Hitachi Capital Group
Financial Information Details 2017

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

1. Consolidated financial statements, etc.

(1) Consolidated financial statements

(i) Consolidated statements of financial position

	Notes	March 31, 2016	March 31, 2017	March 31, 2017
			(Millions of yen)	(Thousands of U.S. dollars)
Assets				
Cash and cash equivalents	5,6,18	¥157,091	¥178,081	$1,590,008
Trade and other receivables	6,18,29	1,358,973	1,288,511	11,504,562
Finance lease receivables	7,18,29	1,054,180	1,124,531	10,040,455
Other financial assets	6,18	61,601	85,834	766,375
Operating leased assets	9,10,29	341,296	393,328	3,511,857
Investments accounted for using the equity method	8	20,254	33,059	295,169
Other property, plant and equipment	9,29	20,162	57,249	511,151
Other intangible assets	10	12,165	29,495	263,348
Deferred tax assets	11	17,950	18,479	164,991
Other assets	12	37,524	36,458	325,517
Total assets		3,081,201	3,245,029	28,973,473
Liabilities				
Trade and other payables	6,18	228,989	175,429	1,566,330
Borrowings and bonds	17,18,29	2,341,683	2,546,720	22,738,571
Other payables	6,18	20,492	13,580	121,250
Other financial liabilities	6,18	58,724	54,477	486,401
Income tax payable		4,494	5,186	46,303
Retirement and severance benefits	13	9,540	9,029	80,616
Deferred tax liabilities	11	1,839	2,733	24,401
Other liabilities	12	67,878	74,694	666,910
Total liabilities		2,733,641	2,881,851	25,730,812
Equity				
Equity attributable to owners of the parent				
Common stock	14	9,983	9,983	89,133
Capital surplus	14	45,828	45,600	407,142
Retained earnings	14	289,745	312,736	2,792,285
Accumulated other comprehensive income	15	4,280	(4,139)	(36,955)
Treasury stock	14	(14,334)	(14,335)	(127,991)
Total equity attributable to owners of the parent		335,503	349,844	3,123,607
Non-controlling interests		12,056	13,333	119,044
Total equity		347,559	363,178	3,242,660
Total liabilities and equity		3,081,201	3,245,029	28,973,473

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

Consolidated statements of profit or loss

	Notes	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2017
			(Millions of yen)	(Thousands of U.S. dollars)
Revenues	4,21	¥365,354	¥370,860	$3,311,250
Cost of sales	22	235,340	245,100	2,188,392
Gross profit		130,014	125,759	1,122,848
Selling, general and administrative expenses	23	84,783	81,902	731,267
Other income	24	82	734	6,553
Other expenses		421	345	3,080
Share of profits of investments accounted for using the equity method	8	1,775	1,787	15,955
Income before income taxes	4	46,667	46,033	411,008
Income taxes	11	13,051	11,803	105,383
Net income		33,615	34,229	305,616
Net income attributable to:				
Owners of the parent		32,694	32,926	293,982
Non-controlling interests		920	1,302	11,625

			(Yen)	(US dollars)
Earnings per share	25			
Earnings per share attributable to owners of the parent (basic and diluted)		¥279.71	¥281.69	$2.51

Consolidated statements of comprehensive income

	Notes	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2017
		(Millions of yen)		(Thousands of U.S. dollars)
Net income		¥33,615	¥34,229	$305,616
Other comprehensive income	15			
Items not to be reclassified to net income				
Financial assets measured at fair value through other comprehensive income		181	354	3,160
Remeasurements of defined benefit plans		(3,607)	(875)	(7,812)
Share of other comprehensive income of investments accounted for using the equity method	8	1	56	500
Total items not to be reclassified to net income		(3,425)	(465)	(4,151)
Items that can be reclassified to net income				
Foreign currency translation adjustments		(10,743)	(8,921)	(79,651)
Cash flow hedges		119	740	6,607
Share of other comprehensive income of investments accounted for using the equity method	8	—	100	892
Total items that can be reclassified to net income		(10,624)	(8,080)	(72,142)
Other comprehensive income		(14,049)	(8,545)	(76,294)
Comprehensive income		19,565	25,683	229,312
Comprehensive income attributable to:				
Owners of the parent		19,048	24,505	218,794
Non-controlling interests		516	1,177	10,508

(iii) Consolidated statements of changes in equity

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)
Disposal 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
Increase in other 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

Year ended March 31, 2017

(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, 2016		¥9,983	¥45,828	¥289,745	¥4,280	¥(14,334)	¥335,503	¥12,056	¥347,559
Changes in equity									
Net income				32,926			32,926	1,302	34,229
Other comprehensive income	15				(8,420)		(8,420)	(124)	(8,545)
Comprehensive income				32,926	(8,420)		24,505	1,177	25,683
Dividends to owners of the parent	16			(9,935)			(9,935)		(9,935)
Dividends to non-controlling interests								(312)	(312)
Acquisition of treasury stock	14					(0)	(0)		(0)
Increase in other non-controlling interests			(228)		0		(228)	19	(208)
Acquisition of non-Controlling interests								391	391
Total changes in equity		—	(228)	22,990	(8,420)	(0)	14,341	1,276	15,618
March 31, 2017		9,983	45,600	312,736	(4,139)	(14,335)	349,844	13,333	363,178

(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, 2016		$89,133	$409,178	$2,587,008	$38,214	$(127,982)	$2,995,562	$107,642	$3,103,205
Changes in equity									
Net income				293,982			293,982	11,625	305,616
Other comprehensive income	15				(75,178)		(75,178)	(1,107)	(76,294)
Comprehensive income				293,982	(75,178)		218,794	10,508	229,312
Dividends to owners of the parent	16			(88,705)			(88,705)		(88,705)
Dividends to non-controlling interests								(2,785)	(2,785)
Acquisition of treasury stock	14					(0)	(0)		(0)
Increase in other non-controlling interests			(2,035)		0		(2,035)	169	(1,857)
Acquisition of non-controlling interests								3,491	3,491
Total changes in equity		—	(2,035)	205,267	(75,178)	(0)	128,044	11,392	139,446
March 31, 2017		89,133	407,142	2,792,285	(36,955)	(127,991)	3,123,607	119,044	3,242,660

(iv) Consolidated statements of cash flows

	Notes	Year ended March 31, 2016 (Millions of yen)	Year ended March 31, 2017 (Millions of yen)	Year ended March 31, 2017 (Thousands of U.S. dollars)
Cash flows from operating activities	26			
Net income		¥33,615	¥34,229	$305,616
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	4	95,591	103,094	920,482
Income taxes		13,051	11,803	105,383
Share of profits of investments accounted for using the equity method		(1,775)	(1,787)	(15,955)
(Increase) decrease in trade and other receivables		(67,682)	(1,149)	(10,258)
(Increase) decrease in finance lease receivables		(102,011)	(88,042)	(786,089)
Purchase of operating leased assets		(148,186)	(148,081)	(1,322,151)
Proceeds from sale of operating leased assets		28,344	31,443	280,741
Increase (decrease) in trade and other payables		(41,367)	(67,284)	(600,750)
Increase (decrease) in payable due to collection of securitized receivables		(4,463)	(5,392)	(48,142)
Other		(5,752)	(1,350)	(12,053)
Subtotal		(200,637)	(132,517)	(1,183,187)
Income taxes paid		(5,734)	(10,135)	(90,491)
Net cash provided by (used in) operating activities		(206,372)	(142,653)	(1,273,687)
Cash flows from investing activities				
Purchase of other property, plant and equipment		(6,180)	(11,702)	(104,482)
Purchase of other intangible assets		(2,859)	(4,453)	(39,758)
Purchase of investments in securities and payments to time deposits		(6,181)	(23,794)	(212,446)
Proceeds from sale and redemption of investments in securities and withdrawal of time deposits		8,685	5,591	49,919
Proceeds from acquisition of subsidiary's shares resulting in changes in scope of consolidation		—	3,087	27,562
Payment for acquisition of subsidiary's shares resulting in changes in scope of consolidation		—	(4,532)	(40,464)
Purchase of investments accounted for using the equity method		(34)	(11,835)	(105,669)
Payments for acquisition of business, net of cash acquired		—	(9,790)	(87,410)
Net decrease (increase) in short-term loans receivable		—	5,000	44,642
Other		160	40	357
Net cash provided by (used in) investing activities		(6,408)	(52,388)	(467,750)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		(1,383)	43,358	387,125
Proceeds from long-term borrowings and bonds		650,483	670,895	5,990,133
Repayments of long-term borrowings and bonds		(387,840)	(487,922)	(4,356,446)
Proceeds from non-controlling interests		14	20	178
Dividends paid to owners of the parent		(8,764)	(9,932)	(88,678)
Dividends paid to non-controlling interests		(209)	(312)	(2,785)
Purchase of shares of consolidated subsidiaries from non controlling interests		(175)	—	—
Proceeds from sale of shares of consolidated subsidiaries to non-controlling interests		302	—	—
Other		(1)	(0)	(0)
Net cash provided by (used in) financing activities		252,425	216,105	1,929,508
Effect of exchange rate changes on cash and cash equivalents		(1,868)	(73)	(651)
Net increase (decrease) in cash and cash equivalents		37,776	20,990	187,410
Cash and cash equivalents at beginning of year	5	119,314	157,091	1,402,598
Cash and cash equivalents at end of year	5	157,091	178,081	1,590,008

Notes to the consolidated financial statements

1. Reporting entity

Hitachi Capital Corporation ("the Company") is a company domiciled in Japan, and its shares are listed. The Company's registered address is 3-1, Nishi Shimbashi 1-chome, Minato-ku, Tokyo, Japan. The consolidated financial statements include the Company, its subsidiaries, and its interests in its associates and joint ventures. The Company and its subsidiaries (collectively "the Group") provide financial services, including 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 Company provides financial services through tie-ups with its partners, including the Hitachi Group.

The consolidated financial statements were approved by Seiji Kawabe, Representative Executive Officer, President and CEO, and Satoshi Inoue, Executive Officer and Chief Financial Officer, on June 26, 2017.

