Hitachi Capital Group
Financial Information Details 2018

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, 2017 (Millions of yen)	March 31, 2018 (Millions of yen)	March 31, 2018 (Thousands of U.S. dollars)
Assets				
Cash and cash equivalents	5,6,18	¥178,081	¥174,805	$1,649,103
Trade and other receivables	6,18,29	1,288,511	1,385,805	13,073,632
Finance lease receivables	7,18,29	1,124,531	1,149,772	10,846,905
Other financial assets	6,18	85,834	82,275	776,179
Operating leased assets	9,10,29	393,328	470,644	4,440,037
Investments accounted for using the equity method	8	33,059	33,644	317,396
Other property, plant and equipment	9,29	57,249	80,983	763,990
Other intangible assets	10	29,495	34,604	326,452
Deferred tax assets	11	18,479	15,225	143,632
Other assets	12	36,458	40,993	386,726
Total assets		3,245,029	3,468,756	32,724,113
Liabilities				
Trade and other payables	6,18	175,429	96,308	908,566
Borrowings and bonds	17,18,29	2,546,720	2,812,991	26,537,650
Other payables	6,18	13,580	16,034	151,264
Other financial liabilities	6,18	54,477	59,786	564,018
Income tax payable		5,186	4,280	40,377
Retirement and severance benefits	13	9,029	5,851	55,198
Deferred tax liabilities	11	2,733	3,740	35,283
Other liabilities	12	74,694	76,654	723,150
Total liabilities		2,881,851	3,075,649	29,015,556
Equity				
Equity attributable to owners of the parent				
Common stock	14	9,983	9,983	94,179
Capital surplus	14	45,600	45,215	426,556
Retained earnings	14	312,736	335,085	3,161,179
Accumulated other comprehensive income	15	(4,139)	2,907	27,424
Treasury stock	14	(14,335)	(14,336)	(135,245)
Total equity attributable to owners of the parent		349,844	378,855	3,574,103
Non-controlling interests		13,333	14,251	134,443
Total equity		363,178	393,107	3,708,556
Total liabilities and equity		3,245,029	3,468,756	32,724,113

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

Consolidated statements of profit or loss

	Notes	Year ended March 31, 2017 (Millions of yen)	Year ended March 31, 2018 (Millions of yen)	Year ended March 31, 2018 (Thousands of U.S. dollars)
Revenues	4,21	¥370,860	¥404,124	$3,812,490
Cost of sales	22	245,100	272,425	2,570,047
Gross profit		125,759	131,698	1,242,433
Selling, general and administrative expenses	23	81,902	86,274	813,905
Other income	24	734	723	6,820
Other expenses	24	345	2,987	28,179
Share of profits of investments accounted for using the equity method	8	1,787	1,135	10,707
Income before income taxes	4	46,033	44,295	417,877
Income taxes	11	11,803	11,070	104,433
Net income		34,229	33,224	313,433
Net income attributable to:				
Owners of the parent		32,926	32,057	302,424
Non-controlling interests		1,302	1,167	11,009
			(Yen)	(US dollars)
Earnings per share	25			
Earnings per share attributable to owners of the parent (basic and diluted)		¥281.69	¥274.26	$2.58

Consolidated statements of comprehensive income

	Notes	Year ended March 31, 2017 (Millions of yen)	Year ended March 31, 2018 (Millions of yen)	Year ended March 31, 2018 (Thousands of U.S. dollars)
Net income		¥34,229	¥33,224	$313,433
Other comprehensive income	15			
Items not to be reclassified to net income				
Financial assets measured at fair value through other comprehensive income		354	1,610	15,188
Remeasurements of defined benefit plans		(875)	2,447	23,084
Share of other comprehensive income of investments accounted for using the equity method	8	56	10	94
Total items not to be reclassified to net income		(465)	4,068	38,377
Items that can be reclassified to net income				
Foreign currency translation adjustments		(8,921)	2,033	19,179
Cash flow hedges		740	1,354	12,773
Share of other comprehensive income of investments accounted for using the equity method	8	100	36	339
Total items that can be reclassified to net income		(8,080)	3,424	32,301
Other comprehensive income		(8,545)	7,493	70,688
Comprehensive income		25,683	40,717	384,122
Comprehensive income attributable to:				
Owners of the parent		24,505	39,474	372,396
Non-controlling interests		1,177	1,242	11,716

(iii) Consolidated statements of changes in equity

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)
Equity transaction with 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

Year ended March 31, 2018

(Millions of yen)

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

(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, 2017		$94,179	$430,188	$2,950,339	$(39,047)	$(135,235)	$3,300,415	$125,783	$3,426,207
Changes in equity									
Net income				302,424			302,424	11,009	313,433
Other comprehensive income	15				69,971		69,971	707	70,688
Comprehensive income				302,424	69,971		372,396	11,716	384,122
Dividends to owners of the parent	16			(94,830)			(94,830)		(94,830)
Dividends to non-controlling interests								(3,933)	(3,933)
Acquisition of treasury stock	14					(0)	(0)		(0)
Disposal of treasury stock	14		0			0	0		0
Transfer to retained earnings	18				(3,245)		(3,245)	0	(3,235)
Transfer from accumulated other comprehensive income	18			3,245			3,245	(0)	3,235
Equity transaction with non-controlling interests			(3,632)		(235)		(3,867)	(1,688)	(5,556)
Acquisition of non-controlling interests								2,556	2,556
Total changes in equity		—	(3,632)	210,839	66,481	(0)	273,688	8,660	282,349
March 31, 2018		94,179	426,556	3,161,179	27,424	(135,245)	3,574,103	134,443	3,708,556

(iv) Consolidated statements of cash flows

	Notes	Year ended March 31, 2017	(Millions of yen) Year ended March 31, 2018	(Thousands of U.S. dollars) Year ended March 31, 2018
Cash flows from operating activities	26			
Net income		¥34,229	¥33,224	$313,433
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization		103,094	119,229	1,124,801
Income taxes		11,803	11,070	104,433
Share of profits of investments accounted for using the equity method		(1,787)	(1,135)	(10,707)
(Increase) decrease in trade and other receivables		(1,149)	(86,345)	(814,575)
(Increase) decrease in finance lease receivables		(88,042)	(60,478)	(570,547)
Purchase of operating leased assets		(148,081)	(203,230)	(1,917,264)
Proceeds from sale of operating leased assets		31,443	31,918	301,113
Increase (decrease) in trade and other payables		(67,284)	(70,719)	(667,160)
Increase (decrease) in payable due to collection of securitized receivables		(5,392)	(924)	(8,716)
Other		(1,350)	17,424	164,377
Subtotal		(132,517)	(209,966)	(1,980,811)
Income taxes paid		(10,135)	(9,656)	(91,094)
Net cash provided by (used in) operating activities		(142,653)	(219,623)	(2,071,915)
Cash flows from investing activities				
Purchase of other property, plant and equipment		(11,702)	(24,204)	(228,339)
Purchase of other intangible assets		(4,453)	(6,582)	(62,094)
Purchase of investments in securities and payments to time deposits		(23,794)	(5,188)	(48,943)
Proceeds from sale and redemption of investments in securities and withdrawal of time deposits		5,591	4,398	41,490
Proceeds from acquisition of subsidiary’s shares resulting in changes in scope of consolidation		3,087	—	—
Proceeds from sales of subsidiary’s shares resulting in changes in scope of consolidation		—	163	1,537
Payment for acquisition of subsidiary’s shares resulting in changes in scope of consolidation		(4,532)	(4,663)	(43,990)
Purchase of investments accounted for using the equity method		(11,835)	(328)	(3,094)
Payments for acquisition of business, net of cash acquired		(9,790)	—	—
Net decrease (increase) in short-term loans receivable		5,000	—	—
Payments for long-term loans		—	(356)	(3,358)
Other		40	81	764
Net cash provided by (used in) investing activities		(52,388)	(36,681)	(346,047)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	26	43,358	106,400	1,003,773
Proceeds from long-term borrowings and bonds	26	670,895	706,009	6,660,462
Repayments of long-term borrowings and bonds	26	(487,922)	(547,932)	(5,169,169)
Proceeds from non-controlling interests		20	—	—
Dividends paid to owners of the parent		(9,932)	(9,916)	(93,547)
Dividends paid to non-controlling interests		(312)	(417)	(3,933)
Purchase of shares of consolidated subsidiaries from non controlling interests		—	(565)	(5,330)
Other		(0)	(0)	(0)
Net cash provided by (used in) financing activities		216,105	253,577	2,392,235
Effect of exchange rate changes on cash and cash equivalents		(73)	(548)	(5,169)
Net increase (decrease) in cash and cash equivalents		20,990	(3,275)	(30,896)
Cash and cash equivalents at beginning of year	5	157,091	178,081	1,680,009
Cash and cash equivalents at end of year	5	178,081	174,805	1,649,103

Notes to the consolidated financial statements

1. Reporting entity

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

The consolidated financial statements were approved by Seiji Kawabe, Representative Executive Officer, President and CEO, and Satoshi Inoue, Executive Officer and Chief Financial Officer, on June 22, 2018.

