

## Consolidated Earnings Report [IFRS]

### For the Year Ended March 31, 2019



Corporate Name: **Hitachi Capital Corporation**  
 Stock Code: 8586 URL: <https://www.hitachi-capital.co.jp>  
 Stock Listing: Tokyo Stock Exchange  
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 Date of ordinary general meeting of shareholders: June 26, 2019  
 Scheduled commencement of dividend payment: –  
 Scheduled date of submission of annual securities report: August 1, 2019  
 Preparation of supplementary material for financial results: Yes  
 Holding of financial results meeting: Yes (for investors & analysts)

(All amounts rounded down)

## 1. Consolidated Results for the Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Consolidated Operating Results (Cumulative) (year-on-year change %)

	Revenues		Profit before tax		Net income		Net income attributable to owners of the parent		Comprehensive income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Year ended March 31, 2019	453,253	12.2	32,706	(26.2)	18,161	(45.3)	19,363	(39.6)	12,167	(70.1)
Year ended March 31, 2018	404,124	9.0	44,295	(3.8)	33,224	(2.9)	32,057	(2.6)	40,717	58.5

	Earnings per share (basic)	Earnings per share (diluted)	ROE	ROA	Profit before tax margin
	¥	¥	%	%	%
Year ended March 31, 2019	165.69	—	5.1	0.9	7.2
Year ended March 31, 2018	274.26	—	8.8	1.3	11.0

(Ref.) Share of profits of investments accounted for using the equity method:

Year ended March 31, 2019: ¥3,001 million      Year ended March 31, 2018: ¥1,135 million  
 Volume of business: Year ended March 31, 2019: ¥2,745,094 million      Year ended March 31, 2018: ¥2,509,327 million

## (2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity per share attributable to owners of the parent
	¥ million	¥ million	¥ million	%	¥
Year ended March 31, 2019	3,772,784	390,418	377,557	10.0	3,230.95
Year ended March 31, 2018	3,468,756	393,107	378,855	10.9	3,241.24

## (3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of period
	¥ million	¥ million	¥ million	¥ million
Year ended March 31, 2019	(176,507)	(56,268)	277,131	219,858
Year ended March 31, 2018	(219,623)	(36,681)	253,577	174,805

(Note) Purchase and sale of operating leased assets are included in operating activities.

## 2. Dividends

	Dividends per share					Total dividends (For the year)	Payout ratio (Consolidated)	Dividends to Equity (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year End	For the Year			
	¥	¥	¥	¥	¥	¥ million	%	%
Year ended March 31, 2018	—	43.00	—	43.00	86.00	10,052	31.4	2.8
Year ended March 31, 2019	—	46.00	—	0.00	46.00	5,376	27.8	1.4
Year ending March 31, 2020 (Forecast)	—	44.00	—	44.00	88.00		31.6	

3. Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(% is year-on-year for the fiscal year or the interim period)

	Revenues		Profit before tax		Net income		Net income attributable to owners of the parent		Earnings per share attributable to owners of the parent (basic)
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Interim	226,500	0.2	20,500	(21.8)	15,400	(20.9)	14,800	(23.1)	126.65
Fiscal year	466,500	2.9	45,000	37.6	34,000	87.2	32,500	67.8	278.12

(Ref.) Volume of business: Interim: ¥1,150,000 million Fiscal year: ¥2,230,000 million

**\* Notes**

(1) Significant changes in subsidiaries during the period under review

(Transfer of specific subsidiaries accompanying the change of scope of consolidation): None

(2) Changes to accounting policies; changes to accounting estimates

( i ) Changes to accounting policies required by IFRS : Yes

( ii ) Changes to accounting policies other than ( i ) above : None

(iii) Changes to accounting estimates : None

(3) Number of outstanding shares (common shares)

( i ) Shares issued at end of term (including treasury stock)

As of March 31, 2019: 124,826,552 shares As of March 31, 2018: 124,826,552 shares

( ii ) Treasury stock at end of term

As of March 31, 2019: 7,969,770 shares As of March 31, 2018: 7,940,500 shares

(iii) Weighted average number of shares outstanding

Year ended March 31, 2019: 116,860,470 shares Year ended March 31, 2018: 116,886,292 shares

**\* Consolidated Earnings Report is outside the scope of an audit by certified public accountants or an audit corporation.**

**\* Explanation for proper use of earnings forecasts, etc.**

Consolidated forecasts stated herein have been prepared based on the information available on the date of release, and the actual results may differ from the forecast due to a variety of reasons.

See page 6 of the accompanying document 3) Consolidated earnings forecasts for the year ending March 31, 2020.