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

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

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

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

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

Information about uncertainties related to assumptions and estimates that could result in material adjustments in 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 30 "Commitments and contingencies"
- Note 3 "Summary of significant accounting policies (13) Income tax" and Note 11 "Deferred tax and income tax"

The translations of Japanese yen amounts into U.S. dollar amounts as of and for the year ended March 31, 2017 are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112 to $1, the approximate rate of exchange at March 31, 2017. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

3. Summary of significant accounting policies

(1) Basis of consolidation

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

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

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

Consolidation of a subsidiary begins on the acquisition date when the Company obtains control over a subsidiary and ceases when the Company loses control over a subsidiary. When a subsidiary applies different accounting policies than those applied by the Company, adjustments are made to the financial statements of a subsidiary to align with the Company's accounting policies.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If a change in the ownership interest in a subsidiary results in a loss of control over the subsidiary, the Company derecognizes the subsidiary's assets, liabilities, non-controlling interests, and accumulated other comprehensive income.

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

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

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

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

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

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

(2) Cash and cash equivalents

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

(3) Foreign currency translation

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

(i) Foreign currency transactions

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

(ii) Translation of financial statements of overseas subsidiaries

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

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

(4) Financial instruments

For accounting treatments of financial instruments, the Group has 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 Group risk management regulations. 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. Changes in the fair value of hedged items attributable to the hedged risk are recognized in profit or loss and is also recorded as part of the carrying amount of the hedged item.

・Cash flow hedges

When derivatives are designated as hedging instruments to hedge exposures to fluctuations in cash flows that are attributable to a particular risk associated with recognized assets or liabilities, 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 comprise transportation equipment, information-related equipment, and software, but do not include intangible assets with indefinite useful lives. The residual value of operating leased assets is determined based on market value of secondhand assets, an estimate for the timing and level of obsolescence, and the recovered amounts from similar assets in the past.

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

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 mainly comprises machinery and equipment whose the major estimated useful life is 15 to 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 cost model has been adopted for measurement of intangible assets with definite useful lives and is 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 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 also performs an impairment test annually, mainly in the fourth quarter, regardless of any indication of impairment, by estimating the recoverable amount for each cash-generating unit (CGU) to which the asset belongs. For impairment testing, assets are grouped together into the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows of other assets or CGUs.

The Group measures the recoverable amount of an asset or a CGU 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 30 “Commitments and contingencies” (excluding contingencies recognized as provisions) when such outflow cannot be confirmed as the present obligation at the end of reporting period or when it does not meet the recognition criteria for provisions, unless the possibility of any outflow of resources embodying economic benefits in settlement is remote.

(12) Revenue recognition

Leases

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 the 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 related asset to the buyer is complete.

Revenue on installment sales

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

(13) Income taxes

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

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

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

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

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

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

(14) Consumption taxes

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

(15) Earnings per share ("EPS")

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

(16) Business combinations

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

(17) New accounting standards issued but not yet applied

Major new standards or amendments to standards that have been issued up to the approval date of the consolidated financial statements but not applied by the Group as of March 31, 2017 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 Company	Summary
IFRS 9	Financial Instruments	January 1, 2018	FY2018	Revised hedge accounting standard (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	FY2018	Revised standard for revenue recognition
IFRS 16	Leases	January 1, 2019	FY2019	Revised lease accounting standard

4. Segment information

(1) Reportable segments

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

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

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

(i) Account Solution (Japan)

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

(ii) Vendor Solution (Japan)

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

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

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

Segment information for the years ended March 31, 2016 and 2017 is as follows.

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

(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, 2017

(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	¥209,841	¥18,411	¥88,391	¥17,856	¥15,866	¥13,403	¥363,771	¥11,979	¥375,751	¥(4,891)	¥370,860
Intersegment	977	68	—	—	—	—	1,046	1,038	2,084	(2,084)	—
Total	210,819	18,480	88,391	17,856	15,866	13,403	364,817	13,017	377,835	(6,975)	370,860
Income before income taxes	20,096	3,841	15,842	4,343	7,429	235	51,788	719	52,508	(6,475)	46,033
Interest expenses	6,834	1,597	7,051	3,496	5,167	3,586	27,734	1,088	28,823	(2,845)	25,977
Depreciation and amortization	70,949	1,750	22,260	1,938	801	2,983	100,682	1,309	101,992	1,102	103,094

(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	$1,873,580	$164,383	$789,205	$159,428	$141,660	$119,669	$3,247,955	$106,955	$3,354,919	$(43,669)	$3,311,250
Intersegment	8,723	607	—	—	—	—	9,339	9,267	18,607	(18,607)	—
Total	1,882,312	165,000	789,205	159,428	141,660	119,669	3,257,294	116,223	3,373,526	(62,276)	3,311,250
Income before income taxes	179,428	34,294	141,446	38,776	66,330	2,098	462,392	6,419	468,821	(57,812)	411,008
Interest expenses	61,017	14,258	62,955	31,214	46,133	32,017	247,625	9,714	257,348	(25,401)	231,937
Depreciation and amortization	633,473	15,625	198,750	17,303	7,151	26,633	898,946	11,687	910,642	9,839	920,482

(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, 2016 and 2017 are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2017
Japan	¥225,750	¥235,341	$2,101,258
Europe and the Americas	110,637	106,248	948,642
Asia	28,967	29,270	261,339
Total	365,354	370,860	3,311,250

As of March 31, 2016 and 2017, 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, 2016	March 31, 2017	March 31, 2017
Japan	¥237,731	¥317,170	$2,831,875
Europe and the Americas	118,776	142,256	1,270,142
Asia	17,117	20,646	184,339
Total	373,624	480,074	4,286,375

(3) Customer information

For the years ended March 31, 2016 and 2017, there is no concentration of revenue from a specific customer.

5. Cash and cash equivalents

The components of cash and cash equivalents are as follows.

	March 31, 2016 (Millions of yen)	March 31, 2017 (Millions of yen)	March 31, 2017 (Thousands of U.S. dollar)
Cash on hand and at banks	¥38,389	¥178,081	$1,590,008
Related company deposits	118,701	—	—
Cash and cash equivalents	157,091	178,081	1,590,008

(Notes)

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

2 Because the Company became an equity method associates of Hitachi, Ltd. during the year ended March 31, 2017, it terminated its participation in Hitachi, Ltd.'s centralized cash management system for Hitachi Group companies, and therefore, it no longer has deposits with subsidiaries and associates.

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, 2016			March 31, 2017			March 31, 2017		
	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	¥157,091	¥—	¥157,091	¥178,081	¥ —	¥178,081	$1,590,008	$ —	$1,590,008
Trade and other receivables	703,004	655,968	1,358,973	633,642	654,868	1,288,511	5,657,517	5,847,035	11,504,562
Other financial assets	30,747	30,854	61,601	36,362	49,472	85,834	324,660	441,714	766,375
Total financial assets	890,843	686,823	1,577,666	848,086	704,341	1,552,427	7,572,196	6,288,758	13,860,955
Financial liabilities									
Trade and other payables	194,642	34,346	228,989	154,549	20,880	175,429	1,379,901	186,428	1,566,330
Other payables	19,465	1,026	20,492	13,062	518	13,580	116,625	4,625	121,250
Other financial liabilities	31,034	27,690	58,724	28,718	25,758	54,477	256,410	229,982	486,401
Total financial liabilities	245,142	63,063	308,205	196,330	47,157	243,487	1,752,946	421,044	2,173,991

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, 2016 and 2017 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, 2016	March 31, 2017	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2017
Within 1 year	¥345,956	¥362,311	$3,234,919	¥330,202	¥346,203	$3,091,098
After 1 year but not more than 5 years	696,070	730,672	6,523,857	605,552	638,073	5,697,080
More than 5 years	115,813	140,670	1,255,982	87,561	107,078	956,053
Total	1,157,840	1,233,654	11,014,767	1,023,316	1,091,354	9,744,232
Unearned finance income	(97,236)	(104,414)	(932,267)			
Net investment in finance lease	1,060,604	1,129,239	10,082,491			
Unguaranteed residual value	(37,288)	(37,884)	(338,250)			
Present value of minimum lease payments receivable	1,023,316	1,091,354	9,744,232			

At March 31, 2016 and 2017, the accumulated allowance for uncollectible minimum lease payments receivable amounted to ¥6,423 million, and ¥4,707 million ($42,026 thousand), respectively.

Future minimum lease payments receivable under non-cancellable operating leases at March 31, 2016, and March 31, 2017 are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2016	March 31, 2017	March 31, 2017
Within 1 year	¥55,768	¥59,420	$530,535
After 1 year but not more than 5 years	62,565	87,493	781,187
More than 5 years	2,000	6,756	60,321
Total	120,335	153,669	1,372,044

At March 31, 2016 and 2017, 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, 2016 and 2017, the following investments in associates and joint ventures that are not individually significant and accounted for using the equity method are included in the consolidated financial statements.