2. Basis of preparation

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

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments measured at fair value, financial instruments measured at fair value through profit or loss (“FVTPL”), financial instruments measured at fair value through other comprehensive income (“FVTOCI”) and net defined benefit assets or liabilities. The consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency, and amounts are rounded down to the nearest ¥1 million. Due to round down, the total amounts presented in tables may not be equal to the sum of the individual figures shown.

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

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

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

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

Information about uncertainties related to assumptions and estimates that could result in material adjustments in 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, 2018 are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 to $1, the approximate rate of exchange at March 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

3. Summary of significant accounting policies

(1) Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

(2) Cash and cash equivalents

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

(3) Foreign currency translation

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

(i) Foreign currency transactions

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

(ii) Translation of financial statements of overseas subsidiaries

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

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

(4) Financial instruments

For accounting treatments of financial instruments, the Group has applied IFRS 9 *Financial Instruments* (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 thereafter as to whether the derivative used is highly effective in offsetting changes in fair value or future cash flows of the hedged items.

Derivatives that meet the criteria for hedge accounting

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

・Fair value hedges

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

・Cash flow hedges

When derivatives are designated as hedging instruments to hedge exposures to fluctuations in cash flows that are attributable to a particular risk associated with recognized assets or liabilities, 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 receivables mainly comprise transactions of various properties, including information-related equipment, office equipment, and industrial equipment.

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

Operating leases

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

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

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 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 and assets with finite useful lives are presented at cost less any accumulated amortization and accumulated impairment losses.

Amortization expense is calculated based on the amount of cost less any residual value. Amortization expense on assets with definite useful lives is recognized in profit or loss on 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, the Group performs an impairment test. For intangible assets with indefinite useful lives and goodwill, the Group also performs an impairment test annually, mainly in the fourth quarter, regardless of any indication of impairment, by estimating the recoverable amount for each cash-generating unit (CGU) to which the asset belongs. For impairment testing, assets are grouped together into the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows of other assets or CGUs.

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

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

(9) Post-retirement benefits

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

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

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

(10) Provisions

The Group recognizes provisions at the best estimate of the amount required to settle the present obligation when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

(11) Contingencies

The Group discloses an outflow of resources embodying economic benefits that is not probable to occur at the end of reporting period as contingent liabilities in Note 30 “Commitments and contingencies” (excluding contingencies recognized as provisions) when such outflow cannot be confirmed as the present obligation at the end of reporting period or when it does not meet the recognition criteria for provisions, unless the possibility of any outflow of resources embodying economic benefits in settlement is remote.

(12) Revenue recognition

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) Changes in accounting policy

The Group has adopted the following standard from the fiscal year ended March 31, 2018. There were no material impacts on the Group’s consolidated financial statements resulting from the adoption of this standard.

Standard	Name of standard	Summary of new standards/amendments
IAS 7	Statement of Cash Flows	Amendments to disclosure regarding changes in liabilities arising from financing activities

(18) 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, 2018 are as follows.

The Company has switched from the incurred loss model to the expected credit loss model following the adoption of IFRS 9 Financial Instruments. The estimated impact amounts on the Group’s consolidated financial statements at the beginning of the fiscal year ending March 31, 2019 include a decrease of ¥5,423 million ($51,160 thousand) in trade and other receivables as well as finance lease receivables, a decrease of ¥4,197 ($39,594 thousand) in retained earnings, and an increase of ¥1,225 million ($11,556 thousand) in deferred tax assets.

In addition, the Company has concluded there are no material impacts on the Group’s consolidated financial statements due to the adoption of IFRS 15 Revenue from Contracts with Customers.

The Company is currently calculating the impacts on the Group’s consolidated financial statements due to the adoption of IFRS 16 Leases.

Standard	Name of standard	Effective date (First year of application)	Year to be applied by the Company	Summary of new standards/amendments
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 credit 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 and government and municipal offices by combining diverse functions such as leasing, installments, insurance and trust account services, and through collaboration with partners including the Hitachi Group.

(ii) Vendor Solution (Japan)

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

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

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

Segment information for the years ended March 31, 2017 and 2018 is as follows.

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	¥198,363	¥26,942	¥88,391	¥17,856	¥15,866	¥13,403	¥360,824	¥14,926	¥375,751	¥(4,891)	¥370,860
Intersegment	977	68	—	—	—	—	1,046	1,038	2,084	(2,084)	-
Total	199,340	27,011	88,391	17,856	15,866	13,403	361,870	15,965	377,835	(6,975)	370,860
Income before income taxes	17,677	5,782	15,842	4,343	7,429	235	51,310	1,197	52,508	(6,475)	46,033
Interest expenses	5,727	2,401	7,051	3,496	5,167	3,586	27,431	1,391	28,823	(2,845)	25,977
Depreciation and amortization	69,185	2,731	22,260	1,938	801	2,983	99,901	2,091	101,992	1,102	103,094

(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.
5. The agriculture business and part of the healthcare business were transferred to Vendor Solution on October 1, 2017. As a result, changes were made mainly to segment classification in Account Solution and Vendor Solution. Additionally, segment-specific financial figures are presented in accordance with the new classification.

Year ended March 31, 2018

(Millions of yen)

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

(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	$1,967,764	$241,481	$989,066	$202,877	$159,858	$150,745	$3,711,801	$131,037	$3,842,849	$(30,358)	$3,812,490
Intersegment	7,462	1,896	—	—	—	—	9,358	10,452	19,820	(19,820)	—
Total	1,975,226	243,386	989,066	202,877	159,858	150,745	3,721,169	141,500	3,862,679	(50,188)	3,812,490
Income before income taxes	163,103	50,433	159,500	34,915	72,424	9,415	489,801	11,952	501,764	(83,877)	417,877
Interest expenses	53,103	18,688	72,971	48,575	63,198	38,509	295,066	10,405	305,471	(20,188)	285,283
Depreciation and amortization	749,056	24,566	268,330	18,811	10,952	30,311	1,102,047	12,613	1,114,669	10,132	1,124,801

(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.
5. The agriculture business and part of the healthcare business were transferred to Vendor Solution on October 1, 2017. As a result, changes were made mainly to segment classification in Account Solution and Vendor Solution. Additionally, segment-specific financial figures are presented in accordance with the new classification.

(2) Geographic information

Revenues attributed to geographic areas based on the location of the customers for the years ended March 31, 2017 and 2018 are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Japan	¥235,341	¥244,852	$2,309,924
Europe and the Americas	106,248	126,347	1,191,952
Asia	29,270	32,924	310,603
Total	370,860	404,124	3,812,490

As of March 31, 2017 and 2018, 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, 2017	March 31, 2018	March 31, 2018
Japan	¥317,170	¥383,648	$3,619,320
Europe and the Americas	142,256	180,841	1,706,047
Asia	20,646	21,743	205,122
Total	480,074	586,233	5,530,500

(3) Customer information

For the years ended March 31, 2017 and 2018, there is no concentration of revenue from a specific customer.

