals	(1,340)	(162)	—	(5)	(1,508)
Exchange differences	(0)	(55)	(510)	(30)	(596)
Transfers and other	1,223	514	—	(1,069)	668
March 31, 2016	47,376	4,930	6,559	676	59,542

(Thousands of U.S. dollars)

	Operating leased assets	Software for internal use	Goodwill	Other	Total
March 31, 2015	$388,663	$42,610	$62,557	$7,522	$501,371
Additions	181,159	16,407	—	8,893	206,469
Amortization	(149,530)	(17,707)	—	(646)	(167,893)
Impairment losses	—	(300)	—	(8)	(318)
Disposals	(11,858)	(1,433)	—	(44)	(13,345)
Exchange differences	(0)	(486)	(4,513)	(265)	(5,274)
Transfers and other	10,823	4,548	—	(9,460)	5,911
March 31, 2016	419,256	43,628	58,044	5,982	526,920

The amount recognized as amortization and impairment losses for the year ended March 31, 2015 was ¥20,757 million, with ¥15,600 million included in *Cost of sales*, ¥2,968 million in *Selling, general and administrative expenses,* and ¥2,188 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, 2016 was ¥19,008 million ($168,212 thousand), with ¥16,897 million ($149,530 thousand) included in *Cost of sales*, ¥2,074 million ($18,353 thousand) in *Selling, general and administrative expenses,* and ¥36 million ($318 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					
April 1, 2014	¥276,373	¥37,067	¥4,599	¥917	¥318,957
March 31, 2015	262,218	38,751	9,377	1,351	311,698
March 31, 2016	251,329	38,016	8,705	1,291	299,342
Accumulated amortization and impairment losses					
April 1, 2014	236,131	31,456	1,812	235	269,636
March 31, 2015	218,298	33,936	2,307	500	255,043
March 31, 2016	203,953	33,085	2,145	615	239,800

(Thousands of U.S. dollars)

	Operating leased assets	Software for internal use	Goodwill	Other	Total
Gross carrying amount					
March 31, 2016	$2,224,150	$336,424	$77,035	$11,424	$2,649,044
Accumulated amortization and impairment losses					
March 31, 2016	1,804,893	292,787	18,982	5,442	2,122,123

(2) Impairment losses

(i) 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, 2016, significant goodwill allocated to CGUs relates to Hitachi Capital (UK) PLC with the carrying amount of ¥2,006 million ($17,752 thousand) (¥2,206 million at March 31, 2015) and CLE Canadian Leasing Enterprises Ltd. with the carrying amount of ¥4,319 million ($38,221 thousand) (¥4,606 million at 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 (12.5% 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.

(ii) 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 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.

11. Deferred taxes and income taxes

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2015	Year ended March 31, 2016	Year Ended March 31, 2016
Income taxes			
Current	¥9,133	¥8,094	$71,628
Deferred	1,527	4,957	43,867
Origination and reversal of temporary differences	(162)	3,978	35,203
Changes in unrecognized temporary differences	(121)	11	97
Adjustments of deferred tax assets and liabilities due to domestic tax rate change	1,811	967	8,557
Total	10,660	13,051	115,495
Deferred taxes recognized in the consolidated statements of comprehensive income			
Financial assets measured at FVTOCI	279	67	592
Remeasurements of defined benefit plans	171	(1,671)	(14,787)
Cash flow hedges	(695)	68	601
Total	(244)	(1,536)	(13,592)

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 23.9%, corporate inhabitant tax at rates from 12.9% to 20.6% and business tax and special local corporate tax at rates from 4.9% to 10.1%.

“Act on Partial Amendment of the Income Tax Act” (Act No. 9 of 2015) and “Act on Partial Amendment of the Local Tax Act” (Act No. 2 of 2015) were promulgated on March 31, 2015, and it was decided that corporate tax rates would be changed in a consolidated fiscal year starting on or after April 1, 2015. As a result, the effective statutory tax rate used for calculating deferred tax assets and deferred tax liabilities was changed from 35.6% at the end of the previous fiscal year to 33.1% pertaining to temporary differences that were expected to be eliminated in the consolidated fiscal year starting from April 1, 2015, and to 32.3% pertaining to temporary differences that were expected to be eliminated in the consolidated fiscal year starting from April 1, 2016.

As a result, the aggregated statutory tax rates were approximately 35.6% and 33.1% for the years ended March 31, 2015 and 2016, respectively.

“Act on Partial Amendment of the Income Tax Act” (Act No. 15 of 2016) and “Act on Partial Amendment of the Local Tax Act” (Act No. 13 of 2016) were enacted in the Diet on March 29, 2016, and the effective statutory tax rate used for calculating deferred tax assets and deferred tax liabilities (limited to those that will be eliminated on or after April 1, 2016) has been changed from 32.3% to 30.9% pertaining to those that are expected to be recovered or paid during the period from April 1, 2016 to March 31, 2018, and to 30.6% pertaining to those that are expected to be recovered or paid on or after April 1, 2018.

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, 2015	Year ended March 31, 2016
Statutory income tax rates	35.6	33.1
Net gain from investments accounted for using the equity method	(1.6)	(1.3)
Difference in statutory income tax rates of foreign subsidiaries	(8.7)	(6.8)
Non-deductible expenses	0.9	0.2
Changes in unrecognized temporary differences	(0.3)	0.0
Effects of change in domestic tax rates	5.1	2.1
Other, net	(1.1)	0.7
Effective income tax rates	29.9	28.0

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

(Millions of yen)

	April 1, 2014	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	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

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

(Millions of yen)

	March 31, 2015	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2016
Deferred tax assets					
Depreciation	¥6,986	¥(1,685)	¥—	¥(36)	¥5,264
Addition of revenue from lease contracts, etc.	5,559	(85)	—	—	5,474
Net defined benefit liability	1,751	(588)	1,671	(3)	2,831
Allowance for doubtful accounts	3,265	(316)	—	(92)	2,856
Asset retirement obligations	2,039	(34)	—	—	2,005
Accrued expenses	1,860	(349)	—	(19)	1,491
Net operating loss carryforwards	1,535	205	—	(70)	1,670
Bad debt write-off	999	(413)	—	(14)	572
Other	4,727	(1,288)	(68)	20	3,390
Total deferred tax assets	28,725	(4,555)	1,603	(217)	25,557
Deferred tax liabilities					
Additional depreciation by overseas subsidiaries	(4,684)	(717)	—	327	(5,073)
Gains or losses on sale or purchase of lease receivables	(512)	196	—	—	(316)
Asset retirement obligations	(1,500)	16	—	—	(1,483)
Financial assets measured at FVTOCI	(1,268)	—	(67)	203	(1,132)
Other	(1,547)	102	—	4	(1,439)
Total deferred tax liabilities	(9,512)	(402)	(67)	535	(9,446)
Net deferred tax assets	19,213	(4,957)	1,536	318	16,110

(Note) Other includes foreign currency translation gains and losses, etc.