(1) Associates

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2016	March 31, 2017	March 31, 2017
Carrying amount of investments	¥20,254	¥21,838	$194,982

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2017
Net income	¥1,775	¥1,873	$16,723
Other comprehensive income	1	104	928
Total comprehensive income	1,776	1,978	17,660

(2) Joint ventures

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2016	March 31, 2017	March 31, 2017
Carrying amount of investments	¥—	¥11,220	$100,178

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2017
Net income	¥ —	¥(86)	$(767)
Other comprehensive income	—	51	455
Total comprehensive income	—	(34)	(303)

9. Property, plant and equipment

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

(Millions of yen)

	Operating leased assets	Other property, plant and equipment				Total
		Machinery and equipment	Other own-use assets	Construction in progress	Subtotal	
Net carrying amount						
April 1, 2015	¥258,845	¥10,348	¥4,681	¥1,120	¥16,150	¥274,996
Additions	126,890	3,087	1,051	2,041	6,180	133,070
Sales or disposals	(22,123)	(0)	(243)	(1)	(245)	(22,369)
Depreciation	(74,978)	(523)	(1,117)	—	(1,640)	(76,619)
Impairment losses	(31)	—	(29)	—	(29)	(60)
Reversal of impairment losses	181	—	—	—	—	181
Exchange differences	(11,550)	(1)	(259)	(66)	(326)	(11,876)
Transfers and other	16,687	451	338	(716)	74	16,761
March 31, 2016	293,920	13,362	4,422	2,377	20,162	314,082
Additions	136,158	2,572	667	8,461	11,702	147,861
Sales or disposals	(27,832)	(0)	(89)	(0)	(90)	(27,923)
Depreciation	(79,862)	(2,345)	(859)	—	(3,205)	(83,068)
Impairment losses	(42)	—	—	—	—	(42)
Acquisitions through business combinations	10,636	29,978	431	0	30,409	41,046
Exchange differences	(15,103)	(1)	(275)	(42)	(320)	(15,423)
Transfers and other	20,621	1,625	198	(3,232)	(1,408)	19,213
March 31, 2017	338,495	45,192	4,494	7,563	57,249	395,745

(Thousands of U.S. dollars)

March 31, 2016	$2,624,285	$119,303	$39,482	$21,223	$180,017	$2,804,303
Additions	1,215,696	22,964	5,955	75,544	104,482	1,320,187
Sales or disposals	(248,500)	(0)	(794)	(0)	(803)	(249,312)
Depreciation	(713,053)	(20,937)	(7,669)	—	(28,616)	(741,678)
Impairment losses	(375)	—	—	—	—	(375)
Acquisitions through business combinations	94,964	267,660	3,848	0	271,508	366,482
Exchange differences	(134,848)	(8)	(2,455)	(375)	(2,857)	(137,705)
Transfers and other	184,116	14,508	1,767	(28,857)	(12,571)	171,544
March 31, 2017	3,022,276	403,500	40,125	67,526	511,151	3,533,437

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

The amount recognized as depreciation and impairment losses for the year ended March 31, 2017 was ¥83,110 million ($742,053 thousand), with ¥82,254 million ($734,410 thousand) included in *Cost of sales* and ¥856 million ($7,642 thousand) in *Selling, general and administrative expenses* in the consolidated statements of profit or loss. Impairment losses recognized are included in the Europe segment.

At March 31, 2016 and 2017, the amounts of contractual commitments for the acquisition of operating leased assets were ¥44,696 million and ¥37,323 million ($333,241 thousand), respectively.

(Millions of yen)

	Operating leased assets	Other property, plant and equipment				Total
		Machinery and equipment	Other own-use assets	Construction in progress	Subtotal	
Gross carrying amount						
April 1, 2015	¥1,331,478	¥10,988	¥8,690	¥1,120	¥20,799	¥1,352,278
March 31, 2016	1,258,226	14,479	8,605	2,377	25,462	1,283,689
March 31, 2017	1,197,324	61,782	9,051	7,563	78,397	1,275,721
Accumulated depreciation and impairment losses						
April 1, 2015	1,072,632	640	4,008	—	4,649	1,077,281
March 31, 2016	964,306	1,116	4,183	—	5,300	969,606
March 31, 2017	858,829	16,590	4,556	—	21,147	879,976

(Thousands of U.S. dollars)

	Operating leased assets	Other property, plant and equipment				Total
		Machinery and equipment	Other own-use assets	Construction in progress	Subtotal	
Gross carrying amount						
March 31, 2017	$10,690,392	$551,625	$80,812	$67,526	$699,973	$11,390,366
Accumulated depreciation and impairment losses						
March 31, 2017	7,668,116	148,125	40,678	—	188,812	7,856,928

10. Intangible assets

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

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

(Millions of yen)

	Operating leased assets	Other intangible assets				Total
		Software for internal use	Goodwill	Other	Subtotal	
Net carrying amount						
April 1, 2015	¥43,919	¥4,815	¥7,069	¥850	¥12,735	¥56,655
Additions	20,471	1,854	—	1,005	2,859	23,331
Amortization	(16,897)	(2,001)	—	(73)	(2,074)	(18,972)
Impairment losses	—	(34)	—	(1)	(36)	(36)
Disposals	(1,340)	(162)	—	(5)	(168)	(1,508)
Exchange differences	(0)	(55)	(510)	(30)	(596)	(596)
Transfers and other	1,223	514	—	(1,069)	(554)	668
March 31, 2016	47,376	4,930	6,559	676	12,165	59,542
Additions	24,878	586	—	3,866	4,453	29,331
Amortization	(17,675)	(1,992)	—	(358)	(2,351)	(20,026)
Disposals	(990)	(49)	—	(0)	(49)	(1,039)
Acquisitions through business combinations	—	2	10,041	5,266	15,310	15,310
Exchange differences	(0)	(54)	(50)	(0)	(105)	(105)
Transfers and other	1,243	938	—	(865)	72	1,316
March 31, 2017	54,832	4,361	16,551	8,583	29,495	84,328

(Thousands of U.S. dollars)

	Operating leased assets	Software for internal use	Goodwill	Other	Subtotal	Total
March 31, 2016	$423,000	$44,017	$58,562	$6,035	$108,616	$531,625
Additions	222,125	5,232	—	34,517	39,758	261,883
Amortization	(157,812)	(17,785)	—	(3,196)	(20,991)	(178,803)
Disposals	(8,839)	(437)	—	(0)	(437)	(9,276)
Acquisitions through business combinations	—	17	89,651	47,017	136,696	136,696
Exchange differences	(0)	(482)	(446)	(0)	(937)	(937)
Transfers and other	11,098	8,375	—	(7,723)	642	11,750
March 31, 2017	489,571	38,937	147,776	76,633	263,348	752,928

The amount recognized as amortization and impairment losses for the year ended March 31, 2016 was ¥19,008 million, with ¥16,897 million included in *Cost of sales*, ¥2,074 million in *Selling, general and administrative expenses,* and ¥36 million in *Other expenses* in the consolidated statements of profit or loss.

The amount recognized as amortization for the year ended March 31, 2017 was ¥20,026 million ($178,803 thousand), with ¥17,675 million ($157,812 thousand) included in *Cost of sales* and ¥2,351 million ($20,991 thousand) in *Selling, general and administrative expenses* in the consolidated statements of profit or loss.

(Millions of yen)

	Operating leased assets	Other intangible assets				Total
		Software for internal use	Goodwill	Other	Subtotal	
Gross carrying amount						
April 1, 2015	¥262,218	¥38,751	¥9,377	¥1,351	¥49,480	¥311,698
March 31, 2016	251,329	38,016	8,705	1,291	48,012	299,342
March 31, 2017	142,073	38,986	18,660	9,515	67,162	209,235
Accumulated amortization and impairment losses						
April 1, 2015	218,298	33,936	2,307	500	36,744	255,043
March 31, 2016	203,953	33,085	2,145	615	35,847	239,800
March 31, 2017	87,240	34,624	2,109	932	37,666	124,907

(Thousands of U.S. dollars)

	Operating leased assets	Other intangible assets				Total
		Software for internal use	Goodwill	Other	Subtotal	
Gross carrying amount						
March 31, 2017	$1,268,508	$348,089	$166,607	$84,955	$599,660	$1,868,169
Accumulated amortization and impairment losses						
March 31, 2017	778,928	309,142	18,830	8,321	336,303	1,115,241

(2) Impairment losses

(i) Impairment losses on other intangible assets

There were no material impairment losses on other intangible assets recognized during the fiscal years ended March 31, 2016 and 2017.

(ii) Allocation of goodwill to a cash generating unit

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

At March 31, 2017, significant goodwill allocated to CGU relates to CLE Canadian Leasing Enterprises Ltd. with the carrying amount of ¥4,300 million ($38,392 thousand) at March 31, 2016 and Creekridge Capital LLC with the carrying amount of ¥7,501 million ($66,973 thousand) (arising during the fiscal year ended March 31, 2017).

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 (12.0% to 14.0%). The business plan is drawn up based on past experiences using external and internal information, and cash flows beyond the period covered by the business plan (generally five years) are estimated considering past financial results and average growth rates, etc. expected in respective markets.

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

11. Deferred taxes and income taxes

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2017
Income taxes			
Current	¥8,094	¥10,720	$95,714
Deferred	4,957	1,083	9,669
Origination and reversal of temporary differences	3,978	1,119	9,991
Changes in unrecognized temporary differences	11	(36)	(321)
Adjustments of deferred tax assets and liabilities due to domestic tax rate change	967	—	—
Total	13,051	11,803	105,383
Deferred taxes recognized in the consolidated statements of comprehensive income			
Financial assets measured at FVTOCI	67	156	1,392
Remeasurements of defined benefit plans	(1,671)	(213)	(1,901)
Cash flow hedges	68	171	1,526
Total	(1,536)	114	1,017

The Company and its domestic subsidiaries are mainly subject to corporate income tax, inhabitant tax and business tax. The effective statutory tax rate calculated with these taxes as a basis was approximately 33.1% for the fiscal year ended March 31, 2016. The rate for the fiscal year ended March 31, 2017 was approximately 30.9% because of reductions in the corporate tax rate beginning from the fiscal years, starting on or after April 1, 2016, following approval by the Japanese Diet on March 29, 2016 of the Act on Partial Revision of the Income Tax Act (Act No. 15 of 2016) and the Act on Partial Revision of the Local Tax Act (Act No. 13 of 2016). However, subsidiaries outside of Japan are subject to corporation tax and other taxes based on their location.

The Company and 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, 2016	Year ended March 31, 2017
Statutory income tax rates	33.1	30.9
Share of profits of investments accounted for using the equity method	(1.3)	(1.2)
Difference in statutory income tax rates of foreign subsidiaries	(6.8)	(5.0)
Non-deductible expenses	0.2	0.2
Changes in unrecognized temporary differences	0.0	(0.1)
Effects of change in domestic tax rates	2.1	—
Profit on negative goodwill	—	(0.3)
Other, net	0.7	1.1
Effective income tax rates	28.0	25.6

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

(Millions of yen)

	April 1, 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)
Intangible assets	(26)	6	—	1	(18)
Other	(1,520)	95	—	3	(1,421)
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.