5. Cash and cash equivalents

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

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

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

	(Millions of yen)						(Thousands of U.S. dollars)		
	March 31, 2017			March 31, 2018			March 31, 2018		
	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	¥178,081	—	¥178,081	¥174,805	—	¥174,805	$1,649,103	$ —	$1,649,103
Trade and other receivables	633,642	654,868	1,288,511	703,962	681,843	1,385,805	6,641,150	6,432,481	13,073,632
Other financial assets	36,362	49,472	85,834	34,080	48,195	82,275	321,509	454,669	776,179
Total financial assets	848,086	704,341	1,552,427	912,848	730,039	1,642,887	8,611,773	6,887,160	15,498,933
Financial liabilities									
Trade and other payables	154,549	20,880	175,429	85,582	10,726	96,308	807,377	101,188	908,566
Other payables	13,062	518	13,580	15,861	173	16,034	149,632	1,632	151,264
Other financial liabilities	28,718	25,758	54,477	27,039	32,746	59,786	255,084	308,924	564,018
Total financial liabilities	196,330	47,157	243,487	128,483	43,646	172,130	1,212,103	411,754	1,623,867

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, 2017 and 2018 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, 2017	March 31, 2018	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2018
Within 1 year	¥362,311	¥379,295	$3,578,254	¥346,203	¥362,635	$3,421,084
After 1 year but not more than 5 years	730,672	745,045	7,028,726	638,073	651,928	6,150,264
More than 5 years	140,670	131,648	1,241,962	107,078	100,548	948,566
Total	1,233,654	1,255,989	11,848,952	1,091,354	1,115,112	10,519,924
Unearned finance income	(104,414)	(102,249)	(964,613)			
Net investment in finance lease	1,129,239	1,153,740	10,884,339			
Unguaranteed residual value	(37,884)	(38,628)	(364,415)			
Present value of minimum lease payments receivable	1,091,354	1,115,112	10,519,924			

At March 31, 2017 and 2018, the accumulated allowance for uncollectible minimum lease payments receivable amounted to ¥4,707 million, and ¥3,968 million ($37,433 thousand), respectively.

Future minimum lease payments receivable under non-cancellable operating leases at March 31, 2017, and March 31, 2018 are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2017	March 31, 2018	March 31, 2018
Within 1 year	¥59,420	¥58,072	$547,849
After 1 year but not more than 5 years	87,493	88,614	835,981
More than 5 years	6,756	6,577	62,047
Total	153,669	153,264	1,445,886

At March 31, 2017 and 2018, 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, 2017 and 2018, 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, 2017	March 31, 2018	March 31, 2018
Carrying amount of investments	¥21,838	¥22,322	$210,584

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Net income	¥1,873	¥1,392	$13,132
Other comprehensive income	104	15	141
Total comprehensive income	1,978	1,407	13,273

(2) Joint ventures

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2017	March 31, 2018	March 31, 2018
Carrying amount of investments	¥11,220	¥11,322	$106,811

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Net income	¥(86)	¥(257)	$(2,424)
Other comprehensive income	51	31	292
Total comprehensive income	(34)	(226)	(2,132)

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, 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
Additions	156,323	14,736	942	8,960	24,640	180,963
Sales or disposals	(25,444)	—	(140)	—	(140)	(25,585)
Depreciation	(92,635)	(3,076)	(1,054)	—	(4,130)	(96,766)
Impairment losses	(233)	(17)	(0)	(16)	(33)	(267)
Reversal of impairment losses	182	—	—	—	—	182
Changes in scope of consolidation	9,553	—	116	1,673	1,790	11,344
Exchange differences	6,850	0	107	(2)	105	6,956
Transfers and other	16,663	4,583	487	(3,568)	1,502	18,165
March 31, 2018	409,755	61,418	4,954	14,610	80,983	490,739

(Thousands of U.S. dollars)

March 31, 2017	$3,193,349	$426,339	$42,396	$71,349	$540,084	$3,733,443
Additions	1,474,745	139,018	8,886	84,528	232,452	1,707,198
Sales or disposals	(240,037)	—	(1,320)	—	(1,320)	(241,367)
Depreciation	(873,915)	(29,018)	(9,943)	—	(38,962)	(912,886)
Impairment losses	(2,198)	(160)	(0)	(150)	(311)	(2,518)
Reversal of impairment losses	1,716	—	—	—	—	1,716
Changes in scope of consolidation	90,122	—	1,094	15,783	16,886	107,018
Exchange differences	64,622	0	1,009	(18)	990	65,622
Transfers and other	157,198	43,235	4,594	(33,660)	14,169	171,367
March 31, 2018	3,865,613	579,415	46,735	137,830	763,990	4,629,613

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

The amount recognized as depreciation, impairment losses and reversed impairment losses for the year ended March 31, 2018 was ¥96,850 ($913,679 thousand) million, with ¥95,763 million ($903,424 thousand) included in *Cost of sales,* ¥1,054 million ($9,943 thousand) in *Selling, general and administrative expenses* and ¥33 million ($311 thousand) in *Other expenses*. The amount recognized as impairment losses mainly includes the Europe segment.

At March 31, 2017 and 2018, the amounts of contractual commitments for the acquisition of operating leased assets were ¥37,323 million and ¥26,546 million ($250,433 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, 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
March 31, 2018	1,226,376	81,006	9,827	14,610	105,444	1,331,820
Accumulated depreciation and impairment losses						
April 1, 2016	964,306	1,116	4,183	—	5,300	969,606
March 31, 2017	858,829	16,590	4,556	—	21,147	879,976
March 31, 2018	816,620	19,587	4,873	—	24,460	841,081

(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, 2018	$11,569,584	$764,207	$92,707	$137,830	$994,754	$12,564,339
Accumulated depreciation and impairment losses						
March 31, 2018	7,703,962	184,783	45,971	—	230,754	7,934,726

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, 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)
Changes in scope of consolidation	—	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
Additions	24,404	843	—	5,739	6,582	30,987
Amortization	(19,657)	(2,248)	—	(557)	(2,805)	(22,463)
Impairment losses	—	(16)	(25)	(1)	(43)	(43)
Disposals	(950)	(61)	—	(174)	(236)	(1,186)
Changes in scope of consolidation	—	(0)	1,544	807	2,351	2,351
Exchange differences	(0)	20	(969)	0	(948)	(948)
Transfers and other	2,259	3,104	—	(2,895)	208	2,467
March 31, 2018	60,888	6,003	17,100	11,501	34,604	95,493

(Thousands of U.S. dollars)

March 31, 2017	$517,283	$41,141	$156,141	$80,971	$278,254	$795,547
Additions	230,226	7,952	—	54,141	62,094	292,330
Amortization	(185,443)	(21,207)	—	(5,254)	(26,462)	(211,915)
Impairment losses	—	(150)	(235)	(9)	(405)	(405)
Disposals	(8,962)	(575)	—	(1,641)	(2,226)	(11,188)
Changes in scope of consolidation	—	(0)	14,566	7,613	22,179	22,179
Exchange differences	(0)	188	(9,141)	0	(8,943)	(8,943)
Transfers and other	21,311	29,283	—	(27,311)	1,962	23,273
March 31, 2018	574,415	56,632	161,320	108,500	326,452	900,877

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

The amount recognized as impairment losses and amortization for intangible assets for the year ended March 31, 2018 was ¥22,506 million ($212,320 thousand), with ¥19,657 million ($185,443 thousand) included in *Cost of sales*, ¥2,805 million ($26,462 thousand) in *Selling, general and administrative expenses* and ¥43 million ($405 thousand) in *Other 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, 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
March 31, 2018	146,164	41,873	19,887	12,832	74,594	220,759
Accumulated amortization and impairment losses						
April 1, 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
March 31, 2018	85,275	35,870	2,787	1,331	39,989	125,265

(Thousands of U.S. dollars)

	Operating leased assets	Other intangible assets				Total
		Software for internal use	Goodwill	Other	Subtotal	
Gross carrying amount						
March 31, 2018	$1,378,905	$395,028	$187,613	$121,056	$703,716	$2,082,632
Accumulated amortization and impairment losses						
March 31, 2018	804,481	338,396	26,292	12,556	377,254	1,181,745

(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, 2017 and 2018.

(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, 2018, significant goodwill allocated to CGU relates to CLE Capital Inc. with the carrying amount of ¥3,350 million ($31,603 thousand) (¥4,300 million at March 31, 2017) and Creekridge Capital LLC with the carrying amount of ¥7,133 million ($67,292 thousand) (¥7,501 million at March 31, 2017), and Noordlease Holding B.V. with the carrying amount of ¥3,063 million ($28,896 thousand) (¥2,811 million at 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 (14.0% to 15.7%). 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, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Income taxes			
Current	¥10,720	¥8,734	$82,396
Deferred	1,083	2,336	22,037
Origination and reversal of temporary differences	1,076	3,142	29,641
Changes in unrecognized temporary differences	(36)	(127)	(1,198)
Adjusted deferred tax assets and liabilities due to changes in tax rate of foreign subsidiaries	42	(678)	(6,396)
Total	11,803	11,070	104,433
Deferred taxes recognized in the consolidated statements of comprehensive income			
Financial assets measured at FVTOCI	156	712	6,716
Remeasurements of defined benefit plans	(213)	966	9,113
Cash flow hedges	171	288	2,716
Total	114	1,967	18,556

The Company and its domestic subsidiaries are mainly subject to corporate income tax, inhabitant tax and business tax. The effective statutory tax rate calculated with these taxes as a basis was approximately 30.9% for the years ended March 31, 2017 and 2018, respectively 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.