The Company will have a financial results meeting for institutional investors and financial analysts on July 26, 2019.

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## 1. Analysis of Business Results and Financial Position

### (1) Analysis of Business Results

#### 1) Summary of operating results

Summarized results for the year ended March 31, 2019 were as follows:

	Year Ended March 31, 2018	Year Ended March 31, 2019	Y on Y Change
Volume of business	2,509,327	2,745,094	9.4
Revenues	404,124	453,253	12.2
Gross profit	131,698	140,393	6.6
Profit before tax	44,295	32,706	(26.2)
Net income attributable to owners of the parent	32,057	19,363	(39.6)

(¥ million, %)

During the year ended March 31, 2019, while the economies in the U.K. and the U.S. as well as Japan showed a steady growth, the economic growth in China has slowed down. Under such circumstances, the outlook of global economy is increasingly uncertain due to a sign of a global economic slowdown as a consequence of political climate including the escalating trade friction between the U.S. and China in addition to an impasse in Brexit negotiations.

During the year ended March 31, 2019, Japan Business strived for expansion of its focused sectors (Social infrastructure, Eco- and energy- related, Vehicle, Local governments/public) and a transition to the growth stage through business structural reform. In June 2018, with an aim to contribute to the promotion of regional revitalization and resource-recycling society, Hitachi Green Energy Corporation invested in a joint venture, Agriculture Cooperation BG Investment Partnership No. 1, engaging in a biogas power generation business using residua of yam in Aomori Prefecture and started the commercial operation of power generation system in November 2018. In December 2018, the Company and Hitachi Transport System, Ltd. ("Hitachi Transport System") concluded a business alliance agreement to realize new innovation through "Finance, Commerce, Logistics, and Information." Based on the agreement, the Company acquired 40% of outstanding shares of Hitachi Auto Service Co., Ltd., a wholly owned subsidiary of Hitachi Transport System, in February 2019. Going forward, we will jointly promote various measures such as a management system of Smart & Safety Connected Vehicle. In addition, in January 2019, we successfully completed the system integration in Vendor Solution business which had been promoted as a pillar of the business structural reform. This effort in Vendor Solution business and the demonstration testing to improve the automation rate in small-lot loan screening for small and medium-sized enterprises using AI technology of Hitachi, Ltd. were highly recognized, and the Company was selected as "2018 Noteworthy IT Strategy Companies" in the "2018 Competitive IT Strategy Company Stock Selection" in May 2018 and received "IT Encouragement Award" in "FY2018 (36th) Information Technology Award" in November 2018. In February 2019, the Company issued the Green Bond amounting to ¥10 billion as part of our efforts to diversify funding methods and fund capital expenditures for the solar power generation business in Niimi City, Okayama Prefecture.

Global Business is striving to maintain high and systematic growth through risk control according to regional characteristics and building a system insusceptible to external environments. In Europe business, Hitachi Capital (UK) PLC made Franchise Finance Limited its subsidiary with an aim to expand business finance in the U.K. in June 2018. In July 2018, Noordlease Holding B.V. in the Netherlands consolidated Noordlease B.V. based in the northern part of the country and Lease Visie B.V. based in the central part, in order to create business synergy and expand its sales network across the country, and also changed the company name to Hitachi Capital Mobility Holding Netherlands B.V. In January 2019, with the aim of strengthening Vehicle Solution business in Continental Europe and expanding its business area, the Company made Maske Fleet GmbH operating in Germany and Austria a wholly-owned subsidiary. The

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Group will continue to aim for sustainable growth in Europe business through business enhancement and market expansion in continental Europe as well as the stable growth in the U.K. In the Americas business, in February 2019, we acquired Global Technology Finance, LLC, a provider of supply chain finance to IT resellers in the U.S. In Canada, we launched commercial finance business as part of our continuing efforts for business enhancement. In ASEAN business, we provided building lease to Lumada Center Southeast Asia which Hitachi, Ltd. launched in Thailand in September 2018. We are also working on strengthening collaboration with the Hitachi Group, for example, in February 2019, Hitachi Capital Asia Pacific Pte. Ltd. and Hitachi Aqua-Tech Engineering Pte. Ltd., a subsidiary of Hitachi, Ltd., engaging in seawater RO desalination, received an order for facilities and equipment for a water supply infrastructure project in the Maldives, under which the two companies provide package of supplying both products and financing support.