(Millions of yen)

	March 31, 2016	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2017
Deferred tax assets					
Depreciation	¥5,264	¥(1,372)	¥ —	¥(13)	¥3,878
Addition of revenue from lease contracts, etc.	5,474	368	—	—	5,843
Net defined benefit liability	2,831	(214)	213	(0)	2,830
Allowance for doubtful accounts	2,856	(227)	—	(155)	2,474
Asset retirement obligations	2,005	233	—	1,061	3,299
Accrued expenses	1,491	35	—	21	1,548
Net operating loss carryforwards	1,670	71	—	239	1,981
Bad debt write-off	572	21	—	15	609
Other	3,390	(32)	(171)	1,457	4,644
Total deferred tax assets	25,557	(1,113)	42	2,625	27,111
Deferred tax liabilities					
Additional depreciation by overseas subsidiaries	(5,073)	(600)	—	293	(5,381)
Gains or losses on sale or purchase of lease receivables	(316)	147	—	—	(168)
Asset retirement obligations	(1,483)	(16)	—	(587)	(2,087)
Financial assets measured at FVTOCI	(1,132)	—	(156)	(1)	(1,290)
Intangible assets	(18)	82	—	(1,428)	(1,365)
Other	(1,421)	417	—	(68)	(1,071)
Total deferred tax liabilities	(9,446)	30	(156)	(1,792)	(11,365)
Net deferred tax assets	16,110	(1,083)	(114)	832	15,745

(Note) Other includes acquisitions through business combinations and foreign currency translation gains and losses, etc.

(Thousands of U.S. dollars)

	March 31, 2016	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2017
Deferred tax assets					
Depreciation	$47,000	$(12,250)	$ —	$(116)	$34,625
Addition of revenue from lease contracts, etc.	48,875	3,285	—	—	52,169
Net defined benefit liability	25,276	(1,910)	1,901	(0)	25,267
Allowance for doubtful accounts	25,500	(2,026)	—	(1,383)	22,089
Asset retirement obligations	17,901	2,080	—	9,473	29,455
Accrued expenses	13,312	312	—	187	13,821
Net operating loss carryforwards	14,910	633	—	2,133	17,687
Bad debt write-off	5,107	187	—	133	5,437
Other	30,267	(285)	(1,526)	13,008	41,464
Total deferred tax assets	228,187	(9,937)	375	23,437	242,062
Deferred tax liabilities					
Additional depreciation by overseas subsidiaries	(45,294)	(5,357)	—	2,616	(48,044)
Gains or losses on sale or purchase of lease receivables	(2,821)	1,312	—	—	(1,500)
Asset retirement obligations	(13,241)	(142)	—	(5,241)	(18,633)
Financial assets measured at FVTOCI	(10,107)	—	(1,392)	(8)	(11,517)
Intangible assets	(160)	732	—	(12,750)	(12,187)
Other	(12,687)	3,723	—	(607)	(9,562)
Total deferred tax liabilities	(84,339)	267	(1,392)	(16,000)	(101,473)
Net deferred tax assets	143,839	(9,669)	(1,017)	7,428	140,580

(Note) Other includes acquisitions through business combinations and foreign currency translation gains and losses, etc.

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

At March 31, 2016 and 2017, the total amounts of temporary differences related to undistributed profit of subsidiaries that were not recognized as deferred tax liabilities were ¥95,880 million and ¥105,485 million ($941,830 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, 2017 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, 2016	March 31, 2017	March 31, 2017
Deductible temporary differences	¥2,643	¥2,526	$22,553
Total	2,643	2,526	22,553

12. Other assets and other liabilities

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

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2016	March 31, 2017	March 31, 2017
Other assets			
Inventories	¥3,718	¥5,131	$45,812
Advance payments	11,686	7,393	66,008
Prepaid expenses	18,981	20,191	180,276
Other	3,137	3,740	33,392
Total other assets	37,524	36,458	325,517
Other liabilities			
Accrued expenses	13,186	16,728	149,357
Unperformed obligations for securitized receivables	3,412	855	7,633
Advances received	26,373	26,028	232,392
Asset retirement obligations	6,814	11,197	99,973
Other	18,092	19,884	177,535
Total other liabilities	67,878	74,694	666,910

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 the underlying assets, etc.

"Other" under Other liabilities includes provision for bonuses, etc.

13. Employee benefits

(1) Post-retirement benefits

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

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

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

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

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

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

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

For the fiscal years ended March 31, 2016 and 2017, 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, 2016	Year ended March 31, 2017	Year ended March 31, 2017
Defined benefit obligations at beginning of year	¥56,158	¥59,438	$530,696
Service cost	1,659	1,759	15,705
Interest cost	836	530	4,732
Benefits paid	(2,845)	(1,821)	(16,258)
Past service cost	0	—	—
Exchange differences and other	(762)	(952)	(8,500)
Remeasurements of defined benefit obligations			
Actuarial gains and losses arising from changes in financial assumptions	3,824	1,948	17,392
Actuarial gains and losses arising from changes in demographic assumptions	(69)	113	1,008
Other	637	17	151
Defined benefit obligations at end of year	59,438	61,033	544,937

Changes in fair value of plan assets

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2017
Fair value of plan assets at beginning of year	¥50,866	¥50,172	$447,964
Interest income	793	498	4,446
Remeasurements of defined benefit plan assets – Return on plan assets	(887)	988	8,821
Employer’s contributions	2,416	2,927	26,133
Benefits paid	(2,242)	(1,553)	(13,866)
Exchange differences and other	(773)	(1,030)	(9,196)
Fair value of plan assets at end of year	50,172	52,003	464,312

The weighted average key actuarial assumptions used in actuarial calculation of defined benefit obligations at March 31, 2016 and 2017 are as follows.

	March 31, 2016	March 31, 2017
Discount rate	1.0%	0.9%

At March 31, 2016 and 2017, changes of 0.5% in the discount rate, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below. This impact reflects only changes in the discount rate, and actual changes may have a different impact on the defined benefit obligations.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2016	March 31, 2017	March 31, 2017
Increase by 0.5%	¥(4,518)	¥(4,675)	$(41,741)
Decrease by 0.5%	4,890	5,161	46,080

At March 31, 2016 and 2017, the weighted average duration of defined benefit obligations is as follows.

	March 31, 2016	March 31, 2017
Weighted average duration	15.52 years	15.38 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, 2016 and 2017 is as follows.

(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

(Millions of yen)

	March 31, 2017		
	Quoted market price in an active market		Total
	Yes	No	
Public and corporate bonds	¥171	¥ —	¥171
Commingled funds	—	46,026	46,026
Cash on hand and at banks	5,644	—	5,644
Other	123	37	161
Total	5,939	46,064	52,003

(Thousands of U.S. dollars)

	March 31, 2017		
	Quoted market price in an active market		Total
	Yes	No	
Public and corporate bonds	$1,526	$ —	$1,526
Commingled funds	—	410,946	410,946
Cash on hand and at banks	50,392	—	50,392
Other	1,098	330	1,437
Total	53,026	411,285	464,312

At March 31, 2016 and 2017, commingled funds of the Group consist of listed shares of 25% and 27%, respectively, and public and corporate bonds of 63% and 61%, respectively, and other assets of 12% 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 ¥2,221 million ($19,830 thousand) to the defined benefit pension plans in the fiscal year ending March 31, 2018.

(2) Employee benefits expense

(i) Defined benefit plans

For the years ended March 31, 2016 and 2017, the Group recognized expenses related to defined benefit plans of ¥1,702 million and ¥1,791 million ($15,991 thousand), respectively.

(ii) Defined contribution plans

For the years ended March 31, 2016 and 2017, the Group recognized expenses related to contributions to the defined contribution plans of ¥726 million and ¥694 million ($6,196 thousand), respectively.

14. Equity

(1) Common stock

(Number of shares)

	March 31, 2016	March 31, 2017
Number of authorized shares	270,000,000	270,000,000

	Total number of shares issued	Issued capital (Millions of yen)	Issued capital (Thousands of U.S. dollars)
April 1, 2015	124,826,552 shares	¥9,983	
March 31, 2016	124,826,552 shares	9,983	
March 31, 2017	124,826,552 shares	9,983	$89,133

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

The changes in the number of shares and amounts of treasury stock during the years ended March 31, 2016 and 2017 are as follows.

	Number of shares of treasury stock	Treasury stock (Millions of yen)	Treasury stock (Thousands of U.S. dollars)
April 1, 2015	7,939,627 shares	¥14,333	
Acquisition of treasury stock	377 shares	1	
Sale of treasury stock	68 shares	0	
March 31, 2016	7,939,936 shares	14,334	$127,982
Acquisition of treasury stock	286 shares	0	0
March 31, 2017	7,940,222 shares	14,335	127,991

(2) Surplus

(i) Capital surplus

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

(ii) Retained earnings

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

15. Accumulated other comprehensive income and other comprehensive income

Accumulated other comprehensive income, net of related tax effect, recognized in the consolidated statements of changes in equity for the years ended March 31, 2016 and 2017 is as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2017
Foreign currency translation adjustments			
Beginning balance	¥16,568	¥6,073	$54,223
Net other comprehensive income	(10,488)	(8,695)	(77,633)
Transfer to non-controlling interests	(6)	0	0
Ending balance	6,073	(2,621)	(23,401)
Remeasurements of defined benefit plans			
Beginning balance	1,375	(2,102)	(18,767)
Net other comprehensive income	(3,478)	(879)	(7,848)
Transfer to non-controlling interests	0	(0)	(0)
Ending balance	(2,102)	(2,982)	(26,625)
Financial assets measured at FVTOCI			
Beginning balance	2,929	2,466	22,017
Net other comprehensive income	201	416	3,714
Transfer to retained earnings	(664)	—	—
Transfer to non-controlling interests	—	—	—
Ending balance	2,466	2,882	25,732
Cash flow hedges			
Beginning balance	(2,275)	(2,156)	(19,250)
Net other comprehensive income	119	737	6,580
Transfer to non-controlling interests	—	—	—
Ending balance	(2,156)	(1,419)	(12,669)
Total accumulated other comprehensive income			
Beginning balance	18,597	4,280	38,214
Net other comprehensive income	(13,646)	(8,420)	(75,178)
Transfer to retained earnings	(664)	—	—
Transfer to non-controlling interests	(6)	0	0
Ending balance	4,280	(4,139)	(36,955)

An analysis of adjustments to items presented in the consolidated statements of profit or loss by category of other comprehensive income, including non-controlling interests, and related tax effect by item for the years ended March 31, 2016 and 2017 is as follows.