(Thousands of U.S.dollars)

	March 31, 2015	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2016
Deferred tax assets					
Depreciation	$61,823	$(14,911)	$—	$(318)	$46,584
Addition of revenue from lease contracts, etc.	49,194	(752)	—	—	48,442
Net defined benefit liability	15,495	(5,203)	14,787	(26)	25,053
Allowance for doubtful accounts	28,893	(2,796)	—	(814)	25,274
Asset retirement obligations	18,044	(300)	—	—	17,743
Accrued expenses	16,460	(3,088)	—	(168)	13,194
Net operating loss carryforwards	13,584	1,814	—	(619)	14,778
Bad debt write-off	8,840	(3,654)	—	(123)	5,061
Other	41,831	(11,398)	(601)	176	30,000
Total deferred tax assets	254,203	(40,309)	14,185	(1,920)	226,168
Deferred tax liabilities					
Additional depreciation by overseas subsidiaries	(41,451)	(6,345)	—	2,893	(44,893)
Gains or losses on sale or purchase of lease receivables	(4,530)	1,734	—	—	(2,796)
Asset retirement obligations	(13,274)	141	—	—	(13,123)
Financial assets measured at FVTOCI	(11,221)	—	(592)	1,796	(10,017)
Other	(13,690)	902	—	35	(12,734)
Total deferred tax liabilities	(84,176)	(3,557)	(592)	4,734	(83,592)
Net deferred tax assets	170,026	(43,867)	13,592	2,814	142,566

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

At March 31, 2015 and 2016, the total amount of temporary differences related to undistributed profit of subsidiaries that were not recognized as deferred tax liabilities were ¥84,250 million and ¥95,880 million ($848,495 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, 2016 will be recovered.

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

	(Millions of yen)		(Thousands of U.S.dollars)
	March 31, 2015	March 31, 2016	March 31, 2016
Deductible temporary differences	¥2,607	¥2,643	$23,389
Total	2,607	2,643	23,389

12. Other assets and other liabilities

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

	March 31, 2015 (Millions of yen)	March 31, 2016 (Millions of yen)	March 31, 2016 (Thousands of U.S.dollars)
Other assets			
Inventories	¥3,325	¥3,718	$32,902
Advance payments	16,780	11,686	103,415
Prepaid expenses	17,694	18,981	167,973
Other	4,102	3,137	27,761
Total other assets	41,903	37,524	332,070
Other liabilities			
Accrued expenses	13,075	13,186	116,690
Unperformed obligations for securitized receivables	6,286	3,412	30,194
Advances received	26,785	26,373	233,389
Other	18,661	24,906	220,407
Total other liabilites	64,809	67,878	600,690

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.

13. 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, 2015 and 2016, 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, 2015	Year ended March 31, 2016	Year ended March 31, 2016
Defined benefit obligations at beginning of year	¥51,461	¥56,158	$496,973
Service cost	1,648	1,659	14,681
Interest cost	978	836	7,398
Benefits paid	(2,084)	(2,845)	(25,176)
Past service cost	—	0	0
Exchange differences and other	250	(762)	(6,743)
Remeasurements of defined benefit obligations			
Actuarial gains and losses arising from changes in financial assumptions	3,983	3,824	33,840
Actuarial gains and losses arising from changes in demographic assumptions	841	(69)	(610)
Other	(922)	637	5,637
Defined benefit obligations at end of year	56,158	59,438	526,000

Changes in fair value of plan assets

	Year ended March 31, 2015 (Millions of yen)	Year ended March 31, 2016 (Millions of yen)	Year ended March 31, 2016 (Thousands of U.S. dollars)
Fair value of plan assets at beginning of year	¥44,416	¥50,866	$450,141
Interest income	918	793	7,017
Remeasurements of defined benefit plan assets – Return on plan assets	4,283	(887)	(7,849)
Employer's contributions	2,608	2,416	21,380
Benefits paid	(1,600)	(2,242)	(19,840)
Exchange differences and other	239	(773)	(6,840)
Fair value of plan assets at end of year	50,866	50,172	444,000

The weighted average key actuarial assumptions used in actuarial calculation of defined benefit obligations at March 31, 2015 and 2016 are as follows.

	March 31, 2015	March 31, 2016
Discount rate	1.5%	1.0%

At March 31, 2015 and 2016, 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.

	March 31, 2015 (Millions of yen)	March 31, 2016 (Millions of yen)	March 31, 2016 (Thousands of U.S. dollars)
Increase by 0.5%	¥(4,319)	¥(4,518)	$(39,982)
Decrease by 0.5%	4,748	4,890	43,274

At March 31, 2015 and 2016, the weighted average duration of defined benefit obligations is as follows.

	March 31, 2015	March 31, 2016
Weighted average duration	15.82 years	15.52 years

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

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

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

The fair value of plan assets invested at March 31, 2015 and 2016 is as follows.

(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

(Millions of yen)

	March 31, 2016		
	Quoted market price in an active market		Total
	Yes	No	
Public and corporate bonds	¥4,802	¥—	¥4,802
Commingled funds	—	43,618	43,618
Cash on hand and at banks	1,425	—	1,425
Other	69	256	325
Total	6,297	43,875	50,172

(Thousands of U.S.dollars)

	March 31, 2016		
	Quoted market price in an active market		Total
	Yes	No	
Public and corporate bonds	$42,495	$—	$42,495
Commingled funds	—	386,000	386,000
Cash on hand and at banks	12,610	—	12,610
Other	610	2,265	2,876
Total	55,725	388,274	444,000

At March 31, 2015 and 2016, commingled funds of the Group consist of listed shares of 28% and 25%, respectively, and public and corporate bonds of 61% and 63%, respectively, and other assets of 11% and 12%, 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 ¥2,266 million to the defined benefit pension plans in the fiscal year ending March 31, 2017.

(2) Employee benefits expense

(i) Defined benefit plans

For the years ended March 31, 2015 and 2016, the Group recognized expenses related to defined benefit plans of ¥1,709 million and ¥1,702 million ($15,061 thousand), respectively.

(ii) Defined contribution plans

For the years ended March 31, 2015 and 2016, the Group recognized expenses related to contributions to the defined contribution plans of ¥766 million and ¥726 million ($6,424 thousand), respectively.

14. Equity

(1) Common stock

(Number of shares)

	March 31, 2015	March 31, 2016
Number of authorized shares	270,000,000	270,000,000

		(Millions of yen)	(Thousands of U.S.dollars)
	Total number of shares issued	Issued capital	Issued capital
April 1, 2014	124,826,552 shares	¥9,983	
March 31, 2015	124,826,552 shares	9,983	
March 31, 2016	124,826,552 shares	9,983	$88,345

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, 2015 and 2016 are as follows.

