**Hitachi Capital Corporation**

# Annual Report 2010

**Year ended March 31, 2010**

HITACHI

## Power of Solutions, Power to Customers


Illustration by Yohko Ohshida, recipient of the Hitachi Capital Special Award of the 21st Artbility Awards

**Hitachi Capital**

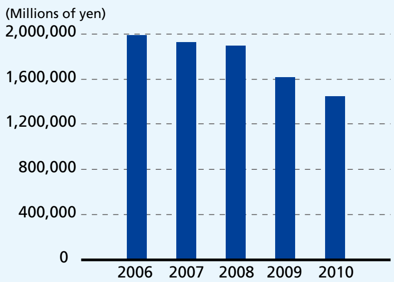
# FINANCIAL HIGHLIGHTS

Hitachi Capital Corporation and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

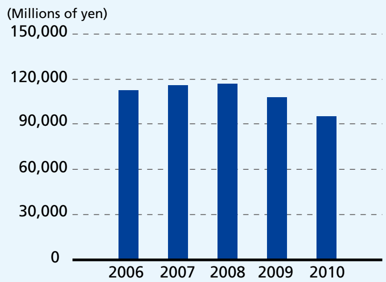
| | In millions of yen, except per share data | | | Thousands of U.S. dollars, except per share data |
|---|---|---|---|---|
| | **2010** | 2009 | 2008 | **2010** |
| **FOR THE YEAR:** | | | | |
| Volume of business | **¥ 1,449,439** | ¥ 1,616,460 | ¥ 1,899,166 | **$ 15,585,365** |
| Revenues | **95,357** | 107,943 | 117,185 | **1,025,344** |
| Operating income | **12,895** | 17,580 | 22,486 | **138,655** |
| Income before income taxes and minority interests | **13,370** | 21,812 | 20,504 | **143,763** |
| Net income | **8,248** | 12,122 | 10,722 | **88,688** |
| **AT YEAR-END:** | | | | |
| Notes and accounts receivable-trade | **¥ 496,420** | ¥ 529,657 | ¥ 611,063 | **$ 5,337,849** |
| Total assets | **1,664,606** | 1,790,497 | 2,447,791 | **17,898,989** |
| Net assets | **252,268** | 241,394 | 239,077 | **2,712,559** |
| Number of employees | **3,392** | 3,513 | 3,418 | **—** |
| **PER SHARE DATA** (in yen and U.S. dollars)**:** | | | | |
| Net income (basic) | **¥ 70.5** | ¥ 103.7 | ¥ 91.7 | **$ 0.75** |
| Net income (diluted) | **—** | — | 91.7 | **—** |
| Cash dividends paid and declared for the year | **30.0** | 36.0 | 40.0 | **0.32** |
| Stockholders' equity | **2,145** | 2,053 | 2,033 | **23.06** |

Notes: 1. U.S. dollar amounts in this report represent translations of yen, solely for the convenience of the reader, at the rate of ¥93=US$1, the approximate exchange rate at March 31, 2010.
2. Net income (basic) per share is based on the weighted average number of shares of common stock outstanding during the respective years (see Note 3 (l) for per share data).
3. A year-end dividend of ¥40.0 per share for the fiscal year ended March 31, 2008 included a commemorative dividend of ¥4.0 per share on the occasion of the Company's 50th anniversary.

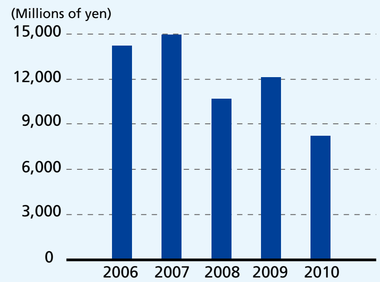
**Volume of business**




**Revenues**




**Net income**




# CONTENTS



**Forward-Looking Statements**

This annual report contains forward-looking statements about the future plans, strategies, beliefs and performance of Hitachi Capital and its subsidiaries. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts and projections based on information currently available to the Company and are subject to a number of risks, uncertainties and assumptions, which, without limitation, include economic trends, competition in markets where the Company is active, personal consumption, market demand, the tax system and other legislation. As such, actual results may differ materially from those projected.

## Basic Management Policy

### MANAGEMENT PHILOSOPHY

The Hitachi Capital Group adopts the following management policy to "contribute to creating a better society through the cultivation of financial services required by customers and society."

**1. Sustainable Growth**
**2. Respect for Human Dignity**
**3. Implementation of Corporate Ethics**

### ACTION GUIDELINES

Under the following three action guidelines, the Hitachi Capital Group companies will strive to win the confidence and trust of customers.

**1. Aiming for reliable and trusted management**
**2. Trying to cultivate our own services and products**
**3. Achieving customer satisfaction taking pride and joy in our work**

### MANAGEMENT POLICIES

The Hitachi Capital Group will provide financial services trusted by customers and the local community, taking a global perspective to meet the needs of society in such ways as consideration for the environment.

To achieve this, we will always bear in mind and sincerely adhere to the following principles.

**1. "Basics" and "the Right Path"**
**2. "Stand on One's Own" and "Coexistence"**
**3. "Quality" and "Development"**

## Our Business Lines

### Financial services

Financial services are based on "products" and include operating leases and credit with residual value besides finance leases.

### Commission services

Commission services are focused on management and consignment of products and include services leveraging our goods management know-how acquired from lease transactions, as well as outsourcing business and credit guarantee business such as the collection of accounts receivable and settlement of accounts payable, focusing on the flow of goods and making extensive use of our credit and collection capabilities.

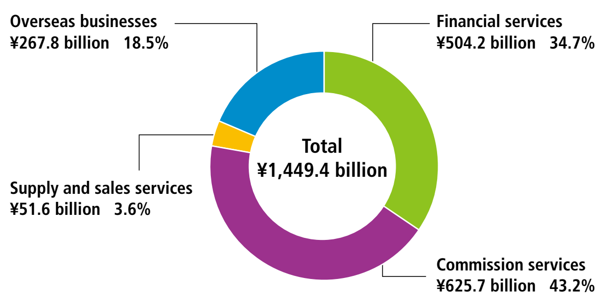
### Supply and sales services

Supply and sales services are focused on the utility value and circulation of goods and include rental, auto lease and recycle and reuse transactions.

### Overseas businesses

Overseas businesses include such businesses as finance leases and auto leases of overseas subsidiaries.

**Volume of business**
(business breakdown based on mid-term management plan)



# Completed Turnaround to a Stronger Corporate Structure. Strategic Focus Is Now on Sustainable Growth.

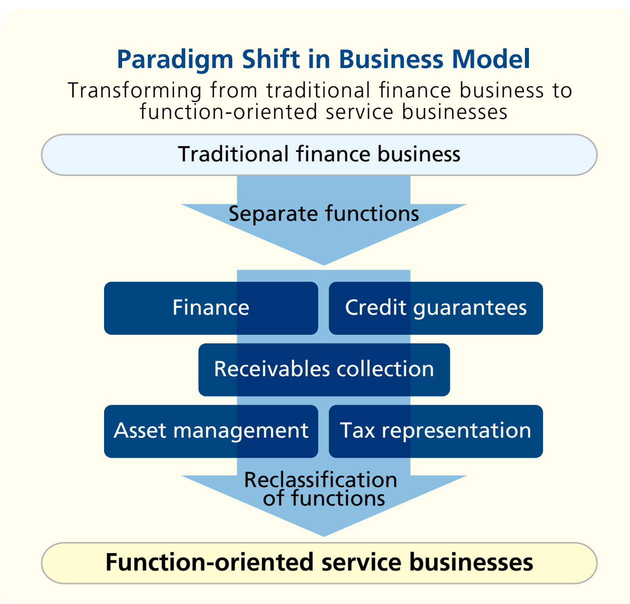
Kazuya Miura
President & CEO

## Overview of Fiscal 2010

With regard to our consolidated results, revenues in fiscal 2010, ended March 31, 2010, decreased 11.7% compared with the previous fiscal year to ¥95,357 million (US$1,025 million) due primarily to weak capital investment in the corporate sector in Japan. Despite significant reductions in business operating costs, personnel costs and financing costs, operating income decreased 26.7% year-on-year to ¥12,895 million (US$138 million) mainly attributable to the recording of business restructuring costs in Europe and the United States. Net income amounted to ¥8,248 million (US$88 million), down 32.0%. Although the financial results were dismal, the Hitachi Capital Group positioned fiscal 2010 as the year to turnaround to a stronger structure, and thanks to our unflagging resolve in implementing the three core policies of shifting to a low-cost structure, clarifying a "winning business structure" and investing in human resources to nurture professionals, volume of business and revenues exceeded target figures. We also surpassed our target for net income primarily by reducing financing costs, even though operating expenses rose due to the recording of business restructuring costs in Europe and the United States as allowance for losses on receivables. Aside from this, we increased business efficiency by integrating back-office functions into the Business Support Center and improved profitability in each contract, and as a result, we completed the turnaround to a stronger corporate structure. This means we have solidified foundations that will enable us to adopt a new strategic emphasis from fiscal 2011.

## Modifying Business Model in accordance with the Changing Environment

Our operating environment has changed drastically in the past three years to fiscal 2010. The almost simultaneous occurrence of a global economic downturn, industry reorganization, revisions to business laws and changes in accounting standards were major contributing factors. However, a more pertinent reason underpinning this change is the shift in Japan from an industrial society to a knowledge-based society. This denotes transformation from an era of "generating sales through creating products" to one of "generating sales by providing the utility value of a product as a service." This is a common phenomenon among developed countries and has prompted an increasing trend of shifting to overseas production. As a result, emerging nations are moving full steam ahead towards industrialization. The domestic finance market, which has traditionally focused on manufacture and sales of products, continues to contract amid such environmental changes. The Hitachi Capital Group has therefore had to modify its conventional business model based on a new perspective envisioning sustainable growth.




## Drive Sustainable Growth from a New Perspective under New Mid-Term Management Plan

In line with the above-mentioned business environment, the Hitachi Capital Group started a new Mid-Term Management Plan covering the three years from fiscal 2011 to fiscal 2013. Our aim is to drive sustainable growth from a new perspective by exploiting our key strengths accumulated over the years. Details of this plan are provided on pages 4 and 5 of the Special Feature section. In Japan, besides changing the business model by leveraging the diverse and unique functions of the Group in such areas as insurance, credit guarantees, receivables collection and trust services, we will utilize locally based sales systems to focus on raising shares in specific areas and increasing profitability in order to maintain our fundamental businesses. Overseas, we will continue to steadily expand business based on areas in which we have an established presence, particularly in emerging nations in Asia, while working closely with other Hitachi Group companies.

## Policy on Returning Profits to Shareholders and Message

We seek to maintain a stable distribution of dividends linked to business performance, while ensuring a sound financial position and securing internal reserves necessary for sustainable growth and to cope with the changing operating environment. Based on this policy, we paid a year-end dividend of ¥15.00 (US$0.16) per share. Including an interim dividend of the same amount, our annual dividend was ¥30.00 (US$0.32) per share.

The operating environment is expected to remain extremely tough for the Hitachi Capital Group. Nonetheless, we will endeavor to achieve sustainable growth based on a stronger corporate structure built by overcoming adverse conditions. To ensure continued growth going forward, we will be closely attuned to the changing times and execute the initiatives of our Mid-Term Management Plan aimed at new challenges and reforms.

I ask all shareholders for your continued support.

Kazuya Miura

Kazuya Miura, President & CEO

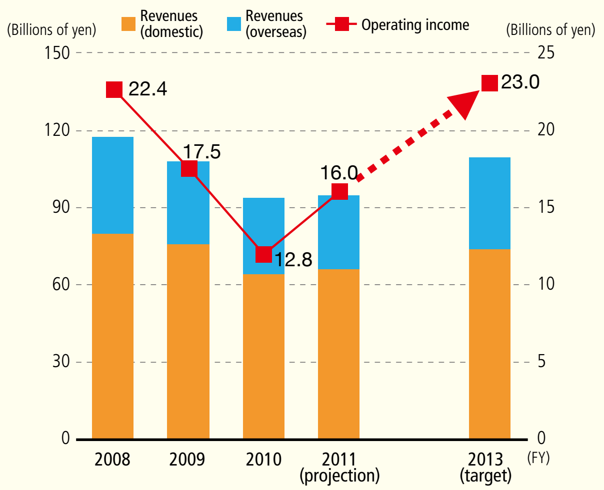
SPECIAL FEATURE: MID-TERM MANAGEMENT PLAN (FISCAL 2011-FISCAL 2013)

# Realizing a Stage of Sustainable Growth by Creating Function-Oriented Service Businesses

The Hitachi Capital Group has initiated a new Mid-Term Management Plan spanning from fiscal 2011 to fiscal 2013. This involves deploying three strategies that leverage the unique strengths of the Hitachi Capital Group based on a new perspective aimed in particular at creating function-oriented service businesses. Specifically, these three strategies entail: (1) Creating new domestic businesses, (2) Bolstering fundamental domestic businesses and (3) Expanding overseas businesses. We seek to increase the proportion of revenues from new businesses to over 20% of our business portfolio. Through these initiatives, we aim to achieve revenues of ¥110.0 billion and operating income of ¥23.0 billion in fiscal 2013, the final year of the Mid-Term Management Plan.

### Numerical Targets by Fiscal 2013

| | |
|---|---|
| Revenues | ¥110.0 billion (Fiscal 2011 Projection: ¥97.8 billion) |
| Operating income | ¥23.0 billion (Fiscal 2011 Projection: ¥16.0 billion) |
| ROE | Over 5.0% (Fiscal 2011 Projection: 3.7%) |
| Stockholders' equity ratio | Over 16% (Fiscal 2011 Projection: 15%) |




## Strategy 1: Create New Domestic Businesses

As a strategy for domestic businesses, we aim to shift from traditional finance businesses to function-oriented service businesses, and thus secure new revenue bases through new business creation.

**• Shift from Traditional Finance Businesses to Function-Oriented Service Businesses**

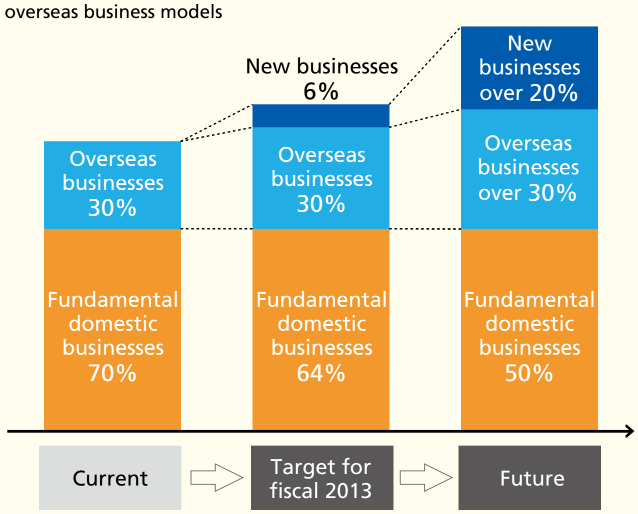
We are currently witnessing a shift from an era of "generating sales through creating products" to one of "generating sales by providing the utility value of a product as a service." For example, manufacturers of energy-saving equipment are required to change to a service-oriented business model from "selling devices" to "selling the benefits of energy conservation." Hitachi Capital has, over the years, provided traditional financial services to such businesses, including credit and other sales finance, as well as equipment leasing and liquidation of receivables. Going forward, in addition to these services, we will support customers as their trusted business partner by offering various functions that include credit risk management, asset management, accounting, billing and receivables collection representation. Hitachi Capital has positioned these as function-oriented service businesses and will nurture them as new revenue bases.

**• Create New Businesses by Combining Functions**

The driving force behind technical innovation in financial services lies in the strengths of the Hitachi Capital Group, including diverse functions and expertise in insurance, credit guarantees, receivables collection and trust services, locally based sales systems that enable close contact with customers and the customer confidence associated with the "Hitachi" brand. We intend to leverage these strengths, and at the same time, build up businesses for which we can expect market potential, as pillars of revenue. These include "credit insurance business," "businesses in cooperation with regional banks," "receivables collection business," "cloud computing business" and business using trust functions. Notably, we have steadily commenced receivables collection business, such as consignment of receivables collection services from the Japan Housing Finance Agency.

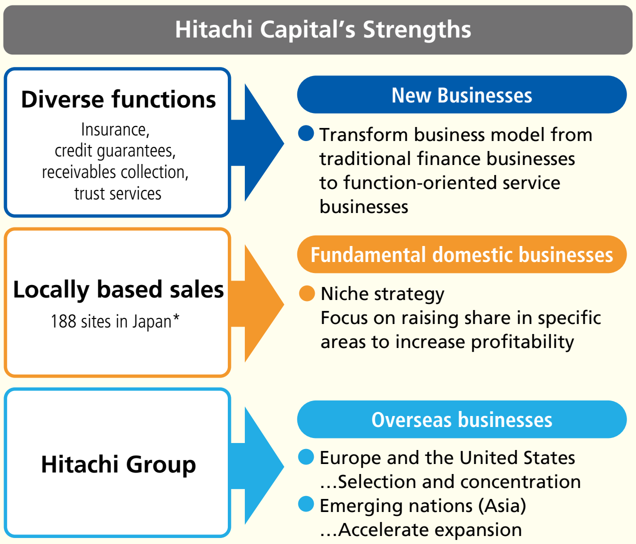
### Targeted Business Portfolio

Achieve top line growth by transforming domestic and overseas business models



## Overview of Mid-Term Management Plan

Cultivate new businesses and narrow down fundamental businesses in Japan, focus on emerging nations overseas




*As of April 1, 2010

### Strategy 2: Bolster Fundamental Domestic Businesses

Fundamental domestic businesses provide important revenue bases for Hitachi Capital. By reinforcing these businesses and accelerating our growth strategy through the aforementioned new businesses, we can achieve the targets we have set. For that reason, we will steadily expand business in selected domains, concentrate on building share in specific areas and work to raise profitability.

**• Implement Measures for Maintaining Profitability and Expansion Corresponding to Business Characteristics**

In fundamental domestic businesses, we will promote a niche strategy and reinforcing measures befitting respective business characteristics.

We will seek to increase efficiency in each business by enhancing infrastructure through improving IT functions and concentrating back-office functions into the Business Support Center. On top of this, we aim to gradually expand each business through locally based sales that leverage our network of 188 sites nationwide.

As an example, in our corporate business financial services, we will increase volume of business with office automation (OA) equipment sales stores by enhancing our online "Customer Front System." Additionally, we will bolster initiatives in growth areas such as environmental and energy related industries, and in each field, we will strive to contribute to the Social Innovation Business of the Hitachi Group.

In agricultural and medical industries, as well as for consumers, we will strengthen Internet-based business and expand agricultural equipment reuse and used vehicle purchasing services.

We will also consider M&A and business alliances to advance these strategies. Hitachi Capital also recognizes the importance of linking fundamental domestic businesses with new businesses in order to maintain solid revenues while creating new businesses.

### Strategy 3: Expand Overseas Businesses

Overseas, we will accelerate business expansion in China and increase the proportion of revenues from the Asian region to total overseas revenues by adapting to the characteristics of each region in Asia.

**• Base Business on the Characteristics of Each Region**

Our aim is to expand business in Asia by focusing on strengthening our position in the Chinese market. In May 2005, we established Hitachi Capital Leasing (China) Co., Ltd. in Beijing as a locally incorporated company and started developing business based on medical equipment leasing. With the objectives of further expanding business in medical-related areas in the Chinese market and entering new fields such as industrial equipment leasing and information/communications equipment leasing, we set up a branch in Shenzhen, a special economic zone in South China, in April 2010. To aggressively expand business in South China, this branch will work in close contact with Hitachi Capital (Hong Kong) Ltd., which is already carrying out comprehensive business development in the region. In the future, Hitachi Capital will also build up solid business foundations in China through collaboration with the Social Innovation Business of the Hitachi Group.

We will also take maximum advantage of regional characteristics in Singapore and Thailand, where we already have business sites, to strengthen business. Further, we will conduct market research in Indonesia, Vietnam, India and elsewhere to evaluate the potential of overseas expansion based on our well-established business model for Japan.