(Millions of yen)

	Year ended March 31, 2016		
	Before tax effect	Tax effect	Net of tax effect
Other comprehensive income			
Foreign currency translation 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 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 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 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 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)

(Millions of yen)

	Year ended March 31, 2017		
	Before tax effect	Tax effect	Net of tax effect
Other comprehensive income			
Foreign currency translation adjustments	¥(8,921)	¥ —	¥(8,921)
Remeasurements of defined benefit plans	(1,089)	213	(875)
Financial assets measured at FVTOCI	510	(156)	354
Cash flow hedges	2,798	(602)	2,195
Share of other comprehensive income of investments accounted for using the equity method	172	(15)	156
Total	(6,530)	(560)	(7,091)
Reconciliation between other comprehensive income and profit or loss items			
Foreign currency translation adjustments	—	—	—
Cash flow hedges	(1,886)	430	(1,455)
Share of other comprehensive income of investments accounted for using the equity method	—	—	—
Total	(1,886)	430	(1,455)
Net other comprehensive income			
Foreign currency translation adjustments	(8,921)	—	(8,921)
Remeasurements of defined benefit plans	(1,089)	213	(875)
Financial assets measured at FVTOCI	510	(156)	354
Cash flow hedges	911	(171)	740
Share of other comprehensive income of investments accounted for using the equity method	172	(15)	156
Total	(8,416)	(129)	(8,545)
Net other comprehensive income attributable to non-controlling interests			
Foreign currency translation adjustments			(125)
Remeasurements of defined benefit plans			(1)
Financial assets measured at FVTOCI			0
Cash flow hedges			2
Total			(124)
Net other comprehensive income attributable to owners of the parent			
Foreign currency translation adjustments			(8,795)
Remeasurements of defined benefit plans			(874)
Financial assets measured at FVTOCI			354
Cash flow hedges			737
Share of other comprehensive income of investments accounted for using the equity method			156
Total			(8,420)

(Thousands of U.S. dollars)

	Year ended March 31, 2017		
	Before tax effect	Tax effect	Net of tax effect
Other comprehensive income			
Foreign currency translation adjustments	$(79,651)	$ —	$(79,651)
Remeasurements of defined benefit plans	(9,723)	1,901	(7,812)
Financial assets measured at FVTOCI	4,553	(1,392)	3,160
Cash flow hedges	24,982	(5,375)	19,598
Share of other comprehensive income of investments accounted for using the equity method	1,535	(133)	1,392
Total	(58,303)	(5,000)	(63,312)
Reconciliation between other comprehensive income and profit or loss items			
Foreign currency translation adjustments	—	—	—
Cash flow hedges	(16,839)	3,839	(12,991)
Share of other comprehensive income of investments accounted for using the equity method	—	—	—
Total	(16,839)	3,839	(12,991)
Net other comprehensive income			
Foreign currency translation adjustments	(79,651)	—	(79,651)
Remeasurements of defined benefit plans	(9,723)	1,901	(7,812)
Financial assets measured at FVTOCI	4,553	(1,392)	3,160
Cash flow hedges	8,133	(1,526)	6,607
Share of other comprehensive income of investments accounted for using the equity method	1,535	(133)	1,392
Total	(75,142)	(1,151)	(76,294)
Net other comprehensive income attributable to non-controlling interests			
Foreign currency translation adjustments			(1,116)
Remeasurements of defined benefit plans			(8)
Financial assets measured at fair FVTOCI			0
Cash flow hedges			17
Total			(1,107)
Net other comprehensive income attributable to owners of the parent			
Foreign currency translation adjustments			(78,526)
Remeasurements of defined benefit plans			(7,803)
Financial assets measured at FVTOCI			3,160
Cash flow hedges			6,580
Share of other comprehensive income of investments accounted for using the equity method			1,392
Total			(75,178)

16. Dividends

Dividends paid for the years ended March 31, 2016 and 2017 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 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
May 26, 2016	Common stock	4,909	Retained earnings	42.00	March 31, 2016	May 30, 2016
October 26, 2016	Common stock	5,026	Retained earnings	43.00	September 30, 2016	November 29, 2016

Resolution	Class of shares	Total dividends (Tousand of U.S. dollars)	Dividend source	Dividends per share (U.S. dollar)	Record date	Effective date
Board of directors meeting on:						
May 26, 2016	Common stock	$43,830	Retained earnings	$0.37	March 31, 2016	May 30, 2016
October 26, 2016	Common stock	44,875	Retained earnings	0.38	September 30, 2016	November 29, 2016

Dividends with the record date in the fiscal year ended March 31, 2017 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 25, 2017	Common stock	¥5,026	Retained earnings	¥43.00	March 31, 2017	May 29, 2017

Resolution	Class of shares	Total dividends (Thousands of U.S. dollars)	Dividend source	Dividends per share (U.S. dollar)	Record date	Effective date
Board of directors meeting on: May 25, 2017	Common stock	$44,875	Retained earnings	$0.38	March 31, 2017	May 29, 2017

17. Financial instruments

(1) Policy for financial instruments

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

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

(2) Contents and risk of financial instruments

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

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

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

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

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

(3) Risk management system for financial instruments

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

The Group mainly holds 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, and large transactions require the approval of the executive officers in charge according to the amount.

Credit risk on issuers of other financial assets is managed by the department handling the transactions and the department in charge of finance by regularly monitoring credit information and 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 30 "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, 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

(Millions of yen)

	March 31, 2017				
	Within 30 days	Between 31 days and 90 days	Between 91 days and one year	Over one year	Total
Trade and other receivables	¥1,504	¥2,814	¥0	¥ —	¥4,320
Finance lease receivables	13,702	89	19	—	13,811

(Thousands of U.S. dollars)

	March 31, 2017				
	Within 30 days	Between 31 days and 90 days	Between 91 days and one year	Over one year	Total
Trade and other receivables	$13,428	$25,125	$0	$ —	$38,571
Finance lease receivables	122,339	794	169	—	123,312

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, 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
Increase due to change in companies	13	—	—	13
Increase during the year (addition)	4,896	1,767	6	6,670
Decrease during the year (for intended purpose)	(3,061)	(1,526)	—	(4,587)
Decrease during the year (reversal)	(708)	(1,783)	(9)	(2,501)
Other	(418)	(173)	—	(591)
March 31, 2017	8,064	4,707	5	12,777

(Thousands of U.S.dollars)

	Trade and other receivables	Finance lease receivables	Other financial assets measured at amortized cost	Total
March 31, 2016	$65,553	$57,348	$80	$122,991
Increase due to change in companies	116	—	—	116
Increase during the year (addition)	43,714	15,776	53	59,553
Decrease during the year (for intended purpose)	(27,330)	(13,625)	—	(40,955)
Decrease during the year (reversal)	(6,321)	(15,919)	(80)	(22,330)
Other	(3,732)	(1,544)	—	(5,276)
March 31, 2017	72,000	42,026	44	114,080

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, 2016 and 2017 amounted to ¥22,867 million and ¥23,071 million ($205,991 thousand), respectively, and the allowance for doubtful accounts provided for these receivables amounted to ¥6,508 million and ¥6,455 million ($57,633 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 the representative executive officer each fiscal year, the Company checks asset and liability durations and manages interest rate fluctuation risk. The progress and status are reported on a monthly basis to the representative executive officer and the executive officer in charge of finance. Certain consolidated subsidiaries also review the effects of interest rate changes on profit or loss, etc. on a regular basis in accordance with the respective ALM policies.

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

(b) Management of foreign exchange rate risk

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

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

(c) Management of price fluctuation risk

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

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

(d) Derivative transactions

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

(e) Quantitative information related to market risk

The Group's primary financial instruments subject to interest rate risk include *Trade and other receivables*, *Finance lease receivables*, public and corporate bonds 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, 2016 and 2017, the impact of an increase of 0.01% in interest rates applicable to financial instruments held by the Group at such dates, holding all other variables constant, on income before income taxes in the consolidated statements of profit or loss of the Group, were decreases in the amount of ¥71 million and ¥51 million ($455 thousand), respectively.

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

To reduce the impact of liquidity risk, the Company controls liquidity-on-hand in consideration of market environment, manages the repayment terms taking into account maturity of financial assets, and employs diversified funding methods and financial institutions as the source of funds. The Company has concluded a global commitment line agreement (multi-currency and multi-borrower-type) for a total of ¥50,000 million ($446,428 thousand) with a number of financial institutions to strengthen measures against liquidity risk. The amount available (unused amount) at March 31,2017 was ¥50,000 million ($446,428 thousand).

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

Items without a fixed receivable or payable amount are disclosed at the amount calculated using an interest rate estimated based on the spot rate at March 31, 2016 and 2017.

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 30 “Commitments and contingencies.”