		(Millions of yen)	(Thousands of U.S.dollars)
	Number of treasury stock	Treasury stock	Treasury stock
April 1, 2014	7,939,209 shares	¥14,332	
Acquisition of treasury stock	418 shares	1	
March 31, 2015	7,939,627 shares	14,333	$126,840
Acquisition of treasury stock	377 shares	1	8
Sale of treasury stock	68 shares	0	0
March 31, 2016	7,939,936 shares	14,334	126,849

(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.

15. Accumulated other comprehensive income and other comprehensive income

Accumulated other comprehensive income, net of related tax effect, recognized in the consolidated statements of changes in equity for the years ended March 31, 2015 and 2016 is as follows.

	(Millions of yen)		(Thousands of U.S.dollars)
	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2016
Foreign currency translation of adjustments			
Beginning balance	¥6,674	¥16,568	$146,619
Net other comprehensive income	9,894	(10,488)	(92,814)
Transfer to non-controlling interests	—	(6)	(53)
Ending balance	16,568	6,073	53,743
Remeasurements of defined benefit plans			
Beginning balance	1,116	1,375	12,168
Net other comprehensive income	258	(3,478)	(30,778)
Transfer to non-controlling interests	—	0	0
Ending balance	1,375	(2,102)	(18,601)
Financial assets measured at FVTOCI			
Beginning balance	2,598	2,929	25,920
Net other comprehensive income	1,057	201	1,778
Transfer to retained earning	(726)	(664)	5,876
Transfer to non-controlling interests	—	—	—
Ending balance	2,929	2,466	21,823
Cash flow hedges			
Beginning balance	60	(2,275)	(20,132)
Net other comprehensive income	(2,336)	119	1,053
Transfer to non-controlling interests	—	—	—
Ending balance	(2,275)	(2,156)	(19,079)
Total accumulated other comprehensive income			
Beginning balance	10,449	18,597	164,575
Net other comprehensive income	8,873	(13,646)	(120,761)
Transfer to retained earning	(726)	(664)	(5,876)
Transfer to non-controlling interests	—	(6)	(53)
Ending balance	18,597	4,280	37,876

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, 2015 and 2016 is as follows.

(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

(Millions of yen)

	Year ended March 31, 2016		
	Before tax effect	Tax effect	Net of tax effect
Other comprehensive income			
Foreign currency translation of adjustments	¥(10,743)	¥—	¥(10,743)
Remeasurements of defined benefit plans	(5,279)	1,671	(3,607)
Financial assets measured at FVTOCI	248	(67)	181
Cash flow hedges	156	(63)	93
Share of other comprehensive income of investments accounted for using the equity method	4	(3)	1
Total	(15,613)	1,538	(14,074)
Reconciliation between other comprehensive income and profit or loss items			
Foreign currency translation of adjustments	—	—	—
Cash flow hedges	30	(5)	25
Share of other comprehensive income of investments accounted for using the equity method	—	—	—
Total	30	(5)	25
Net other comprehensive income			
Foreign currency translation of adjustments	(10,743)	—	(10,743)
Remeasurements of defined benefit plans	(5,279)	1,671	(3,607)
Financial assets measured at FVTOCI	248	(67)	181
Cash flow hedges	187	(68)	119
Share of other comprehensive income of investments accounted for using the equity method	4	(3)	1
Total	(15,582)	1,533	(14,049)
Net other comprehensive income attributable to non-controlling interests			
Foreign currency translation of adjustments			(254)
Remeasurements of defined benefit plans			(148)
Financial assets measured at FVTOCI			(0)
Cash flow hedges			—
Total			(403)
Net other comprehensive income attributable to owners of the parent			
Foreign currency translation of adjustments			(10,488)
Remeasurements of defined benefit plans			(3,459)
Financial assets measured at FVTOCI			181
Cash flow hedges			119
Share of other comprehensive income of investments accounted for using the equity method			1
Total			(13,646)

(Thousands of U.S.dollars)

	Year ended March 31, 2016		
	Before tax effect	Tax effect	Net of tax effect
Other comprehensive income			
Foreign currency translation of adjustments	$(95,070)	$—	$(95,070)
Remeasurements of defined benefit plans	(46,716)	14,787	(31,920)
Financial assets measured at FVTOCI	(2,194)	(592)	1,601
Cash flow hedges	1,380	(557)	823
Share of other comprehensive income of investments accounted for using the equity method	35	(26)	8
Total	(138,168)	13,610	(124,548)
Reconciliation between other comprehensive income and profit or loss items			
Foreign currency translation of adjustments	—	—	—
Cash flow hedges	265	(44)	221
Share of other comprehensive income of investments accounted for using the equity method	—	—	—
Total	265	(44)	221
Net other comprehensive income			
Foreign currency translation of adjustments	(95,070)	—	(95,070)
Remeasurements of defined benefit plans	(46,716)	14,787	(31,920)
Financial assets measured at FVTOCI	2,194	(592)	1,601
Cash flow hedges	1,654	(601)	1,053
Share of other comprehensive income of investments accounted for using the equity method	35	(26)	8
Total	(137,893)	13,566	(124,327)
Net other comprehensive income attributable to non-controlling interests			
Foreign currency translation of adjustments			(2,247)
Remeasurements of defined benefit plans			(1,309)
Financial assets measured at FVTOCI			0
Cash flow hedges			—
Total			(3,566)
Net other comprehensive income attributable to owners of the parent			
Foreign currency translation of adjustments			(92,814)
Remeasurements of defined benefit plans			(30,610)
Financial assets measured at FVTOCI			1,601
Cash flow hedges			1,053
Share of other comprehensive income of investments accounted for using the equity method			8
Total			(120,761)

16. Dividends

Dividends paid for the years ended March 31, 2015 and 2016 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 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
May 28, 2015	Common stock	3,857	Retained earnings	33.00	March 31, 2015	May 29, 2015
October 27, 2015	Common stock	4,909	Retained earnings	42.00	September 30, 2015	November 30, 2015

Dividends with the record date in the fiscal year ended March 31, 2016 but with the effective date in the following fiscal year 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 26, 2016	Common stock	¥4,909	Retained earnings	¥42.00	March 31, 2016	May 30, 2016

Resolution	Class of shares	Total dividends (Thosands of U.S.dollars)	Dividend source	Dividends per share (dollar)	Record date	Effective date
Board of directors meeting on: May 26, 2016	Common stock	$43,442	Retained earnings	$0.37	March 31, 2016	May 30, 2016

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

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

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

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

Borrowings, bonds, medium-term notes, commercial paper, borrowings associated with consolidation of structured 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 corporate and consumer 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 Group works to identify credit risk when appropriate by the method of measuring credit risk, among others, and the counterparties and business areas of the Group are well diversified.

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

Credit risk is managed by sales departments as well as by receivable control departments. Large transactions of more than a certain amount require the approval of the executive officers in charge according to the degree of credit risk of the borrowers.