## Meet the needs of different regions in Asia

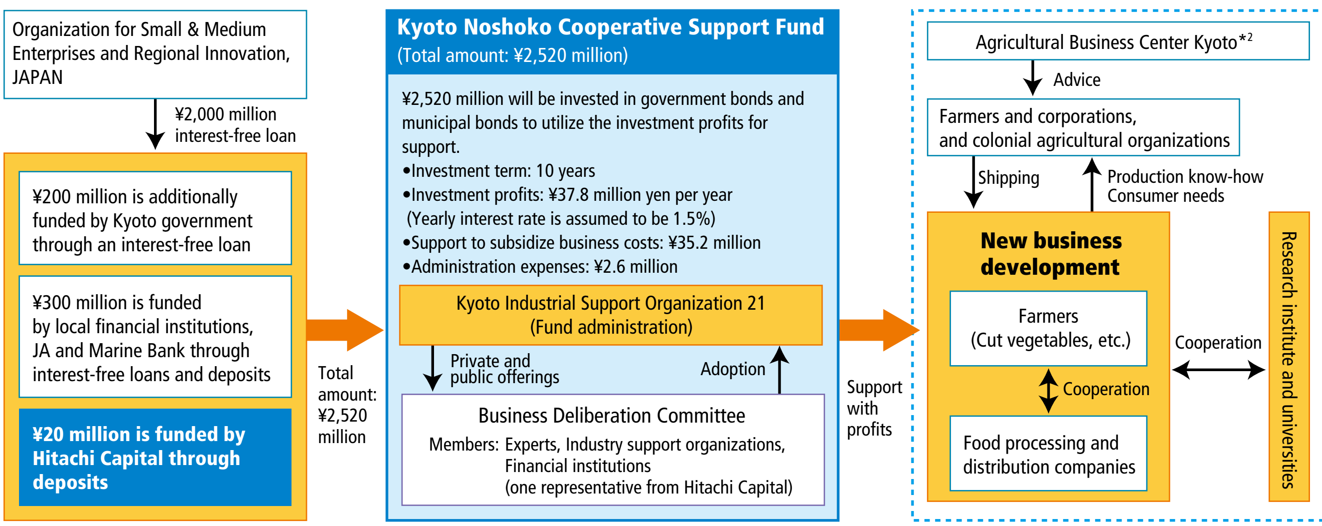
# Business Topics 2010

## Participated in Agricultural Fund to Foster Affiliated Kyoto Industries for Agriculture, Forestry and Fisheries Products

In September 2009, Hitachi Capital participated in the Kyoto Noshoko Cooperative Support Fund, an agricultural fund set up to foster affiliated industries in Kyoto. The fund is intended to promote agricultural business leading to new economic activities utilizing agriculture, forestry and fisheries products from Kyoto and focuses on supporting businesses contributing to the increase of individual business owners engaged in agriculture. The total amount of the fund is ¥2,520 million, mainly funded by the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN; Kyoto Prefecture; and local financial institutions. Hitachi Capital entrusted ¥20 million in deposits. Kyoto Industrial Support Organization 21*[1], in charge of administration of the fund, invests in government bonds and municipal bonds and utilizes the investment profits to foster new agricultural businesses. Through these activities, Hitachi Capital aims to contribute to agricultural development in Kyoto by strengthening cooperation with respective companies and organizations in Kyoto that participate in this fund, as well as to create business opportunities between individual business owners engaged in the agriculture, forestry and fisheries industries targeted for this fund and small and medium-sized companies (food processing and distribution fields). Hitachi Capital also intends to promote the business models and production know-how accumulated through this fund throughout Japan.

*1. Kyoto Industrial Support Organization 21 was established to promote the foundation and fostering of new business and venture companies and to perform business matching between them. As a comprehensive support organization related to management innovation, developing new business and fostering and creating new industries for small and medium-sized companies through Industry-Academia-Government collaboration, the aim is to contribute to the development of business activities for companies and industries in Kyoto.

### Fund Operation Structure




*2. Agricultural Business Center Kyoto is an organization established to perform business matching between farmers and food processing and distribution companies and manages the agricultural business creation platform.

## Made Factoring Company into a Subsidiary

In July 2009, Hitachi Capital purchased additional stock in Financial Bridge Corporation, a factoring company that was an equity-method affiliate, and made it into a subsidiary. Financial Bridge Corporation works to provide outsourcing services for factoring system service to customers. By making this company a subsidiary, Hitachi Capital can reinforce the foundation of its factoring system service and expand "commission services," one of the businesses being focused on in the Group.

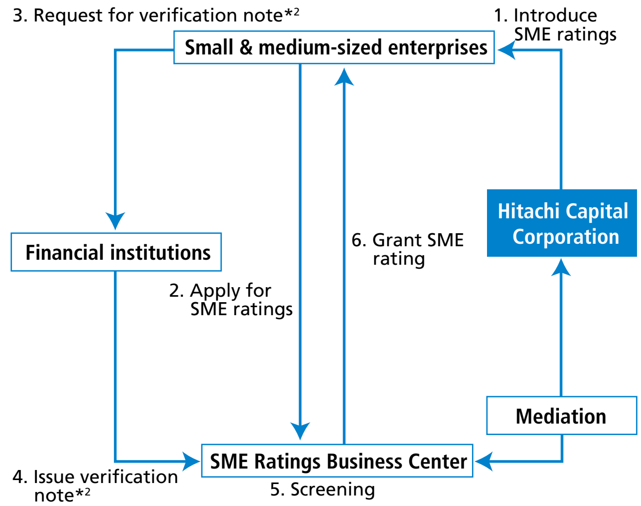
**<Outline of Financial Bridge Corporation>**
Principal business: Provision of outsourcing services for collective factoring service
Date of foundation: August 2002
Capital: ¥50 million
Number of employees: 8

## Started Mediating Credit Rating Service for Small and Medium-Sized Enterprises

Hitachi Capital formed a tie-up with Standard & Poor's (S&P) and started the business of mediating "Japan SME Ratings"*1 service from March 2009. We will utilize this system as a tool for cultivating new customers among the small and medium-sized enterprises on which we are currently focusing. Hitachi Capital also intends to deepen relationships with such customers by increasing opportunities to meet corporate managers and hear about their business issues and investment plans. S&P is able to leverage Hitachi Capital's network and expects to further disseminate rating services to small and medium-sized enterprises. In addition, benefits for customers who are being rated include appealing their creditworthiness externally and objectively making self-assessments.

*1. Japan SME Ratings service is a credit rating service developed by S&P and The Risk Data Bank of Japan, Ltd. for small and medium-sized enterprises that was launched in December 2005. It uses a credit model to evaluate the creditworthiness of a company on a seven-tier scale.
*2. Verification note: One of the documents required for an SME rating prepared by a financial institution to verify an applicant enterprise

**Scheme**




## Established Shenzhen Branch in South China Aimed at Business Expansion

In April 2010, Hitachi Capital established a branch office of Hitachi Capital Leasing (China) Co., Ltd. in Shenzhen, Guangdong Province, China. Since its inception in 2005, Hitachi Capital Leasing (China) Co., Ltd. has promoted business centering on the leasing of medical equipment to major hospitals in China. The new branch office was established to expand business in China, aiming to further develop the medical equipment leasing business in South China, particularly in Guangdong and Yunnan provinces, and new business in industrial and information/telecommunications fields.

Opening ceremony for the Shenzhen Branch

## Entrusted with Receivables Collection by Japan Housing Finance Agency

Hitachi Capital Servicer Corporation, a Group company, has been entrusted with receivables collection services for the Japan Housing Finance Agency (formerly Government Housing Loan Corporation) for a three-year period starting April 2010, thereby steadily expanding business in the area of receivables collection. This business requires a strong business execution system and highly specialized skills including a highly extensive and cohesive network with sufficient connections to outsourcers; know-how and experience in legal procedures such as for auctions and sales by private contract; and long-term and stable service capability and creditworthiness. Hitachi Capital Servicer Corporation was selected for providing receivables collection services based on recognition of its comprehensive ability to satisfy these strict requirements. The Hitachi Capital Group will continue to grow receivables collection business based on accumulated and specialized know-how and exceptional processing capabilities, as well as an extensive, cohesive network nationwide, and backed by the trusted Hitachi brand.

# DIRECTORS AND OFFICERS

## Directors

**Kazuhiro Mori**
Chairman of the Board

**Kazuya Miura**
Director

**Yuichiro Shimada**
Director

**Akira Tsuda**
Director

**Toshiaki Kuzuoka**
Director

## Corporate Officers

**Kazuya Miura**
President and
Chief Executive Officer

**Yasushi Matsushita**
Senior Corporate Officer,
General Manager of Group
Companies Office

**Keiji Momoi**
Senior Corporate Officer,
in charge of Finance & Accounting
Dept.

**Seiji Kawabe**
Senior Corporate Officer,
General Manager of Corporate
Business Head Office and Finance
Services Head Office

**Shinichi Urata**
Senior Corporate Officer,
in charge of Assets & Receivable
Control Dept.

**Kiyoshi Kojima**
Senior Corporate Officer,
General Manager of Corporate
Management Dept.

## Top Management at Subsidiaries

**Toshio Ohama**
Managing Director
Okinawa Hitachi Capital Corporation

**Misuo Yoshii**
Managing Director
Hitachi Capital Servicer Corporation

**Toshiyuki Mori**
Managing Director
Hitachi Capital Services Co., Ltd.

**Kenji Suzuki**
Managing Director
Hitachi Capital Auto Lease Corporation

**Masayuki Yuasa**
Managing Director
Hitachi Capital Securities Co., Ltd.

**Kouji Ueda**
Managing Director
Hitachi Triple Win Corp.

**Kenji Hirama**
Managing Director
Sekisui Leasing Co., Ltd.

**Ryoji Sato**
Managing Director
Hitachi Capital Insurance Corporation

**Takeshi Ara**
Managing Director
Hitachi Capital Community Corporation

**Hiroyuki Fukuro**
Managing Director
Hitachi Capital Trust Corporation

**Hiroshi Honda**
Managing Director
Financial Bridge Corporation

**Hironori Tozawa**
Managing Director
Hitachi Capital (Hong Kong) Ltd.

**Chihiro Shirai**
Chief Executive Officer
Hitachi Capital (UK) PLC

**Simon Oliphant**
Managing Director
Hitachi Capital Vehicle Solutions Ltd.

**Steven Lawler**
Managing Director
Hitachi Capital Insurance Europe Ltd.

**Yoshiyuki Kume**
Chief Executive Officer
**William Besgen**
President & Chief Operating Officer
Hitachi Capital America Corp.

**Seiji Yasuda**
Managing Director
Hitachi Capital Singapore Pte. Ltd.

**Hironori Tozawa**
Chairman
**Seika Ryu**
President & Director
Hitachi Capital Leasing (China) Co., Ltd.

**Fumio Kuboyama**
Managing Director
Hitachi Capital (Thailand) Co., Ltd.

(As of July 1, 2010)

## BASIC POLICY

Hitachi Capital believes the establishment of an optimal management structure to enhance corporate value serves as the cornerstone of corporate governance. In keeping with this rationale, Hitachi Capital is working to strengthen its corporate governance structure as summarized below.

## 1. DESCRIPTION OF INTERNAL ORGANIZATIONS

Hitachi Capital uses a committee system as part of a management structure suitable for enhancing transparency and achieving fast and fair solutions to management issues currently facing the Company as well as in addressing future issues through separation of oversight and business operation functions.

As of June 21, 2010, Hitachi Capital's Board of Directors consisted of five directors, including three external directors, who normally convene monthly. As prescribed by laws, the Company's Articles of Incorporation and the regulations of the Board of Directors, it conducts decision-making on such pressing management issues as basic policies and key management strategies. The Board also undertakes the appointment of Corporate Officers, requests explanations and reports regarding executive activities when needed and ensures the proper functioning of operations.

The Nominating Committee, Audit Committee and Compensation Committee have been set up within the Board of Directors. The Audit Committee ordinarily meets monthly and is responsible for auditing management in terms of propriety and legality. The Nominating and Compensation committees convene when deemed necessary to decide on matters related to resolutions to select directors and appropriate compensation of officers.

Corporate Officers (six as of June 21, 2010) elected by the Board make executive decisions and execute business affairs within the scope of authority delegated by the Board of Directors. A Corporate Officers Committee convenes monthly to make decisions on key matters.

## 2. COMPLIANCE STRUCTURE

Hitachi Capital has formulated a Basic Compliance Policy to ensure effective compliance, particularly with regard to social norms that include laws or ordinances relevant to the Hitachi Capital Group as well as voluntary industry rules. The Compliance Department has been established at the headquarters to gather information and plan, prepare and promote frameworks for legal compliance. In terms of compliance education for employees, the Group undertakes educational programs created by the division in charge of human resources and education to offer basic legal education and well-planned training tailored to employee rank as well as specialized educational training.

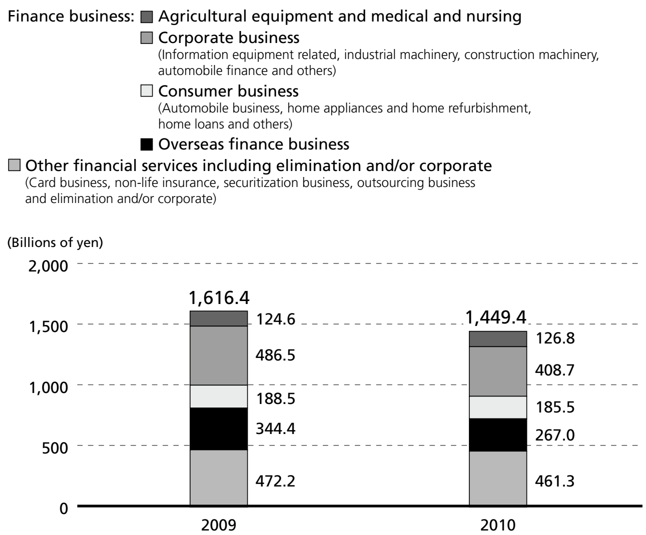
In addition, Hitachi Capital employs an internal reporting system that allows Group employees to report any illegal activities or improper conduct occurring within the Group to either an internal contact point or external legal counsel.

Hitachi Capital is thoroughly managing personal information and other data within the Group, while further strengthening the structure to enable operations to be conducted based on a spirit of compliance through measures that include comprehensive education on such industry-specific laws as the Money-Lending Business Control and Regulation Law as well as various laws that affect its business.

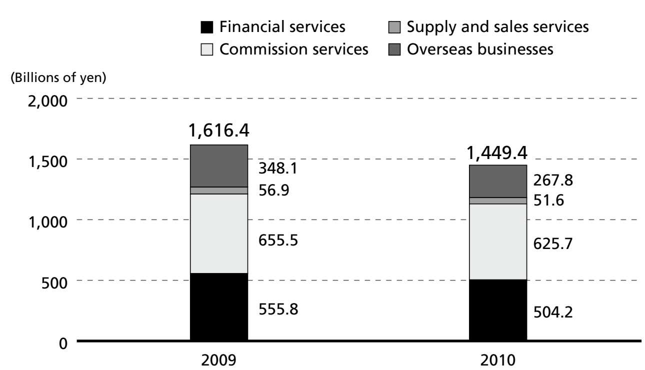
## 3. RISK MANAGEMENT STRUCTURE

Hitachi Capital has formulated Basic Policies for Risk Management as a means of clarifying basic management policies as well as the methods for addressing risks. Cognizant of the fact that accurately detecting business risks and adjusting accordingly is a core and essential competency of the financial services industry, Hitachi Capital aims to comprehensively address a variety of risks within the Group, including business risks, credit risks and compliance risks. To that end, the Company has established the Risk Management Department at the headquarters and is working to further bolster the risk management structure.

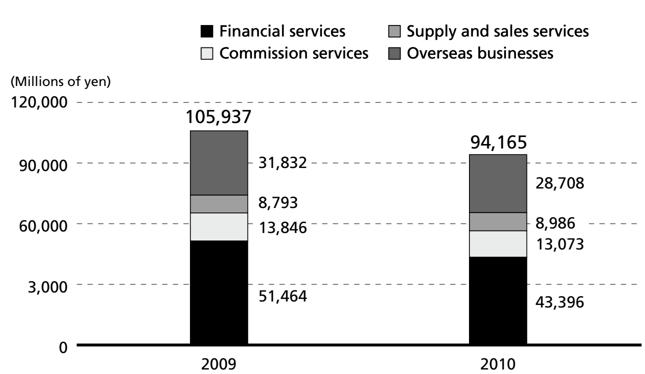
**Volume of business** (by business)




**Volume of business**
(business breakdown based on mid-term management plan)




**Operating revenues**
(business breakdown based on mid-term management plan)




## BUSINESS RESULTS

During the fiscal year ended March 31, 2010, overall volume of business decreased 10.3% from the previous fiscal year to ¥1,449,439 million (US$15,585 million) due primarily to declines in leasing business to domestic corporations and volume of business overseas caused by a significant year-on-year decrease in capital investment in the corporate sector resulting from a drop-off in demand worldwide.

In addition to these factors, selling prices of used assets stagnated, resulting in a decrease of 11.7% in consolidated revenues to ¥95,357 million (US$1,025 million). Total expenses were reduced 8.7% year-on-year to ¥82,462 million thanks to efforts to trim financial expenses and business operating costs. Operating income decreased 26.7% to ¥12,895 million (US$138 million). Net income was down 32.0% year-on-year to ¥8,248 million (US$88 million) due to the impact of extraordinary income and extraordinary losses mainly attributable to the change in accounting methods in the previous fiscal year.

As a strategy for the Group, businesses were reviewed, and consolidated subsidiaries in the United Kingdom were eliminated or merged to increase operating efficiency. In Japan, Hitachi Capital purchased additional stock in Financial Bridge Corporation in July 2009 and converted it from an equity-method affiliate to a subsidiary. In January 2010, Hitachi Capital Ayase SC Corporation and Gontazaka Square Corp. merged to form Hitachi Capital Community Corporation.

## BUSINESS BREAKDOWN BASED ON MID-TERM MANAGEMENT PLAN

**Financial Services**

In financial services, consolidated volume of business for fiscal 2010 amounted to ¥504,242 million (US$5,421 million), down 9.3% year-on-year, primarily as a result of a decline in leasing demand owing to the economic downturn in Japan. Consolidated operating revenues were ¥43,396 million, down 15.7%, due mainly to a decrease in actualization of unrealized gains resulting from the decline in volume of business.

**Commission Services**

In commission services, consolidated volume of business for fiscal 2010 amounted to ¥625,712 million (US$6,728 million), down 4.5% year-on-year due primarily to a decline in affiliated loan sales transactions resulting from the impact of subsidies, mainly in the agricultural industry. Consolidated operating revenues were ¥13,073 million (US$140 million), down 5.6%.

**Supply and Sales Services**

In supply and sales services, consolidated volume of business for fiscal 2010 amounted to ¥51,641 million (US$555 million), down 9.3% year-on-year as a result of a decrease in new automobile lease transactions. Consolidated operating revenues were ¥8,986 million (US$96 million), up 2.2%, due to improvement mainly in rental business.

**Overseas**

In overseas operations, consolidated volume of business for fiscal 2010 amounted to ¥267,843 million (US$2,880 million), down 23.1% year-on-year due to the impact of the economic downturn, particularly in the United Kingdom and United States, and to appreciation of the yen. Consolidated operating revenues were ¥28,708 million (US$308 million), down 9.8%.

## PER SHARE INDICES AND ROE/ROA

Consolidated net income per share decreased 32.0% year-on-year to ¥70.57 (US$0.75) owing to a decrease in net income. Annual cash dividends per share were ¥30.00 (US$0.32), with a payout ratio of 42.5% (consolidated). ROE was 3.4% and ROA* was 0.48%.

## FINANCIAL POSITION

As of March 31, 2010, total assets amounted to ¥1,664,606 million (US$17,898 million), down ¥125,891 million from the previous year-end due to a decrease in notes and accounts receivable-trade and parent company deposit.

Total net assets at year-end amounted to ¥252,268 million (US$2,712 million), an increase of ¥10,874 million compared with the previous year-end, due mainly to an increase in retained earnings. The stockholders' equity ratio rose 1.7 percentage points from the previous year-end to 15.1%

Interest-bearing debt decreased ¥53,962 million to ¥832,702 million (US$8,953 million) as a result of such factors as a decrease in commercial paper.

## CASH FLOWS

Cash and cash equivalents at end of year amounted to ¥211,157 million (US$2,270 million), a decrease of ¥40,714 million from the previous fiscal year-end. The Hitachi Capital Group endeavored to shift to long-term financing in view of unforeseen circumstances in the current environment and to continue to appropriately manage liquidity risk by expanding liquidity on hand. Cash flows for each category were as follows.