On December 22, 2017, the United States goverment enacted a tax reform law that lowered the federal corporate income tax rate from 35% to 21%. As a result, the Company reversed part of its deferred tax liabilities and recorded deferred tax expenses of ¥825 million ($7,783 thousand) (credit).

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, 2017	Year ended March 31, 2018
Statutory income tax rates	30.9	30.9
Difference in statutory income tax rates of foreign subsidiaries	(5.1)	(5.5)
Changes in tax rate of foreign subsidiaries	0.1	(1.5)
Non-deductible expenses	0.2	0.1
Changes in unrecognized temporary differences	(0.1)	(0.3)
Share of profits of investments accounted for using the equity method	(1.2)	(0.8)
Non-taxable revenue, such as dividend income	(4.1)	(2.4)
Elimination of dividends from subsidiaries	4.4	3.7
Profit on negative goodwill	(0.3)	—
Other, net	0.8	0.8
Effective income tax rates	25.6	25.0

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

(Millions of yen)

	April 1, 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 changes in scope of consolidation and foreign currency translation gains and losses, etc.

(Millions of yen)

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

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

(Thousands of U.S. dollars)

	March 31, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2018
Deferred tax assets					
Depreciation	$36,584	$(207)	$ —	$(3,452)	$32,924
Addition of revenue from lease contracts, etc.	55,122	(8,122)	—	28	47,018
Net defined benefit liability	26,698	(5,160)	(9,113)	(509)	11,905
Allowance for doubtful accounts	23,339	160	—	(292)	23,207
Asset retirement obligations	31,122	5,160	—	—	36,292
Accrued expenses	14,603	(113)	—	(94)	14,396
Net operating loss carryforwards	18,688	4,584	—	28	23,311
Bad debt write-off	5,745	(1,424)	—	(103)	4,207
Other	43,811	1,726	(3,254)	1,264	43,556
Total deferred tax assets	255,764	(3,386)	(12,377)	(3,132)	236,858
Deferred tax liabilities					
Additional depreciation by overseas subsidiaries	(50,764)	(5,773)	—	1,415	(55,122)
Gains or losses on sale or purchase of lease receivables	(1,584)	669	—	—	(915)
Asset retirement obligations	(19,688)	(5,075)	—	—	(24,773)
Financial assets measured at FVTOCI	(12,169)	—	(6,716)	2,650	(16,235)
Intangible assets	(12,877)	1,292	—	(292)	(11,877)
Other	(10,103)	(9,754)	537	(207)	(19,547)
Total deferred tax liabilities	(107,216)	(18,650)	(6,179)	3,556	(128,490)
Net deferred tax assets	148,537	(22,037)	(18,556)	415	108,349

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

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

At March 31, 2017 and 2018, the total amounts of temporary differences related to undistributed profit of subsidiaries that were not recognized as deferred tax liabilities were ¥105,485 million and ¥133,178 million ($1,256,396 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, 2018 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, 2017	March 31, 2018	March 31, 2018
Deductible temporary differences	¥2,526	¥2,940	$27,735
Total	2,526	2,940	27,735

12. Other assets and other liabilities

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

	March 31, 2017 (Millions of yen)	March 31, 2018 (Millions of yen)	March 31, 2018 (Thousands of U.S. dollars)
Other assets			
Inventories	¥5,131	¥5,377	$50,726
Advance payments	7,393	9,129	86,122
Prepaid expenses	20,191	22,762	214,735
Other	3,740	3,723	35,122
Total other assets	36,458	40,993	386,726
Other liabilities			
Accrued expenses	16,728	16,654	157,113
Advances received	26,028	23,569	222,349
Asset retirement obligations	11,197	13,473	127,103
Other	20,739	22,957	216,575
Total other liabilities	74,694	76,654	723,150

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

(Change in presentation)

Executory obligations for securitized receivables shown at March 31, 2017 is now included in *Other* at March 31, 2018 because the amount becomes immaterial. To reflect this change in presentation, the corresponding amounts as of March 31, 2017 have been reclassified. As a result, ¥855 million previously presented in *Executory obligations for securitized receivables* and ¥19,884 million previously presented in *Other* at March 31, 2017 have been reclassified as ¥20,739 million in *Other*.

Execuroty 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.

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, 2017 and 2018, 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, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Defined benefit obligations at beginning of year	¥59,438	¥61,033	$575,783
Service cost	1,759	1,797	16,952
Interest cost	530	535	5,047
Benefits paid	(1,821)	(2,769)	(26,122)
Exchange differences and other	(952)	432	4,075
Remeasurements of defined benefit obligations			
Actuarial gains and losses arising from changes in financial assumptions	1,948	(279)	(2,632)
Actuarial gains and losses arising from changes in demographic assumptions	113	12	113
Other	17	(591)	(5,575)
Defined benefit obligations at end of year	61,033	60,171	567,650

Changes in fair value of plan assets

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Fair value of plan assets at beginning of year	¥50,172	¥52,003	$490,594
Interest income	498	482	4,547
Remeasurements of defined benefit plan assets – Return on plan assets	988	2,557	24,122
Employer's contributions	2,927	2,333	22,009
Benefits paid	(1,553)	(1,919)	(18,103)
Exchange differences and other	(1,030)	458	4,320
Fair value of plan assets at end of year	52,003	55,916	527,509

The weighted average key actuarial assumptions used in actuarial calculation of defined benefit obligations at March 31, 2017 and 2018 are as follows.

	March 31, 2017	March 31, 2018
Discount rate	0.9%	0.9%

At March 31, 2017 and 2018, 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, 2017	March 31, 2018	March 31, 2018
Increase by 0.5%	¥(4,675)	¥(4,586)	$(43,264)
Decrease by 0.5%	5,161	5,070	47,830

At March 31, 2017 and 2018, the weighted average duration of defined benefit obligations is as follows.

	March 31, 2017	March 31, 2018
Weighted average duration	15.38 years	15.41 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, 2017 and 2018 is as follows.

(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

(Millions of yen)

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

(Thousands of U.S. dollars)

	March 31, 2018		
	Quoted market price in an active market		Total
	Yes	No	
Public and corporate bonds	$1,603	$ —	$1,603
Commingled funds	—	461,764	461,764
Cash on hand and at banks	62,792	—	62,792
Other	1,320	9	1,330
Total	65,726	461,783	527,509

At March 31, 2017 and 2018, commingled funds of the Group consist of listed shares of 27% and 26%, respectively, and public and corporate bonds of 61% and 62%, 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 ¥998 million ($9,415 thousand) to the defined benefit pension plans in the fiscal year ending March 31, 2019.

(2) Employee benefits expense

(i) Defined benefit plans

For the years ended March 31, 2017 and 2018, the Group recognized expenses related to defined benefit plans of ¥1,791 million and ¥1,850 million ($17,452 thousand), respectively.

(ii) Defined contribution plans

For the years ended March 31, 2017 and 2018, the Group recognized expenses related to contributions to the defined contribution plans of ¥694 million and ¥815 million ($7,688 thousand), respectively.

14. Equity

(1) Common stock

(Number of shares)

	March 31, 2017	March 31, 2018
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, 2016	124,826,552 shares	¥9,983	
March 31, 2017	124,826,552 shares	9,983	
March 31, 2018	124,826,552 shares	9,983	$94,179

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, 2017 and 2018 are as follows.

	Number of shares of treasury stock	Treasury stock (Millions of yen)	Treasury stock (Thousands of U.S. dollars)
April 1, 2016	7,939,936 shares	¥14,334	
Acquisition of treasury stock	286 shares	0	
March 31, 2017	7,940,222 shares	14,335	$135,235
Acquisition of treasury stock	344 shares	0	0
Sale of treasury stock	66 shares	0	0
March 31, 2018	7,940,500 shares	14,336	135,245

(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, 2017 and 2018 is as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Foreign currency translation adjustments			
Beginning balance	¥6,073	¥(2,621)	$(24,726)
Net other comprehensive income	(8,695)	2,017	19,028
Transfer to non-controlling interests	0	(25)	(235)
Ending balance	(2,621)	(629)	(5,933)
Remeasurements of defined benefit plans			
Beginning balance	(2,102)	(2,982)	(28,132)
Net other comprehensive income	(879)	2,359	22,254
Transfer to non-controlling interests	(0)	—	—
Ending balance	(2,982)	(623)	(5,877)
Financial assets measured at FVTOCI			
Beginning balance	2,466	2,882	27,188
Net other comprehensive income	416	1,648	15,547
Transfer to retained earnings	—	(344)	(3,245)
Transfer to non-controlling interests	—	—	—
Ending balance	2,882	4,186	39,490
Cash flow hedges			
Beginning balance	(2,156)	(1,419)	(13,386)
Net other comprehensive income	737	1,393	13,141
Transfer to non-controlling interests	—	—	—
Ending balance	(1,419)	(25)	(235)
Total accumulated other comprehensive income			
Beginning balance	4,280	(4,139)	(39,047)
Net other comprehensive income	(8,420)	7,417	69,971
Transfer to retained earnings	—	(344)	(3,245)
Transfer to non-controlling interests	0	(25)	(235)
Ending balance	(4,139)	2,907	27,424

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, 2017 and 2018 is as follows.