Japan Infrastructure Initiative Company Limited, which was established through the business alliance between the Company, Hitachi, Ltd., Mitsubishi UFJ Financial Group, Inc., MUFG Bank, Ltd. and Mitsubishi UFJ Lease & Finance Company Limited, has made investments in the Japan-Guam-Australia Optical Submarine Cable project, the U.K. railway related business and recently decided to invest in Dynamic Map Platform Co., Ltd., which provides high definition 3D map data necessary for autonomous driving and advanced driver-assistance systems.

For the year ended March 31, 2019, revenues increased 12.2% year on year to ¥453,253 million and gross profit increased 6.6% year on year to ¥140,393 million due to a successful business structural reform and a growth in focused sectors, including Eco- and energy- related and Vehicle, in Japan Business as well as steady performance of Global Business in Europe, the Americas and ASEAN.

Meanwhile, profit before tax decreased 26.2% year on year to ¥32,706 million and net income attributable to owners of the parent decreased 39.6% year on year to ¥19,363 million due to recording allowance of ¥20,665 million for large factoring transactions in China business.

Results by segment for the year ended March 31, 2019 were as follows.

(Japan: Account Solution)

Revenues increased 9.6% year on year to ¥229,381 million due to a steady performance of businesses positioned as focused sectors in the 2018 Mid-term Management Plan such as Eco- and energy- related and Vehicle.

Profit before tax increased 31.4% to ¥22,718 million due to an increase in revenues, a business structural reform mainly through consolidation of Vendor Solution business into a subsidiary (Hitachi Capital NBL Corporation), and a decrease in selling, general and administrative expenses.

(Japan: Vendor Solution)

Revenues decreased 3.3% year on year to ¥24,956 million due to a decrease in finance-related income affected by a prolonged low interest rate environment in Japan despite a moderate increase in volume of business.

Profit before tax increased 16.8% to ¥6,245 million due to a business structural reform mainly through consolidation of Vendor Solution business into a subsidiary (Hitachi Capital NBL Corporation) and a decrease in selling, general and administrative expenses.

(Europe)

Revenues increased 21.2% year on year to ¥127,091 million due to a strong performance of consumer finance business and also because Brexit did not have any impact on U.K. business.

Profit before tax increased 8.0% to ¥18,251 million due to an increase in selling, general and administrative expenses despite 21.2% increase in revenues.

(The Americas)

Revenues increased 25.3% year on year to ¥26,945 million due to a strong performance in truck finance business in the U.S. and Canada business.

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Profit before tax increased 37.8 % to ¥5,100 million due to a decrease in bad debt expenses in addition to an increase in revenues.

(China)

While revenues increased 9.8% year on year to ¥18,600 million, China business recorded loss before tax of ¥13,895 million due to recording allowance of ¥20,665 million for inappropriate deals of large factoring transactions (For details, please refer to the attachment “Investigation Report (For Disclosure)” of the release, “Notice Regarding the Receipt and Publication of the Special Investigation Committee’s Investigation Report” dated July 25, 2019).

(ASEAN)

Revenues increased 9.7% year on year to ¥17,534 million due to increases in revenues in all group companies in Singapore, Thailand, Malaysia, and Indonesia as a result of business deployment that takes into consideration regional characteristics.

Profit before tax increased 49.6% year on year to ¥1,493 million due mainly to an increase in revenues as well as a decrease in selling, general and administrative expenses as a result of enhancement of management base.

## 2) Key management indicators

	(%)	
	Year Ended March 31, 2018	Year Ended March 31, 2019
ROE	8.8	5.1
ROA	1.3	0.9
Ratio of equity attributable to owners of the parent	10.9	10.0

## 3) Consolidated earnings forecasts for the year ending March 31, 2020

The outlook of the business environment surrounding the Company is expected to remain uncertain due mainly to an impasse in Brexit negotiations and the escalating trade friction between the U.S. and China.

Under such circumstances, the Company will aim to maintain a systematic growth by accumulating high quality assets and building a business portfolio insusceptible to external environments.

Based on the situation described above, consolidated earnings forecasts for the year ending March 31, 2020 are as follows.

	(¥ million)	
	Fiscal Year Ended March 31, 2019	Fiscal Year Ending March 31, 2020 (Forecast)
Volume of business	2,745,094	2,230,000
Revenues	453,253	466,500
Gross profit	140,393	143,200
Profit before tax	32,706	45,000
Net income attributable to owners of the parent	19,363	32,500
Basic earnings per share attributable to owners of the parent	¥165.69	278.12

The consolidated earnings forecast stated herein has been prepared based on the information available to the Company at the time this report was prepared, and contain certain potential risks and uncertainties. Accordingly, it should be noted that the actual results may differ from the forecasts due to changes in various factors.