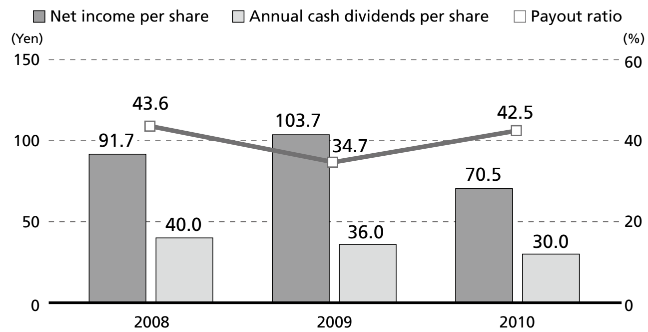
Net cash provided by operating activities was ¥29,904 million (US$321 million). This consisted mainly of such inflows as income before income taxes and minority interests of ¥13,370 million (US$143 million), depreciation of ¥85,910 million (US$923 million), as well as such outflows as acquisition of equipment for lease amounting to ¥78,124 million (US$840 million).

Net cash used in investing activities amounted to ¥1,313 million (US$14 million) primarily owing to purchases of software.

Net cash used in financing activities amounted to ¥69,540 million (US$747 million) mainly attributable to net decreases in commercial paper and short-term bank loans.

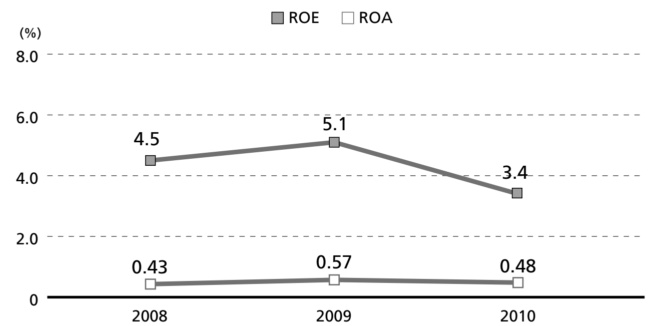
As a result, free cash flows, the sum of operating and investing cash flows, totaled ¥28,590 million (US$307 million).

**Net income per share / annual cash dividends per share*1 / payout ratio**

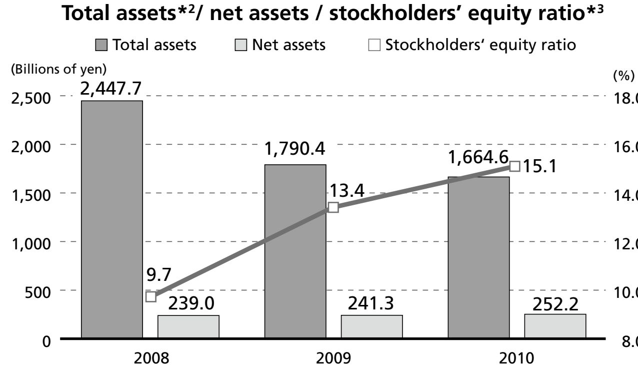



*1. Annual cash dividends per share for the fiscal year ended March 31, 2008 included a commemorative dividend of ¥4.0 per share on the occasion of the Company's 50th anniversary.

**ROE / ROA*2**

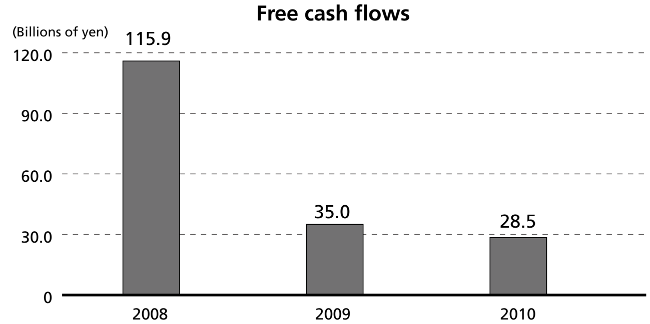



**Total assets*2/ net assets / stockholders' equity ratio*3**




*2. Total assets decreased significantly in fiscal 2009 (April 1, 2008 to March 31, 2009) since liquidated transactions that meet requirements for dissolution as financial assets were processed as trading transactions.
*3. Stockholders' equity ratio = (Net assets - Minority interests) / Total assets

**Free cash flows**



## BUSINESS RISK

**Internal Control-Related Risk**
The Hitachi Capital Group has established and maintains an internal control system based on internal control resolutions, and evaluates and works to ensure the appropriateness of its internal controls through the Internal Control Committee. Nevertheless, if internal controls do not function effectively or unexpected problems arise, there could be an adverse impact on the Group's business results.

**Interest Rate Risk**
Since the Group provides financial services, including leasing and installment sales, it must procure large amounts of funds and carry out thorough ALM** through liquidation. A sharp rise in market interest rates, however, could cause a rise in fundraising costs and have an adverse impact on the Group's business results.

**Asset Liability Management: Companies firmly ascertain the characteristics of maturities and interest from their assets and liabilities, and monitor cash flows, liquidity, currency risk and interest risk.

**Liquidity Risk**
Although the Group works to appropriately manage its cash position, there are times it may be difficult to secure the funds required, including if the creditworthiness of the Group has declined, or due to turmoil in financial markets or changes in the market environment. Additionally, the Company may be forced to procure funds when interest rates are significantly higher than normal. Factors such as these could have an adverse impact on the Group's business results.

**Credit Risk**
The Group is engaged in various kinds of business associated with providing credit, including leasing, credit guarantees and installment sales. During such business execution, the Group appropriately controls credit risk by conducting screening at the time of a contract and ascertaining such factors as the state of credit while a credit receivable is being collected. Nevertheless, an increase in corporate and personal bankruptcies due to a changing economic environment could result in an increased burden with respect to losses on receivables and bad debts expenses for lease transactions.

**Laws and Regulations Changes Risk**
Changes in laws and regulations related to Group business could also impact results. With total enforcement of the revised Money-Lending Business Control and Regulation Law and the revised Installment Sales Law, there could be additional costs associated with the changes, and customer demand may change. The Group has always complied with the Interest Limitation Law, so there is no direct risk of returning excess payments.

**Business Structure Reform Risk**
The Group is reforming its business structure in order to achieve sustainable growth. However, a delay or failure to achieve these reforms, for any reason, could have an adverse impact on the Group's business results.

**Leased Assets Residual Value Risk**
One of the Group's business strategies is to "provide financial services that focus on 'products'." To achieve this, we concentrate on operating leases in order to respond to changes in market demand accompanied by changes in accounting standards for finance leases. We will continue to improve our abilities and expertise in evaluating "products" and the resale of leased assets as the Group's core skills. However, there is a possibility of a decline in actual disposal value from the initial estimated value of leased property due to such factors as unexpected changes in the market environment and technological innovations.

**Administrative and System Risk**
The Group carries out its business activities using various information systems. Any error, including administrative or accidental human errors as well as fraudulence by employees, unauthorized access to systems or a computer virus from outside the Group, or a stoppage or breakdown of internal operating systems, could have an adverse impact on the Group's business results.

In addition, external leaks or illicit use of information concerning customers or affiliates due to similar causes may result in damage to said customers or affiliates and lead to loss of trust from society, and this could have an adverse impact on the Group's business results.

Also, natural disasters such as earthquakes could cause damage to our data centers. As countermeasures for such risks, we have set up and maintain backup systems at both domestic and overseas sites. However, disasters of an unforeseeable scale could have an adverse impact on the Group's business results.

**Compliance Risk**

Given that the Group offers a variety of financial services, it must comply with a number of laws and regulations, such as the Installment Sales Law, the Financial Instruments and Exchange Law and the Money-Lending Business Control and Regulation Law, as well as various consumer protection and waste disposal regulations.

The Company must also comply with a wide range of social rules, from internal regulations and voluntary industry rules to social ethics and norms. The Company established the Compliance Department at the headquarters and is working to develop its compliance structure. However, failure to comply with applicable laws, regulations and social norms could have an adverse impact on the Group's business results due to criminal prosecution and loss of trust from society.

**Human Resources Risk**

The Group considers employees' abilities as important assets of a company and is implementing intensified recruitment, well-planned educational programs and improved training programs. However, there is a risk that the Group will not be able to secure the human resources required for business operations following reforms in cases where employees of existing businesses cannot adapt to business structural reforms, where appropriate employee placement is not conducted or where new personnel cannot be hired. Moreover, difficulties in ensuring that the Group's screening and collection management know-how and experience are effectively passed on to new employees could have an adverse impact on the Group's business results.

**Business Partners-Related Risk**

The Group conducts business in cooperation with numerous business partners due to the characteristics of the business. Despite thorough screening of other companies before committing to collaboration, the Group may have to shoulder responsibility in case of bankruptcy or illegal activity by a business partner, which could have an adverse impact on the Group's business results.

**Non-Life Insurance Risk**

The Group is engaged in non-life insurance business and works to reduce risks related to underwriting insurance. However, a major disaster could have an adverse impact on the Group's business due to payment of insurance claims that exceed expectations.

# CONSOLIDATED BALANCE SHEETS

Hitachi Capital Corporation and Subsidiaries

March 31, 2010 and 2009

| ASSETS | Japanese yen (millions) 2010 | 2009 | U.S. dollars (thousands) (Note 2) 2010 |
|---|---|---|---|
| **CURRENT ASSETS:** | | | |
| Cash on hand and at bank (Notes 15 and 18) | **¥ 28,739** | ¥ 24,865 | **$ 309,021** |
| Notes and accounts receivable-trade, including amounts maturing after one year (Note 18) | **496,420** | 529,657 | **5,337,849** |
| Investment in direct finance leases (Notes 17 and 18) | **527,293** | 563,995 | **5,669,817** |
| Less: Allowance for losses on receivables (Notes 3 (c), 5 and 18) | **13,601** | 13,374 | **146,247** |
| Net trade receivables | **1,010,111** | 1,080,279 | **10,861,408** |
| Parent company deposits (Notes 15 and 18) | **184,918** | 227,007 | **1,988,365** |
| Short-term investments (Notes 3 (d) and 18) | **4,875** | 9,122 | **52,419** |
| Prepaid expenses and other current assets (Note 8) | **29,017** | 26,741 | **312,010** |
| Total current assets | **1,257,662** | 1,368,015 | **13,523,247** |
| Equipment held for lease, at cost less accumulated depreciation (Notes 3 (f) and 17) Accumulated depreciation was ¥1,604,496 million ($17,252,645 thousand) in 2010 and ¥1,581,457 million in 2009 | **225,625** | 245,627 | **2,426,075** |
| Investments in securities (Notes 3 (d), 4 and 18) | **130,955** | 115,025 | **1,408,118** |
| Total investments | **356,580** | 360,653 | **3,834,193** |
| Property and equipment, at cost less accumulated depreciation | **3,603** | 3,974 | **38,741** |
| Other assets (Notes 4 and 8) | **46,759** | 57,854 | **502,784** |
| Total assets | **¥ 1,664,606** | ¥ 1,790,497 | **$ 17,898,989** |

See accompanying notes to consolidated financial statements.

| LIABILITIES AND NET ASSETS | Japanese yen (millions) 2010 | 2009 | U.S. dollars (thousands) (Note 2) 2010 |
|---|---|---|---|
| **CURRENT LIABILITIES:** | | | |
| Short-term bank loans (Notes 6 and 18) | **¥ 79,942** | ¥ 101,482 | **$ 859,591** |
| Commercial paper (Note 18) | **42,443** | 142,708 | **456,376** |
| Current portion of long-term debt (Notes 6 and 18) | **133,671** | 192,975 | **1,437,322** |
| Trade payables (Notes 7 and 18) | **210,345** | 213,824 | **2,261,774** |
| Accrued payable (Note 18) | **130,495** | 186,124 | **1,403,172** |
| Accrued expenses | **10,568** | 13,756 | **113,634** |
| Obligation for securitized lease receivables (Notes 3 (o) and 18) | **25,438** | 24,289 | **273,526** |
| Income taxes payable (Note 8) | **1,512** | 15,183 | **16,258** |
| Allowance for losses on guarantees (Note 5) | **4,300** | 2,900 | **46,236** |
| Other current liabilities (Note 8) | **50,808** | 55,334 | **546,322** |
| Total current liabilities | **689,527** | 948,579 | **7,414,268** |
| Long-term debt (Notes 6 and 18) | **576,644** | 449,498 | **6,200,473** |
| Retirement and severance benefits (Notes 3 (h) and 9) | **4,502** | 4,548 | **48,408** |
| Retirement benefits for directors (Note 3 (h)) | **305** | 496 | **3,279** |
| Long-term obligation for securitized lease receivables (Notes 3 (o) and 18) | **83,125** | 63,203 | **893,817** |
| Other liabilities (Note 8) | **58,231** | 82,777 | **626,139** |
| Total liabilities | **1,412,337** | 1,549,103 | **15,186,419** |
| **NET ASSETS:** | | | |
| Stockholders' equity | | | |
| Common stock: | | | |
| Authorized 270,000,000 shares; issued 116,888,860 shares in 2010 and issued 116,889,715 shares in 2009 | **9,983** | 9,983 | **107,344** |
| Capital surplus | **45,972** | 45,972 | **494,322** |
| Retained earnings (Notes 3 (k) and 10) | **211,490** | 207,099 | **2,274,086** |
| Treasury stock (Notes 3 (j) and 11) | **(14,330)** | (14,329) | **(154,086)** |
| Total stockholders' equity (Notes 3 (q) and 10) | **253,116** | 248,726 | **2,721,677** |
| Valuation and translation adjustments | | | |
| Net unrealized holding gain on securities | **7,113** | 943 | **76,483** |
| Net unrealized loss on hedging derivatives | **(2,094)** | (3,044) | **(22,516)** |
| Foreign currency translation adjustments | **(7,330)** | (6,534) | **(78,817)** |
| Total valuation and translation adjustments | **(2,311)** | (8,635) | **(24,849)** |
| Minority interests | **1,463** | 1,303 | **15,731** |
| Total net assets (Note 3 (q)) | **252,268** | 241,394 | **2,712,559** |
| Total liabilities and net assets | **¥1,664,606** | ¥ 1,790,497 | **$ 17,898,989** |

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF INCOME

Hitachi Capital Corporation and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

| | Japanese yen (millions) | | | U.S. dollars (thousands) (Note 2) |
|---|---|---|---|---|
| | **2010** | 2009 | 2008 | **2010** |
| **REVENUES** (Note 16): | | | | |
| Operating revenues | **¥ 94,165** | ¥ 105,937 | ¥ 115,362 | **$ 1,012,526** |
| Interest and dividend income | **1,192** | 2,006 | 1,823 | **12,817** |
| | **95,357** | 107,943 | 117,185 | **1,025,344** |
| **EXPENSES** (Note 16): | | | | |
| Selling, general and administrative expenses | **63,703** | 63,828 | 62,439 | **684,978** |
| Financing costs | **18,758** | 26,534 | 32,259 | **201,698** |
| | **82,462** | 90,362 | 94,699 | **886,688** |
| Operating income | **12,895** | 17,580 | 22,486 | **138,655** |
| Other income (Note 12) | **540** | 26,645 | 179 | **5,806** |
| Other expenses (Note 12) | **65** | 22,413 | 2,161 | **698** |
| Income before income taxes and minority interests | **13,370** | 21,812 | 20,504 | **143,763** |
| Income taxes (Notes 3 (g) and 8) | **4,997** | 9,705 | 9,879 | **53,731** |
| Minority interests | **124** | (15) | (96) | **1,333** |
| Net income | **¥ 8,248** | ¥ 12,122 | ¥ 10,722 | **$ 88,688** |

| | Japanese yen | | | U.S. dollars (Note 2) |
|---|---|---|---|---|
| **PER SHARE DATA** (Notes 3 (l) and 13): | | | | |
| Net income (basic) | **¥ 70.5** | ¥ 103.7 | ¥ 91.7 | **$ 0.75** |
| Net income (diluted) | **—** | — | 91.7 | **—** |

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Hitachi Capital Corporation and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

| | Japanese yen (millions) | | | | |
|---|---|---|---|---|---|
| | Stockholders' equity | | | | |
| | Common stock | Capital surplus | Retained earnings (Notes 3 (k) and 10) | Treasury stock (Notes 3 (j) and 11) | Total stockholders' equity (Notes 3 (q) and 10) |
| **Balance as of March 31, 2007** | ¥ 9,983 | ¥ 45,972 | ¥ 192,754 | ¥ (14,327) | ¥ 234,382 |
| Changes during the year | | | | | |
| Cash dividends | | | (4,675) | | (4,675) |
| Net income | | | 10,722 | | 10,722 |
| Purchase of treasury stock | | | | (1) | (1) |
| Disposal of treasury stock | | 0 | | 0 | 0 |
| Net change in the items other than stockholders' equity during the period | | | | | |
| Total change during the year | — | 0 | 6,046 | (1) | 6,045 |
| **Balance as of March 31, 2008** | ¥ 9,983 | ¥ 45,972 | ¥ 198,800 | ¥ (14,328) | ¥ 240,428 |

| | Japanese yen (millions) | | | | | |
|---|---|---|---|---|---|---|
| | Valuation and translation adjustments | | | | | |
| | Net unrealized holding gain on securities | Net unrealized gain on hedging derivatives | Foreign currency translation adjustments | Total valuation and translation adjustments | Minority interests | Total net assets (Note 3 (q)) |
| **Balance as of March 31, 2007** | ¥ 4,378 | ¥ 423 | ¥ 1,788 | ¥ 6,590 | ¥ 6,924 | ¥ 247,897 |
| Changes during the year | | | | | | |
| Cash dividends | | | | | | (4,675) |
| Net income | | | | | | 10,722 |
| Purchase of treasury stock | | | | | | (1) |
| Disposal of treasury stock | | | | | | 0 |
| Net change in the items other than stockholders' equity during the period | (3,383) | (2,174) | (3,818) | (9,376) | (5,488) | (14,865) |
| Total change during the year | (3,383) | (2,174) | (3,818) | (9,376) | (5,488) | (8,819) |
| **Balance as of March 31, 2008** | ¥ 994 | ¥ (1,750) | ¥ (2,030) | ¥ (2,786) | ¥ 1,435 | ¥ 239,077 |

| | Japanese yen (millions) | | | | |
|---|---|---|---|---|---|
| | Stockholders' equity | | | | |
| | Common stock | Capital surplus | Retained earnings (Notes 3 (k) and 10) | Treasury stock (Notes 3 (j) and 11) | Total stockholders' equity (Notes 3 (q) and 10) |
| **Balance as of March 31, 2008** | ¥ 9,983 | ¥ 45,972 | ¥ 198,800 | ¥ (14,328) | ¥ 240,428 |
| Effect of changes in accounting policies applied to foreign subsidiary | | | 384 | | 384 |
| Changes during the year | | | | | |
| Cash dividends | | | (4,208) | | (4,208) |
| Net income | | | 12,122 | | 12,122 |
| Purchase of treasury stock | | | | (1) | (1) |
| Disposal of treasury stock | | (0) | (0) | 1 | 0 |
| Net change in the items other than stockholders' equity during the period | | | | | |
| Total change during the year | — | (0) | 7,913 | (0) | 7,913 |
| **Balance as of March 31, 2009** | ¥ 9,983 | ¥ 45,972 | ¥ 207,099 | ¥ (14,329) | ¥ 248,726 |

| | Japanese yen (millions) | | | | | |
|---|---|---|---|---|---|---|
| | Valuation and translation adjustments | | | | | |
| | Net unrealized holding gain on securities | Net unrealized gain on hedging derivatives | Foreign currency translation adjustments | Total valuation and translation adjustments | Minority interests | Total net assets (Note 3 (q)) |
| **Balance as of March 31, 2008** | ¥ 994 | ¥ (1,750) | ¥ (2,030) | ¥ (2,786) | ¥ 1,435 | ¥ 239,077 |
| Effect of changes in accounting policies applied to foreign subsidiary | | | | | | 384 |
| Changes during the year | | | | | | |
| Cash dividends | | | | | | (4,208) |
| Net income | | | | | | 12,122 |
| Purchase of treasury stock | | | | | | (1) |
| Disposal of treasury stock | | | | | | 0 |
| Net change in the items other than stockholders' equity during the period | (51) | (1,293) | (4,504) | (5,849) | (131) | (5,981) |
| Total change during the year | (51) | (1,293) | (4,504) | (5,849) | (131) | 1,931 |
| **Balance as of March 31, 2009** | ¥ 943 | ¥ (3,044) | ¥ (6,534) | ¥ (8,635) | ¥ 1,303 | ¥ 241,394 |