(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)

(Millions of yen)

		March 31, 2017				
		Carrying amount	Undiscounted contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Borrowings		¥1,903,127	¥1,930,593	¥889,451	¥957,759	¥83,381
Bonds		637,170	652,766	164,360	382,153	106,252
Finance lease obligations		6,423	6,423	752	1,258	4,412
Foreign exchange forward contracts	Inflow	—	—	—	—	—
	Outflow	(4)	(4)	(4)	—	—
Currency swaps	Inflow	22,762	22,762	14,103	8,506	152
	Outflow	(1,923)	(1,923)	(1,673)	(246)	(4)
Interest rate swaps	Inflow	276	276	15	243	16
	Outflow	(2,954)	(2,954)	(225)	(1,155)	(1,574)

(Thousands of U.S. dollars)

		March 31, 2017				
		Carrying amount	Undiscounted contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Borrowings		$16,992,205	$17,237,437	$7,941,526	$8,551,419	$744,473
Bonds		5,689,017	5,828,267	1,467,500	3,412,080	948,678
Finance lease obligations		57,348	57,348	6,714	11,232	39,392
Foreign exchange forward contracts	Inflow	—	—	—	—	—
	Outflow	(35)	(35)	(35)	—	—
Currency swaps	Inflow	203,232	203,232	125,919	75,946	1,357
	Outflow	(17,169)	(17,169)	(14,937)	(2,196)	(35)
Interest rate swaps	Inflow	2,464	2,464	133	2,169	142
	Outflow	(26,375)	(26,375)	(2,008)	(10,312)	(14,053)

(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, 2016	March 31, 2017	March 31, 2017
Borrowings and bonds	¥2,341,683	¥2,546,720	$22,738,571
Cash and cash equivalents	157,091	178,081	1,590,008
Capital (equity attributable to owners of the parent)	335,503	349,844	3,123,607

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, 2016	March 31, 2017	March 31, 2017
Short-term borrowings (mainly bank loans)	—	1.67%	¥303,825	¥329,102	$2,938,410
Commercial paper	—	0.37%	196,099	203,487	1,816,848
Long-term borrowings (mainly bank loans)	April 2017– March 2032	1.15%	938,765	1,041,380	9,298,035
Borrowings associated with consolidation of structured entities for securitization	April 2017– March 2042	0.56%	237,024	241,078	2,152,482
Borrowings associated with securitization of receivables	April 2017– December 2023	0.76%	96,109	88,076	786,392
Finance lease obligations	April 2017– June 2038	—	1,679	6,423	57,348
Total		1.06%	1,773,504	1,909,550	17,049,553

(Notes)

1. "Maturity" represents the repayment date for the balance of each borrowing at March 31, 2017.
2. "Average interest rate" represents the weighted average interest rate applicable to the balance of each borrowing at March 31, 2017.
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, 2016	March 31, 2017	March 31, 2017
Hitachi Capital Corporation							
The 42nd unsecured domestic bonds payable	Oct. 14, 2011	Dec. 20, 2016	0.57%	No	¥15,020	¥ —	$ —
The 43rd unsecured domestic bonds payable	Apr. 18, 2012	June 20, 2017	0.57%	No	30,020	30,043	268,241
The 44th unsecured domestic bonds payable	Oct. 18, 2012	Dec. 20, 2017	0.42%	No	9,997	10,006	89,339
The 45th unsecured domestic bonds payable	Oct. 18, 2012	Dec. 20, 2019	0.67%	No	9,996	10,002	89,303
The 46th unsecured domestic bonds payable	Apr. 23, 2013	June 20, 2018	0.45%	No	19,989	20,005	178,616
The 47th unsecured domestic bonds payable	Apr. 23, 2013	Mar. 20, 2023	0.87%	No	14,953	14,963	133,598
The 48th unsecured domestic bonds payable	Sept. 13, 2013	Sept. 20, 2018	0.44%	No	14,972	14,984	133,785
The 49th unsecured domestic bonds payable	Sept. 13, 2013	Sept. 18, 2020	0.72%	No	9,975	9,981	89,116
The 50th unsecured domestic bonds payable	Mar. 20, 2014	Mar. 19, 2024	0.89%	No	19,930	19,939	178,026
The 51st unsecured domestic bonds payable	June 3, 2014	June 20, 2019	0.31%	No	19,966	19,983	178,419
The 52nd unsecured domestic bonds payable	June 3, 2014	June 18, 2021	0.51%	No	14,976	14,985	133,794
The 53rd unsecured domestic bonds payable	June 3, 2014	Mar. 19, 2024	0.82%	No	14,947	14,954	133,517
The 54th unsecured domestic bonds payable	Sept. 11, 2014	Sept. 17, 2021	0.42%	No	14,953	14,962	133,589
The 55th unsecured domestic bonds payable	Sept. 11, 2014	Sept. 18, 2026	0.96%	No	14,942	14,948	133,464
The 56th unsecured domestic bonds payable	Dec. 19, 2014	Dec. 20, 2019	0.20%	No	9,973	9,982	89,125
The 57th unsecured domestic bonds payable	Dec. 19, 2014	Dec. 20, 2024	0.62%	No	9,974	9,979	89,098
The 58th unsecured domestic bonds payable	May 1, 2015	June 19, 2020	0.22%	No	9,969	9,977	89,080
The 59th unsecured domestic bonds payable	July 21, 2015	Mar. 20, 2018	0.15%	No	29,932	29,967	267,562
The 60th unsecured domestic bonds payable	Oct. 26, 2015	Oct. 19, 2018	0.16%	No	29,936	29,970	267,589
The 61st unsecured domestic bonds payable	June. 9, 2016	June 19, 2026	0.31%	No	—	9,963	88,955
The 62nd unsecured domestic bonds payable	Sept. 27, 2016	Sept. 20, 2019	0.001%	No	—	29,916	267,107
The 63rd unsecured domestic bonds payable	Feb. 28, 2017	Apr. 20, 2020	0.001%	No	—	19,931	177,955
The 64th unsecured domestic bonds payable	Feb. 28, 2017	Feb. 18, 2022	0.13%	No	—	9,959	88,919
The 1st unsecured, interest deferrable and early redeemable subordinated bonds	Dec. 19, 2016	Dec.19, 2076	1.04%	No	—	19,933	177,973
The 2nd unsecured, interest deferrable and early redeemable subordinated bonds	Dec. 19, 2016	Dec.19, 2076	1.31%	No	—	9,959	88,919
Hitachi Capital(UK) PLC							
MTN program bond	Apr. 10, 2012– Feb.21, 2017	Apr. 10, 2017– July. 21, 2026	0.71%– 3.07%	No	231,998	202,477	1,807,830

Company name/ description	Issue date	Maturity	Interest rate (%)	Collateral	March 31, 2016	March 31, 2017	March 31, 2017
					(Millions of yen)		(Thousands of U.S. dollars)
Hitachi Capital America Corp.							
MTN program bond	Dec. 21, 2012– Mar. 29, 2017	May 15, 2017– Nov. 8, 2021	1.25%– 2.90%	No	¥8,676	¥18,062	$161,267
Hitachi Capital (Hong Kong) Ltd.							
The 1st bond payable in HKD	Dec. 21, 2012	Dec. 21, 2016	1.38%	No	4,359	—	—
The 2nd bond payable in HKD	Jan. 30, 2015	Jan. 27, 2017	1.25%	No	4,359	—	—
The 3rd bond payable in HKD	Sept. 18, 2015	Sept. 18, 2018	1.45%	No	4,359	4,332	38,678
The 4th bond payable in HKD	Sept. 26, 2016	Sept. 26, 2018	1.50%	No	—	4,332	38,678
The 5th bond payable in HKD	Jan. 26, 2017	Jan. 24, 2020	1.08%	No	—	8,664	77,357
Total					568,178	637,170	5,689,017

(Notes)

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

18. Fair value of financial instruments

(1) Details of financial assets and fair value

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

	March 31, 2016		March 31, 2017		March 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Finance lease receivables	¥1,054,180	¥1,094,553	¥1,124,531	¥1,168,075	$10,040,455	$10,429,241
Financial assets measured at amortized cost						
Cash on hand and at bank	38,389	38,389	178,081	178,081	1,590,008	1,590,008
Related company deposits	118,701	118,701	—	—	—	—
Cash and cash equivalents	157,091	157,091	178,081	178,081	1,590,008	1,590,008
Notes receivable	4,730	4,730	2,956	2,956	26,392	26,392
Accounts receivable	1,354,242	1,372,646	1,285,554	1,303,402	11,478,160	11,637,517
Trade and other receivables	1,358,973	1,377,377	1,288,511	1,306,359	11,504,562	11,663,919
Public and corporate bonds	4,771	4,817	4,665	4,697	41,651	41,937
Time deposits with a maturity of more than three months or more	3,200	3,200	2,500	2,500	22,321	22,321
Other receivables	13,639	13,639	18,100	18,100	161,607	161,607
Other investments	5,128	5,128	4,623	4,623	41,276	41,276
Other	5,009	5,009	346	346	3,089	3,089
Other financial assets	31,749	31,794	30,236	30,268	269,964	270,250
Financial assets measured at FVTPL						
Other investments	7,882	7,882	11,767	11,767	105,062	105,062
Other financial assets	7,882	7,882	11,767	11,767	105,062	105,062
Financial assets measured at FVTOCI						
Equity	5,174	5,174	20,791	20,791	185,633	185,633
Other investments	—	—	0	0	0	0
Other financial assets	5,174	5,174	20,791	20,791	185,633	185,633
Derivative financial assets						
Interest rate swaps	21	21	276	276	2,464	2,464
Currency swaps	16,772	16,772	22,762	22,762	203,232	203,232
Foreign exchange forward contracts	0	0	—	—	—	—
Other financial assets	16,795	16,795	23,038	23,038	205,696	205,696
Total financial assets	2,631,847	2,690,669	2,676,958	2,738,382	23,901,410	24,449,839

(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

Because the Company became an equity method associates of Hitachi, Ltd. during the year ended March 31, 2017, it terminated its participation in Hitachi, Ltd.’s centralized cash management system for Hitachi Group companies, and therefore, it no longer has deposits with subsidiaries and associates.