(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)

(Millions of yen)

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

(Thousands of U.S. dollars)

	Year ended March 31, 2018		
	Before tax effect	Tax effect	Net of tax effect
Other comprehensive income			
Foreign currency translation adjustments	$19,179	—	$19,179
Remeasurements of defined benefit plans	32,207	(9,113)	23,084
Financial assets measured at FVTOCI	21,915	(6,716)	15,188
Cash flow hedges	138,169	(26,066)	112,094
Share of other comprehensive income of investments accounted for using the equity method	481	(37)	433
Total	211,971	(41,962)	170,009
Reconciliation between other comprehensive income and profit or loss items			
Foreign currency translation adjustments	—	—	—
Cash flow hedges	(122,669)	23,349	(99,320)
Share of other comprehensive income of investments accounted for using the equity method	—	—	—
Total	(122,669)	23,349	(99,320)
Net other comprehensive income			
Foreign currency translation adjustments	19,179	—	19,179
Remeasurements of defined benefit plans	32,207	(9,113)	23,084
Financial assets measured at FVTOCI	21,915	(6,716)	15,188
Cash flow hedges	15,500	(2,716)	12,773
Share of other comprehensive income of investments accounted for using the equity method	481	(37)	433
Total	89,292	(18,603)	70,688
Net other comprehensive income attributable to non-controlling interests			
Foreign currency translation adjustments			490
Remeasurements of defined benefit plans			575
Financial assets measured at FVTOCI			—
Cash flow hedges			(358)
Total			707
Net other comprehensive income attributable to owners of the parent			
Foreign currency translation adjustments			18,679
Remeasurements of defined benefit plans			22,500
Financial assets measured at FVTOCI			15,188
Cash flow hedges			13,141
Share of other comprehensive income of investments accounted for using the equity method			433
Total			69,971

16. Dividends

Dividends paid for the years ended March 31, 2017 and 2018 are as follows.

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend source	Dividends per share (yen)	Record date	Effective date
Board of directors meeting on:						
May 26, 2016	Common stock	4,909	Retained earnings	42.00	March 31, 2016	May 30, 2016
October 26, 2016	Common stock	5,026	Retained earnings	43.00	September 30, 2016	November 29, 2016
May 25, 2017	Common stock	5,026	Retained earnings	43.00	March 31, 2017	May 29, 2017
October 31, 2017	Common stock	5,026	Retained earnings	43.00	September 30, 2017	November 28, 2017

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	$47,415	Retained earnings	$0.40	March 31, 2017	May 29, 2017
October 31, 2017	Common stock	47,415	Retained earnings	0.40	September 30, 2017	November 28, 2017

Dividends with the record date in the fiscal year ended March 31, 2018 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 24,2018	Common stock	¥5,026	Retained earnings	¥43.00	March 31, 2018	May 28, 2018

Resolution	Class of shares	Total dividends (Thousands of U.S. dollars)	Dividend source	Dividends per share (U.S. dollar)	Record date	Effective date
Board of directors meeting on:						
May 24,2018	Common stock	$47,415	Retained earnings	$0.40	March 31, 2018	May 28, 2018

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, 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

(Millions of yen)

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

(Thousands of U.S. dollars)

	March 31, 2018				
	Within 30 days	Between 31 days and 90 days	Between 91 days and one year	Over one year	Total
Trade and other receivables	$13,783	$23,433	$169	$ —	$37,396
Finance lease receivables	62,669	5,377	6,207	—	74,264

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, 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
Increase due to change in companies	41	—	—	41
Increase during the year (addition)	5,019	1,884	4	6,908
Decrease during the year (for intended purpose)	(4,264)	(1,266)	(5)	(5,536)
Decrease during the year (reversal)	(437)	(1,357)	(5)	(1,800)
Other	82	(1)	1	81
March 31, 2018	8,505	3,968	—	12,473

(Thousands of U.S.dollars)

	Trade and other receivables	Finance lease receivables	Other financial assets measured at amortized cost	Total
March 31, 2017	$76,075	$44,405	$47	$120,537
Increase due to change in companies	386	—	—	386
Increase during the year (addition)	47,349	17,773	37	65,169
Decrease during the year (for intended purpose)	(40,226)	(11,943)	(47)	(52,226)
Decrease during the year (reversal)	(4,122)	(12,801)	(47)	(16,981)
Other	773	(9)	9	764
March 31, 2018	80,235	37,433	—	117,669

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, 2017 and 2018 amounted to ¥23,071 million and ¥24,439 million ($230,556 thousand), respectively, and the allowance for doubtful accounts provided for these receivables amounted to ¥6,455 million and ¥5,521 million ($52,084 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, 2017 and 2018, 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 ¥51 million and ¥69 million ($650 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 ($471,698 thousand) with a number of financial institutions to strengthen measures against liquidity risk. The amount available (unused amount) at March 31, 2018 was ¥50,000 million ($471,698 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, 2017 and 2018.

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

(Millions of yen)

		March 31, 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)

(Millions of yen)

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

(Thousands of U.S. dollars)

		March 31, 2018				
		Carrying amount	Undiscounted contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Borrowings		18,982,990	19,295,150	10,331,943	8,186,433	776,764
Bonds		7,427,622	7,596,943	1,476,726	5,088,000	1,032,207
Finance lease obligations		127,028	127,028	6,849	25,877	94,292
Foreign exchange forward contracts	Inflow	—	—	—	—	—
	Outflow	(9)	(9)	(9)	—	—
Currency swaps	Inflow	52,603	52,603	24,745	27,858	—
	Outflow	(89,028)	(89,028)	(10,169)	(76,566)	(2,283)
Interest rate swaps	Inflow	10,886	10,886	1,150	9,735	—
	Outflow	(24,245)	(24,245)	(981)	(6,018)	(17,235)

(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, 2017	March 31, 2018	March 31, 2018
Borrowings and bonds	¥2,546,720	¥2,812,991	$26,537,650
Cash and cash equivalents	178,081	174,805	1,649,103
Capital (equity attributable to owners of the parent)	349,844	378,855	3,574,103

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, 2017	March 31, 2018	March 31, 2018
Short-term borrowings (mainly bank loans)	—	2.15%	¥329,102	¥402,896	$3,800,905
Commercial paper	—	0.64%	203,487	228,647	2,157,047
Long-term borrowings (mainly bank loans)	April 2018–January 2049	1.29%	1,041,380	1,009,292	9,521,622
Borrowings associated with consolidation of structured entities for securitization	April 2018–March 2042	0.46%	241,078	259,261	2,445,858
Borrowings associated with securitization of receivables	April 2018–December 2023	0.76%	88,076	112,097	1,057,518
Finance lease obligations	April 2018–April 2043	—	6,423	13,465	127,028
Total		1.25%	1,909,550	2,025,663	19,110,028

(Notes)