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (CONTINUED)

Hitachi Capital Corporation and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

| | Japanese yen (millions) | | | | |
|---|---|---|---|---|---|
| | Stockholders' equity | | | | |
| | Common stock | Capital surplus | Retained earnings (Notes 3 (k) and 10) | Treasury stock (Notes 3 (j) and 11) | Total stockholders' equity (Notes 3 (q) and 10) |
| **Balance as of March 31, 2009** | ¥ 9,983 | ¥ 45,972 | ¥ 207,099 | ¥ (14,329) | ¥ 248,726 |
| Changes during the year | | | | | |
| Cash dividends | | | (3,857) | | (3,857) |
| Net income | | | 8,248 | | 8,248 |
| Purchase of treasury stock | | | | (1) | (1) |
| Disposal of treasury stock | | | (0) | 0 | 0 |
| Net change in the items other than stockholders' equity during the period | | | | | |
| Total change during the year | — | — | 4,391 | (1) | 4,390 |
| **Balance as of March 31, 2010** | ¥ 9,983 | ¥ 45,972 | ¥ 211,490 | ¥ (14,330) | ¥ 253,116 |

| | Japanese yen (millions) | | | | | |
|---|---|---|---|---|---|---|
| | Valuation and translation adjustments | | | | | |
| | Net unrealized holding gain on securities | Net unrealized gain on hedging derivatives | Foreign currency translation adjustments | Total valuation and translation adjustments | Minority interests | Total net assets (Note 3 (q)) |
| **Balance as of March 31, 2009** | ¥ 943 | ¥ (3,044) | ¥ (6,534) | ¥ (8,635) | ¥ 1,303 | ¥ 241,394 |
| Changes during the year | | | | | | |
| Cash dividends | | | | | | (3,857) |
| Net income | | | | | | 8,248 |
| Purchase of treasury stock | | | | | | (1) |
| Disposal of treasury stock | | | | | | 0 |
| Net change in the items other than stockholders' equity during the period | 6,169 | 949 | (795) | 6,324 | 160 | 6,484 |
| Total change during the year | 6,169 | 949 | (795) | 6,324 | 160 | 10,874 |
| **Balance as of March 31, 2010** | ¥ 7,113 | ¥ (2,094) | ¥ (7,330) | ¥ (2,311) | ¥ 1,463 | ¥ 252,268 |

| | U.S. dollars (thousands) (Note 2) | | | | |
|---|---|---|---|---|---|
| | Stockholders' equity | | | | |
| | Common stock | Capital surplus | Retained earnings (Notes 3 (k) and 10) | Treasury stock (Notes 3 (j) and 11) | Total stockholders' equity (Notes 3 (q) and 10) |
| **Balance as of March 31, 2009** | $ 107,344 | $ 494,322 | $ 2,226,870 | $ (154,075) | $ 2,674,473 |
| Changes during the year | | | | | |
| Cash dividends | | | (41,473) | | (41,473) |
| Net income | | | 88,688 | | 88,688 |
| Purchase of treasury stock | | | | (10) | (10) |
| Disposal of treasury stock | | | (0) | 0 | 0 |
| Net change in the items other than stockholders' equity during the period | | | | | |
| Total change during the year | — | — | 47,215 | (10) | 47,204 |
| **Balance as of March 31, 2010** | $ 107,344 | $ 494,322 | $ 2,274,086 | $ (154,086) | $ 2,721,677 |

| | U.S. dollars (thousands) (Note 2) | | | | | |
|---|---|---|---|---|---|---|
| | Valuation and translation adjustments | | | | | |
| | Net unrealized holding gain on securities | Net unrealized gain on hedging derivatives | Foreign currency translation adjustments | Total valuation and translation adjustments | Minority interests | Total net assets (Note 3 (q)) |
| **Balance as of March 31, 2009** | $ 10,139 | $ (32,731) | $ (70,258) | $ (92,849) | $ 14,010 | $ 2,595,634 |
| Changes during the year | | | | | | |
| Cash dividends | | | | | | (41,473) |
| Net income | | | | | | 88,688 |
| Purchase of treasury stock | | | | | | (10) |
| Disposal of treasury stock | | | | | | 0 |
| Net change in the items other than stockholders' equity during the period | 66,333 | 10,204 | (8,548) | 68,000 | 1,720 | 69,720 |
| Total change during the year | 66,333 | 10,204 | (8,548) | 68,000 | 1,720 | 116,924 |
| **Balance as of March 31, 2010** | $ 76,483 | $ (22,516) | $ (78,817) | $ (24,849) | $ 15,731 | $ 2,712,559 |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Hitachi Capital Corporation and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

| | Japanese yen (millions) | | | U.S. dollars (thousands) (Note 2) |
|---|---|---|---|---|
| | **2010** | 2009 | 2008 | **2010** |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | |
| Income before income taxes and minority interests | **¥ 13,370** | ¥ 21,812 | ¥ 20,504 | **$ 143,763** |
| Depreciation | **85,910** | 120,759 | 550,792 | **923,763** |
| Gain on transfer of lease receivables associated with change in accounting standard | **—** | (25,703) | — | **—** |
| Gain on change in accounting policy of revenues from installment transactions | **—** | (895) | — | **—** |
| Loss on change in accounting policy of revenues from affiliated loans | **—** | 7,348 | — | **—** |
| Bad debts expenses for lease transactions | **—** | 1,414 | — | **—** |
| Loss on change in accounting policy of maintenance cost for lease transactions | **—** | 646 | — | **—** |
| Impairment loss | **—** | 3,206 | 578 | **—** |
| Loss on valuation of investment securities | **10** | 1,001 | 1,516 | **107** |
| Provision for loss on disposal of assets for lease transactions | **—** | 5,722 | — | **—** |
| Loss on transfer of business | **—** | 1,403 | — | **—** |
| Depreciation of goodwill | **912** | 1,185 | 705 | **9,806** |
| Interest and dividend income | **(944)** | (1,744) | (1,546) | **(10,150)** |
| Interest expense | **17,653** | 25,252 | 26,988 | **189,817** |
| Gain on sale of securities | **(509)** | (10) | (141) | **(5,473)** |
| (Increase) decrease in investment in financing leases | **(48,748)** | (31,364) | — | **(524,172)** |
| Increase (Decrease) in allowance for doubtful accounts | **304** | 1,094 | 371 | **3,268** |
| Increase (Decrease) in allowance for losses on loan guarantees | **1,400** | (500) | 100 | **15,053** |
| (Increase) decrease in notes and accounts receivable-trade | **32,673** | (51,625) | (55,139) | **351,322** |
| (Gain) loss on sale of equipment for lease | **(4,622)** | (206) | (1,008) | **(49,698)** |
| Acquisition of equipment for lease | **(78,124)** | (97,128) | (589,882) | **(840,043)** |
| Proceeds from sale of equipment for lease | **95,348** | 56,097 | 58,367 | **1,025,247** |
| Increase (Decrease) in trade payables | **576** | (39,835) | 27,629 | **6,193** |
| Cash provided by asset backed securitization | **—** | — | 1,306,386 | **—** |
| Payments for asset backed securitization | **—** | — | (1,236,648) | **—** |
| (Decrease) increase in accounts payable of collection under fluidity receivables | **(63,688)** | — | — | **(684,817)** |
| (Decrease) increase in retirement and severance benefits | **(45)** | (353) | (98) | **(483)** |
| Other | **(3,651)** | 52,193 | 26,844 | **(39,258)** |
| Income taxes paid | **(17,920)** | (7,605) | (8,973) | **(192,688)** |
| Net cash provided by operating activities | **29,904** | 42,164 | 127,347 | **321,548** |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | |
| Payments into time deposits | **(3,600)** | — | — | **(38,709)** |
| Proceeds from withdrawal of time deposits | **1,100** | — | — | **11,827** |
| Purchase of short-term investments | **(7,696)** | (17,786) | — | **(82,752)** |
| Proceeds from sale of short-term investments | **10,232** | 15,019 | 2,280 | **110,021** |
| Purchase of investments in securities | **(1,146)** | (286) | (2,854) | **(12,322)** |
| Proceeds from sales and repayment of investment securities | **803** | 1,670 | 1,292 | **8,634** |
| Purchase of investments in subsidiaries | **—** | (16) | (9,712) | **—** |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | **(84)** | (3,382) | — | **(903)** |
| Purchase of equipment for company use | **(371)** | (474) | (1,901) | **(3,989)** |
| Purchase of other intangible fixed assets | **(1,680)** | (3,904) | (2,683) | **(18,064)** |
| Interest and dividend received | **958** | 1,644 | 1,730 | **10,301** |
| Other | **170** | 434 | 443 | **1,827** |
| Net cash used in investing activities | **(1,313)** | (7,079) | (11,406) | **(14,118)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | | |
| Increase (Decrease) in short-term bank loans, net | **(18,747)** | 57,523 | 5,267 | **(201,580)** |
| Increase (Decrease) in commercial paper, net | **(99,155)** | 76,307 | (93,714) | **(1,066,182)** |
| Proceeds from long-term borrowings | **155,267** | 110,935 | 58,796 | **1,669,537** |
| Payments of long-term borrowings | **(87,204)** | (84,284) | (44,857) | **(937,677)** |
| Issuance of bond | **125,116** | 109,982 | 93,218 | **1,345,333** |
| Redemption of bond | **(122,699)** | (123,346) | (83,774) | **(1,319,344)** |
| Interest paid | **(18,251)** | (25,236) | (26,976) | **(196,247)** |
| Acquisition of treasury stock | **(1)** | (0) | (1) | **(10)** |
| Dividends paid to stockholders | **(3,857)** | (4,208) | (4,675) | **(41,473)** |
| Dividends paid to minority stockholders of subsidiaries | **(8)** | (8) | (300) | **(86)** |
| Net cash provided by (used in) financing activities | **(69,540)** | 117,664 | (97,017) | **(747,741)** |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **234** | (1,243) | (585) | **2,516** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(40,714)** | 151,505 | 18,337 | **(437,784)** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **251,872** | 100,366 | 82,029 | **2,708,301** |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 15) | **¥ 211,157** | ¥ 251,872 | ¥ 100,366 | **$ 2,270,505** |

See accompanying notes to consolidated financial statements

## (1) BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Hitachi Capital Corporation (the Company) and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. As permitted under the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

## (2) U.S. DOLLAR AMOUNTS

The consolidated financial statements are expressed in yen. Solely for the convenience of the reader, the consolidated financial statements as of and for the year ended March 31, 2010 have been translated into U.S. dollars at the rate of ¥93 to $1, the approximate exchange rate at March 31, 2010. The inclusion of such dollar amounts does not imply that the assets and liabilities, which originated in yen, have been or could readily be converted, realized or settled in dollars at ¥93 to $1 or at any other rate.

## (3) SIGNIFICANT ACCOUNTING POLICIES

### (a) Consolidation

The consolidated financial statements include the accounts of the Company and following majority-owned subsidiaries, which are directly or indirectly controlled:
Okinawa Hitachi Capital Corporation, Hitachi Capital Servicer Corporation, Hitachi Capital Services Co., Ltd., Hitachi Capital Auto Lease Corporation, Hitachi Capital Securities Co., Ltd., Hitachi Triple Win Corp., Sekisui Leasing Co., Ltd., Hitachi Capital Insurance Corporation, Hitachi Capital Trust Corporation, Hitachi Capital (UK) PLC, Hitachi Capital Vehicle Solutions Ltd., Robinsons Garage (Aylestone) Ltd., Hitachi Capital Invoice Finance Ltd., Hitachi Capital Insurance Europe Ltd., Hitachi Capital America Corp., Hitachi Capital (Hong Kong) Ltd., Hitachi Capital Singapore Pte. Ltd., Hitachi Capital Leasing (China) Co., Ltd., Hitachi Capital Management (Thailand) Co., Ltd., and Hitachi Capital (Thailand) Co., Ltd.

Hitachi Capital Invoice Finance Ltd. and Robinsons Garage (Aylestone) Ltd. are now in liquidation.

As a result of the acquisition of additional shares in Financial Bridge Corporation, which was formerly accounted for by the equity method, this company became a consolidated subsidiary and is consequently included in the scope of consolidation. In addition, the Company acquired Iseki Capital Corporation through a business combination, and Hitachi Capital Ayase SC Corporation (now, Hitachi Capital Community Corporation) acquired Gontazaka Square Corp. Accordingly, these companies are excluded from the scope of consolidation. Owing to the conclusion of liquidation proceedings for Trowbridge Vehicle Rentals Ltd., Hitachi Capital Reinsurance Ltd. and Hitachi Capital Credit Management Ltd., these companies are excluded from the scope of consolidation, as is The Driving Instructor Centre Ltd., as the Company has disposed of all its shareholdings in this company.

Hitachi Capital Leasing (China) Co., Ltd. has a December 31 fiscal year-end. Its significant transactions during the period from its fiscal year-end to March 31, which could materially affect the Company's financial position and results of operations, have been adjusted. All significant intercompany accounts have been eliminated in consolidation. The investments in affiliates are stated at its underlying equity value. The cost in excess of net assets acquired by the Company is amortized using the straight-line method over five years in principle. As Hitachi Capital (UK) PLC became a wholly owned subsidiary of the Company, such cost in excess of the net assets acquired is amortized using the straight-line method over 20 years.

### (b) Revenue Recognition

***Finance Leases:***
A finance lease transaction is a lease transaction in which the contract is not cancelable, by either party, during the lease term specified in the contract or any lease transaction in which the terms of the contract achieve a similar effect; and, under the contract, the lessee enjoys substantially all of the economic benefits arising from the use of the asset identified in the contract for the duration of the contract, and in return bears substantially all of the costs arising from such usage. In principle, interest income is recorded during each fiscal period as operating revenues mainly by the interest method. In the event that the lease transaction commenced prior to April 1, 2008 in compliance with the accounting standard for lease transactions, for finance lease transactions that do not transfer ownership, the total amount equivalent to interest is divided into equal amounts and recognized in each fiscal term over the lease period.

***Operating Leases:***
An operating lease transaction is a lease transaction other

than a finance lease transaction. Lease revenue is recognized over the lease terms when lease payments become due. Lease costs, which primarily consist of depreciation expense, are generally recognized in proportion to the related lease revenue over the lease terms.

***Loan guarantee arrangements:***
The Company and subsidiaries provide loan guarantees to banks and other financial institutions on behalf of customers who borrow funds for the product purchase. The fees from customers are recognized at the inception of loans, when the customers pay total commissions. The amount of the guarantee commissions received from affiliated financial institutions is calculated by the interest method.

***Purchase of installment receivables:***
The Company and subsidiaries purchase installment receivables from retailers at the inception of the installment contracts between retailers and their customers. The payables to retailers are determined as the cash sales price of commodities, and revenue is calculated as the net of installments receivables and payables to retailers. The revenue is deferred and recognized over the installment period, when the monthly installments become due. The interest income is recorded as operating revenue by the interest method and allocated to each fiscal period.

***Installment credit facilities:***
The customers pay commissions on installment credit facilities, which are computed at predetermined fixed rates based on the number of monthly installments. The commission revenue is deferred and recognized over the installment period, when monthly installments become due. The interest income on installment sales is recognized as operating revenue by interest method and allocated to each fiscal period.

### (c) Allowance for Losses on Receivables and Guarantees
Receivables are classified into five categories based on the credit history of debtors and the allowance for losses on receivables has been provided for estimated uncollectible amounts by each category. In addition, an allowance has been provided for estimated losses arising from loan guarantees outstanding as of each balance sheet date, using the same method as receivables.

### (d) Short-term Investments and Investments in Securities
The Company and subsidiaries adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council and the related implementation guidance issued by the Accounting Standards Board of Japan (ASBJ). Under this standard, securities are to be classified into one of the following three categories and accounted for as follows:

- Securities that are generally used with the objective of generating profits on short-term differences in price are classified as trading securities and measured at fair value, with unrealized holding gains and losses included in earnings.

- Securities that the Company and subsidiaries have positive intent and ability to hold to their maturities are classified as held-to-maturity securities and measured at amortized cost.

- Securities classified as neither trading securities nor held-to-maturity securities are classified as other securities and measured at fair value, with either unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of net assets until realized, or unrealized holding losses included in earnings and unrealized gains excluded from earnings and reported as a net amount in a separate component of net assets until realized.

Held-to-maturity securities are amortized or accumulated to face value. Other securities with a fair value are carried at fair value with unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of net assets until realized. Other securities without fair value are carried at cost. In computing realized gain or loss, cost of other securities was principally determined by the moving-average method.

### (e) Impairment of Fixed Assets
The Company and subsidiaries adopted "Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council and the related implementation guidance issued by the ASBJ. Under this standard and implementation guidance, fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When amounts of undiscounted future cash flows of fixed assets are less than the carrying amounts, the fixed assets are determined to be impaired. Then, an amount by which the carrying amount exceeds the recoverable amount is recognized as an impairment loss in earnings. The recoverable amount of fixed assets is the greater of the net selling price or the present value of the future cash flows expected to be derived from the fixed assets. The Company and consolidated subsidiaries identify groups of assets by their business units as the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

### (f) Residual Value Reserves
Accumulated depreciation includes an allowance for losses on disposal of leased assets upon termination of lease contracts. The Company and subsidiaries provided for the allowance in the amount of ¥1,591 million ($17,107 thousand) and appropriated for losses on disposal of leased assets in the amount of ¥1,936 million ($20,817 thousand) for the year ended March 31, 2010. The allowance included in accumulated depreciation was ¥1,987 million ($21,365 thousand) at March 31, 2010.

### (g) Income Taxes
Deferred income taxes are accounted for under the asset and liability method, and deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to

taxable income in the years in which those temporary differences are expected to be recovered or settled.

**(h) Retirement and Severance Benefits**

The Company and subsidiaries account for retirement and severance benefits in accordance with "Accounting Standard for Retirement Benefits" issued by the Business Accounting Deliberation Council. Under this standard, retirement and severance benefits for employees are accrued based on the estimated retirement benefit obligation and the pension assets.

Retirement benefits for directors and executive officers have been reserved for the vested benefits to which they are entitled if they were to retire or sever immediately at the balance sheet date.

On March 31, 2008, retirement benefits for directors and executive officers were eliminated. The reserve balance as of March 31, 2010 is to be drawn down as directors retire, when retirement bonus payment amounts are determined.

**(i) Foreign Currency Translation**

The Company accounts for foreign currency transactions in accordance with "Accounting Standard for Foreign Currency Transaction" issued by the Business Accounting Deliberation Council. Under this standard, foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction date or, if the relation between a foreign currency transaction and related firm forward exchange contracts meets the criteria of hedge accounting as provided in "Accounting Standards for Financial Instruments," those transactions covered by firm forward exchange contracts can be translated at such contract rates. At year-end, monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except for those, as described above, translated at related contract rates. Gains or losses resulting from the translation of foreign currencies, including gains and losses on settlement, are recognized in earnings as incurred.

The financial statements of the foreign subsidiaries are translated into the reporting currency of yen as follows: all assets and liabilities are translated at the rates of exchange in effect at the balance sheet date; net assets accounts are translated at historical rates; income and expenses are translated at an average of exchange rates in effect during the year; and a comprehensive adjustment resulting from translation of assets, liabilities and net assets is included in Minority interests and Foreign currency translation adjustments, separate components of net assets.

**(j) Treasury Stock**

Treasury stock is recorded at cost as a deduction of stockholders' equity. When the Company reissues the treasury shares, the difference between the issuance price and the costs of the treasury shares are accounted for as capital surplus.

**(k) Appropriation of Retained Earnings**

On May 1, 2006, the Japanese Corporate Law went into effect and replaced the Japanese Commercial Code. Under the Japanese Corporate Law, the Company is able to appropriate retained earnings by resolution of the Board of Directors, provided that certain criteria are met.

**(l) Per Share Data**

Basic net income per share is computed by dividing net income available to common stockholders by the weighted average number of shares of common shares outstanding during each year. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

**(m) Financial Instruments**

The Company accounts for installment accounts receivable in accordance with "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, installment accounts receivable is recorded at fair value less unearned income.