(b) Accounts receivable

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

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

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

(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, 2016	
Issuer	Amount
Sompo Japan Nipponkoa Holdings, Inc.	¥956
BOT Lease Co., Ltd.	800
AEON CO., LTD.	732
The Mortgage Corporation of Japan, Limited	623
ISEKI & CO., LTD.	508
SEKISUI CHEMICAL CO., LTD.	431
Credit Information Center Corp. (CIC)	417
CARDNET	340
Other (15 issuers)	364

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

March 31, 2017		
Issuer	Amount	Amount
Mitsubishi UFJ Lease & Finance Company Limited	¥14,806	$132,196
Sompo Holdings, Inc.	1,224	10,928
BOT Lease Co., Ltd.	859	7,669
AEON CO., LTD.	731	6,526
The Mortgage Corporation of Japan, Limited	688	6,142
SEKISUI CHEMICAL CO., LTD.	581	5,187
Other (24 issuers)	1,899	16,955

(vii) Disposal of financial assets measured at FVTOCI

Equity instruments designated as at FVTOCI that were disposed during the years ended March 31, 2016 and 2017 were as follows:

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

Year ended March 31, 2016			Year ended March 31, 2017			Year ended March 31, 2017		
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
¥1,545	¥992	¥10	¥1	¥ —	¥ —	$8	$ —	$ —

These instruments were sold primarily as a result of reviewing the business relationship with the issuers. For the year ended March 31, 2016, accumulated gains, net of tax, reclassified from other comprehensive income to retained earnings, amounted to ¥664 million. There were no such instruments during the year ended March 31, 2017.

For equity instruments designated as at FVTOCI, for which a significant fall in their fair value from the acquisition cost was not temporary, there were no such instruments during the years ended March 31, 2016 and 2017 in which accumulated losses after tax were transferred from accumulated other comprehensive income to retained earnings.

(2) Details of financial liabilities and fair value

	(Millions of yen)				(Thousands of U.S. dollars)	
	March 31, 2016		March 31, 2017		March 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities						
Finance lease obligations	¥1,679	¥1,679	¥6,423	¥6,423	$57,348	$57,348
Borrowings and bonds	1,679	1,679	6,423	6,423	57,348	57,348
Financial liabilities measured at amortized cost						
Notes payable	964	964	1,042	1,042	9,303	9,303
Accounts payable	228,024	228,024	174,386	174,386	1,557,017	1,557,017
Trade and other payables	228,989	228,989	175,429	175,429	1,566,330	1,566,330
Short-term borrowings	499,924	499,924	532,590	532,590	4,755,267	4,755,267
Bonds	568,178	574,650	637,170	642,752	5,689,017	5,738,857
Long-term borrowings	1,271,899	1,285,585	1,370,536	1,373,991	12,236,928	12,267,776
Borrowings and bonds	2,340,003	2,360,161	2,540,297	2,549,333	22,681,223	22,761,901
Other payables	20,492	20,492	13,580	13,580	121,250	121,250
Accrued interest expenses	2,583	2,583	2,595	2,595	23,169	23,169
Deposits received	8,276	8,276	10,394	10,394	92,803	92,803
Financial guarantee contracts	3,611	3,611	2,237	2,237	19,973	19,973
Contract guarantees	33,162	32,685	32,334	31,699	288,696	283,026
Other	1,529	1,529	2,033	2,033	18,151	18,151
Other financial liabilities	49,162	48,686	49,594	48,960	442,803	437,142
Derivative financial liabilities						
Interest rate swaps	1,956	1,956	2,954	2,954	26,375	26,375
Currency swaps	7,591	7,591	1,923	1,923	17,169	17,169
Foreign exchange forward contracts	11	11	4	4	35	35
Other derivative liabilities	1	1	—	—	—	—
Other financial liabilities	9,561	9,561	4,882	4,882	43,589	43,589
Total financial liabilities	2,649,889	2,669,570	2,790,208	2,798,610	24,912,571	24,987,589

(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, 2016 and 2017, 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 counterparty financial institutions, a valuation model based on the investee's discounted future cash flows, earnings, profitability and net assets, a comparable industry analysis method and the method to discount future cash flows using interest rates applicable to a transaction with the same remaining period and conditions. Other financial assets classified as Level 3 include unlisted shares, trust beneficiary 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 counterparty 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, 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

(Millions of yen)

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Equity securities	¥17,900	¥ —	¥2,890	¥20,791
Other investments	—	—	11,767	11,767
Derivative financial assets	—	23,038	—	23,038
Liabilities				
Derivative financial liabilities	—	4,882	—	4,882

(Thousands of U.S. dolloars)

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Equity securities	$159,821	$ —	$25,803	$185,633
Other investments	—	—	105,062	105,062
Derivative financial assets	—	205,696	—	205,696
Liabilities				
Derivative financial liabilities	—	43,589	—	43,589

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, 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
Acquisition through a business combination	—	7	0	7
Net gain/loss (Note 1)	(221)	—	26	(194)
Other comprehensive income (Note 2)	—	263	—	263
Purchase	—	106	5,745	5,851
Sales/redemption	(19,582)	(2)	(1,899)	(21,483)
Transfer to Level 3	—	—	—	—
Transfer from Level 3	—	—	—	—
Others	—	0	12	13
March 31, 2017	—	2,890	11,767	14,658

(Thousands of U.S. dollars)

March 31, 2016	$176,812	$22,446	$70,375	$269,642
Acquisition through a business combination	—	62	0	62
Net gain/loss (Note 1)	(1,973)	—	232	(1,732)
Other comprehensive income (Note 2)	—	2,348	—	2,348
Purchase	—	946	51,294	52,241
Sales/redemption	(174,839)	(17)	(16,955)	(191,812)
Transfer to Level 3	—	—	—	—
Transfer from Level 3	—	—	—	—
Others	—	0	107	116
March 31, 2017	—	25,803	105,062	130,875

(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, 2016	March 31, 2017
Retained subordinate interests related to the transfer of finance lease receivables	Discounted cash flow method	Risk-free rate	0.09%	—%
		Expected overall bad debt ratio of transferred finance lease receivables	0.16%	—%
Trust beneficiary interests		Risk-free rate	0.05～0.09%	0.04～0.14%

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, 2016		Year ended March 31, 2017		Year ended March 31, 2017	
		Hedged item	Hedging instrument	Hedged item	Hedging instrument	Hedged item	Hedging instrument
Interest rate swaps	Cost of sales	¥157	¥(157)	¥ —	¥ —	$ —	$ —
Currency swaps	Cost of sales	(3,670)	4,136	527	(608)	4,705	(5,428)
Foreign exchange forward contracts	Revenues and cost of sales	(24)	29	(9)	9	(80)	80

(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, 2016	March 31, 2017	March 31, 2017
Interest rate swaps	¥(131)	¥(209)	$(1,866)
Currency swaps	2,454	12,599	112,491
Foreign exchange forward contracts	0	(1)	(8)

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, 2016			March 31, 2017			March 31,2017		
	Notional principal	Fair value		Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability		Asset	Liability
Fair value hedges									
Interest rate swaps	¥ —	¥ —	¥ —	¥16,809	¥16	¥111	$150,080	$142	$991
Currency swaps	27,712	1,905	1,417	40,767	742	862	363,991	6,625	7,696
Foreign exchange forward contracts	116	—	11	101	—	2	901	—	17
Cash flow hedges									
Interest rate swaps	278,766	21	1,956	227,321	259	1,278	2,029,651	2,312	11,410
Currency swaps	245,423	14,866	6,174	173,421	22,020	1,061	1,548,401	196,607	9,473
Foreign exchange forward contracts	266	0	—	243	—	1	2,169	—	8

(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, 2016			March 31, 2017			March 31,2017		
	Notional principal	Fair value		Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability		Asset	Liability
Interest rate swaps	¥ —	¥ —	¥ —	¥17,272	¥ —	¥1,564	$154,214	$ —	$13,964
Credit default swaps	1,352	—	1	—	—	—	—	—	—

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, 2016 and 2017, the assets and liabilities held by the structured entities are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2016	March 31, 2017	March 31, 2017
Cash and cash equivalents	¥16,448	¥17,188	$153,464
Trade and other receivables	109,975	92,254	823,696
Finance lease receivables	165,228	186,322	1,663,589
Total assets	291,652	295,765	2,640,758
Borrowings and bonds	237,024	241,078	2,152,482

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

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

(i) Interests in unconsolidated structured entities for securitization

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

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

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

At March 31, 2016 and 2017, the maximum exposures to loss associated with the Group's interests in the unconsolidated structured entities for securitization, are ¥67,757 million and ¥38,020 million ($339,464 thousand), respectively, and they are included in the outstanding balances of subordinated interests and obligations to repurchase assets or the carrying amount of transferred assets which are not derecognized in their entirety.

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

(a) Transfer of financial assets not 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, 2016 and 2017, 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, 2016	March 31, 2017	March 31,2017
Carrying amount of transferred financial assets			
Trade and other receivables	¥64,804	¥53,272	$475,642
Finance lease receivables	57,441	58,482	522,160
Total assets	122,246	111,754	997,803
Carrying amount of related liabilities			
Borrowings and bonds	96,109	88,076	786,392

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

At March 31, 2016 and 2017, 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, 2016	March 31, 2017	March 31, 2017
Fair value of transferred financial assets	¥124,413	¥112,554	$1,004,946
Cash and cash equivalents related to collections of the transferred financial assets	4,086	5,652	50,464
Fair value of related liabilities	96,246	88,117	786,758
Net position	32,253	30,089	268,651

(b) Transfer of financial assets derecognized in their entirety

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

For the years ended March 31, 2016 and 2017, 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, 2016	Year ended March 31, 2017	Year ended March 31, 2017
Revenues	¥26	¥(380)	$(3,392)

During the years ended March 31, 2016 and 2017, gains (losses) recognized from the entity's continuing involvement of the Group in the trade and other receivables that are derecognized in their entirety.