1. "Maturity" represents the repayment date for the balance of each borrowing at March 31, 2018.
2. "Average interest rate" represents the weighted average interest rate applicable to the balance of each borrowing at March 31, 2018.
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, 2017	March 31, 2018	March 31, 2018
Hitachi Capital Corporation							
The 43rd unsecured domestic bonds payable	Apr. 18, 2012	June 20, 2017	0.57%	No	¥30,043	¥—	$—
The 44th unsecured domestic bonds payable	Oct. 18, 2012	Dec. 20, 2017	0.42%	No	10,006	—	—
The 45th unsecured domestic bonds payable	Oct. 18, 2012	Dec. 20, 2019	0.67%	No	10,002	10,008	94,415
The 46th unsecured domestic bonds payable	Apr. 23, 2013	June 20, 2018	0.45%	No	20,005	20,020	188,867
The 47th unsecured domestic bonds payable	Apr. 23, 2013	Mar. 20, 2023	0.87%	No	14,963	14,970	141,226
The 48th unsecured domestic bonds payable	Sept. 13, 2013	Sept. 20, 2018	0.44%	No	14,984	14,997	141,481
The 49th unsecured domestic bonds payable	Sept. 13, 2013	Sept. 18, 2020	0.72%	No	9,981	9,987	94,216
The 50th unsecured domestic bonds payable	Mar. 20, 2014	Mar. 19, 2024	0.89%	No	19,939	19,948	188,188
The 51st unsecured domestic bonds payable	June 3, 2014	June 20, 2019	0.31%	No	19,983	20,000	188,679
The 52nd unsecured domestic bonds payable	June 3, 2014	June 18, 2021	0.51%	No	14,985	14,994	141,452
The 53rd unsecured domestic bonds payable	June 3, 2014	Mar. 19, 2024	0.82%	No	14,954	14,962	141,150
The 54th unsecured domestic bonds payable	Sept. 11, 2014	Sept. 17, 2021	0.42%	No	14,962	14,971	141,235
The 55th unsecured domestic bonds payable	Sept. 11, 2014	Sept. 18, 2026	0.96%	No	14,948	14,954	141,075
The 56th unsecured domestic bonds payable	Dec. 19, 2014	Dec. 20, 2019	0.20%	No	9,982	9,990	94,245
The 57th unsecured domestic bonds payable	Dec. 19, 2014	Dec. 20, 2024	0.62%	No	9,979	9,984	94,188
The 58th unsecured domestic bonds payable	May 1, 2015	June 19, 2020	0.22%	No	9,977	9,986	94,207
The 59th unsecured domestic bonds payable	July 21, 2015	Mar. 20, 2018	0.15%	No	29,967	—	—
The 60th unsecured domestic bonds payable	Oct. 26, 2015	Oct. 19, 2018	0.16%	No	29,970	30,003	283,047
The 61st unsecured domestic bonds payable	June. 9, 2016	June 19, 2026	0.31%	No	9,963	9,968	94,037
The 62nd unsecured domestic bonds payable	Sept. 27, 2016	Sept. 20, 2019	0.001%	No	29,916	29,950	282,547
The 63rd unsecured domestic bonds payable	Feb. 28, 2017	Apr. 20, 2020	0.001%	No	19,931	19,953	188,235
The 64th unsecured domestic bonds payable	Feb. 28, 2017	Feb. 18, 2022	0.13%	No	9,959	9,968	94,037
The 65th unsecured domestic bonds payable	Apr. 18, 2017	Apr. 20, 2022	0.15%	No	—	14,959	141,122
The 66th unsecured domestic bonds payable	June 13, 2017	June 20, 2024	0.26%	No	—	9,969	94,047
The 67th unsecured domestic bonds payable	June 13, 2017	June 18, 2027	0.33%	No	—	9,964	94,000
The 68th unsecured domestic bonds payable	Aug. 31, 2017	Sept. 20, 2022	0.19%	No	—	14,950	141,037
The 69th unsecured domestic bonds payable	Dec. 6, 2017	Dec. 18, 2020	0.08%	No	—	29,918	282,245
The 70th unsecured domestic bonds payable	Dec. 6, 2017	Dec. 20, 2022	0.20%	No	—	14,951	141,047

					(Millions of yen)		(Thousands of U.S. dollars)
Company name/ description	Issue date	Maturity	Interest rate (%)	Collateral	March 31, 2017	March 31, 2018	March 31, 2018
The 1st unsecured, interest deferrable and early redeemable subordinated bonds	Dec. 19, 2016	Dec.19, 2076	1.04%	No	19,933	19,959	188,292
The 2nd unsecured, interest deferrable and early redeemable subordinated bonds	Dec. 19, 2016	Dec.19, 2076	1.31%	No	9,959	9,966	94,018
Hitachi Capital(UK) PLC							
MTN program bonds	July 29, 2013– Mar. 19, 2018	Apr. 23, 2018– Oct. 12, 2027	0.82%– 3.18%	No	202,477	307,780	2,903,584
Hitachi Capital America Corp.							
MTN program bonds	Feb. 3, 2015– Feb. 9, 2018	Apr. 5, 2019– Nov. 27, 2023	2.05%– 3.17%	No	18,062	28,047	264,594
Hitachi Capital (Hong Kong) Ltd.							
The 3rd bonds payable in HKD	Sept. 18, 2015	Sept. 18, 2018	1.59%	No	4,332	4,062	38,320
The 4th bonds payable in HKD	Sept. 26, 2016	Sept. 26, 2018	1.68%	No	4,332	4,062	38,320
The 5th bonds payable in HKD	Jan. 26, 2017	Jan. 24, 2020	1.92%	No	8,664	8,109	76,500
Hitachi Capital Management (China) Ltd.							
The 1st bonds payable in USD (green bonds)	Dec. 15, 2017	Dec. 15, 2022	3.00%	No	—	10,563	99,650
Other companies							
Unsecured domestic bonds payable	May 28, 2015– Mar. 30, 2016	Sept. 30, 2038	1.50%	No	—	440	4,150
Total					637,170	787,328	7,427,622

(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, 2017		March 31, 2018		March 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Finance lease receivables	¥1,124,531	¥1,168,075	¥1,149,772	¥1,191,399	$10,846,905	$11,239,613
Financial assets measured at amortized cost						
Cash and cash equivalents	178,081	178,081	174,805	174,805	1,649,103	1,649,103
Notes receivable	2,956	2,956	2,305	2,305	21,745	21,745
Accounts receivable	1,285,554	1,303,402	1,383,499	1,390,745	13,051,877	13,120,235
Trade and other receivables	1,288,511	1,306,359	1,385,805	1,393,051	13,073,632	13,141,990
Public and corporate bonds	4,665	4,697	4,766	4,784	44,962	45,132
Time deposits with a maturity of more than three months or more	2,500	2,500	2,500	2,500	23,584	23,584
Other receivables	18,100	18,100	27,626	27,626	260,622	260,622
Other investments	4,623	4,623	4,494	4,494	42,396	42,396
Other	346	346	698	698	6,584	6,584
Other financial assets	30,236	30,268	40,085	40,103	378,160	378,330
Financial assets measured at FVTPL						
Other investments	11,767	11,767	12,967	12,967	122,330	122,330
Other financial assets	11,767	11,767	12,967	12,967	122,330	122,330
Financial assets measured at FVTOCI						
Equity	20,791	20,791	22,491	22,491	212,179	212,179
Other investments	0	0	0	0	0	0
Other financial assets	20,791	20,791	22,491	22,491	212,179	212,179
Derivative financial assets						
Interest rate swaps	276	276	1,154	1,154	10,886	10,886
Currency swaps	22,762	22,762	5,576	5,576	52,603	52,603
Other financial assets	23,038	23,038	6,731	6,731	63,500	63,500
Total financial assets	2,676,958	2,738,382	2,792,659	2,841,550	26,345,839	26,807,075

(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.

(ii) Financial assets measured at amortized cost

(a) Accounts receivable

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

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

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

(c) Public and corporate bonds and other investments

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

(iii) Financial assets measured at FVTPL

Other investments

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

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

(iv) Financial assets measured at FVTOCI

Equity securities

The Group holds listed and unlisted shares for policy purposes.

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

(v) Derivative financial assets

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

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

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

(Millions of yen)

March 31, 2017	
Issuer	Amount
Mitsubishi UFJ Lease & Finance Company Limited	¥14,806
Sompo Holdings, Inc.	1,224
BOT Lease Co., Ltd.	859
AEON CO., LTD.	731
The Mortgage Corporation of Japan, Limited	688
SEKISUI CHEMICAL CO., LTD.	581
Other (24 issuers)	1,899

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

March 31, 2018		
Issuer	Amount	Amount
Mitsubishi UFJ Lease & Finance Company Limited	¥16,647	$157,047
Sompo Holdings, Inc.	1,284	12,113
BOT Lease Co., Ltd.	922	8,698
AEON CO., LTD.	855	8,066
The Mortgage Corporation of Japan, Limited	805	7,594
Other (24 issuers)	1,976	18,641

(vii) Disposal of financial assets measured at FVTOCI

Equity instruments designated as at FVTOCI that were disposed during the years ended March 31, 2017 and 2018 were as follows:

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

Year ended March 31, 2017			Year ended March 31, 2018			Year ended March 31, 2018		
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	¥ —	¥ —	¥781	¥497	¥7	$7,367	$4,688	$66