**(n) Derivative Financial Instruments**

The Company and certain subsidiaries account for derivative financial instruments in accordance with "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, in principle, net assets or liabilities arising from derivative financial transactions are measured at fair value, with unrealized gain or loss included in earnings. Hedging transactions, which meet the criteria of hedge accounting as provided in "Accounting Standards for Financial Instruments," are accounted for using deferral hedge accounting, which requires the unrealized gain or loss to be deferred as a liability or asset until gain or loss relating to the hedge object is recognized.

Net assets or liabilities arising from derivative financial transactions are measured at fair value, except for interest rate option contracts, which are accounted for using deferral hedge accounting. In addition, certain foreign currency swap transactions and certain interest rate swap transactions are accounted for using the allocation method and the special method, respectively, which are regulated in the standard. The allocation method requires recognized foreign currency receivables or payables covered by firm foreign currency swap transactions to be translated at such swap rates. Under the special method, interest rate swap transactions are accounted for as if the interest rates under those transactions were originally applied to underlying borrowings and debentures.

**(o) Securitization**

The Company and subsidiaries have a number of securitization programs. Under those programs, certain financial assets such as lease receivables, notes and accounts receivable-trade are sold to Special Purpose Entities which are funded through the issuance of asset-backed securities to investors. Among the securitizations of lease receivables that are recognized as finance leases, securitizations that satisfy the derecognition of financial assets were treated as financial transactions in the past. However, owing to the application of "Practical Guidelines on Accounting Standards for Financial Instruments" (Revision of Accounting Practice Committee Statement No. 14, March 25, 2008) from the year ended March 31, 2009, portions of leases related to the right to receive lease payments are now accounted for as sale and purchase transactions. With regard to securitizations that do not satisfy the derecognition of financial assets, the Company accounts for a transfer of investment in direct finance leases as a secured borrowing with pledge of collateral and classifies the borrowing as obligation for securitized lease receivables.

**(p) Reclassification**

Regarding the securitization of items that were included within "other" in "cash flows from operating activities" for the fiscal year ended March 31, 2009, the net change in payables has been itemized for the fiscal year ended March 31, 2010. The increase in payables resulting from the securitization of items included within "other" in "cash flows from operating activities" for the fiscal year ended March 31, 2009 was ¥76,473 million ($822,290 thousand).

From the year ended March 31, 2009, the securitizations that satisfy the derecognition of financial assets within the securitization of finance lease transactions previously included in the consolidated statements of cash flows under "cash provided by asset backed securitization" and "payment for asset backed securitization" are treated as sales and purchase transactions. In accordance with this change, cash provided by and settlement of this securitization is classified as "increase (decrease) in investment in direct finance leases" from the year ended March 31, 2009. Accordingly, the amount that was included in securitization of finance lease transactions indicated within "cash provided by asset backed securitization" and "payment for asset backed securitization" for the year ended March 31, 2008, that was not accounted for as sale and purchase transactions, cash provided by and settlement of this securitization, is included in the "other" category within "cash flows from operating activities" for the year ended March 31, 2009. Of securitization of finance lease transactions included in "other" within "cash flows from operating activities" for the year ended March 31, 2009, the amount of cash provided by and settlement of this securitization and the amount that was not accounted for as sale and purchase transactions were ¥19,745 million and negative ¥33,186 million, respectively.

**(q) Application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"**

The "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, May 17, 2006), is applied from the year ended March 31, 2009, and the necessary adjustments are made from the standpoint of consolidated accounting. This change has minimal impact on profits and losses.

**(r) Application of "Accounting Standard for Lease Transactions"**

In the past, finance lease transactions that do not transfer ownership were treated for accounting purposes as operating lease transactions. However, from the year ended March 31, 2009, the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007, the revised statement by the First Subcommittee of the Business Accounting Council on June 17, 1993) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, March 30, 2009, the revised statement by the Standards Advisory Council of the Japanese Institute of Certified Public Accountants on January 18, 2009) are applied, and finance lease transactions shall be accounted for in a manner similar to the accounting for ordinary sale and purchase transactions. With respect to finance lease transactions that do not transfer ownership that commenced prior to April 1, 2008 in compliance with the accounting standard for lease transactions, the appropriate book value (less accumulated depreciation) of the fixed assets as at the balance sheet date of the accounting year preceding the initial year of implementation of this accounting standard is recognized as the value of leased assets at the beginning of the year, or the total value of the amount equivalent to interest on these investment in direct finance leases remaining after the implementation of the accounting standard is divided into equal amounts and recognized in each fiscal term over the lease period.

During the year ended March 31, 2009, the impact of these changes on operating income and income before income taxes and minority interests is minimal.

**(s) Application of "Practical Guidelines on Accounting Standards for Financial Instruments" (Accounting Practice Committee Statement No. 14, revised March 25, 2008)**

The "Practical Guidelines on Accounting Standards for Financial Instruments" (Accounting Practice Committee Statement No. 14, revised March 25, 2008) are applied from the year ended March 31, 2009. As a result, of the securitization of investment in direct finance leases that are recognized as finance lease transactions, securitizations that satisfy the derecognition of financial assets are treated as financial transactions in the past; however, from the year ended March 31, 2009, the portion of lease related to the right to receive lease payments are accounted for as sale and purchase transactions.

For the aforesaid sales and purchase transactions accounted for as sale and purchase transactions, as it was difficult from a practical standpoint to determine the fair value of financial components of all securitization transactions back to their date of actual securitization, these have been treated at their book values as of the beginning of the year ended March 31, 2009.

As a result of these changes, at the beginning of the year ended March 31, 2009, ¥25,703 million was recorded as other income, and during the year ended March 31, 2009, operating income was ¥1,908 million higher than it would have been under the previous method, and income before income taxes and minority interests was ¥27,612 million higher. The impact on the consolidated balance sheets as of the beginning of the year ended March 31, 2009, is indicated below. The impact on segment information is indicated in the appropriate section.

| | Japanese yen (millions) |
|---|---|
| | 2009 |
| Current assets | ¥ (813,853) |
| Non-current assets | 65,788 |
| Total assets | ¥ (748,065) |
| Current liabilities | ¥ (280,157) |
| Non-current liabilities | (493,612) |
| Total liabilities | ¥ (773,769) |

**(t) Change in basis of recording customer fee income on installment sales and installment credit obligations**
From the year ended March 31, 2009, the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007, the revised statement by the First Subcommittee of the Business Accounting Council on June 17, 1993) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, March 30, 2007, the revised statement by the Standards Advisory Council of the Japanese Institute of Certified Public Accountants on January 18, 2004) are applied. As a result, the method of recognizing lease transaction revenue changed from an equal basis to an interest method basis. In line with this change, standards for posting installment sales and installment credit obligations that are similar to commercial substance, such as customer fee income on lease transaction, changed from an installment basis to revenue based on the interest method. As a result of this change, as of the beginning of the year ended March 31, 2009, the difference between the posted revenue amount resulting from customer fees on an installment basis and revenue based on the interest method amounted to installment sales of ¥379 million, installment credit obligations of ¥516 million being posted as other income. In addition, compared with the previous method, installment sales pushed up operating income in the year ended March 31, 2009, by ¥16 million, and raised income before income taxes and minority interests by ¥395 million; and installment credit obligations in the year ended March 31, 2009, raised operating income by ¥170 million and increased income before income taxes and minority interests by ¥687 million. The impact on segment information is indicated in the appropriate section.

**(u) Change in basis of recording revenue from financial institution guarantees on loan sales through alliances**
Revenue from loan sales through alliances comprises guarantee fees received from customers and guarantee commissions received from affiliated financial institutions over the installment period. In the past, guarantee fees received from customers and guarantee commissions received were recorded as a lump sum on a sales basis, and after costs were covered through a reserve allowance. However, owing to the application of the "Accounting Standard for Lease Transactions" and the "Guidance on Accounting Standard for Lease Transactions" from the year ended March 31, 2009, transactions similar to lease transactions, such as the recording of customer fee income on installment sales and installment credit obligations, was changed to recording of revenue based on the interest method. Accordingly, as commercial substance for commissions received from affiliated financial institutions over the installment period are in line with installment sales and installment credit obligations, like standard for recognizing revenues from installment sales and installment credit obligations, revenue recognition was changed based on the interest method.

Owing to this change, as of the beginning of the year ended March 31, 2009, the difference between the amount recorded as a lump sum on a sales basis and the recognized revenue based on the interest method was recorded as an other expense of ¥7,348 million. Compared with the previous method, in the year ended March 31, 2009, this change had the effect of reducing operating income by ¥908 million and income before income taxes and minority interests by ¥8,257 million. The impact on segment information is indicated in the appropriate section.

**(v) Change in recording basis of maintenance expenses on maintenance and lease agreements**
Maintenance expenses on maintenance and lease agreements include expenses for repair and maintenance of leased vehicles undertaken by customers under lease agreements. In the past, expenses were recorded as repair and maintenance were incurred. In order for a more appropriate periodical accounting of profit and loss, from the year ended March 31, 2009, this method was changed to a monthly allocation of maintenance expenses over the lease term.

As a result of this change, as of the beginning of the year ended March 31, 2009, an other expense of ¥646 million was recorded. Compared with the previous method, this change had the effect of reducing operating income by ¥38 million and income before income taxes and minority interests by ¥685 million during the year ended March 31, 2009. The impact on segment information is indicated in the appropriate section.

**(w) Application of "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008)**
Owing to the application of the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008) to the consolidated financial statements of consolidated fiscal years beginning on or before March 31, 2009, this standard is applied from the year ended March 31, 2009. As actuarial differences are recorded as expenses in the consolidated fiscal year ended March 31, 2009, this change had no effect on operating income or income before income taxes and minority interests for the year ended March 31, 2009. The unrecorded difference in retirement and severance benefit obligations owing to the application of this accounting standard is minimal.

### (4) ASSETS DEPOSITED

As of March 31, 2010, investments in securities of ¥32 million ($344 thousand) were deposited as operating guarantees, and investments in securities of ¥6 million ($64 thousand) were pledged as a collateral for the loan of an affiliated company of Hitachi, Ltd. As of March 31, 2009, investments in securities of ¥32 million were deposited as operating guarantees. Additionally, investments in securities of ¥6 million were pledged as a collateral for the loan of an affiliated company of Hitachi, Ltd.

### (5) ALLOWANCE FOR LOSSES ON RECEIVABLES AND GUARANTEES

The Company and subsidiaries provide loan guarantee arrangements on behalf of customers. The outstanding balances of such loan guarantees as of March 31, 2010 and 2009 were ¥413,609 million ($4,447,408 thousand) and ¥436,153 million, respectively. The activities in the allowance for losses on receivables and guarantees provided for the years ended March 31, 2010 and 2009 are summarized as follows:

| | Japanese yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Balance at beginning of year | **¥ 16,274** | ¥ 13,822 | **$ 174,989** |
| Write-off during the year | **(9,763)** | (7,330) | **(104,978)** |
| Provision | **11,554** | 9,216 | **124,236** |
| Effect of translation adjustments (Note 3 (i)) | **(163)** | 565 | **(1,752)** |
| Balance at end of year: | | | |
| Allowance for losses on receivables | **13,601** | 13,374 | **146,247** |
| Allowance for losses on guarantees | **4,300** | 2,900 | **46,236** |
| | **¥ 17,901** | ¥ 16,274 | **$ 192,483** |

### (6) SHORT-TERM BANK LOANS AND LONG-TERM DEBT

The weighted average interest rates on short-term bank loans outstanding at March 31, 2010 and 2009 were 0.8% and 1.2%, respectively. Long-term debt at March 31, 2010 and 2009 consisted of the following:

| | Japanese yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Unsecured bonds payable in Japanese yen, due from June 2010 to September 2014, interest ranging from 0.64% to 1.95% | **¥ 185,000** | ¥ 170,000 | **$ 1,989,247** |
| Unsecured bonds payable in Japanese yen (for specific institutional investors), due from August 2010 to March 2012, interest ranging from 1.28% to1.93% | **50,000** | 50,000 | **537,634** |
| Medium-term notes payable issued by Hitachi Capital America Corp., in euro-dollars, due from April 2010 to March 2015, interest ranging from 0.56% to 1.78% | **30,328** | 29,751 | **326,107** |
| Medium-term notes payable issued by Hitachi Capital (UK) PLC, in euro-yen and euro-dollars, due from April 2010 to March 2015, interest ranging from 0.43% to 2.78% | **59,633** | 73,828 | **641,215** |
| Loans from banks and other financial institutions: | | | |
| Unsecured, maturing 2010-2026 | **385,354** | 318,893 | **4,143,591** |
| | **710,316** | 642,472 | **7,637,806** |
| Less current portion | **133,671** | 192,975 | **1,437,322** |
| | **¥ 576,644** | ¥ 449,498 | **$ 6,200,473** |

The weighted average interest rates on long-term loans from banks and other financial institutions outstanding at March 31, 2010 and 2009, shown above, were 1.6% and 2.1%, respectively. The aggregate annual maturities of long-term debt at March 31, 2010 were as follows:

| | Japanese yen (millions) | U.S. dollars (thousands) |
|---|---|---|
| Years ending March 31: | | |
| 2012 | ¥ 178,682 | $ 1,921,311 |
| 2013 | 180,685 | 1,942,849 |
| 2014 | 89,131 | 958,397 |
| 2015 | 85,717 | 921,688 |
| 2016 and thereafter | 42,428 | 456,215 |
| | ¥ 576,644 | $ 6,200,473 |

As is customary in Japan, both short-term and long-term bank loans are made under general agreements which provide that securities and guarantees for present and future indebtedness will be given upon request from the bank, and that the bank shall have the right, as the obligations become due or in the event of default, to offset cash deposits against obligations to the bank.

(a) Hitachi Capital America Corp. established a $400 million medium-term-note lending program with the Company's guarantee on October 29, 2003. Amounts of issues exceeding $400 million are guaranteed through separate applications. The issued note amount was $325 million as of March 31, 2010.

(b) Hitachi Capital (UK) PLC established a $1,400 million medium-term euro-note lending program on November 15, 2004. The issued note amount was $640 million as of March 31, 2010.

## (7) TRADE PAYABLES

Trade payables at March 31, 2010 and 2009 were as follows:

| | Japanese yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Notes payable | **¥ 1,414** | ¥ 2,460 | **$ 15,204** |
| Accounts payable | **208,931** | 211,363 | **2,246,569** |
| | **¥ 210,345** | ¥ 213,824 | **$ 2,261,774** |

Trade payables represent amounts arising from purchases of installment receivables and purchases of goods and property to be sold or leased by the Company and subsidiaries. Generally, notes payable become due from 30 to 180 days after the date of issue. The most common terms of maturity are from 30 to 120 days.

## (8) INCOME TAXES

Income tax expense attributable to income from continuing operations for the years ended March 31, 2010, 2009 and 2008 consists of the following:

| | Japanese yen (millions) | | | U.S. dollars (thousands) |
|---|---|---|---|---|
| | **2010** | 2009 | 2008 | **2010** |
| Current | **¥ 4,240** | ¥ 17,069 | ¥ 9,935 | **$ 45,591** |
| Deferred | **756** | (7,364) | (56) | **8,129** |
| | **¥ 4,997** | ¥ 9,705 | ¥ 9,879 | **$ 53,731** |

The Company and its domestic subsidiaries are subject to a number of taxes based on income. The aggregated statutory income tax rate for domestic companies was approximately 40.5% for the years ended March 31, 2010 and 2009. Reconciliation between the statutory income tax rate and the effective income tax rate as a percentage of income before income taxes and minority interests is as follows:

| | **2010** | 2009 |
|---|---|---|
| Statutory income tax rate | **40.5%** | 40.5% |
| Per capita tax | **1.0** | 0.7 |
| Expenses not deductible for tax purposes | **2.2** | 1.3 |
| Difference in statutory tax rates of foreign subsidiaries | **(5.1)** | (1.8) |
| Elimination for tax credit on dividend income by consolidation | **3.8** | 6.2 |
| Depreciation of goodwill | **2.2** | 1.9 |
| Other consolidated adjustments without recognized tax effects | **0.7** | — |
| Tax credits | **(1.2)** | (0.8) |
| Decrease in valuation reserve | **(4.8)** | (0.2) |
| Dividends received and other non-taxable items excluded from calculations | **(3.1)** | (2.2) |
| Other | **1.2** | (1.1) |
| Effective income tax rate | **37.4%** | 44.5% |

The effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2010 and 2009 are presented below:

| | Japanese yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Total gross deferred tax assets: | | | |
| Depreciation | **¥ 12,220** | ¥ 15,941 | **$ 131,397** |
| Allowance for losses on receivables | **2,761** | 2,888 | **29,688** |
| Allowance for losses on guarantees | **1,690** | 1,039 | **18,172** |
| Accrued expenses | **1,789** | 1,527 | **19,236** |
| Net operating loss carryforwards | **450** | 642 | **4,838** |
| Cumulative revenues from leasing contracts | **5,409** | 2,929 | **58,161** |
| Accrued business taxes | **78** | 1,097 | **838** |
| Prepaid expenses | **146** | 183 | **1,569** |
| Retirement and severance benefits | **26** | 23 | **279** |
| Valuation loss on other securities | **121** | 513 | **1,301** |
| Retirement benefits for directors | **124** | 200 | **1,333** |
| Bad debt write-off | **1,663** | 1,772 | **17,881** |
| Loss on transfer of business | **—** | 567 | **—** |
| Other | **3,548** | 5,451 | **38,150** |
| | **30,031** | 34,779 | **322,913** |
| Valuation allowance | **(2,297)** | (3,054) | **(24,698)** |
| | **27,734** | 31,724 | **298,215** |
| Total gross deferred tax liabilities: | | | |
| Gains and losses on lease receivable transactions | **(8,997)** | (10,843) | **(96,741)** |
| Net unrealized holding gain on investments in other securities | **(4,885)** | (966) | **(52,526)** |
| Temporary difference related to overseas subsidiaries and other | **(709)** | (746) | **(7,623)** |
| Business tax refunds receivable | **(343)** | — | **(3,688)** |
| Prepaid pension benefit cost | **(2,705)** | (3,286) | **(29,086)** |
| Other | **(0)** | (183) | **(0)** |
| | **(17,642)** | (16,026) | **(189,698)** |
| Net deferred tax assets | **¥ 10,091** | ¥ 15,697 | **$ 108,505** |

As of March 31, 2010 and 2009, no deferred tax assets were recognized for the temporary differences related to the Company's divested operation, since it is not practicable to estimate the timing of the reversals of the temporary differences. Net deferred tax assets and liabilities as of March 31, 2010 and 2009 are reflected in the accompanying consolidated balance sheets under the following captions:

| | Japanese yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Prepaid expenses and other current assets | **¥ 5,147** | ¥ 5,112 | **$ 55,344** |
| Other assets | **5,877** | 11,624 | **63,193** |
| Other current liabilities | **(662)** | (746) | **(7,118)** |
| Other liabilities | **(270)** | (291) | **(2,903)** |
| Net deferred tax assets | **¥ 10,091** | ¥ 15,697 | **$ 108,505** |

### (9) RETIREMENT AND SEVERANCE BENEFITS

The Company and its domestic subsidiaries have a number of pension plans to provide retirement and severance benefits to substantially all employees. Under these plans, contributions are made solely by the Company and subsidiaries.

Principal pension plans are unfunded defined benefit pension plans. Under the plans, employees are entitled to lump-sum payments based on the current rate of pay and the length of service upon retirement or termination of employment for reasons other than dismissal for cause. The liability is partially funded by contributions to trusted pension funds. Such contributions constitute funded status of the plans. In addition to the above plans, the Company and certain subsidiaries have defined contribution plans. Also certain overseas consolidated subsidiaries have introduced defined benefit and defined contribution plans.