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 29 "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)

	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

(Millions of yen)

	March 31, 2016				
	Within 30 days	Between 31 days and 90 days	Between 91 days and one year	Over one year	Total
Trade and other receivables	¥2,636	¥5,426	¥—	¥—	¥8,062
Finance lease receivables	10,290	2,234	1,187	866	14,578

(Thousands of U.S.dollars)

	March 31, 2016				
	Within 30 days	Between 31 days and 90 days	Between 91 days and one year	Over one year	Total
Trade and other receivables	$23,327	$48,017	$—	$—	$71,345
Finance lease receivables	91,061	19,769	10, 504	7,663	129,008

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
April 1, 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
Increase during the year (addition)	5,563	3,884	31	9,479
Decrease during the year (for intended purpose)	(4,124)	(5,291)	—	(9,415)
Decrease during the year (reversal)	(1,072)	(1,661)	(31)	(2,765)
Other	(507)	(438)	—	(946)
March 31, 2016	7,342	6,423	9	13,775

(Thousands of U.S.dollars)

	Trade and other receivables	Finance lease receivables	Other financial assets measured at amortized cost	Total
March 31, 2015	$66,221	$87,876	$70	$154,176
Increase during the year (addition)	49,230	34,371	274	83,884
Decrease during the year (for intended purpose)	(36,495)	(46,823)	—	(83,318)
Decrease during the year (reversal)	(9,486)	(14,699)	(274)	(24,469)
Other	(4,486)	(3,876)	—	(8,371)
March 31, 2016	64,973	56,840	79	121,902

The sum of balances of trade and other receivables, finance lease receivables, and other financial assets measured at amortized cost individually impaired at March 31, 2015 and 2016 amounted to ¥20,759 million and ¥22,867 million ($202,362 thousand), respectively, and the allowance for doubtful accounts provided for these receivables amounted to ¥10,834 million and ¥6,508 million ($57,592 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 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, 2015 and 2016, 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, were decreased ¥136 million and ¥71 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. In March 2016, the Company concluded a global commitment line agreement (multi-currency and multi-borrower-type) for a total of ¥50,000 million with a number of financial institutions to strengthen measures against liquidity risk. The amount available (unused amount) at March 31, 2016 was ¥50,000 million.

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 March 31, 2015 and 2016.

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 29 "Commitments and contingencies."

(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)

(Millions of yen)

		March 31, 2016				
		Carrying amount	Undiscounted contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Borrowings		¥1,771,824	¥1,796,793	¥873,194	¥854,811	¥68,786
Bonds		568,178	582,684	132,237	332,466	117,980
Finance lease obligations		1,679	1,679	709	969	—
Foreign exchange forward contracts	Inflow	0	0	0	—	—
	Outflow	(11)	(11)	(11)	—	—
Currency swaps	Inflow	16,772	16,772	8,195	8,514	62
	Outflow	(7,591)	(7,591)	(4,286)	(3,305)	—
Interest rate swaps	Inflow	21	21	5	16	0
	Outflow	(1,956)	(1,956)	(137)	(1,787)	(32)

(Thousands of U.S.dollars)

		March 31, 2016				
		Carrying amount	Undiscounted contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Borrowings		$15,679,858	$15,900,823	$7,727,380	$7,564,699	$608,725
Bonds		5,028,123	5,156,495	1,170,238	2,942,176	1,044,070
Finance lease obligations		14,858	14,858	6,274	8,575	—
Foreign exchange forward contracts	Inflow	0	0	0	—	—
	Outflow	(97)	(97)	(97)	—	—
Currency swaps	Inflow	148,424	148,424	72,522	75,345	548
	Outflow	(67,176)	(67,176)	(37,929)	(29,247)	—
Interest rate swaps	Inflow	185	185	44	141	0
	Outflow	(17,309)	(17,309)	(1,212)	(15,814)	(283)

(4) Capital management

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

	(Millions of yen)		(Thousands of U.S.dollars)
	March 31, 2015	March 31, 2016	March 31, 2016
Borrowings and bonds	¥2,149,103	¥2,341,683	$20,722,858
Cash and cash equivalents	119,314	157,091	1,390,185
Capital (equity attributable to owners of the parent)	325,223	335,503	2,969,053

In addition to general regulations provided by the Companies Act, etc., the Insurance Business Act and other foreign laws and regulations require certain subsidiaries of the Group to maintain such ratios as the solvency margin ratio and capital adequacy ratio above a certain level.

Each subsidiary maintains its capital ratio at a sufficient level and other ratios as required by laws and regulations in the respective countries or regions.

(5) Borrowings and bonds

(i) Details of borrowings and bonds

The details of borrowings are as follows:

			(Millions of yen)		(Thousands of U.S.dollars)
	Maturity	Average interest rate (%)	March 31, 2015	March 31, 2016	March 31, 2016
Short-term borrowings (mainly bank loans)	—	1.31%	¥257,711	¥303,825	$2,688,716
Commercial paper	—	0.37%	166,529	196,099	1,735,389
Long-term borrowings (mainly bank loans)	Apr. 20, 2016– Sept. 25, 2030	1.07%	769,292	938,765	8,307,654
Borrowings associated with consolidation of structured entity for securitization	Apr. 10, 2016– Mar. 10, 2042	0.70%	209,064	237,024	2,097,557
Borrowings associated with securitization of receivables	Apr. 28, 2016– Dec. 30, 2022	0.94%	176,217	96,109	850,522
Finance lease obligations	Apr. 28, 2016– Sept. 30, 2019	—	1,951	1,679	14,858
Total		0.98%	1,580,766	1,773,504	15,694,725

(Notes)
1. "Maturity" represents the repayment date for the balance of each borrowing at March 31, 2016.
2. "Average interest rate" represents the weighted average interest rate applicable to the balance of each borrowing at March 31, 2016.

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:

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

Company name/ description	Issue date	Maturity	Interest rate (%)	Collateral	March 31, 2015	March 31, 2016	March 31, 2016
Hitachi Capital Corporation							
The 41st unsecured domestic bonds payable	May 27, 2011	Mar. 18, 2016	0.68%	No	¥19,984	¥—	$—
The 42nd unsecured domestic bonds payable	Oct. 14, 2011	Dec. 20, 2016	0.57%	No	15,007	15,020	132,920
The 43rd unsecured domestic bonds payable	Apr. 18, 2012	June 20, 2017	0.57%	No	29,996	30,020	265,663
The 44th unsecured domestic bonds payable	Oct. 18, 2012	Dec. 20, 2017	0.42%	No	9,989	9,997	88,469
The 45th unsecured domestic bonds payable	Oct. 18, 2012	Dec. 20, 2019	0.67%	No	9,990	9,996	88,460
The 46th unsecured domestic bonds payable	Apr. 23, 2013	June 20, 2018	0.45%	No	19,973	19,989	176,893
The 47th unsecured domestic bonds payable	Apr. 23, 2013	Mar. 20, 2023	0.87%	No	14,946	14,953	132,327
The 48th unsecured domestic bonds payable	Sept. 13, 2013	Sept. 20, 2018	0.44%	No	14,959	14,972	132,495