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2017
Revenues	¥ —	¥588	$5,250
Cost of sales	—	(70)	(625)
Gross profit	—	518	4,625

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, 2016	Year ended March 31, 2017	Year ended March 31, 2017
Revenues			
Interest income from finance leases	¥39,252	¥43,825	$391,294
Income from operating leases and other lease-related income	232,616	236,638	2,112,839
Interest income from installments and other loan receivables	70,098	60,654	541,553
Others	23,386	29,742	265,553
Total revenues	365,354	370,860	3,311,250

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, 2016	Year ended March 31, 2017	Year ended March 31, 2017
Cost of sales			
Interest expenses arising from financial liabilities measured at amortized cost	¥26,532	¥25,977	$231,937
Operating lease and lease related expenses	188,670	201,742	1,801,267
Other	20,137	17,380	155,178
Total cost of sales	235,340	245,100	2,188,392

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, 2016	Year ended March 31, 2017	Year ended March 31, 2017
Employee benefit expenses	¥40,641	¥39,819	$355,526
Welfare expenses	4,728	4,941	44,116
Rent expenses	4,108	3,780	33,750
Communication expenses	1,185	1,258	11,232
Operations consignment expenses	7,461	7,402	66,089
Provision (reversal) of allowance for doubtful accounts and bad debt losses	6,866	5,627	50,241
Other	19,792	19,072	170,285
Total selling, general and administrative expenses	84,783	81,902	731,267

24. Other income

The major components of other income are as follows:

	Year ended March 31, 2016	(Millions of yen) Year ended March 31, 2017	(Thousands of U.S. dollars) Year ended March 31, 2017
Other income			
Profit on negative goodwill	¥ —	¥401	$3,580
Other	82	333	2,973
Total other income	82	734	6,553

25. Earnings per share

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

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

	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2017
Net earnings attributable to owners of the parent	¥32,694 million	¥32,926 million	$293,982 thousand
Weighted average number of shares	116,886,724 shares	116,886,486 shares	
Earnings per share attributable to owners of the parent	¥279.71	¥281.69	$2.51

26. Cash flow information

(1) Interest and dividends received and interest paid

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

	Year ended March 31, 2016	(Millions of yen) Year ended March 31, 2017	(Thousands of U.S. dollars) Year ended March 31, 2017
Interest and dividends received	¥70,288	¥60,826	$543,089
Interest paid	(26,789)	(26,074)	(232,803)

27. Major subsidiaries

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

(%)

Name	Location	March 31, 2016	March 31, 2017
		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	100.00	—
Hitachi Green Energy Corporation	Minato, Tokyo	100.00	100.00
Hitachi Wind Power Ltd.	Minato, Tokyo	85.10	85.10
Hitachi Sustainable Energy Ltd.	Hitachi, Ibaraki	85.10	85.10
Hitachi Capital 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
CS Amenity Support Co., Ltd.	Minato, Tokyo	—	100.00 (100.00)
Hitachi Capital (UK) PLC	Surrey, UK	100.00	100.00
HCIE Limited.	Dublin, Ireland	100.00 (100.00)	—
Hitachi Capital Polska Sp. z o.o.	Warsaw, Poland	90.00 (90.00)	90.00 (90.00)
Noordlease Holdings B.V.	Groningen, Netherland	—	96.7
Noordlease B.V.	Groningen, Netherland	—	96.7 (96.7)
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 Management (China) Ltd.	Hong Kong, China	—	100.00

(%)

Name	Location	March 31, 2016	March 31, 2017
		Ownership ratio	Ownership ratio
Hitachi Capital Leasing (China) Co., Ltd.	Beijing, China	90.00	90.00
Hitachi Capital Factoring (China) Co., Ltd.	Shanghai, China	100.00	100.00
Hitachi Capital Asia Pacific Pte. Ltd.	Singapore	100.00	100.00
Hitachi Capital (Thailand) Co., Ltd.	Bangkok, Thailand	73.99 (73.99)	73.99 (73.99)
Hitachi Capital Malaysia Sdn. Bhd.	Penang, Malaysia	75.00 (75.00)	75.00 (75.00)
PT. Arthaasia Finance	Jakarta, Indonesia	85.00 (85.00)	84.98 (84.98)
PT. Hitachi Capital Finance Indonesia	Jakarta, Indonesia	70.00 (70.00)	70.00 (70.00)
18 other companies	—	—	—

(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

The Company became an equity method associates of Hitachi, Ltd. during the year ended March 31, 2017, and therefore there are no related balances at March 31, 2017.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2016	March 31, 2017	March 31, 2017
Related company deposits	¥114,846	¥ —	$ —
Accounts receivable	21,755	—	—

(2) Companies that have the same parent company

Transactions with companies that are subsidiaries of Hitachi, Ltd., are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2016	March 31, 2017	March 31, 2017
Related company deposits	¥3,854	¥ —	$ —
Accounts receivable	141,417	—	—
Finance lease receivables	48,032	—	—
Accounts payable	18,610	—	—
Borrowings	89,760	—	—

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2017
Revenues	¥18,228	¥ —	$ —

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

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

	March 31, 2016 (Millions of yen)	March 31, 2017 (Millions of yen)	March 31, 2017 (Thousands of U.S. dollars)
Accounts receivable	¥ —	¥98,615	$880,491
Accounts payable	—	35,792	319,571
Borrowings	—	288,680	2,577,500

	Year ended March 31, 2016 (Millions of yen)	Year ended March 31, 2017 (Millions of yen)	Year ended March 31, 2017 (Thousands of U.S. dollars)
Revenues	¥ —	¥20,012	$178,678

(4) Management

Remuneration of the Company's directors is as follows.

	Year ended March 31, 2016 (Millions of yen)	Year ended March 31, 2017 (Millions of yen)	Year ended March 31, 2017 (Thousands of U.S. dollars)
Remunerations for management (short-term employee benefits)	¥503	¥549	$4,901

29. Pledged assets

The Group pledged certain assets as collateral as follows.

	March 31, 2016 (Millions of yen)	March 31, 2017 (Millions of yen)	March 31, 2017 (Thousands of U.S. dollars)
Accounts receivable	¥ —	¥8	$71
Finance lease receivables	—	5,471	48,848
Operating leased assets	—	6,999	62,491
Other property, plant and equipment	—	2,107	18,812
Total	—	14,586	130,232

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

	March 31, 2016 (Millions of yen)	March 31, 2017 (Millions of yen)	March 31, 2017 (Thousands of U.S. dollars)
Borrowings	¥ —	¥12,439	$111,062
Total	—	12,439	111,062

30. Commitments and contingencies

(1) Liability guarantee agreements

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

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2016	March 31, 2017	March 31, 2017
Loan guarantee liabilities	¥137,414	¥92,677	$827,473

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 for payment.

The Group receives collateral for certain guarantee liabilities.

At March 31, 2016 and 2017, these guarantee liabilities amounted to ¥3,611 million and ¥2,237 million ($19,973 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, 2016	March 31, 2017	March 31, 2017
Total loan commitments	¥40,000	¥30,560	$272,857
Amount utilized	5,000	560	5,000
Balance available	35,000	30,000	267,857

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

31. Business combinations

There were no significant business combinations during the year ended March 31, 2016.

The main business combinations during the year ended March 31, 2017 are as follows.

(Business acquisition of Creekridge Capital LLC)

(1) Overview of the business combination

The Group has acquired a vendor finance business engaged in areas such as healthcare IT that was operated by Creekridge Capital LLC (hereinafter, "Creekridge Capital") in Minnesota, USA through its US subsidiary Hitachi Capital America Corp.

(2) Main reason for the business combination

As the healthcare sector in the US, particularly the healthcare IT sector that is a fusion of IT and healthcare is a promising sector in which high growth can be expected, the Group decided to acquire the business platform of Creekridge Capital as it has a firm base in the vendor finance business for healthcare IT products. The Group intends to advance its growth strategy through this acqusition by strengthening its vendor finance function for partners including the Hitachi Group.

(3) Acquisition date

June 6, 2016

(4) Legal form of the business combination

Business acquisition

(5) Goodwill and fair value of assets acquired and liabilities assumed as of the acquisition date

	(Millions of yen) Amount	(Thousands of U.S.dollars) Amount
Cash and cash equivalents	¥488	$4,357
Trade and other receivables	322	2,875
Finance lease receivables	27,198	242,839
Operating leased assets	4,027	35,955
Trade and other payables	(2,053)	(18,330)
Borrowings and bonds	(27,086)	(241,839)
Other	436	3,892
Goodwill	7,230	64,553
Total	10,564	94,321
Cash	9,765	87,187
Contingent cash consideration expended for acquisition	513	4,580
Contingent cash consideration not expended for acquisition	285	2,544
Total consideration transferred	10,564	94,321

Goodwill mainly reflects excess profitability expected in the future and the effects of synergies with existing businesses. For tax purposes, the corresponding goodwill will be deductible for a specified period.

The consideration transferred includes contingent consideration. Contingent consideration of up to $8 million (¥965 million) will be paid if certain conditions are satisfied, including operating assets exceeding a certain amount in one year. This is calculated in consideration of the time value of money.

(6) Payments for acquisition of business, net of cash acquired

	(Millions of yen) Amount	(Thousands of U.S. dollars) Amount
Total consideration transferred value	¥10,564	$94,321
Contingent consideration cash not expended for included in consideration transferred value	(285)	(2,544)
Cash and cash equivalents included in the acquired business	(488)	(4,357)
Payments for acquisition of business, net of cash acquired	9,790	87,410

(7) Acquisition related costs and line item in the financial statements

Acquisition related costs for this business acquisition were ¥77 million ($687 thousand), and they have been recorded under "Other expenses" in the consolidated statement of profit or loss.

(8) Fair value of the receivables acquired, the uncollected amount and the expected uncollectible amount in contracts

The fair value of the receivables acquired of ¥27,521 million ($245,723 thousand) consists of a total contract amount of ¥29,572 million ($264,035 thousand), and contractual cash flows that are expected to be uncollectible as of the business acquisition date was estimated to be ¥98 million ($875 thousand).

(9) Revenues and net income of the acquired business

Revenues of the acquired business from the business acquisition date included in the consolidated statement of profit or loss were ¥3,706 million ($33,089 thousand), while net income attributable to owners of the parent was ¥622 million ($5,553 thousand).

(Pro forma information)

Pro forma information assuming that the business acquisition was conducted on April 1, 2016 that was the beginning of the fiscal year ended March 31, 2017, has been omitted because the estimated amount is immaterial.

32. Subsequent event

Not applicable.

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, 2017, 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, 2017, 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 26, 2017
Tokyo, Japan