The funded status of the Company's pension plans as of March 31, 2010 and 2009 is summarized as follows:

| | Japanese yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Projected benefit obligation | **¥ (42,073)** | ¥ (40,925) | **$ (452,397)** |
| Plan assets at fair value | **34,987** | 30,095 | **376,204** |
| Funded status | **(7,086)** | (10,830) | **(76,193)** |
| Unrecognized actuarial loss | **15,660** | 21,003 | **168,387** |
| Unrecognized prior service cost | **(1,749)** | (2,027) | **(18,806)** |
| Net amount recognized in the consolidated balance sheets | **¥ 6,823** | ¥ 8,145 | **$ 73,365** |
| Amounts recognized in the consolidated balance sheets consist of: | | | |
| Prepaid benefit cost | **¥ 11,326** | ¥ 12,693 | **$ 121,784** |
| Accrued benefit cost | **(4,502)** | (4,548) | **(48,408)** |
| | **¥ 6,823** | ¥ 8,145 | **$ 73,365** |

Net periodic benefit cost for the years ended March 31 2010, 2009 and 2008 consisted of the following components:

| | Japanese yen (millions) | | | U.S. dollars (thousands) |
|---|---|---|---|---|
| | **2010** | 2009 | 2008 | **2010** |
| Service cost, net of participants' contributions | **¥ 1,361** | ¥ 1,440 | ¥ 1,257 | **$ 14,634** |
| Interest cost | **1,130** | 1,182 | 895 | **12,150** |
| Expected return on plan assets for the period | **(1,009)** | (1,330) | (1,128) | **(10,849)** |
| Amortization of actuarial loss | **1,894** | 1,203 | 617 | **20,365** |
| Amortization of prior service cost | **(277)** | (277) | (277) | **(2,978)** |
| Net periodic benefit cost | **3,100** | 2,218 | 1,364 | **33,333** |
| Contributions to the defined contribution pension plan | **¥ 356** | ¥ 346 | ¥ 221 | **$ 3,827** |

Actuarial assumptions and the basis used in accounting for the Company's plans are principally as follows:

a. Discount rates were 2.0 to 2.5% for the years ended March 31, 2010, 2009 and 2008. The rate was 5.6% for overseas subsidiaries.
b. Expected rates of return were 3.0% for the years ended March 31, 2010, 2009 and 2008. The rate was 6.6% for overseas subsidiaries.
c. Actuarial loss is amortized using the straight-line method over 5 to 22 years, which is within the estimated average remaining service years of employees.
d. Prior service cost is amortized using the straight-line method over 11 to 19 years, which is within the estimated average remaining service years of employees.

## (10) STOCKHOLDERS' EQUITY

At March 31, 2010, 58.5% of the outstanding capital stock of the Company was directly owned by Hitachi, Ltd.

The Company has authorized to issue 270,000,000 shares of common stock.

The Japanese Corporate Law went into effect on May 1, 2006, replacing the Japanese Commercial Code. It is applicable to events or transactions of companies in Japan occurring on or after May 1, 2006 and for fiscal years ending on or after May 1, 2006. The Japanese Corporate Law stipulates that the amounts actually paid in or provided in consideration for newly issued stocks shall be recorded as common stock. However, it also allows 50% or less of such amounts to be recorded as additional paid-in capital. The Japanese Corporate Law requires that an amount equal to 10% of dividends be appropriated to the legal reserve. However, such appropriation cannot be made if the aggregate amount of the legal reserve exceeds 25% of common stock (i.e., the aggregate amount of the Company's legal reserve has already reached 25% of its common stock). Directors' bonuses are charged to income in the fiscal year in which they are accrued, although some subsidiaries previously conventionally accounted for them as appropriation of retained earnings in accordance with Japanese customary practices.

The accompanying consolidated financial statements do not include any provision for the semiannual dividend of ¥15.00 ($0.16) per share totaling ¥30.00 ($0.32) subsequently proposed by the Board of Directors with respect to the fiscal year ended March 31, 2010.

### (11) TREASURY STOCK

The Japanese Corporate Law allows a company to acquire treasury stock upon shareholders' approval to the extent that sufficient distributable funds are available. If the Board of Directors' authority is stated in the articles of incorporation, a company is allowed to acquire treasury stock not upon shareholders' approval but Board of Directors' approval. In this connection, acquisition of treasury stock is allowed under the Company's articles of incorporation.

Pursuant to the provisions of the Japanese Corporate Law, shareholders may request the company to acquire their shares less than a minimum trading lot as shares less than a minimum trading lot cannot be publicly traded and such a shareholder holding less than a minimum trading lot cannot exercise a voting right and other shareholders' rights except as provided in the Japanese Corporate Law or the articles of incorporation. The Japanese Corporate Law also states that a shareholder holding shares less than a minimum trading lot may request the company to sell its treasury stock, if any, to the shareholder up to a minimum trading lot if entitled under the articles of incorporation. In this connection, sale of treasury stock is allowed under the Company's articles of incorporation.

The changes in treasury stock for the years ended March 31, 2010, 2009 and 2008 are summarized as follows:

| | Japanese yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | Number of shares | Amount | Amount |
| Balance as of March 31, 2007 | 7,933,379 | ¥ 14,327 | |
| Purchase of treasury stock | 722 | 1 | |
| Disposal of treasury stock | 107 | 0 | |
| Balance as of March 31, 2008 | 7,935,994 | ¥ 14,328 | |
| Purchase of treasury stock | 1,522 | 1 | |
| Disposal of treasury stock | 679 | 0 | |
| Balance as of March 31, 2009 | 7,936,837 | ¥ 14,329 | $ 154,075 |
| Purchase of treasury stock | 863 | 1 | 10 |
| Disposal of treasury stock | 8 | 0 | 0 |
| Balance as of March 31, 2010 | 7,937,692 | ¥ 14,330 | $ 154,086 |

### (12) OTHER INCOME AND OTHER EXPENSES

The details of other income and other expenses for the years ended March 31, 2010 and 2009 are as follows:

| | Japanese yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Gain on transfer of lease receivables associated with change in accounting standard | **¥ —** | ¥ 25,703 | **$ —** |
| Gain on change in accounting policy of revenues from installment transactions | **—** | 895 | **—** |
| Other | **540** | 45 | **5,806** |
| Other Income | **¥ 540** | ¥ 26,645 | **$ 5,806** |

| | Japanese yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Loss on change in accounting policy of revenues from affiliated loans | **¥ —** | ¥ 7,348 | **$ —** |
| Bad debts expenses for lease transactions | **—** | 1,414 | **—** |
| Loss on change in accounting policy of maintenance cost for lease transactions | **—** | 646 | **—** |
| Impairment loss | **—** | 3,206 | **—** |
| Extra retirement payments | **—** | 1,587 | **—** |
| Loss on valuation of investment securities | **—** | 1,001 | **—** |
| Provision for loss on disposal of assets for lease transactions | **—** | 5,722 | **—** |
| Loss on transfer of business | **—** | 1,403 | **—** |
| Other | **65** | 81 | **698** |
| Other Expenses | **¥ 65** | ¥ 22,413 | **$ 698** |

**Bad debts expenses for lease transactions**

One of the Company's business partners, a domestic semiconductor company, received acceptance of application for civil rehabilitation proceedings on September 25, 2008. The Company had provided this customer with leased testing and other equipment. However, the Company estimates that this equipment is unrecoverable, owing to the petition to commence civil rehabilitation proceedings. This amount is recorded as other expenses.

**Impairment loss**

The Company and its certain subsidiaries have recognized impairment losses on the assets listed below for the year ended March 31, 2009.

| Category | Type | Location | Impairment Loss |
|---|---|---|---|
| Assets slated for disposal | Buildings, structures, land | Matsudo-shi, Chiba;<br>Yama-gun, Fukushima;<br>Osaka-shi, Osaka | ¥ 679 million |
| Business-use asset | Leased assets | —* | ¥ 1,540 million |
| Business-use asset (consolidated subsidiary) | Leased assets | —* | ¥ 871 million |
| Business-use asset (consolidated subsidiary) | Other intangible fixed assets | Chiyoda-ku, Tokyo | ¥ 115 million |

* As lease assets are delivered over a wide-ranging area, locations have been omitted here.

The Hitachi Capital Group principally groups business-use assets in accordance with each company's business categories. Assets or asset management groups for which independent cash flows can be estimated are grouped separately. Assets to be disposed of are grouped as individual assets.

The business-use assets are written down to value in use and recorded as impairment losses in other expenses. Value in use is calculated by discounting future cash flows using discount rates ranging from 5.1% to 12.8%.

Impairment loss on assets to be disposed of was determined by recoverable value and the difference from book value was recorded as impairment loss in other expenses for the year ended March 31, 2009. The recoverable value is estimated from the net sale or disposal value, which employs the expected sale or disposal value.

**Provision for loss on disposal of assets for lease transactions**

The estimated loss on disposal of assets corresponding to the estimated residual value on finance lease transactions is recorded in other expenses.

The Company and subsidiaries did not recognize impairment loss for the year ended March 31, 2010.

## (13) NET INCOME PER SHARE INFORMATION

The reconciliation of the number of shares and the amounts used in the basic and diluted net income per share computations is as follows:

| | Number of shares | |
|---|---|---|
| | **2010** | 2009 |
| Weighted average number of shares on which basic net income per share is calculated | **116,889,199** | 116,890,155 |
| Effect of dilutive securities: | | |
| Convertible debentures | **—** | — |
| Number of shares on which diluted net income per share is calculated | **116,889,199** | 116,890,155 |

| | Japanese yen (millions) | | | U.S. dollars (thousands) |
|---|---|---|---|---|
| | **2010** | 2009 | 2008 | **2010** |
| Net income | **¥ 8,248** | ¥ 12,122 | ¥ 10,722 | **$ 88,688** |
| Appropriations for directors' bonuses | **—** | — | — | **—** |
| Net income on which basic net income per share is calculated | **8,248** | 12,122 | 10,722 | **88,688** |
| Effect of dilutive securities: | | | | |
| Stock option granted by a subsidiary | **—** | — | (4) | **—** |
| Net income on which diluted net income per share is calculated | **¥ 8,248** | ¥ 12,122 | ¥ 10,718 | **$ 88,688** |

| | Japanese yen | | | U.S. dollars |
|---|---|---|---|---|
| Net income per share data: | | | | |
| Basic | **¥ 70.5** | ¥ 103.7 | ¥ 91.7 | **$ 0.75** |
| Diluted | **—** | — | 91.7 | **—** |

## (14) RELATED PARTIES

The Company's balances with its parent company, Hitachi, Ltd., as of March 31, 2010 and 2009, and related transactions for the years ended March 31, 2010, 2009 and 2008 are summarized as follows:

| | Japanese yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Balances: | | | |
| Receivables — current | **¥ 8,876** | ¥ 11,991 | **$ 95,440** |
| Parent company deposit | **184,857** | 227,007 | **1,987,709** |
| Receivables — non-current | **682** | 1,025 | **7,333** |
| Payables — current | **16,935** | 19,654 | **182,096** |

| | Japanese yen (millions) | | | U.S. dollars (thousands) |
|---|---|---|---|---|
| | **2010** | 2009 | 2008 | **2010** |
| Transactions: | | | | |
| Revenue | **¥ 20,028** | ¥ 69,008 | ¥ 42,298 | **$ 215,354** |
| Purchases | **36,146** | 35,740 | 49,560 | **388,666** |
| Interest income | **734** | 1,087 | 757 | **7,892** |
| Fund transaction, net | **42,884** | (151,911) | (15,728) | **461,118** |

The Company's balances and related transactions with Hitachi Asset Funding Ltd., which currently has a common parent company, Hitachi Ltd., are outlined below. Hitachi Asset Funding Ltd. was an affiliated company of the Company during the years ended March 31, 2009 and 2008.

| | Japanese yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Balances: | | | |
| Receivables — current | **¥ 6** | ¥ 53 | **$ 64** |
| Payables — current | **54,696** | 50,739 | **588,129** |

| | Japanese yen (millions) | | | U.S. dollars (thousands) |
|---|---|---|---|---|
| | **2010** | 2009 | 2008 | **2010** |
| Transactions: | | | | |
| Revenue | **¥ 82** | ¥ 119 | ¥ 112 | **$ 881** |
| Transfer of receivables | **320,591** | 595,567 | 487,496 | **3,447,215** |
| Payments of funds collected | **369,467** | 549,643 | 485,629 | **3,972,763** |

## (15) CONSOLIDATED STATEMENTS OF CASH FLOWS — SUPPLEMENTARY INFORMATION

For the purpose of the statements of cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value that have maturities of generally three months or less when purchased to be cash equivalents. The components of cash and cash equivalents at March 31, 2010, 2009 and 2008 were as follows:

| | Japanese yen (millions) | | | U.S. dollars (thousands) |
|---|---|---|---|---|
| | **2010** | 2009 | 2008 | **2010** |
| Cash on hand and at bank | **¥ 28,739** | ¥ 24,865 | ¥ 26,358 | **$ 309,021** |
| Parent company deposit | **184,918** | 227,007 | 74,008 | **1,988,365** |
| Total | **¥ 213,657** | ¥ 251,872 | ¥ 100,366 | **$ 2,297,387** |
| Time deposits with a period of more than three months | **(2,500)** | — | — | **(26,881)** |
| Cash and cash equivalents | **¥ 211,157** | ¥ 251,872 | ¥ 100,366 | **$ 2,270,505** |

## (16) SEGMENT INFORMATION

### (a) Industry Segment Information

As members of the Hitachi Group, the Company and subsidiaries provide a wide range of financial services to respond to our customers' various needs in manufacturing, commercial and consumer finance. Although there is a wide range of financial services, the Company and subsidiaries have been categorized into two segments: Finance and Other financial services.

**(Changes in business categories)**

The Hitachi Capital Group strives to enhance its business foundation to prepare for continuous growth. Specifically, in the area of non-life insurance the Company promotes the ''finance business" area that consists mainly of a combined financing function and insurance function as core activities. In the future, the Company plans to develop more business that integrates a finance business aspect. In the "card business," by expanding the settlement services where the Company provides a finance function mainly to corporations, the Company will develop business that integrates to "finance business." As for its "securitization" and "outsourcing" businesses, in order to provide products and services that meet customers' increasingly diverse needs for financing functions, Group companies and divisions unite as one and develop cooperative sales integrated to "finance business." The Company expects this trend to continue into the future. In the past, the Company classified its finance business into four categories according to the positioning of their ancillary businesses: non-life insurance, card business, securitization service and outsourcing service. Each of these categories is closely related to the finance business. The Company has combined these categories into the "finance business" segment from the year ended March 31, 2009, as the integration of these categories has been much more progressed.

No segmentation of business categories is indicated for the fiscal years ended March 31, 2009 and 2010.

| | Japanese yen (millions) | | | | |
|---|---|---|---|---|---|
| | Finance | Other financial services | Total | Elimination and/or corporate | Consolidated |
| | | | 2008 | | |
| REVENUES: | | | | | |
| Third party revenues | ¥ 109,050 | ¥ 7,164 | ¥ 116,215 | ¥ 970 | ¥ 117,185 |
| Intersegment revenues | (204) | 7,020 | 6,815 | (6,815) | — |
| Total | 108,846 | 14,184 | 123,030 | (5,844) | 117,185 |
| EXPENSES | 86,248 | 11,909 | 98,157 | (3,458) | 94,699 |
| OPERATING INCOME | ¥ 22,597 | ¥ 2,275 | ¥ 24,873 | ¥ (2,386) | ¥ 22,486 |
| Assets | ¥ 2,106,876 | ¥ 302,195 | ¥ 2,409,071 | ¥ 38,720 | ¥ 2,447,791 |
| Depreciation | 548,510 | 252 | 548,762 | 2,030 | 550,792 |
| Addition to fixed assets (tangible and intangible) | 592,002 | 520 | 592,522 | 1,945 | 594,467 |

i) Segment categories are defined according to lines of business. (See "Management's Discussion and Analysis.") Other financial services include Credit Card business, Insurance business, Securitization business and Outsourcing business.

ii) Third party revenue of ¥970 million, shown in the column of Elimination and/or corporate represents interest and dividend income earned by the head office.

iii) Of the Expenses shown in the column of Elimination and/or corporate, ¥2,817 million represents administrative expenses of the head office.

iv) Of the Assets shown in the column of Elimination and/or corporate, ¥110,899 million mainly represents extra funds (cash and securities), long-term investments (investments in securities) and assets of the head office.

### (b) Geographic Segment Information

| | Japanese yen (millions) | | | U.S. dollars (thousands) |
|---|---|---|---|---|
| | **2010** | 2009 | 2008 | **2010** |
| Revenues | | | | |
| Japan | **¥ 66,488** | ¥ 75,835 | ¥ 80,122 | **$ 714,924** |
| Europe and North America | **24,080** | 27,323 | 32,635 | **258,924** |
| Asia | **4,899** | 4,850 | 4,500 | **52,677** |
| Intersegment elimination | **(111)** | (65) | (72) | **(1,193)** |
| Consolidated total | **¥ 95,357** | ¥ 107,943 | ¥ 117,185 | **$ 1,025,344** |
| Expenses | | | | |
| Japan | **¥ 55,132** | ¥ 58,358 | ¥ 63,512 | **$ 592,817** |
| Europe and North America | **24,167** | 28,515 | 28,111 | **259,860** |
| Asia | **3,274** | 3,554 | 3,147 | **35,204** |
| Intersegment elimination | **(111)** | (65) | (72) | **(1,193)** |
| Consolidated total | **¥ 82,462** | ¥ 90,362 | ¥ 94,699 | **$ 886,688** |
| Operating income (loss) | | | | |
| Japan | **¥ 11,356** | ¥ 17,476 | ¥ 16,610 | **$ 122,107** |
| Europe and North America | **(86)** | (1,191) | 4,523 | **(924)** |
| Asia | **1,624** | 1,295 | 1,352 | **17,462** |
| Intersegment elimination | **—** | — | — | **—** |
| Consolidated total | **¥ 12,895** | ¥ 17,580 | ¥ 22,486 | **$ 138,655** |
| Assets | | | | |
| Japan | **¥ 1,328,710** | ¥ 1,441,927 | ¥ 2,094,253 | **$ 14,287,204** |
| Europe and North America | **267,422** | 284,273 | 299,894 | **2,875,505** |
| Asia | **68,513** | 64,339 | 53,722 | **736,698** |
| Intersegment elimination | **(40)** | (42) | (78) | **(430)** |
| Consolidated total | **¥ 1,664,606** | ¥ 1,790,497 | ¥ 2,447,791 | **$ 17,898,989** |

**(Application of Practical Guidelines on Accounting Standards for Financial Instruments)**
As stated in section (s) of (3) Significant Accounting Policies, the "Practical Guidelines on Accounting Standards for Financial Instruments" (Accounting Practice Committee Statement No. 14, revised March 25, 2008) are applied from the year ended March 31, 2009. Owing to this change, in the year ended March 31, 2009, revenues and operating income in Japan were each ¥1,908 million higher than they would have been under the previous method.

**(Change in basis of recording customer fee income on installment sales and installment credit obligations)**
As stated in section (t) of (3) Significant Accounting Policies, from the year ended March 31, 2009, the method of recognizing customer fee income on installment sales and installment credit obligations changed to an interest method basis. Owing to this change, in the year ended March 31, 2009, revenues and operating income in Japan were each ¥16 million higher from installment sales and ¥170 million higher from installment credit obligations than they would have been under the previous method.

**(Change in basis of recording revenue from financial institution guarantees on loan sales through alliances)**
As stated in section (u) of (3) Significant Accounting Policies, from the year ended March 31, 2009, the recognizing of revenue from financial institution guarantees on loan sales through alliances was changed to the interest method. Owing to this change, in the year ended March 31, 2009, revenues and operating income in Japan were each ¥908 million lower than they would have been under the previous method.

**(Change in basis for recording maintenance expenses related to maintenance and lease agreements)**
As stated in section (v) of (3) Significant Accounting Policies, from the year ended March 31, 2009, the method of recording maintenance expenses was changed to a monthly allocation of maintenance expenses over the lease term. Owing to this change, in the year ended March 31, 2009, revenues and operating income in Japan were each ¥38 million lower than they would have been under the previous method.