Company name/ description	Issue date	Maturity	Interest rate (%)	Collateral	March 31, 2015 (Millions of yen)	March 31, 2016 (Millions of yen)	March 31, 2016 (Thousands of U.S.dollars)
Hitachi Capital Corporation							
The 49th unsecured domestic bonds payable	Sept. 13, 2013	Sept. 18, 2020	0.72%	No	¥9,968	¥9,975	$88,274
The 50th unsecured domestic bonds payable	Mar. 20, 2014	Mar. 19, 2024	0.89%	No	19,921	19,930	176,371
The 51st unsecured domestic bonds payable	June 3, 2014	June 20, 2019	0.31%	No	19,950	19,966	176,690
The 52nd unsecured domestic bonds payable	June 3, 2014	June 18, 2021	0.51%	No	14,966	14,976	132,530
The 53rd unsecured domestic bonds payable	June 3, 2014	Mar. 19, 2024	0.82%	No	14,939	14,947	132,274
The 54th unsecured domestic bonds payable	Sept. 11, 2014	Sept. 17, 2021	0.42%	No	14,944	14,953	132,327
The 55th unsecured domestic bonds payable	Sept. 11, 2014	Sept. 18, 2026	0.96%	No	14,936	14,942	132,230
The 56th unsecured domestic bonds payable	Dec. 19, 2014	Dec. 20, 2019	0.20%	No	9,965	9,973	88,256
The 57th unsecured domestic bonds payable	Dec. 19, 2014	Dec. 20, 2024	0.62%	No	9,970	9,974	88,265
The 58th unsecured domestic bonds payable	May 1, 2015	June 19, 2020	0.22%	No	—	9,969	88,221
The 59th unsecured domestic bonds payable	July 21, 2015	Mar. 20, 2018	0.15%	No	—	29,932	264,884
The 60th unsecured domestic bonds payable	Oct. 26, 2015	Oct. 19, 2018	0.16%	No	—	29,936	264,920
Hitachi Capital(UK) PLC							
MTN program bond	Mar. 14, 2012– Mar. 9, 2016	Apr. 11, 2016– Apr. 25, 2022	1.28%– 3.18%	No	285,974	231,998	2,053,079
Hitachi Capital America Corp.							
MTN program bond	Feb. 13, 2012– June 10, 2015	Jan. 24, 2017– Feb. 3, 2020	1.25%– 2.10%	No	8,652	8,676	76,778
Hitachi Capital (Hong Kong) Ltd.							
The 1st bond payable in HKD	Dec. 21, 2012	Dec. 21, 2016	1.38%	No	4,650	4,359	38,575
The 2nd bond payable in HKD	Jan. 30, 2015	Jan. 27, 2017	1.25%	No	4,650	4,359	38,575
The 3rd bond payable in HKD	Sept. 18, 2015	Sept. 18, 2018	1.13%	No	—	4,359	38,575
Total					568,337	568,178	5,028,123

(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.

18. Fair value of financial instruments

(1) Details of financial assets and fair value

	(Millions of yen)				(Thousands of U.S.dollars)	
	March 31, 2015		March 31, 2016		March 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Finance lease receivables	¥996,438	¥1,033,161	¥1,054,180	¥1,094,553	$9,329,026	$9,686,309
Financial assets measured at amortized cost						
Cash on hand and at bank	46,701	46,701	38,389	38,389	339,725	339,725
Related company deposits	72,613	72,613	118,701	118,701	1,050,451	1,050,451
Cash and cash equivalents	119,314	119,314	157,091	157,091	1,390,185	1,390,185
Notes receivable	4,876	4,876	4,730	4,730	41,858	41,858
Accounts receivable	1,363,009	1,385,001	1,354,242	1,372,646	11,984,442	12,147,309
Trade and other receivables	1,367,886	1,389,878	1,358,973	1,377,377	12,026,309	12,189,176
Public and corporate bonds	5,581	5,616	4,771	4,817	42,221	42,628
Time deposits with a maturity of three months or more	4,067	4,067	3,200	3,200	28,318	28,318
Other receivables	12,233	12,233	13,639	13,639	120,699	120,699
Other investments	6,185	6,185	5,128	5,128	45,380	45,380
Other	5,020	5,020	5,009	5,009	44,327	44,327
Other financial assets	33,088	33,122	31,749	31,794	280,964	281,362
Financial assets measured at FVTPL						
Other investments	7,699	7,699	7,882	7,882	69,752	69,752
Other financial assets	7,699	7,699	7,882	7,882	69,752	69,752
Financial assets measured at FVTOCI						
Equity	6,468	6,468	5,174	5,174	45,787	45,787
Other financial assets	6,468	6,468	5,174	5,174	45,787	45,787
Derivative financial assets						
Interest rate swaps	203	203	21	21	185	185
Currency swaps	7,368	7,368	16,772	16,772	148,424	148,424
Foreign exchange forward contracts	1	1	0	0	0	0
Other financial assets	7,573	7,573	16,795	16,795	148,628	148,628
Total financial assets	2,538,469	2,597,218	2,631,847	2,690,669	23,290,681	23,811,230

(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.

(Note) See Note 18 "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) Related 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 related 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'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 rights for policy purposes and invests in investment partnerships.

See Note 18 "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

The Group holds listed and unlisted shares for policy purposes.

See Note 18 "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 18 "Fair value of financial instruments (3) fair value measurements" and Note 19 "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)

March 31, 2015	
Issuer	Amount
Sompo Japan Nipponkoa Holdings, Inc.	¥1,120
BOT Lease Co., Ltd.	692
SOGO MEDICAL CO., LTD.	642
AEON CO., LTD.	594
The Mortgage Corporation of Japan, Limited	533
ISEKI & CO., LTD.	529
SEKISUI CHEMICAL CO., LTD.	484
Credit Information Center Corp. (CIC)	430
CARDNET	291
The Dai-ichi Life Insurance Company, Limited	198
Kantou Eco Recycle Co., Ltd.	184
Mitsubishi UFJ Financial Group, Inc.	133
Other (23 issuers)	633

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

March 31, 2016		
Issuer	Amount	Amount
Sompo Japan Nipponkoa Holdings, Inc.	¥956	$8,460
BOT Lease Co., Ltd.	800	7,079
AEON CO., LTD.	732	6,477
The Mortgage Corporation of Japan, Limited	623	5,513
ISEKI & CO., LTD.	508	4,495
SEKISUI CHEMICAL CO., LTD.	431	3,814
Credit Information Center Corp. (CIC)	417	3,690
CARDNET	340	3,008
Other (15 issuers)	364	3,221

(vii) Disposal of financial assets measured at FVTOCI

Equity instruments designated as at FVTOCI that were disposed during the years ended March 31, 2015 and 2016 were as follows:

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

Year ended March 31, 2015			Year ended March 31, 2016			Year ended March 31, 2016		
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
¥2,207	¥1,131	¥39	¥1,545	¥992	¥10	$13,672	$8,778	$88

These instruments were sold primarily as a result of reviewing the business relationship with issuers. For the years ended March 31, 2015 and 2016, accumulated gains, net of tax, reclassified from other comprehensive income to retained earnings amounted to ¥730 million and ¥664 million ($5,876 thousand), respectively.