These instruments were sold primarily as a result of reviewing the business relationship with the issuers. For the year ended March 31, 2018, accumulated gains, net of tax, reclassified from other comprehensive income to retained earnings, amounted to ¥344 million ($3,245 thousand). 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, 2017 and 2018 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, 2017		March 31, 2018		March 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities						
Finance lease obligations	¥6,423	¥6,423	¥13,465	¥13,465	$127,028	$127,028
Borrowings and bonds	6,423	6,423	13,465	13,465	127,028	127,028
Financial liabilities measured at amortized cost						
Notes payable	1,042	1,042	1,319	1,319	12,443	12,443
Accounts payable	174,386	174,386	94,989	94,989	896,122	896,122
Trade and other payables	175,429	175,429	96,308	96,308	908,566	908,566
Short-term borrowings	532,590	532,590	631,544	631,544	5,957,962	5,957,962
Bonds	637,170	642,752	787,328	791,548	7,427,622	7,467,433
Long-term borrowings	1,370,536	1,373,991	1,380,652	1,382,128	13,025,018	13,038,943
Borrowings and bonds	2,540,297	2,549,333	2,799,525	2,805,222	26,410,613	26,464,358
Other payables	13,580	13,580	16,034	16,034	151,264	151,264
Accrued interest expenses	2,595	2,595	3,640	3,640	34,339	34,339
Deposits received	10,394	10,394	10,981	10,981	103,594	103,594
Financial guarantee contracts	2,237	2,237	1,638	1,638	15,452	15,452
Contract guarantees	32,334	31,699	29,350	28,735	276,886	271,084
Other	2,033	2,033	2,168	2,168	20,452	20,452
Other financial liabilities	49,594	48,960	47,777	47,163	450,726	444,933
Derivative financial liabilities						
Interest rate swaps	2,954	2,954	2,570	2,570	24,245	24,245
Currency swaps	1,923	1,923	9,437	9,437	89,028	89,028
Foreign exchange forward contracts	4	4	1	1	9	9
Other financial liabilities	4,882	4,882	12,008	12,008	113,283	113,283
Total financial liabilities	2,790,208	2,798,610	2,985,121	2,990,203	28,161,518	28,209,462

(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, 2017 and 2018, 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.

Furthermore, the redemption of all subordinate interests was completed in the year ended March 31, 2017 and there is no balance outstanding as of March 31, 2018.

(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 rights, investment partnerships, and silent partnership funds, etc.

(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, 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

(Millions of yen)

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

(Thousands of U.S. dollars)

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Equity securities	$185,358	$ —	$26,820	$212,179
Other investments	—	—	122,330	122,330
Derivative financial assets	—	63,500	—	63,500
Liabilities				
Derivative financial liabilities	—	113,283	—	113,283

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, 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
Net gain/loss (Note 1)	—	—	434	434
Other comprehensive income (Note 2)	—	308	—	308
Purchase	—	154	3,107	3,262
Sales/redemption	—	(514)	(2,368)	(2,883)
Transfer to Level 3	—	—	—	—
Transfer from Level 3	—	—	—	—
Others	—	3	26	30
March 31, 2018	—	2,843	12,967	15,810

(Thousands of U.S. dollars)

March 31, 2017	—	$27,264	$111,009	$138,283
Net gain/loss (Note 1)	—	—	4,094	4,094
Other comprehensive income (Note 2)	—	2,905	—	2,905
Purchase	—	1,452	29,311	30,773
Sales/redemption	—	(4,849)	(22,339)	(27,198)
Transfer to Level 3	—	—	—	—
Transfer from Level 3	—	—	—	—
Others	—	28	245	283
March 31, 2018	—	26,820	122,330	149,150

(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 trust beneficiary interests are as follows.

Description	Valuation technique	Unobservable inputs	Ratio of unobservable inputs	
			March 31, 2017	March 31, 2018
Trust beneficiary interests	Discounted cash flow method	Risk-free rate	0.04～0.14%	0.07～0.15%

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

(viii) Sensitivity analysis

For 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, investment partnerships and silent partnership funds 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, 2017		Year ended March 31, 2018		Year ended March 31, 2018	
		Hedged item	Hedging instrument	Hedged item	Hedging instrument	Hedged item	Hedging instrument
Interest rate swaps	Cost of sales	¥ —	¥ —	¥748	¥(748)	$7,056	$(7,056)
Currency swaps	Cost of sales	527	(608)	1,662	(1,621)	15,679	(15,292)
Foreign exchange forward contracts	Revenues and cost of sales	(9)	9	(2)	2	(18)	18

(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, 2017	March 31, 2018	March 31, 2018
Interest rate swaps	¥ (209)	¥17	¥160
Currency swaps	12,599	1,541	14,537
Foreign exchange forward contracts	(1)	(1)	(9)

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, 2017			March 31, 2018			March 31,2018		
	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	¥40,186	¥ —	¥849	$379,113	$ —	$8,009
Currency swaps	40,767	742	862	47,884	221	1,971	451,735	2,084	18,594
Foreign exchange forward contracts	101	—	2	—	—	—	—	—	—
Cash flow hedges									
Interest rate swaps	227,321	259	1,278	296,926	1,154	327	2,801,188	10,886	3,084
Currency swaps	173,421	22,020	1,061	295,278	5,354	7,465	2,785,641	50,509	70,424
Foreign exchange forward contracts	243	—	1	233	—	1	2,198	—	9

(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, 2017			March 31, 2018			March 31,2018		
	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	¥14,880	¥ —	¥1,393	$140,377	$ —	$13,141

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, 2017 and 2018, the assets and liabilities held by the structured entities are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2017	March 31, 2018	March 31, 2018
Cash and cash equivalents	¥17,188	¥13,713	$129,367
Trade and other receivables	92,254	82,210	775,566
Finance lease receivables	186,322	221,459	2,089,235
Total assets	295,765	317,383	2,994,179
Borrowings and bonds	241,078	259,261	2,445,858

(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, 2017 and 2018, the maximum exposures to loss associated with the Group's interests in the unconsolidated structured entities for securitization, are ¥38,020 million and ¥29,851 million ($281,613 thousand), respectively, and they are included in the outstanding balances of subordinated interests and obligations to repurchase assets or the carrying amount of transferred assets which are not derecognized in their entirety.

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

(a) Transfer of financial assets derecognized in their entirety

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

At March 31, 2017 and 2018, the carrying amounts of transferred financial assets that continued to be recognized in their entirety and related liabilities are as follows.

	March 31, 2017	March 31, 2018	March 31,2018
	(Millions of yen)		(Thousands of U.S. dollars)
Carrying amount of transferred financial assets			
Trade and other receivables	¥53,272	¥76,116	$718,075
Finance lease receivables	58,482	62,045	585,330
Total assets	111,754	138,162	1,303,415
Carrying amount of related liabilities			
Borrowings and bonds	88,076	112,097	1,057,518

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

At March 31, 2017 and 2018, 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.

	March 31, 2017	March 31, 2018	March 31, 2018
	(Millions of yen)		(Thousands of U.S. dollars)
Fair value of transferred financial assets	¥112,554	¥138,949	$1,310,839
Cash and cash equivalents related to collections of the transferred financial assets	5,652	3,672	34,641
Fair value of related liabilities	88,117	112,138	1,057,905
Net position	30,089	30,483	287,575

(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, 2017 and 2018, gains (losses) on transfers of *Finance lease receivables* and *Trade and other receivables* derecognized in their entirety are as follows.