## (17) LEASE INFORMATION

***Finance leases***

Additional lease information as of and for the years ended March 31, 2010 and 2009 is as follows:

### (a) Lessee

(i) Acquisition costs, accumulated depreciation and net balance of leased assets at March 31, 2010 and 2009, if they had been capitalized:

| | **March 31, 2010** | | | | March 31, 2009 | | |
|---|---|---|---|---|---|---|---|
| | Japanese yen (millions) | | | U.S. dollars (thousands) | Japanese yen (millions) | | |
| | Acquisition costs | Accumulated depreciation | Net balance | Net balance | Acquisition costs | Accumulated depreciation | Net balance |
| Furniture and equipment | **¥ 603** | **¥ 394** | **¥ 208** | **$ 2,236** | ¥ 643 | ¥ 276 | ¥ 366 |

(ii) Future lease payments (includes non-accrued payments on underwritten leases at year-end):

| | March 31 | | |
|---|---|---|---|
| | Japanese yen (millions) | | U.S. dollars (thousands) |
| | **2010** | 2009 | **2010** |
| Within one year | **¥ 130** | ¥ 158 | **$ 1,397** |
| Over one year | **80** | 211 | **860** |
| Total | **¥ 211** | ¥ 369 | **$ 2,268** |

(iii) Comparison of lease payments with depreciation and interest expense, if they had been capitalized:

| | For the year ended March 31 | | |
|---|---|---|---|
| | Japanese yen (millions) | | U.S. dollars (thousands) |
| | **2010** | 2009 | **2010** |
| Lease payments | **¥ 166** | ¥ 172 | **$ 1,784** |
| Depreciation | **158** | 163 | **1,698** |
| Interest expense | **2** | 4 | **21** |

(iv) Operating lease transactions (lessee)
Remaining lease expenses for non-cancellable operating lease transactions are as follows:

| | March 31 | | |
|---|---|---|---|
| | Japanese yen (millions) | | U.S. dollars (thousands) |
| | **2010** | 2009 | **2010** |
| Within one year | **¥ 133** | ¥ 137 | **$ 1,430** |
| Over one year | **96** | 217 | **1,032** |
| Total | **¥ 230** | ¥ 355 | **$ 2,473** |

**(b) Lessor**

(i) The following table shows the future minimum lease receivables of financing and non-cancelable operating leases as of March 31, 2010 and 2009 and acquisition costs, accumulated depreciation and net balance of leased assets at March 31, 2008 included in equipment held for lease.

In the past, finance lease transactions that do not transfer ownership were treated for accounting purposes as operating lease transactions. However, as it was possible to apply the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007, the revised statement by the First Subcommittee of the Business Accounting Council on June 17, 1993) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, March 30, 2007, the revised statement by the Standards Advisory Council of the Japanese Institute of Certified Public Accountants on January 18, 2004) to consolidated financial statements from fiscal years commencing on or after April 1, 2008, these standards are applied from the year ended March 31, 2009, and the accounting treatment of these transactions is as for ordinary sale and purchase transactions.

| | March 31 | | |
|---|---|---|---|
| | Japanese yen (millions) | | U.S. dollars (thousands) |
| | **2010** | 2009 | **2010** |
| 2010 | **¥ 158,138** | ¥ 165,674 | **$ 1,700,408** |
| 2011 | **117,021** | 128,454 | **1,258,290** |
| 2012 | **87,636** | 93,136 | **942,322** |
| 2013 | **56,043** | 60,942 | **602,612** |
| 2014 | **28,024** | 32,742 | **301,333** |
| Thereafter | **69,158** | 63,428 | **743,634** |
| Total minimum payments to be received | **¥ 516,022** | ¥ 544,379 | **$ 5,548,623** |
| Estimated residual value | **70,392** | 79,331 | **756,903** |
| Unearned income | **¥ (59,121)** | ¥ (59,714) | **$ (635,709)** |
| Investments in direct finance leases | **¥ 527,293** | ¥ 563,995 | **$ 5,669,817** |

| | March 31, 2008 | | |
|---|---|---|---|
| | Japanese yen (millions) | | |
| | Acquisition costs | Accumulated depreciation | Net balance |
| Equipment held for lease | ¥ 2,310,760 | ¥ 1,093,954 | ¥ 1,216,806 |

(ii) Future lease payments to be received (Includes non-accrued payments on underwritten leases at year-end):

| | March 31 |
|---|---|
| | Japanese yen (millions) |
| | 2008 |
| Within one year | ¥ 396,634 |
| Over one year | 837,475 |
| Total | ¥ 1,234,109 |

(iii) Comparison of lease income with depreciation expense and interest income:

| | For the year ended March 31 |
|---|---|
| | Japanese yen (millions) |
| | 2008 |
| Lease income | ¥ 463,981 |
| Depreciation | 423,961 |
| Interest income | 37,640 |

***Operating leases***

**(a) Lessee**

The Company did not have any lease contracts that need to be disclosed as non-cancelable operating leases as of March 31, 2010 and 2009.

**(b) Lessor**

Future lease payments to be received:

| | March 31 | | |
|---|---|---|---|
| | Japanese yen (millions) | | U.S. dollars (thousands) |
| | **2010** | 2009 | **2010** |
| Within one year | **¥ 34,028** | ¥ 42,485 | **$ 365,892** |
| Over one year | **45,952** | 63,991 | **494,107** |
| Total | **¥ 79,980** | ¥ 106,477 | **$ 860,000** |

## (18) FINANCIAL INSTRUMENTS

### 1. Overview of financial instruments

(1) Policies for using financial instruments

The Hitachi Capital Group, together with other members of the Hitachi Group, which includes our parent company, Hitachi, Ltd., and various other companies involved in manufacturing and sales, provides consumers and companies with a wide variety of financial services in various geographic regions. These services, which are tailored to meet clients' needs, include finance leases, installment sales, guarantees, collection of accounts receivable and settlement of accounts payable. To conduct this business, the Hitachi Capital Group raises funds taking into consideration the market environment, as well as the balance between direct and indirect funding. In addition to raising funds directly by issuing securitized lease receivables, bonds, medium-term notes and commercial paper, the Hitachi Capital Group raises funds through indirect methods, such as bank loans.

To reduce the impact of interest rate fluctuations on revenue, the Company and its consolidated subsidiaries employ asset-liability management (ALM), using fixed-rate funding through securitized lease receivables, bonds and bank loans in correspondence with fixed-rate assets. As part of these activities, the Company and its consolidated subsidiaries employ derivative transactions. However, derivative transactions are not employed for speculative purposes.

(2) Content and risks of financial instruments

Financial assets held by the Hitachi Capital Group are mainly consumer and corporate receivables and beneficial interests in trust held in relation to the securitization of these receivables. These assets involve credit risk, arising from the possibility of clients becoming unable to perform their contractual obligations, and the risk of price fluctuations related to interest rate fluctuations. Certain foreign currency receivables also involve exchange rate fluctuation risk, which is hedged through the use of currency swap transactions.

In addition to the above-mentioned beneficial interests in trust, holdings of securities and marketable securities include such securities as bonds and equity securities, both for holding to maturity and for business promotion purposes. Also, the Company's non-life insurance subsidiary primarily holds bonds for investment purposes. These securities and investment securities may involve credit risk, interest rate fluctuation risk and price fluctuation risk.

Financial liabilities, including loans, bonds, medium-term notes, commercial paper and obligations for securitized lease receivables, involve funds raised primarily at fixed rates of interest, in accordance with the Group's ALM policy. The Hitachi Capital Group employs interest rate swap transactions to fix interest rates on loans taken out at variable interest rates.

The Company applies exceptional accounting treatments with regard to interest rate swap transactions.

Certain overseas subsidiaries employ currency swap transactions to hedge exchange rate fluctuation risk on funds procured in foreign currencies. Such subsidiaries also conduct interest rate swap transactions for the purpose of fixing the interest rate on funds procured at variable interest rates. Such transactions that do not meet the requirements for hedge accounting involve the risk of incurring losses.

Loans, bonds, medium-term notes and commercial paper entail liquidity risk, or the risk of not being able to execute payment on the payment date, in the event of a downturn in the economic environment.

(3) Risk management for financial instruments

1) Management of credit risk

The Hitachi Capital Group extends various types of credit, including on finance leases, installment sales and guarantees. Credit quality is determined according to the Company's regulations. For each deal, the Company conducts a credit examination, sets a credit limit, manages credit information, establishes an internal rating, sets guarantees or establishes collateral, and handles problem loans. The Company has in place a structure to periodically monitor the status of these transactions.

In addition to business departments, credit quality is controlled by the receivable control department. Large amount transactions require the approval of a senior corporate officer and are reported to the Board of Directors.

With regard to issuers' credit risk on securities and investment securities, the department handling the transactions and the department in charge of finance control such risk by regularly monitoring credit information and market prices. Counterparty risk on derivative transactions is managed by the department in charge of finance checking the issuer's financial results, ratings and stock prices, and periodically reporting this information to the representative executive officer.

2) Management of market risk

(i) Management of interest rate risk

In accordance with ALM policies approved at the Board of Directors meetings each fiscal year, the Company and certain consolidated subsidiaries check asset and liability durations and manage interest rate fluctuation risk. The progress and status of these activities are reported on a monthly basis to the representative executive officer and the executive officer in charge of finance. Certain consolidated subsidiaries report to the Finance Committee, which confirms fundraising methods and other information.

Certain overseas subsidiaries employ currency swap transactions to hedge exchange rate fluctuation risk on funds raised in foreign currencies. Such transactions that do not meet the requirements for hedge accounting involve the risk of incurring losses.

(ii) Management of exchange rate risk

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

Certain overseas subsidiaries employ currency swap transactions, all of which are for the purpose of hedging exchange rate fluctuation risk on funds raised in foreign currencies.

(iii) Management of price fluctuation risk

Investment instruments, including securities, are mainly intended for holding to maturity or for business promotion purposes, and the Company regularly monitors the market environment related to these instruments, as well as the financial status of transaction partners. This information is reported periodically to the executive officer in charge of finance.

The Company’s non-life insurance subsidiary primarily holds bonds. The tolerance for risk is managed with risk limits. In addition, the department in charge of managing investment risk monitors and analyzes investment risk, in principle twice a year. The result of this monitoring and analysis is reported periodically to the Risk Management Committee.

(iv) Derivative transactions

With regard to derivative transactions, execution and approvals are handled by different departments. This arrangement meets internal control requirements in accordance with risk management regulations.

3) Management of liquidity risk related to fund procurement

To reduce the impact of liquidity risk, the Company controls liquidity on hand risk according to the market environment and manages the repayment terms taking into account the due dates of financial assets. Furthermore, the Company employs various funding methods and financial institutions as the source of funds.

Certain overseas subsidiaries maintain commitment lines with financial institutions and strike a balance between short- and long-term funding to manage liquidity risk.

(4) Supplementary explanation of items pertaining to the market price of financial instruments

The fair values of some market instruments are based on market prices. The fair values of other financial instruments, for which market prices are not available, are based on rationally calculated values. However, as variables are used in these calculations, and different assumptions can cause different results, these values are not absolute. Also, in the note entitled ”2. Items pertaining to the fair value of financial instruments,” market risk related to derivative financial instruments is not included in the contract amounts of those instruments.

## 2. Items pertaining to the fair value of financial instruments

Book values as of March 31, 2010, fair values, and differences between the two are indicated below. Instruments for which fair values are not readily determinable are not included in the table below. Please refer to (5) Short-term investments and investments in securities.

| | Japanese yen (millions) | | | U.S. dollars (thousands) | | |
|---|---|---|---|---|---|---|
| | 2010 | | | 2010 | | |
| | Book value | Fair value | Difference | Book value | Fair value | Difference |
| Assets | | | | | | |
| (1) Cash on hand and at bank | ¥ 28,739 | ¥ 28,739 | ¥ — | $ 309,021 | $ 309,021 | $ — |
| (2) Notes and accounts receivable-trade | 489,254 | — | — | 5,260,795 | — | — |
| Allowance for loss on receivables (*1) | (9,001) | — | — | (96,784) | — | — |
| | 480,253 | 502,186 | 21,932 | 5,164,010 | 5,399,849 | 235,827 |
| (3) Investment in direct finance leases (*2) | 456,901 | — | — | 4,912,913 | — | — |
| Allowance for loss on receivables (*3) | (4,600) | — | — | (49,462) | — | — |
| | 452,301 | 480,414 | 28,113 | 4,863,451 | 5,165,741 | 302,290 |
| (4) Parent company deposits | 184,918 | 184,918 | — | 1,988,365 | 1,988,365 | — |
| (5) Short-term investments and investments in securities | | | | | | |
| 1) Bonds held to maturity | 231 | 240 | 9 | 2,483 | 2,580 | 96 |
| 2) Other securities | 134,881 | 134,881 | — | 1,450,333 | 1,450,333 | — |
| Total assets | ¥ 1,281,325 | ¥ 1,331,380 | ¥ 50,055 | $ 13,777,688 | $ 14,315,913 | $ 538,225 |
| Liabilities | | | | | | |
| (1) Trade payables | ¥ 210,345 | ¥ 210,345 | ¥ — | $ 2,261,774 | $ 2,261,774 | $ — |
| (2) Short-term bank loans | 117,996 | 118,786 | 790 | 1,268,774 | 1,277,268 | 8,494 |
| (3) Commercial paper | 42,443 | 42,443 | — | 456,376 | 456,376 | — |
| (4) Accrued payables | 130,495 | 130,495 | — | 1,403,172 | 1,403,172 | — |
| (5) Bonds | 324,961 | 341,378 | 16,416 | 3,494,204 | 3,670,731 | 176,516 |
| (6) Long-term debt | 347,300 | 358,288 | 10,987 | 3,734,408 | 3,852,559 | 118,139 |
| (7) Long-term obligation for securitized lease receivables | 108,563 | 108,583 | 19 | 1,167,344 | 1,167,559 | 204 |
| Total liabilities | ¥ 1,282,107 | ¥ 1,310,320 | ¥ 28,212 | $ 13,786,096 | $ 14,089,462 | $ 303,354 |
| Derivative transactions (*4) | | | | | | |
| 1) Hedge accounting applied | ¥ (126) | ¥ (126) | ¥ — | $ (1,354) | $ (1,354) | $ — |
| 2) Hedge accounting not applied | 18,951 | 18,951 | — | 203,774 | 203,774 | — |
| Total derivative transactions | ¥ 18,825 | ¥ 18,825 | ¥ — | $ 202,419 | $ 202,419 | $ — |

(*1) The general allowance for loss on receivables and individual allowances for loss on receivables are deducted from "Notes and accounts receivable-trade."
(*2) The difference from book value corresponds to the estimated balance corresponding to finance lease transactions that do not transfer ownership.
(*3) The general allowance for loss on receivables and individual allowances for loss on receivables are deducted from "investment in direct finance leases."
(*4) Net amounts of receivables and payables arising from derivative transactions are indicated. Parentheses indicate totals that are net payable amounts.

### (Note 1) Method of calculating the fair value of financial instruments and matters pertaining to securities and derivative transactions

**Assets**

(1) Cash on hand and at bank

As cash on hand and at bank is settled within a short term and its fair value and book value is similar, its book value is assumed as its fair value.

(2) Notes and accounts receivable-trade

As the periods to maturity on notes receivables are short and their fair values and book values are similar, their book values are assumed as their fair values.

As the majority of notes receivable bear fixed rates of interest, the Company classifies receivables (based on internal rankings) according to type of receivable and the collection history of individual receivables, as well as according to respective terms. The total amount is calculated, taking into consideration estimates regarding early repayments, cancellations and losses, and this amount is discounted to fair value using the risk-free rate. With regard to loans to creditors in danger of bankruptcy, estimated losses are determined on the basis of the amount estimated to be recoverable through insurance and the sale of collateral and property. As fair value is similar to the book value on the balance sheet date after subtracting estimated losses, this amount is assumed as the fair value.

(3) Investment in direct finance leases

As for investments in direct finance leases recognized as finance lease transactions, the fair value of the right to receive future lease fees is calculated in the same manner as for accounts receivable.

(4) Parent company deposits

As the term of parent company deposits is short and fair values and book values are approximately the same, their book value is deemed to be their fair value.

(5) Short-term investments and investments in securities

For shares, their market price is used as their fair value. The fair value of bonds is deemed to be their market price or the price indicated by financial institutions handling these transactions. Beneficial interest in trust held to cover securitized lease obligations of the Hitachi Capital Group are categorized by securitization scheme. After taking into consideration estimates regarding early repayments, cancellations and losses, the total amount of principal in trust and dividends is discounted to the fair value, using the risk-free rate.

As of March 31, 2010 and 2009, the Company had no securities for trading purposes.

The following table is a summary of the amortized cost basis, gross unrealized holding gains or losses and aggregate fair value of held-to-maturity securities and other securities by major security type as of March 31, 2010 and 2009. The below-stated beneficial interest in trust of other securities with gross unrealized holding gains is primarily subordinated beneficial interest in trust held by the Hitachi Capital Group in relation to the securitization of lease receivables.

| | Japanese yen (millions) | | | U.S. dollars (thousands) | | |
|---|---|---|---|---|---|---|
| | Amortized cost basis | Gross gain (loss) | Aggregate fair value | Amortized cost basis | Gross gain (loss) | Aggregate fair value |
| | | **2010** | | | **2010** | |
| Held-to-maturity securities with gross unrealized holding gains: | | | | | | |
| Government bonds | **¥ 231** | **¥ 9** | **¥ 240** | **$ 2,483** | **$ 96** | **$ 2,580** |
| | **¥ 231** | **¥ 9** | **¥ 240** | **$ 2,483** | **$ 96** | **$ 2,580** |
| Held-to-maturity securities with gross unrealized holding losses: | **¥ —** | **¥ —** | **¥ —** | **$ —** | **$ —** | **$ —** |
| | **¥ —** | **¥ —** | **¥ —** | **$ —** | **$ —** | **$ —** |
| | **¥ 231** | **¥ 9** | **¥ 240** | **$ 2,483** | **$ 96** | **$ 2,580** |
| Other securities with gross unrealized holding gains: | | | | | | |
| Equity securities | **¥ 1,752** | **¥ 847** | **¥ 2,599** | **$ 18,838** | **$ 9,107** | **$ 27,946** |
| Government bonds | **500** | **10** | **510** | **5,376** | **107** | **5,483** |
| Corporate bonds | **1,224** | **7** | **1,231** | **13,161** | **75** | **13,236** |
| Beneficial interest in trust | **113,021** | **11,183** | **124,205** | **1,215,279** | **120,247** | **1,335,537** |
| | **¥ 116,498** | **¥ 12,049** | **¥ 128,547** | **$ 1,252,666** | **$ 129,559** | **$ 1,382,225** |
| Other securities with gross unrealized holding losses: | | | | | | |
| Equity securities | **¥ 3,013** | **¥ (78)** | **¥ 2,935** | **$ 32,397** | **$ (838)** | **$ 31,559** |
| Government bonds | **3,399** | **(0)** | **3,398** | **36,548** | **(0)** | **36,537** |
| Corporate bonds | **—** | **—** | **—** | **—** | **—** | **—** |
| | **¥ 6,412** | **¥ (78)** | **¥ 6,334** | **$ 68,946** | **$ (838)** | **$ 68,107** |
| | **¥ 122,911** | **¥ 11,970** | **¥ 134,881** | **$ 1,321,623** | **$ 128,709** | **$ 1,450,333** |

| | Japanese yen (millions) | | |
|---|---|---|---|
| | Amortized cost basis | Gross gain (loss) | Aggregate fair value |
| | | 2009 | |
| Held-to-maturity securities with gross unrealized holding gains: | | | |
| Government bonds | ¥ 230 | ¥ 7 | ¥ 238 |
| | ¥ 230 | ¥ 7 | ¥ 238 |
| Held-to-maturity securities with gross unrealized holding losses: | | | |
| Government bonds | ¥ — | ¥ — | ¥ — |
| | ¥ — | ¥ — | ¥ — |
| | ¥ 230 | ¥ 7 | ¥ 238 |
| Other securities with gross unrealized holding gains: | | | |
| Equity securities | ¥ 657 | ¥ 435 | ¥ 1,092 |
| Government bonds | 6,097 | 16 | 6,113 |
| Beneficial interest in trust | 75,745 | 1,920 | 77,665 |
| | ¥ 82,500 | ¥ 2,371 | ¥ 84,871 |
| Other securities with gross unrealized holding losses: | | | |
| Equity securities | ¥ 4,153 | ¥ (769) | ¥ 3,383 |
| Government bonds | 299 | (0) | 299 |
| Corporate bonds | 117 | (0) | 117 |
| | ¥ 4,570 | ¥ (769) | ¥ 3,800 |
| | ¥ 87,071 | ¥ 1,601 | ¥ 88,672 |

Proceeds from sale of other securities for the years ended March 31, 2010 and 2009 were ¥803 million ($8,634 thousand) and ¥1,667 million, respectively. The gross realized gains on the sale for the years ended March 31, 2010 and 2009 were ¥509 million ($5,473 thousand) and ¥10 million, respectively.