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## (2) Analysis of Financial Position

### 1) Assets, liabilities and equity

Financial position as of March 31, 2019 was as follows:

(¥ million, %)

	As of March 31, 2018	As of March 31, 2019	Change	
			Amount	%
Total assets	3,468,756	3,772,784	304,028	8.8
Interest-bearing debt	2,812,991	3,118,052	305,061	10.8
Total equity	393,107	390,418	(2,688)	(0.7)

#### i . Total assets

Total assets as of March 31, 2019 increased ¥304,028 million from March 31, 2018 to ¥3,772,784 million due to increases in trade and other receivables and finance lease receivables mainly in Europe and the Americas.

#### ii . Interest-bearing debt

Interest-bearing debt as of March 31, 2019 increased ¥305,061 million from March 31, 2018 to ¥3,118,052 million due mainly to issuance of bonds in Europe and an increase in short-term borrowings in the Americas.

#### iii . Total equity

Total equity as of March 31, 2019 decreased ¥2,688 million from March 31, 2018 to ¥390,418 million, and major components consist of a decrease in retained earnings as of April 1, 2018 of ¥4,419 million due to adoption of IFRS 9 (amended in July 2014), net income attributable to owners of the parent of ¥19,363 million, cash dividends paid of ¥10,401 million, and a decrease in accumulated other comprehensive income of ¥5,876 million.



## 2) Cash flows

Cash flows during the year ended March 31, 2019 were as follows:

(¥ million)

	Year Ended March 31, 2018	Year Ended March 31, 2019	Change
Cash flows from operating activities	(219,623)	(176,507)	43,115
Cash flows from investing activities	(36,681)	(56,268)	(19,587)
Cash flows from financing activities	253,577	277,131	23,553
Free cash flow	(256,304)	(232,775)	23,528

### i . Cash flows from operating activities

Net cash used in operating activities was ¥176,507 million primarily due to purchase of operating leased assets of ¥167,219 million, increase in trade and other receivables of ¥127,396 million, increase in finance lease receivables of ¥68,122 million, and proceeds from sale of operating leased assets of ¥46,616 million.

### ii . Cash flows from investing activities

Net cash used in investing activities was ¥56,268 million primarily due to purchase of investments in securities and payments to time deposits of ¥21,500 million, purchase of other property, plant and equipment of ¥21,470 million, and payment for acquisition of subsidiary's shares resulting in changes in scope of consolidation of ¥4,922 million.

### iii . Cash flows from financing activities

Net cash provided by financing activities was ¥277,131 million primarily due to proceeds from long-term borrowings and bonds of ¥770,327 million, payments on long-term borrowings and bonds of ¥607,994 million, and net increase in short-term borrowings of ¥125,709 million.

As a result, cash and cash equivalent as of March 31, 2019 increased ¥45,053 million from March 31, 2018 to ¥219,858 million. Free cash flow, a sum of cash flows from operating and investing activities, resulted in cash outflows of ¥232,775 million, an increase of ¥23,528 million from the year ended March 31, 2018.

### (3) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years

#### 1) Cash dividends

The Company will secure internal reserves necessary to ensure a sound financial position and proactively execute strategic investment corresponding to changes in the business environment, in order to enhance corporate value and achieve sustainable growth. Also, we position returning profits to the shareholders as one of the most important management measures and maintain a stable distribution of dividends.

#### 2) Acquisition of treasury stock

The Group acquires treasury stock as a supplementary measure to dividends in returning profit to shareholders to the extent that is in line with the dividend policy, based on the comprehensive consideration of the capital needs to maintain the financial position of the Company and carry out business plans and the market environment.

#### 3) Dividends for the current and next fiscal years

(¥, %)

	Year Ended March 31, 2019	Year Ending March 31, 2020 (Forecast)	Change	
			Amount	%
Annual dividend per share	46.00	88.00	42.00	91.3

## **2. Basic Policy for Selection of Accounting Standards**

The Company has adopted International Financial Reporting Standard (IFRS) voluntarily for the annual securities report for the fiscal year ended March 31, 2015. By adopting IFRS, global accounting standards, and improving the comparability of the financial information in the capital market, the Company seeks to broaden domestic and overseas shareholder and investor base and to diversify funding methods in the global markets.