For equity instruments designated as at FVTOCI, for which a significant fall in their fair value from the acquisition cost in the year ended March 31, 2015 was not temporary, accumulated losses after tax that were transferred from accumulated other comprehensive income to retained earnings were ¥4 million. There was no applicable instrument in the year ended March 31, 2016.

(2) Details of financial liabilities and fair value

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

	March 31, 2015		March 31, 2016		March 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities						
Finance lease obligations	¥1,951	¥1,951	¥1,679	¥1,679	$14,858	$14,858
Borrowings and bonds	1,951	1,951	1,679	1,679	14,858	14,858
Financial liabilities measured at amortized cost						
Notes payable	356	356	964	964	8,530	8,530
Accounts payable	272,679	272,679	228,024	228,024	2,017,911	2,017,911
Trade and other payables	273,036	273,036	228,989	228,989	2,026,451	2,026,451
Short-term borrowings	483,434	483,434	499,924	499,924	4,424,106	4,424,106
Bonds	568,337	572,759	568,178	574,650	5,028,123	5,085,398
Long-term borrowings	1,095,380	1,101,201	1,271,899	1,285,585	11,255,743	11,376,858
Borrowings and bonds	2,147,152	2,157,396	2,340,003	2,360,161	20,707,991	20,886,380
Other payables	27,912	27,912	20,492	20,492	181,345	181,345
Accrued interest expenses	3,057	3,057	2,583	2,583	22,858	22,858
Deposits received	11,957	11,957	8,276	8,276	73,238	73,238
Financial guarantee contracts	5,649	5,649	3,611	3,611	31,955	31,955
Contract guarantee	37,891	36,539	33,162	32,685	293,469	289,247
Other	1,866	1,866	1,529	1,529	13,530	13,530
Other financial liabilities	60,423	59,070	49,162	48,686	435,061	430,849
Derivative financial liabilities						
Interest rate swaps	1,570	1,570	1,956	1,956	17,309	17,309
Currency swaps	27,762	27,762	7,591	7,591	67,176	67,176
Foreign exchange forward contracts	84	84	11	11	97	97
Other derivative liabilities	3	3	1	1	8	8
Other financial liabilities	29,421	29,421	9,561	9,561	84,610	84,610
Total financial liabilities	2,539,896	2,548,787	2,649,889	2,669,570	23,450,345	23,624,513

(i) Finance lease obligations

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

(ii) Financial liabilities measured at amortized cost

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

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

(b) Bonds and long-term borrowings

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

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

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

(c) Financial guarantee contracts

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

(d) Contract guarantees

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

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

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

(iii) Derivative financial liabilities

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

(3) Fair value measurements

(i) Fair value hierarchy

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

Level 1:Fair values based on the unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2:Fair values measured using inputs other than those included in Level 1 that are observable either directly or indirectly

Level 3:Fair values measured using significant inputs that are unobservable

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

For the years ended March 31, 2015 and 2016, 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)

	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

(Millions of yen)

	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Finance lease receivables	¥—	¥—	¥19,803	¥19,803
Other financial assets				
Equity securities	2,660	—	2,514	5,174
Other investments	—	—	7,882	7,882
Derivative financial assets	—	16,795	—	16,795
Liabilities				
Derivative financial liabilities	—	9,561	—	9,561

(Thousands of U.S.dolloars)

	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Finance lease receivables	$—	$—	$175,247	$175,247
Other financial assets				
Equity securities	23,539	—	22,247	45,787
Other investments	—	—	69,752	69,752
Derivative financial assets	—	148,628	—	148,628
Liabilities				
Derivative financial liabilities	—	84,610	—	84,610

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	
April 1, 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
Net gain/loss (Note 1)	(375)	—	106	(268)
Other comprehensive income (Note 2)	—	258	—	258
Purchase	—	3	2,553	2,557
Sales/redemption	(13,849)	—	(2,477)	(16,326)
Transfer to Level 3	—	—	—	—
Transfer from Level 3	—	—	—	—
Others	—	(0)	(0)	(0)
March 31, 2016	19,803	2,514	7,882	30,200

(Thousands of U.S. dolloars)

March 31, 2015	$301,132	$19,938	$68,132	$389,212
Net gain/loss (Note 1)	(3,318)	—	938	(2,371)
Other comprehensive income (Note 2)	—	2,283	—	2,283
Purchase	—	26	22,592	22,628
Sales/redemption	(122,557)	—	(21,920)	(144,477)
Transfer to Level 3	—	—	—	—
Transfer from Level 3	—	—	—	—
Others	—	(0)	(0)	(0)
March 31, 2016	175,247	22,247	69,752	267,256

(Notes)

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

(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	
			March 31, 2015	March 31, 2016
Retained subordinate interests related to the transfer of finance lease receivables	Discounted cash flow method	Risk-free rate	0.14–0.16%	0.09%
		Expected overall bad debt ratio of transferred finance lease receivables	0.29%	0.16%
Trust beneficiary interests		Risk-free rate	0.16–0.26%	0.05–0.09%

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

(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 values of unlisted shares and investments in investment partnerships 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.

19. Derivatives and hedging activities

(1) Fair value hedges

A fair value hedge is a hedge of the exposure to changes in the fair value of 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, 2015		Year ended March 31, 2016		Year ended March 31, 2016	
		Hedged item	Hedging instrument	Hedged item	Hedging instrument	Hedged item	Hedging instrument
Interest rate swaps	Cost of sales	¥232	¥(278)	¥157	¥(157)	$1,389	$(1,389)
Currency swaps	Cost of sales	(991)	1,162	(3,670)	4,136	(32,477)	36,601
Foreign exchange forward contracts	Revenues and cost of sales	25	(23)	(24)	29	(212)	256

(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)

	March 31, 2015	March 31, 2016	March 31, 2016
Interest rate swaps	¥(49)	¥(131)	$(1,159)
Currency swaps	(8,487)	2,454	21,716
Foreign exchange forward contracts	(1)	0	0

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

(3) Derivative transactions to which hedge accounting is applied

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

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

	March 31, 2015			March 31, 2016			March 31, 2016		
	Notional principal	Fair value		Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability		Asset	Liability
Fair value hedges									
Interest rate swaps	¥13,000	¥157	¥—	¥—	¥—	¥—	$—	$—	$—
Currency swaps	44,408	709	4,357	27,712	1,905	1,417	245,238	16,858	12,539
Foreign exchange forward contracts	753	1	41	116	—	11	1,026	—	97
Cash flow hedges									
Interest rate swaps	216,267	46	1,562	278,766	21	1,956	2,466,955	185	17,309
Currency swaps	314,838	6,658	23,404	245,423	14,866	6,174	2,171,884	131,557	54,637
Foreign exchange forward contracts	540	—	43	266	0	—	2,353	0	—

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

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

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

	March 31, 2015			March 31, 2016			March 31, 2016		
	Notional principal	Fair value		Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability		Asset	Liability
Interest rate swaps	¥260	¥—	¥8	¥—	¥—	¥—	$—	$—	$—
Credit default swaps	1,442	—	3	1,352	—	1	11,964	—	8

20. Transfer of financial assets

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

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

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

(1) Consolidated structured entities for securitization

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

At March 31, 2015 and 2016, the assets and liabilities held by the structured entities are as follows.