	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2018
	(Millions of yen)		(Thousands of U.S. dollars)
Revenues	¥(380)	¥332	$3,132

During the years ended March 31, 2017 and 2018, gains (losses) recognized from the entity's continuing involvement of the Group in the *Trade and other receivables* that are derecognized in their entirety are as follows

	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2018
	(Millions of yen)		(Thousands of U.S. dollars)
Revenues	¥588	1,500	$14,150
Cost of sales	(70)	(63)	(594)
Gross profit	518	1,437	13,556

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, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Revenues			
Interest income from finance leases	¥43,825	¥42,551	$401,424
Income from operating leases and other lease-related income	236,638	260,703	2,459,462
Interest income from installments and other loan receivables	60,654	68,116	642,603
Others	29,742	32,753	308,990
Total revenues	370,860	404,124	3,812,490

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, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Cost of sales			
Interest expenses arising from financial liabilities measured at amortized cost	¥25,977	¥30,240	$285,283
Operating lease and lease related expenses	201,742	223,762	2,110,962
Other	17,380	18,422	173,792
Total cost of sales	245,100	272,425	2,570,047

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, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Employee benefit expenses	¥39,819	¥42,192	$398,037
Welfare expenses	4,941	5,131	48,405
Rent expenses	3,780	3,939	37,160
Communication expenses	1,258	1,175	11,084
Operations consignment expenses	7,402	7,591	71,613
Provision (reversal) of allowance for doubtful accounts and bad debt losses	5,627	6,134	57,867
Other	19,072	20,108	189,698
Total selling, general and administrative expenses	81,902	86,274	813,905

24. Other income and expenses

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

	Year ended March 31, 2017	(Millions of yen) Year ended March 31, 2018	(Thousands of U.S. dollars) Year ended March 31, 2018
Other income			
Profit on negative goodwill	¥401	¥ —	$ —
Other	333	723	6,820
Total other income	734	723	6,820

	Year ended March 31, 2017	(Millions of yen) Year ended March 31, 2018	(Thousands of U.S. dollars) Year ended March 31, 2018
Other expenses			
Extra retirement payments	¥ —	¥ 1,413	$13,330
Impairment losses	—	840	7,924
Other	345	733	6,915
Total other expenses	345	2,987	28,179

(Note) Impairment losses have been recognized for the year ended March 31, 2018 mainly with regard to the following CGU.

Location	Use	Type
Minato-ku, Tokyo	System for business-use	Long-term prepaid expenses, Software

For business assets, assets are grouped together with the smallest identifiable group of assets that generates cash inflows that are largely independent, based on management accounting categories.

With regard to the above business assets, the carrying amount of assets related to the applicable business has been reduced to the recoverable amount and the difference is included in *Other expenses* (¥684 million) ($6,452 thousand) because the cash flow generated from operating activities of the credit card business within Account Solution was expected to continue to be a negative in the year ended March 31, 2018.

The recoverable amount is determined based on the value in use and future cash flow is calculated using a discount rate of 1.9%. The value in use is assessed as zero because future cash flow is expected to be negative.

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, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Net earnings attributable to owners of the parent	¥32,926 million	¥32,057 million	$302,424 thousand
Weighted average number of shares	116,886,486 shares	116,886,292 shares	116,886,292 shares
Earnings per share attributable to owners of the parent	¥281.69	¥274.26	$2.58

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, 2017	(Millions of yen) Year ended March 31, 2018	(Thousands of U.S. dollars) Year ended March 31, 2018
Interest and dividends received	¥60,826	¥67,434	$636,169
Interest paid	(26,074)	(29,251)	(275,952)

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

(Millions of yen)

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

(Thousands of U.S. dollars)

	Short-term borrowings	Long-term borrowings	Bonds	Total
April 1, 2017	$5,024,433	$12,929,584	$6,011,037	$23,965,066
Changes associated with cash flow	1,003,773	11,283	1,480,000	2,495,066
Changes not associated with cash flow	(70,235)	84,141	(63,415)	(49,509)
Change in scope of consolidation	5,066	121,981	4,150	131,198
Exchange differences	(75,311)	(37,122)	(67,849)	(180,292)
Other	—	(707)	283	(424)
March 31, 2018	5,957,962	13,025,018	7,427,622	26,410,613

27. Major subsidiaries

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

(%)

Name	Location	March 31, 2017	March 31, 2018
		Ownership ratio	Ownership ratio
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	Minato, Tokyo	100.00	100.00
Hitachi Capital Trust Corporation	Minato, Tokyo	100.00	100.00
Hitachi Green Energy Corporation	Minato, Tokyo	100.00	100.00
Hitachi Wind Power Ltd.	Minato, Tokyo	85.10	85.10
Hitachi Sustainable Energy Ltd.	Hitachi, Ibaraki	85.10	85.10
Hitachi Capital 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
Hitachi Capital (UK) PLC	Surrey, UK	100.00	100.00
Hitachi Capital Polska Sp. z o.o.	Warsaw, Poland	90.00 (90.00)	100.00
Noordlease Holding B.V.	Groningen, Netherland	96.70	96.70
Noordlease B.V.	Groningen, Netherland	96.70 (96.70)	96.70 (96.70)
Lease Visie B.V.	Noord-Holland, Netherlands	—	96.70 (96.70)
Hitachi Capital America Corp.	Connecticut, USA	100.00	100.00
Hitachi Capital Canada Corp.	Ontario, Canada	100.00 (100.00)	100.00 (100.00)
CLE Capital Inc.	Quebec, Canada	100.00 (100.00)	100.00 (100.00)
Hitachi Capital Management (China) Ltd.	Hong Kong, China	100.00	100.00
Hitachi Capital (Hong Kong) Ltd.	Hong Kong, China	100.00	100.00 (100.00)
Hitachi Capital Leasing (China) Co., Ltd.	Beijing, China	90.00	90.00 (90.00)
Hitachi Capital Factoring (China) Co., Ltd.	Shanghai, China	100.00	100.00 (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)	100.00 (100.00)
PT. Arthaasia Finance	Jakarta, Indonesia	84.98 (84.98)	84.98 (84.98)

Name	Location	March 31, 2017	March 31, 2018
		Ownership ratio	Ownership ratio
PT. Hitachi Capital Finance Indonesia	Jakarta, Indonesia	70.00 (70.00)	70.00 (70.00)

(Notes)

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

28. Related party transactions

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

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

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

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2017	March 31, 2018	March 31, 2018
Accounts receivable	¥98,615	¥78,375	$739,386
Accounts payable	35,792	35,706	336,849
Borrowings	288,680	361,651	3,411,801

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Revenues	¥20,012	¥22,850	$215,566
Interest expense	2,629	6,356	59,962

(2) Management

Remuneration of the Company’s directors is as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2018
Remunerations for management (short-term employee benefits)	¥549	¥528	$4,981

29. Pledged assets

The Group pledged certain assets as collateral as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2017	March 31, 2018	March 31, 2018
Accounts receivable	¥8	¥1	$9
Finance lease receivables	5,471	2,518	23,754
Operating leased assets	6,999	5,729	54,047
Other property, plant and equipment	2,107	2,039	19,235
Total	14,586	10,288	97,056

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

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2017	March 31, 2018	March 31, 2018
Borrowings	¥12,439	¥8,736	$82,415
Total	12,439	8,736	82,415

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, 2017	March 31, 2018	March 31, 2018
Loan guarantee liabilities	¥92,677	¥58,872	$555,396

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

The Group receives collateral for certain guarantee liabilities.

At March 31, 2017 and 2018, these guarantee liabilities amounted to ¥2,237 million and ¥1,638 million ($15,452 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, 2017	March 31, 2018	March 31, 2018
Total loan commitments	¥30,560	¥30,531	$288,028
Amount utilized	560	531	5,009
Balance available	30,000	30,000	283,018

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

31. Business combinations

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 acquisition 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
Cash and cash equivalents	¥488
Trade and other receivables	322
Finance lease receivables	27,198
Operating leased assets	4,027
Trade and other payables	(2,053)
Borrowings and bonds	(27,086)
Other	436
Goodwill	7,230
Total	10,564
Cash	9,765
Contingent cash consideration expended for acquisition	513
Contingent cash consideration not expended for acquisition	285
Total consideration transferred	10,564

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
Total consideration transferred value	¥10,564
Contingent consideration cash not expended for included in consideration transferred value	(285)
Cash and cash equivalents included in the acquired business	(488)
Payments for acquisition of business, net of cash acquired	9,790

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

Acquisition related costs for this business acquisition were ¥77 million, 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 consists of a total contract amount of ¥29,572 million, and contractual cash flows that are expected to be uncollectible as of the business acquisition date was estimated to be ¥98 million.

(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, while net income attributable to owners of the parent was ¥622 million.

(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.

There was no significant business combinations during the year ended March 31, 2018.

32. Subsequent event

The Company determined the issuance of the 71st and 72nd unsecured domestic bonds (with limited inter-bond pari passu clause) pursuant to the comprehensive approval related to straight corporate bond issuance of March 26, 2018. These bonds were issued as follows.

	The 71st	The 72nd
(1) Total issuance amount	¥15,000 million ($141,509 thousand)	¥10,000 million ($94,339 thousand)
(2) Issuance price	¥100 for ¥100 of face value of each bond	
(3) Payment date	April 23, 2018	
(4) Redemption date	Entire amount is redeemable on March 19, 2021	Entire amount is redeemable on April 18, 2025
(5) Interest rate	0.040% per annum	0.280% per annum
(6) Application of proceeds	Redemption of short-term bonds	

Building a better
working world

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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, 2018, 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, 2018 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 22, 2018
Tokyo, Japan