### 3. Consolidated Financial Statements

#### (1) [Consolidated Statements of Financial Position]

(¥ million)

	As of March 31, 2018	As of March 31, 2019
<b>Assets</b>		
Cash and cash equivalents	174,805	219,858
Trade and other receivables	1,385,805	1,517,882
Finance lease receivables	1,149,772	1,206,090
Other financial assets	82,275	91,653
Operating leased assets	470,644	503,486
Investments accounted for using the equity method	33,644	36,746
Other property, plant and equipment	80,983	93,655
Other intangible assets	34,604	41,604
Deferred tax assets	15,225	15,167
Other assets	40,993	46,640
<b>Total assets</b>	<b>3,468,756</b>	<b>3,772,784</b>
<b>Liabilities</b>		
Trade and other payables	96,308	104,810
Borrowings and bonds	2,812,991	3,118,052
Other payables	16,034	11,510
Other financial liabilities	59,786	58,494
Income tax payable	4,280	3,867
Retirement and severance benefits	5,851	6,395
Deferred tax liabilities	3,740	4,865
Other liabilities	76,654	74,368
<b>Total liabilities</b>	<b>3,075,649</b>	<b>3,382,365</b>
<b>Equity</b>		
Equity attributable to owners of the parent		
Common stock	9,983	9,983
Capital surplus	45,215	45,313
Retained earnings	335,085	339,655
Accumulated other comprehensive income	2,907	(2,968)
Treasury stock	(14,336)	(14,425)
<b>Total equity attributable to owners of the parent</b>	<b>378,855</b>	<b>377,557</b>
Non-controlling interests	14,251	12,861
<b>Total equity</b>	<b>393,107</b>	<b>390,418</b>
<b>Total liabilities and equity</b>	<b>3,468,756</b>	<b>3,772,784</b>

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(2) [Consolidated Statements of Profit or Loss and Comprehensive Income]  
 [Consolidated Statements of Profit or Loss]

	(¥ million)	
	For the Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)	For the Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)
Revenues	404,124	453,253
Cost of sales	272,425	312,859
Gross profit	131,698	140,393
Selling, general and administrative expenses	86,274	110,997
Other income	723	1,023
Other expenses	2,987	714
Share of profits of investments accounted for using the equity method	1,135	3,001
Profit before tax	44,295	32,706
Income taxes	11,070	14,544
Net income	33,224	18,161
Net income attributable to:		
Owners of the parent	32,057	19,363
Non-controlling interests	1,167	(1,201)
Earnings per share		
Earnings per share attributable to owners of the parent (basic and diluted)	¥274.26	¥165.69

[Consolidated Statements of Comprehensive Income]

(¥ million)

	For the Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)	For the Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)
Net income	33,224	18,161
Other comprehensive income		
Items not to be reclassified to net income		
Financial assets measured at fair value through other comprehensive income	1,610	(1,198)
Remeasurements of defined benefit plans	2,447	(1,395)
Share of other comprehensive income of investments accounted for using the equity method	10	(157)
Total items not to be reclassified to net income	4,068	(2,752)
Items that can be reclassified to net income		
Foreign currency translation adjustments	2,033	(1,504)
Cash flow hedges	1,354	(1,583)
Share of other comprehensive income of investments accounted for using the equity method	36	(153)
Total items that can be reclassified to net income	3,424	(3,241)
Other comprehensive income	7,493	(5,993)
Comprehensive income	40,717	12,167
Comprehensive income attributable to:		
Owners of the parent	39,474	13,514
Non-controlling interests	1,242	(1,346)

## (3) [Consolidated Statements of Changes in Equity]

For the Year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(¥ million)

	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			
As of 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				7,417		7,417	75	7,493
Comprehensive income for the period			32,057	7,417		39,474	1,242	40,717
Dividends to equity owners of the parent			(10,052)			(10,052)		(10,052)
Dividends to non-controlling interests							(417)	(417)
Acquisition of treasury stock					(0)	(0)		(0)
Disposal of treasury stock		0			0	0		0
Transfer to retained earnings				(344)		(344)	0	(343)
Transfer from other comprehensive income			344			344	(0)	343
Equity transactions 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
As of March 31, 2018	9,983	45,215	335,085	2,907	(14,336)	378,855	14,251	393,107

For the Year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(¥ million)

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

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## (4) [Consolidated Statements of Cash Flows]

(¥ million)

	Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)	Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)
<b>Cash flows from operating activities</b>		
Net income	33,224	18,161
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	119,229	131,608
Income taxes	11,070	14,544
Share of profits of investments accounted for using the equity method	(1,135)	(3,001)
(Increase) decrease in trade and other receivables	(86,345)	(127,396)
(Increase) decrease in finance lease receivables	(60,478)	(68,122)
Purchase of operating leased assets	(203,230)	(167,219)
Proceeds from sale of operating leased assets	31,918	46,616
Increase (decrease) in trade and other payables	(70,719)	348
Other	16,500	(11,170)
Subtotal	(209,966)	(165,629)
Income taxes paid	(9,656)	(10,877)
Net cash provided by (used in) operating activities	(219,623)	(176,507)
<b>Cash flows from investing activities</b>		
Purchase of other property, plant and equipment	(24,204)	(21,470)
Purchase of other intangible assets	(6,582)	(5,158)
Purchase of investments in securities and payments to time deposits	(5,188)	(21,500)
Proceeds from sale and redemption of investments in securities and withdrawal of time deposits	4,398	6,128
Proceeds from sales of subsidiary's shares resulting in changes in scope of consolidation	163	—
Payment for acquisition of subsidiary's shares resulting in changes in scope of consolidation	(4,663)	(4,922)
Purchase of investments accounted for using the equity method	(328)	(2,696)
Payments for transfer of business	—	(2,207)
Net decrease (increase) in short-term loans receivable	—	(832)
Payments of long-term loans receivable	(356)	(3,691)
Other	81	83
Net cash provided by (used in) investing activities	(36,681)	(56,268)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	106,400	125,709
Proceeds from long-term borrowings and bonds	706,009	770,327
Payments on long-term borrowings and bonds	(547,932)	(607,994)
Proceeds from payments from non-controlling interests	—	38
Dividends paid to owners of the parent	(9,916)	(10,415)
Dividends paid to non-controlling interests	(417)	(358)
Purchase of shares of consolidated subsidiaries from non-controlling interests	(565)	(84)
Other	(0)	(89)
Net cash provided by (used in) financing activities	253,577	277,131
Effect of exchange rate changes on cash and cash equivalents	(548)	697
Net increase (decrease) in cash and cash equivalents	(3,275)	45,053
Cash and cash equivalents at beginning of period	178,081	174,805
Cash and cash equivalents at end of period	174,805	219,858

Unaudited

(5) Notes to the Consolidated Financial Statements

(Notes concerning going concern)

Not applicable

(Changes to accounting policies)

(1) Adoption of IFRS 9 “Financial Instruments” (amended in July 2014)

Effective April 1, 2018, the Group adopted IFRS 9 “Financial Instruments” (amended in July 2014). IFRS 9 “Financial Instruments” (amended in July 2014) amends hedge accounting and classification and measurement of financial instruments and introduces the expected credit loss model for impairment of financial assets. The Group adopted IFRS 9 “Financial Instruments” (amended in July 2014) retrospectively in accordance with the transition method and recognized the cumulative effect of initial adoption of the standard as an adjustment to the balance of retained earnings as of April 1, 2018.

The impacts of adopting the expected credit loss model for impairment on the Group’s consolidated financial statements as of April 1, 2018 were a decrease in trade and other receivables of ¥2,809 million, a decrease in finance lease receivables of ¥3,035 million, a decrease in retained earnings of ¥4,419 million, a decrease in non-controlling interests of ¥110 million and an increase in deferred tax assets of ¥1,314 million.

This change has no material impact on net income and earnings per share attributable to owners of the parent (basic and diluted) for the year ended March 31, 2019.

The amendment of hedge accounting and classification and measurement of financial instruments has no material impact on the Group’s consolidated financial statements.

(2) Adoption of IFRS 15 “Revenue from Contracts with Customers”

Effective April 1, 2018, the Group adopted IFRS 15 “Revenue from Contracts with Customers.” The Group adopted IFRS 15 “Revenue from Contracts with Customers” retrospectively in accordance with the transition method and recognized the cumulative effect of initial adoption of the standard as an adjustment to the balance of retained earnings as of April 1, 2018. The adoption of this standard has no material impact on the Group’s consolidated financial statements.

(Changes to accounting estimates)

Not applicable

(Changes in presentation)

Consolidated Statements of Cash Flows

“Increase (decrease) in payable due to collection of securitized receivables” in “Cash flows from operating activities,” which was previously stated separately, is included in “Other” from the year ended March 31, 2019 because the amount is immaterial. The consolidated statements of cash flows for the year ended March 31, 2018 has been reclassified in order to reflect this change in presentation.

As a result, “Increase (decrease) in payable due to collection of securitized receivables” of ¥(924) million and “Other” of ¥17,424 million in “Cash flows from operating activities” in the summary of quarterly consolidated statements of cash flows for the year ended March 31, 2018 were reclassified as “Other” of ¥16,500 million.

(Segment information)

Segment information

The Group's reportable segments are components of the Group for which separate financial information is available that are reviewed by the Board of Directors regularly to make decisions regarding the allocation of management resources and evaluate operating performance.