	(Millions of yen)		(Thousands of U.S.dollars)
	March 31, 2015	March 31, 2016	March 31, 2016
Cash and cash equivalents	¥12,556	¥16,448	$145,557
Trade and other receivables	117,053	109,975	973,230
Finance lease receivables	128,197	165,228	1,462,194
Total assets	257,808	291,652	2,580,991
Borrowings and bonds	209,064	237,024	2,097,557

(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 March 31, 2015 and 2016, the maximum exposures to loss associated with the Group’s interests in the unconsolidated structured entities for securitization, are ¥105,203 million and ¥67,757 million ($599,619 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, 2015 and 2016, 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, 2015	March 31, 2016	March 31, 2016
Carrying amount of transferred financial assets			
Trade and other receivables	¥93,716	¥64,804	$573,486
Finance lease receivables	82,643	57,441	508,327
Total assets	176,360	122,246	1,081,823
Carrying amount of related liabilities			
Borrowings and bonds	176,217	96,109	850,522

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

At March 31, 2015 and 2016, 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, 2015	March 31, 2016	March 31, 2016
Fair value of transferred financial assets	¥180,267	¥124,413	$1,101,000
Cash and cash equivalents related to collections of the transferred financial assets	27,237	4,086	36,159
Fair value of related liabilities	176,297	96,246	851,734
Net position	31,207	32,253	285,424

(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, 2015 and 2016, 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, 2015	Year ended March 31, 2016	Year ended March 31, 2016
Revenues	¥(43)	¥26	$230

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.

21. Revenues

The major components of revenues are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2016
Revenues			
Interest income from finance leases	¥37,892	¥39,252	$347,362
Income from operating leases and other lease-related income	228,237	232,616	2,058,548
Interest income from installments and other loan receivables	64,973	70,098	620,336
Others	25,187	23,386	206,955
Total revenues	356,291	365,354	3,233,221

22. Cost of sales

The major components of cost of sales are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2016
Cost of sales			
Interest expenses arising from financial liabilities measured at amortized cost	¥23,967	¥26,532	$234,796
Operating lease and lease related expenses	188,498	188,670	1,669,646
Other	24,456	20,137	178,203
Total cost of sales	236,922	235,340	2,082,654

23. Selling, general and administrative expenses

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2016
Employee benefit expenses	¥38,374	¥40,641	$359,654
Welfare expenses	4,847	4,728	41,840
Rent expenses	4,427	4,108	36,353
Communication expenses	1,340	1,185	10,486
Operations consignment expenses	6,057	7,461	66,026
Provision (reversal) of allowance for doubtful accounts and bad debt losses	5,088	6,866	60,761
Other	20,246	19,792	175,150
Total selling, general and administrative expenses	80,381	84,783	750,292

24. Other expenses

The components of other expenses are as follows:

	(Millions of yen)		(Thousands of U.S.dollars)
	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2016
Other expenses			
Additional retirement payments	¥2,896	¥—	$－
Impairment loss	2,188	65	575
Other	63	356	3,150
Total other expenses	5,149	421	3,725

25. Earnings per share

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

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

		(Number of shares)
	Year ended March 31, 2015	Year ended March 31, 2016
Weighted average number of shares	116,887,224	116,886,724

	(Millions of yen)		(Thousands of U.S.dollars)
	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2016
Net income attributable to owners of the parent	¥24,140	¥32,694	$289,327

	(Yen)		(U.S.dollars)
	Year ended March 31, 2015	Year ended March 31, 2016	Yearended March 31, 2016
Earnings per share attributable to owners of the parent	¥206.53	¥279.71	$2.47

26. Cash flow information

(1) Interest and dividends received and interest paid

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

	(Millions of yen)		(Thousands of U.S.dollars)
	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2016
Interest and dividends received	¥65,955	¥70,288	$622,017
Interest paid	(23,736)	(26,789)	(237,070)

27. Major subsidiaries

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

(%)

Name	Location	March 31, 2015	March 31, 2016
		Ownership ratio	Ownership ratio
Okinawa Hitachi Capital Corporation	Naha, Okinawa	100.00	100.00
Hitachi Capital Auto Lease Corporation	Minato, Tokyo	51.00	51.00
Sekisui Leasing Co., Ltd.	Osaka, Osaka	90.00	90.00
Hitachi Capital Insurance Corporation	Chiyoda, Tokyo	79.36	79.36
Hitachi Capital Community Corporation	Ayase, Kanagawa	100.00	100.00
Hitachi Capital Trust Corporation	Minato, Tokyo	100.00	100.00
Financial Bridge Corporation	Shinagawa, Tokyo	90.00	100.00
Hitachi Green Energy Corporation	Minato, Tokyo	100.00	100.00
Hitachi Wind Power Ltd.	Minato, Tokyo	85.10	85.10
Hitachi Sustainable Energy, Ltd.	Hitachi, Ibaraki	—	85.10
Hitachi Capital NBL Corporation	Minato, Tokyo	100.00	100.00
Hitachi Capital Servicer Corporation	Minato, Tokyo	100.00	100.00
Hitachi Capital Services Co., Ltd.	Minato, Tokyo	100.00	100.00
Hitachi Triple Win Corp.	Minato, Tokyo	100.00	100.00
Daiichi Personal Credit Guarantee Corporation	Minato, Tokyo	100.00	100.00
Hitachi Capital (UK) PLC	Surrey, UK	100.00	100.00
Hitachi Capital Vehicle Solutions Ltd.	Berkshire, UK	100.00 (100.00)	100.00 (100.00)
HCIE Limited	Dublin, Ireland	100.00 (100.00)	100.00 (100.00)
Hitachi Capital Polska Sp. z o.o.	Warsaw, Poland	90.00 (90.00)	90.00 (90.00)
Hitachi Capital America Corp.	Connecticut, USA	100.00	100.00
Hitachi Capital Canada Corp.	Ontario, Canada	100.00 (100.00)	100.00 (100.00)
CLE Canadian Leasing Enterprises Ltd.	Quebec, Canada	100.00 (100.00)	100.00 (100.00)
CLE Leasing Enterprise Ltd.	Ontario, Canada	100.00 (100.00)	100.00 (100.00)
Hitachi Capital (Hong Kong) Ltd.	Hong Kong, China	100.00	100.00
Hitachi Capital Leasing (China) Co., Ltd.	Beijing, China	90.00	90.00
Hitachi Capital Factoring (China) Co., Ltd.	Shanghai, China	100.00	100.00