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

Services and customers to provide solutions by reportable segment are described below:

(1) Account Solution (Japan)

Provide solutions to meet diversifying needs of customers such as corporates and public offices by combining our various functions such as lease, installments, insurance and trust, and in collaboration with partners, including the Hitachi Group.

(2) Vendor Solution (Japan)

Provide solutions to meet associated vendors' needs for sales promotion with the Group's financial services, mainly lease and installments.

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

Provide solutions to customers and vendors in each area with the Group's wide range of financial services, and in collaboration with partners, including the Hitachi Group.

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

For the Year Ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(¥ million)

	Reportable segments							Other	Total	Adjustments	Consolidated statements 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
Profit before tax	17,289	5,346	16,907	3,701	7,677	998	51,919	1,267	53,187	(8,891)	44,295

(Notes)

1. "Other" includes business segments not included in any other reportable segments and includes companies transforming its business structure through business development and revitalization.
2. Adjustment of profit before tax represents company-wide expense that is not allocated to any reportable segments. 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 segment used by the chief operating decision maker.
4. Inter-segment transactions are executed on an arm's length basis.

For the Year Ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(¥ million)

	Reportable segments							Other	Total	Adjustments	Consolidated statements of profit or loss
	Japan		Europe	The Americas	China	ASEAN	Total				
	Account Solution	Vendor Solution									
Revenues											
External customers	228,634	24,870	127,091	26,945	18,600	17,534	443,676	11,683	455,360	(2,107)	453,253
Intersegment	747	85	—	—	—	—	832	1,103	1,936	(1,936)	—
Total	229,381	24,956	127,091	26,945	18,600	17,534	444,509	12,787	457,297	(4,044)	453,253
Profit (loss) before tax	22,718	6,245	18,251	5,100	(13,895)	1,493	39,914	1,302	41,216	(8,509)	32,706

(Notes)

1. "Other" includes business segments not included in any other reportable segments and includes companies transforming its business structure through business development and revitalization.
2. Adjustment of profit (loss) before tax represents company-wide expense that is not allocated to any reportable segments. 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 segment used by the chief operating decision maker.
4. Inter-segment transactions are executed on an arm's length basis.

Unaudited

(Per share information)

Equity per share attributable to owners of the parent and the basis for calculation and earnings per share attributable to owners of the parent and the basis for calculation are as follows. Diluted earnings per share attributable to owners of the parent is not disclosed as the Company has no dilutive shares.

Items	As of March 31, 2018	As of March 31, 2019
Number of common stock at year-end (shares)	116,886,052	116,856,782
Total equity attributable to owners of the parent (¥ million)	378,855	377,557
Total equity per share attributable to owners of the parent	3,241.24 Yen	3,230.95 Yen

Items	For the Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)	For the Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)
Weighted average number of common stock during the year (shares)	116,886,292	116,860,470
Net income attributable to owners of the parent (¥ million)	32,057	19,363
Earnings per share attributable to owners of the parent	274.26 Yen	165.69 Yen

(Significant subsequent events)

Not applicable

#### 4. Supplementary Information

##### (1) Change in Quarterly Consolidated Performance

Consolidated Results for the Year Ended March 31, 2019

(¥ million, %)

	No.	Fiscal Year Ended March 31, 2018		Fiscal Year Ended March 31, 2019			
		Fourth Quarter (Results)	Twelve Months Ended March 31, 2018 (Results)	Fourth Quarter (January to March) (Results)		Twelve Months Ended March 31, 2019 (April to March) (Results)	
					Y on Y		Y on Y
Revenues	1	107,325	404,124	115,104	7.2	453,253	12.2
Cost of sales	2	74,627	272,425	79,214	6.1	312,859	14.8
Gross profit	3	32,698	131,698	35,889	9.8	140,393	6.6
Selling, general and administrative expenses	4	22,450	86,274	44,997	100.4	110,997	28.7
Other income	5	428	723	505	18.0	1,023	41.4
Other expenses	6	2,748	2,987	362	(86.8)	714	(76.1)
Share of profits of investments accounted for using the equity method	7	145	1,135	839	477.6	3,001	164.3
Profit (loss) before tax	8	8,074	44,295	(8,124)	—	32,706	(26.2)
Income taxes	9	2,163	11,070	4,130	90.9	14,544	31.4
Net income (loss)	10	5,910	33,224	(12,254)	—	18,161	(45.3)
Net income (loss) attributable to:							
Owners of the parent	11	5,595	32,057	(10,503)	—	19,363	(39.6)
Non-controlling interests	12	315	1,167	(1,751)	—	(1,201)	—
Earnings (loss) per share							
Earnings (loss) per share attributable to owners of the parent (basic and diluted)	13	¥47.87	¥274.26	¥(89.88)	—	¥165.69	(39.6)

Unaudited

## (2) Contract Segment Information

### 1. For the Year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(¥ million, %)

	No.	Domestic consolidated				Overseas consolidated				Consolidated Total
		Lease	Factoring and loans	Installments and others	Total	Lease	Factoring and loans	Installments and others	Total	
Volume of business (Composition %) (Y on Y Change %)	1	547,559 (22) (2)	279,139 (11) (-18)	219,950 (9) (8)	1,046,650 (42) (-3)	272,965 (11) (8)	950,446 (38) (23)	239,264 (9) (4)	1,462,677 (58) (17)	2,509,327 (100) (8)
Operating assets (Composition %) (Y on Y Change %)	2	1,128,913 (36) (2)	172,689 (5) (-25)	321,420 (10) (5)	1,623,024 (51) (-1)	510,075 (16) (13)	590,691 (19) (28)	455,344 (14) (4)	1,556,110 (49) (15)	3,179,135 (100) (6)

### 2. For the Year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(¥ million, %)

	No.	Domestic consolidated				Overseas consolidated				Consolidated Total
		Lease	Factoring and loans	Installments and others	Total	Lease	Factoring and loans	Installments and others	Total	
Volume of business (Composition %) (Y on Y Change %)	1	540,006 (20) (-1)	261,374 (9) (-6)	192,124 (7) (-13)	993,506 (36) (-5)	297,301 (11) (9)	1,138,540 (42) (20)	315,746 (11) (32)	1,751,588 (64) (20)	2,745,094 (100) (9)
Operating assets (Composition %) (Y on Y Change %)	2	1,175,385 (35) (4)	138,865 (4) (-20)	310,642 (9) (-3)	1,624,893 (48) (0)	579,461 (17) (14)	669,229 (20) (13)	519,294 (15) (14)	1,767,985 (52) (14)	3,392,878 (100) (7)

#### (Notes)

1. "Lease" includes auto leases, rentals, and other items.
2. "Factoring and loans" includes factoring, business loans (including home loans).
3. "Installments and others" include installment sales, loan sales through alliances, card services and other items.

Unaudited

## (3) Segment Information by Business

(Consolidated Business Volume)

(¥ million, %)

	No.	Year ended March 31, 2018		Year ended March 31, 2019		Y on Y change	
			Composition		Composition		
u e d e r	Account Solution	1	850,987	33.9	802,990	29.2	(5.6)
	Wholesale	2	667,631	26.6	618,516	22.5	(7.4)
	Information equipment related	3	235,655	9.4	224,979	8.2	(4.5)
	Industrial construction machinery related	4	79,138	3.2	61,108	2.2	(22.8)
	Commercial logistics related	5	75,864	3.0	89,950	3.3	18.6
	Factoring	6	65,693	2.6	59,767	2.2	(9.0)
	Card	7	67,852	2.7	68,174	2.5	0.5
	Others	8	143,427	5.7	114,535	4.1	(20.1)
	Vehicle	9	53,365	2.1	56,557	2.1	6.0
	Residential CMS	10	129,051	5.2	127,021	4.6	(1.6)
	Others	11	939	0.0	894	0.0	(4.7)
Vendor Solution	12	177,432	7.1	181,971	6.6	2.6	
Europe	13	592,343	23.6	662,687	24.1	11.9	
The Americas	14	533,212	21.2	721,770	26.3	35.4	
China	15	235,416	9.4	251,027	9.2	6.6	
ASEAN	16	101,704	4.1	116,103	4.2	14.2	
Others	17	20,146	0.8	9,822	0.4	(51.2)	
Elimination and others	18	(1,917)	(0.1)	(1,277)	(0.0)	-	
Consolidated business volume	19	2,509,327	100.0	2,745,094	100.0	9.4	

## (Notes)

1. Account Solution: Provide solutions to meet diversifying needs of customers such as corporates and public offices by combining our various functions such as lease, installments, insurance and trust, and in collaboration with partners, including the Hitachi Group.
2. Vendor Solution: Provide solutions to meet associated vendors' needs for sales promotion with the Group's financial services, mainly lease and installments.
3. Europe, the Americas, China, ASEAN: Provide solutions to customers and vendors in each area with the Group's wide range of financial services, and in collaboration with partners, including the Hitachi Group.

Unaudited