(%)

Name	Location	March 31, 2015	March 31, 2016
		Ownership ratio	Ownership ratio
Hitachi Capital Asia Pacific Pte. Ltd.	Singapore	100.00	100.00
Hitachi Capital (Thailand) Co., Ltd.	Bangkok, Thailand	73.99 (73.99)	73.99 (73.99)
Hitachi Capital Malaysia Sdn. Bhd.	Penang, Malaysia	75.00 (75.00)	75.00 (75.00)
PT. Arthaasia Finance	Jakarta, Indonesia	75.00	85.00 (85.00)
PT. Hitachi Capital Finance Indonesia	Jakarta, Indonesia	70.00 (70.00)	70.00 (70.00)

(Notes)

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

28. Related party transactions

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

(1) Parent company

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

	(Millions of yen)		(Thousands of U.S.dollars)
	March 31, 2015	March 31, 2016	March 31, 2016
Related company deposit	¥72,121	¥114,846	$1,016,336
Accounts receivable	31,447	21,755	192,522

(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)
	March 31, 2015	March 31, 2016	March 31, 2016
Related company deposits	¥492	¥3,854	$34,106
Accounts receivable	195,378	141,417	1,251,477
Finance lease receivables	44,278	48,032	425,061
Accounts payable	26,942	18,610	164,690
Borrowings	98,578	89,760	794,336

	(Millions of yen)		(Thousands of U.S.dollars)
	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2016
Revenues	¥19,296	¥18,228	$161,309

(3) Management

Remuneration of the Company’s directors is as follows.

	(Millions of yen)		(Thousands of U.S.dollars)
	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2016
Remunerations for management (short-term employee benefits)	¥456	¥503	$4,451

29. 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)
	March 31, 2015	March 31, 2016	March 31, 2016
Loan guarantee liabilities	¥206,648	¥137,414	$1,216,053

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 March 31, 2015 and 2016, these guarantee liabilities amounted to ¥5,649 million and ¥3,611 million ($31,955 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)
	March 31, 2015	March 31, 2016	March 31, 2016
Total loan commitments	¥40,197	¥40,000	$353,982
Amount utilized	5,156	5,000	44,247
Balance available	35,041	35,000	309,734

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

30. Subsequent event

(1) Business and capital alliance

On May 13, 2016, the Company agreed with Hitachi, Ltd. (“Hitachi”), Mitsubishi UFJ Financial Group, Inc. (“MUFG”), The Bank of Tokyo-Mitsubishi UFJ, Ltd. (“BTMU”) and Mitsubishi UFJ Lease & Finance Company Limited (“MUL”) for further consultations to carry out a business alliance (the “Business Alliance”) between the Company and MUL, and the five aforementioned companies, for the purpose of realizing sustainable growth and enhancing the provision of solutions for the Company, and entered into a Memorandum of Understanding (the “MoU”) .

Following the above, Hitachi, MUFG and MUL have entered into an agreement (the “Share Purchase Agreement”) whereby Hitachi will transfer a portion of its shares in the Company to MUFG and MUL (the “Share Assignment”).

On May 13, 2016, the Company, MUFG and MUL have entered into a capital alliance agreement which sets out matters related to the capital alliance between the three companies.

After the the Share Assignment, Hitachi intends to hold 33.40% of voting rights of the Company and will continue to cooperate closely with the Company as an important finance partner of the Hitachi Group.

(a) Reasons for the Business Alliance, Etc.

The Company is not just a financial services company. Currently, as a “Social Values Creating Company,” which provides new values to realize social development, the Company aims to expand its global business, as well as enhance sustainable growth and the corporate value by contributing to the Social Innovation Business of Hitachi Group. As a result, the Company has agreed with MUL and Hitachi, MUFG, BTMU and MUL regarding the Business Alliances.

By strengthening the provision of solutions that make the most of a unique form which combines the strength between a manufacturer and a financial group through the Business Alliances, the Company will maximize further growth of its business and the value of stockholders.

(b) Particulars of the Business Alliance, Etc.

(i) Particulars of the Business Alliance between the Company and MUL

In order to achieve mutual business growth and corporate value enhancement, the Company and MUL reached an agreement to promote specific consultations for the purpose of strengthening existing business by effectively utilizing the mutual business base, creating new business opportunities by utilizing mutual know-how and business networks, and developing new solutions to gather mutual strengths.

(ii) Particulars of the Business Alliance between the five companies

The Company, Hitachi, MUFG, BTMU and MUL have agreed to construct an open financial platform pertaining to the field of infrastructure business and proceed with specific consultations.

(iii) Particulars of changes to shares and capital alliance

The Company intends to acquire 26,678,000 MUL shares (2.98% of outstanding shares, 3.00% of voting rights) through the stock market.

(2) Business Acquisition

The Group signed definitive documentation to acquire the healthcare and IT focused vendor finance business of Creekridge Capital LLC ("Creekridge") based in Minnesota through acquisition of the company by Hitachi Capital America Corp. on May 11, 2016.

(a) Purpose of business acquisition

In the health care industry in the US, particularly Healthcare IT, which is a hybrid of Healthcare and IT sectors, is a promising industry with highly anticipated growth. The Company's decision to acquire Creekridge Capital's business platform is supported by the firm's strong expertise in financing healthcare, IT, and other products in the Vendor Finance space. The Company intends to continue to promote its growth strategy through the enhancement of its vendor finance capabilities for its business partners, including the Hitachi group companies.

(b) Outline of business acquisition

(i) Name of the company from which the business is acquired

Creekridge Capital LLC

(ii) Description of business to be acquired

Vendor finance service for healthcare and IT

(iii) Date of business transfer

June 6, 2016

(c) Consideration for acquisition and content

Consideration for business acquisition is a cash payment of US$90 million (¥9,933 million) and a contingent consideration of US$8 million (¥946 million). The contingent consideration of up to US$8 million (¥946 million) will be paid if conditions have been met such that operating assets a year later exceed a certain amount. The assessment procedures necessary for calculating the fair value of the contingent consideration have yet to be completed as of this moment.

* Converted at 1 dollar = ¥110.

(d) Fair values of assets and liabilities of business to be acquired and amount of goodwill

The assessment procedures necessary for calculating the fair values of the assets and liabilities of the business acquired on the date of acquisition have yet to be completed as of this moment.

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, 2016, 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, 2016, 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 27, 2016
Tokyo, Japan