It is not practicable to estimate the fair value of investments in non-marketable securities because of the lack of market price and difficulty in estimating fair value without incurring excessive cost. Unlisted shares at March 31, 2010 and 2009 amounted to ¥675 million ($7,258 thousand) and ¥805 million, respectively. At March 31, 2009, beneficial interest in trust amounted to ¥34,228 million. These beneficial interests in trust are primarily subordinated beneficial interests in trust held in relation to the securitization of the Company's mortgage loan receivables.

**Liabilities**

(1) Trade payables, (3) commercial paper and (4) accrued payables
As the settlement term of these instruments is short and their fair values and book values are similar, their book values are deemed to be their fair values.

(2) Short-term bank loans
With regard to short-term bank loans having a term of one year or less, as their settlement term is short and their fair values and book values are similar, their book values are deemed to be their fair values.

The fair value of long-term debt scheduled for repayment within one year is calculated in the same manner as (6) long-term debt.

(5) Bonds
The calculation of the fair value of bonds issued by the Company is based on their market price. For bonds that have no available market price, the total amount of principal and interest is discounted to their current value, using a rate of interest that takes into account their remaining term and credit risk.

(6) Long-term debt and (7) long-term obligation for securitized lease receivables
The Company assumes that fair values of long-term loans payable with floating interest rates are similar to their book values, as such rates reflect market interest rates over the short term, and the Company's credit conditions have not changed significantly after these loans commenced; therefore, their book values approximate their fair values.

For the portion of long-term debt and long-term obligations for securitized lease receivables bearing fixed interest rates, the total amount of principal and interest (*) is segmented by time period, and these amounts are discounted by the assumed interest rate.

(*) For long-term debt using interest rate swaps employing exceptional accounting, the interest rate swap rate is applied to the total amount of principal and interest.

**Derivative transactions**

1) Hedge accounting not applied
On derivative transactions to which hedge accounting is not applied, contract and equivalent principal amounts as of the balance sheet date, fair values, valuation gains (losses) and fair value calculation methods are determined for each category of hedged item and are described below.

Interest rate related:

| Category | Transaction type | Japanese yen (millions) Contract amounts | Of which, longer than one year | Fair value | Valuation gain (loss) | U.S. dollars (thousands) Contract amounts | Of which, longer than one year | Fair value | Valuation gain (loss) |
|---|---|---|---|---|---|---|---|---|---|
| | | **2010** | | | | **2010** | | | |
| Non-market transactions | Interest rate swap transactions Fixed payment, floating receipt | **¥ 9,242** | **¥ —** | **¥ (126)** | **¥ (126)** | **$ 99,376** | **$ —** | **$ (1,354)** | **$ (1,354)** |
| Total | | **¥ 9,242** | **¥ —** | **¥ (126)** | **¥ (126)** | **$ 99,376** | **$ —** | **$ (1,354)** | **$ (1,354)** |

| Category | Transaction type | Japanese yen (millions) Contract amounts | Of which, longer than one year | Fair value | Valuation gain (loss) |
|---|---|---|---|---|---|
| | | 2009 | | | |
| Non-market transactions | Interest rate swap transactions Fixed payment, floating receipt | ¥ 18,621 | ¥ 9,227 | ¥ (591) | ¥ (591) |
| Total | | ¥ 18,621 | ¥ 9,227 | ¥ (591) | ¥ (591) |

(Note) Method of calculating fair value: Fair value is calculated based on the values indicated by the financial institutions handling these transactions for the Company.

2) Hedge accounting applied
On derivative transactions to which hedge accounting is applied, contract and equivalent principal amounts as of the balance sheet date, fair values, valuation gains (losses) and fair value calculation methods are determined for each category of hedged item and are described below.

(1) Currency-related

| Hedge accounting method | Transaction type | Principal hedged item | Japanese yen (millions) Contract amounts | Of which, longer than one year | Fair value | U.S. dollars (thousands) Contract amounts | Of which, longer than one year | Fair value |
|---|---|---|---|---|---|---|---|---|
| | | | **2010** | | | **2010** | | |
| Cash flow hedge | Exchange forward transaction Purchase denomination Euro | Commercial paper | **¥ 16,375** | **¥ —** | **¥ (66)** | **$ 176,075** | **$ —** | **$ (709)** |
| Cash flow hedge | Currency swap | Long-term debt, short-term bank loans and medium-term notes | **100,077** | **52,687** | **16,217** | **1,076,096** | **566,526** | **174,376** |
| Fair value hedge | Currency swap | Medium-term notes | **21,337** | **14,877** | **4,180** | **229,430** | **159,967** | **44,946** |
| Total | | | **¥ 137,789** | **¥ 67,565** | **¥ 20,331** | **$ 1,481,602** | **$ 726,505** | **$ 218,612** |

(Note) Method of calculating fair value: Fair value is calculated based on the values indicated by the financial institutions handling these transactions for the Company.

(2) Interest-related

| Hedge accounting method | Transaction type | Principal hedged item | Japanese yen (millions) Contract amounts | Of which, longer than one year | Fair value | U.S. dollars (thousands) Contract amounts | Of which, longer than one year | Fair value |
|---|---|---|---|---|---|---|---|---|
| | | | 2010 | | | 2010 | | |
| Cash flow hedge (*1) | Interest rate swap transactions Fixed payment, floating receipt | Long-term debt, short-term bank loans and medium-term notes | ¥ 60,688 | ¥ 36,397 | ¥ (1,380) | $ 652,559 | $ 391,365 | $ (14,838) |
| Interest rate swap with exceptional accounting (*2) | Interest rate swap transactions | | | | | | | |
| | Floating payment, fixed receipt | Long-term debt | 12,000 | 10,000 | — | 129,032 | 107,526 | — |
| | Fixed payment, floating receipt | Long-term debt | 32,500 | 32,500 | — | 349,462 | 349,462 | — |
| | Floating payment, floating receipt | Long-term debt | 21,000 | 21,000 | — | 225,806 | 225,806 | — |
| Total | | | ¥ 126,188 | ¥ 99,897 | ¥ (1,380) | $ 1,356,860 | $ 1,074,161 | $ (14,838) |

(*1) Method of calculating fair value of cash flow hedge
Fair value is calculated based on the values indicated by the financial institutions handling these transactions for the Company.
(*2) Method of calculating fair value of interest rate swap with exceptional accounting
As accounting for the hedged item is handled together with long-term debt, fair value is included in that of the corresponding long-term debt.

## (Note 2) Monetary claims and securities with maturities after the balance sheet date and their expected maturity values

| | Japanese yen (millions) Within 1 year | More than 1 year, within 2 years | More than 2 years, within 3 years | More than 3 years, within 4 years | More than 4 years, within 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | 2010 | | | | | |
| Cash on hand and at bank | ¥ 3,891 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Notes and accounts receivable-trade | 290,167 | 77,576 | 45,804 | 23,856 | 12,927 | 38,921 |
| Investment in direct finance leases | 138,783 | 100,949 | 75,109 | 51,207 | 25,917 | 64,934 |
| Securities and investment securities | | | | | | |
| Bonds held to maturity | — | — | 32 | — | — | 199 |
| Other securities with maturities | 4,303 | 405 | — | — | — | 432 |
| Total | ¥ 437,145 | ¥ 178,931 | ¥ 120,946 | ¥ 75,063 | ¥ 38,845 | ¥ 104,488 |

| | U.S. dollars (thousands) Within 1 year | More than 1 year, within 2 years | More than 2 years, within 3 years | More than 3 years, within 4 years | More than 4 years, within 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | 2010 | | | | | |
| Cash on hand and at bank | $ 41,838 | $ — | $ — | $ — | $ — | $ — |
| Notes and accounts receivable-trade | 3,120,075 | 834,150 | 492,516 | 256,516 | 139,000 | 418,505 |
| Investment in direct finance leases | 1,492,290 | 1,085,473 | 807,623 | 550,612 | 278,677 | 698,215 |
| Securities and investment securities | | | | | | |
| Bonds held to maturity | — | — | 344 | — | — | 2,139 |
| Other securities with maturities | 46,268 | 4,354 | — | — | — | 4,645 |
| Total | $ 4,700,483 | $ 1,923,989 | $ 1,300,494 | $ 807,129 | $ 417,688 | $ 1,123,526 |

## (Note 3) Bonds, long-term debt and other interest-bearing debt with maturities after the balance sheet date and their expected maturity values

| | Japanese yen (millions) Within 1 year | More than 1 year, within 2 years | More than 2 years, within 3 years | More than 3 years, within 4 years | More than 4 years, within 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | 2010 | | | | | |
| Short-term bank loans | ¥ 79,942 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Commercial paper | 42,443 | — | — | — | — | — |
| Bonds | 95,617 | 92,661 | 69,081 | 26,050 | 41,550 | — |
| Long-term debt | 38,053 | 86,020 | 111,603 | 63,081 | 44,167 | 42,428 |
| Total | ¥ 256,057 | ¥ 178,682 | ¥ 180,685 | ¥ 89,131 | ¥ 85,717 | ¥ 42,428 |

| | U.S. dollars (thousands) Within 1 year | More than 1 year, within 2 years | More than 2 years, within 3 years | More than 3 years, within 4 years | More than 4 years, within 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | 2010 | | | | | |
| Short-term bank loans | $ 859,591 | $ — | $ — | $ — | $ — | $ — |
| Commercial paper | 456,376 | — | — | — | — | — |
| Bonds | 1,028,139 | 996,354 | 742,806 | 280,107 | 446,774 | — |
| Long-term debt | 409,172 | 924,946 | 1,200,032 | 678,290 | 474,913 | 456,215 |
| Total | $ 2,753,301 | $ 1,921,311 | $ 1,942,849 | $ 958,397 | $ 921,688 | $ 456,215 |

## (19) COMMITMENT AND CONTINGENCIES

The Company provides certain revolving lines of credit to their credit card holders in accordance with the terms of the credit card business customer service contracts. Furthermore, the Company provides credit facilities to parties in accordance with the service agency business contracts from which temporary payments on behalf of such parties are made. In addition, the Company provides loan commitments to certain investees. The outstanding balance of the revolving lines of credit as of March 31, 2010 and 2009 are shown as follows:

| | Japanese yen (millions) | U.S. dollars (thousands) |
|---|---|---|
| | **2010** | **2010** |
| Total revolving lines of credit available | **¥ 432,848** | **$ 4,654,279** |
| Amount utilized | **4,392** | **47,225** |
| Balance available | **¥ 428,456** | **$ 4,607,053** |

| | Japanese yen (millions) |
|---|---|
| | 2009 |
| Total revolving lines of credit available | ¥ 639,774 |
| Amount utilized | 4,430 |
| Balance available | ¥ 635,344 |

A portion of the revolving lines of credit, which are pending credit approval, cannot be utilized.

Other guaranteed liabilities are as follows:
Guaranteed liabilities concerning the sale of receivables of a foreign subsidiary amounted to ¥5,713 million ($61,430 thousand) and ¥5,053 million as of March 31, 2010 and 2009, respectively.

Contingent liabilities for guarantees of employees' housing loans amounted to ¥7 million ($75 thousand) and ¥10 million as of March 31, 2010 and 2009, respectively.

## (20) SPECIAL-PURPOSE ENTITIES SUBJECT TO DISCLOSURE

Effective from the fiscal year ended March 31, 2008, the Company adopted the "Implementation Guidance on Disclosures about Certain Special Purpose Entities" (Accounting Standards Board of Japan Statement No. 15, March 29, 2007). An overview of special-purpose entities subject to disclosure, an overview of transactions employed by special-purpose entities subject to disclosure and amounts of transactions with special-purpose entities subject to disclosure are provided below.

### (a) Overview of Special-Purpose Entities Subject to Disclosure and Overview of Transactions Employed by Special-Purpose Entities Subject to Disclosure

To diversify their fund-raising sources and ensure stable funding, the Company and certain of its consolidated subsidiaries securitize such assets as lease receivables, notes receivable, pledged receivables and notes receivable. Some of this securitization is performed using special-purpose entities established in the Caymans, which raise funds by issuing commercial paper and through loans. A certain remainder balance is retained on a portion of transferred assets.

These special-purpose entities also acquire pledged receivables from customers. The Company has service agency business contracts in place with such special-purpose entities, and three special-purpose entities raise funds on the Company's behalf by issuing commercial paper and through loans, which are reimbursed by the Company. Such reimbursement is conducted to provide special-purpose entities with temporary liquidity related to securitized lease receivables, and has no real impact on the Company's cash flow.

The balance of transactions with four special-purpose entities as of March 31, 2010, according to these entities' most recent fiscal closing dates, amounted to total assets (simple total) of ¥119,990 million ($1,290,215 thousand) and total liabilities (simple total) of ¥119,967 million ($1,289,967 thousand).

The Company does not hold shares with voting rights in any of these special-purpose entities, nor are Company directors dispatched to any of these entities.

**(b) Amounts of Transactions with Special-Purpose Entities During the Fiscal Year Ended March 31, 2010**

Amounts of transactions with special-purpose entities by the Company and a subsidiary during the fiscal year ended March 31, 2010, were as follows:

| | Japanese yen (millions) | | U.S. dollars (thousands) | | Principle gains and losses | | |
|---|---|---|---|---|---|---|---|
| | Amount of principal transactions | Balance at March 31, 2010 | Amount of principal transactions | Balance at March 31, 2010 | Line item | Japanese yen (millions) | U.S. dollars (thousands) |
| Transferred assets (*1): | | | | | | | |
| Notes receivables | **¥ 14,881** | **¥ —** | **$ 160,010** | **$ —** | Loss on transfer | **¥ (24)** | **$ (258)** |
| Pledged receivables | **143,136** | **30,350** | **1,539,096** | **326,344** | Loss on transfer | **(292)** | **(3,139)** |
| Loan receivables | **163,781** | **10,442** | **1,761,086** | **112,279** | Gain on transfer | **1** | **10** |
| Service agency business (*2): | | | | | | | |
| Collected funds payable | **—** | **13,333** | **—** | **143,365** | Commission revenue on service agency business | **175** | **1,881** |
| Commissioned sales of commercial paper (*3) | **—** | **—** | **—** | **—** | Sales commission revenue | **47** | **505** |

(*1) Transaction amounts pertaining to transferred assets are recorded at the book value of those assets at the time of transfer.
Consolidated subsidiaries hold obligations on loan receivables, as the funds that special-purpose entities subject to disclosure raise to acquire pledged receivables are borrowed from these subsidiaries. As the Company's consolidated subsidiaries are the lenders, such loan receivables are transferred to other special-purpose entities subject to disclosure, and the transactions for such transfers are recorded.

(*2) Commission revenue on service agency business includes commissions on agency collection services and revolving lines of credit, and is posted to operating revenues.
As of March 31, 2010, the advance limit on advances for the redemption of commercial paper in line with the consigned management agreements of special-purpose entities, as well as the balance of unissued advances, was ¥340,000 million ($3,655,913 thousand).

(*3) Sales commission revenue on commissioned sales of commercial paper is posted to operating revenues.

## (21) SUBSEQUENT EVENTS

Based on a comprehensive resolution to issue unsecured straight bonds passed at a meeting of the Board of Directors on March 29, 2010, the Company decided to issue its 40th unsecured straight bonds (with limited interbond pari passu clause) on April 13, 2010. The issue was made as follows.

| | |
|---|---|
| (a) Total issue amount: | ¥30,000 million |
| (b) Issue price: | ¥100 per ¥100 face value |
| (c) Payment date: | April 20, 2010 |
| (d) Redemption date: | Entire amount is redeemable on March 20, 2015 |
| (e) Interest rate: | 0.818% annually |
| (f) Application of funds: | Redemption of short-term straight bonds and acquisition of property and equipment |

The Board of Directors
Hitachi Capital Corporation

We have audited the accompanying consolidated balance sheets of Hitachi Capital Corporation and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for the three years in the period ended March 31, 2010, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi Capital Corporation and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years ended March 31, 2010 in conformity with accounting principles generally accepted in Japan.

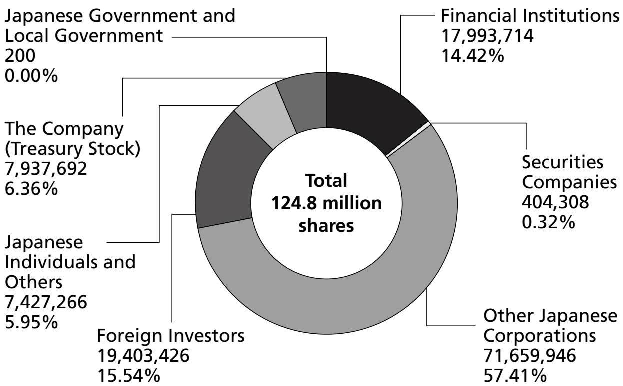
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon LLC

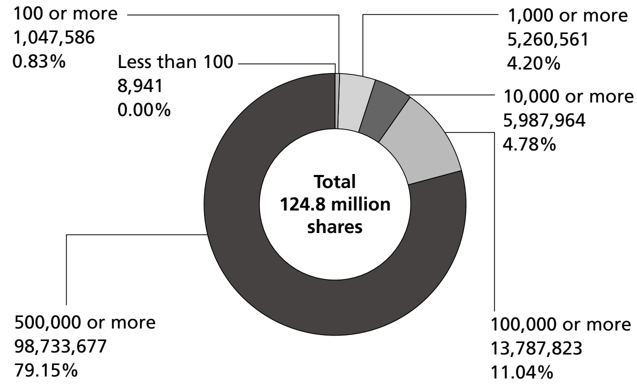
June 22, 2010

# INVESTOR INFORMATION (As of March 31, 2010)

### COMPOSITION OF SHAREHOLDERS (Shares)




### NUMBER OF SHARES OWNED




### MAJOR SHAREHOLDERS

| | Number of shares owned (thousands) | Ratio of shareholding (%) |
|---|---|---|
| Hitachi, Ltd. | 68,357 | 58.48 |
| Japan Trustee Services Bank, Ltd. | 9,079 | 7.77 |
| The Master Trust Bank of Japan, Ltd. | 3,455 | 2.96 |
| Hitachi High-Technologies Corporation | 2,325 | 1.99 |
| Mellon Bank N.A. as agent for its client Mellon Omnibus US Pension | 2,036 | 1.74 |
| Trust & Custody Services Bank, Ltd. | 1,426 | 1.22 |
| Citibank Hong Kong S/A Fund 115 | 1,411 | 1.21 |
| The Chase Manhattan Bank N.A. London S.L. Omnibus Account | 1,301 | 1.11 |
| Luxembourg Offshore Jasdec Lending Account | 1,254 | 1.07 |
| State Street Bank and Trust Company 505225 | 987 | 0.84 |
| Total | 91,634 | 78.39 |

Note: The above excludes 7,937 thousand of treasury shares held by Hitachi Capital Corporation

# CORPORATE DATA (As of March 31, 2010)

### CORPORATE NAME
Hitachi Capital Corporation

### FOUNDED
1957
(Incorporated in 1960)

### NUMBER OF EMPLOYEES
Consolidated: 3,392

### VOLUME OF BUSINESS
¥1,449,439 million

### COMMON STOCK
Authorized: 270,000,000 shares
Issued: 124,826,552 shares

### SHAREHOLDERS
7,004

### STOCK LISTING
Tokyo Stock Exchange

# CONSOLIDATED SUBSIDIARIES (As of June 21, 2010)

## JAPAN

**Okinawa Hitachi Capital Corporation**
1-1, Kumoji 1-chome, Naha,
Okinawa 900-0015

**Hitachi Capital Servicer Corporation**
22-10, Shimbashi 5-chome,
Minato-ku, Tokyo 105-0004

**Hitachi Capital Services Co., Ltd.**
5-10 Iidabashi 1-chome,
Chiyoda-ku, Tokyo 102-0072

**Hitachi Capital Auto Lease Corporation**
1-11, Shimbashi 6-chome,
Minato-ku, Tokyo 105-0004

**Hitachi Capital Securities Co., Ltd.**
15-12, Nishi Shimbashi 2-chome,
Minato-ku, Tokyo 105-0003

**Hitachi Triple Win Corp.**
7-1, Nishi Shimbashi 3-chome,
Minato-ku, Tokyo 105-0003

**Sekisui Leasing Co., Ltd.**
13-8, Nishitenma 4-chome,
Kita-ku, Osaka, Osaka 530-0047

**Hitachi Capital Insurance Corporation**
1-4, Kojimachi 2-chome,
Chiyoda-ku, Tokyo 102-0083

**Hitachi Capital Community Corporation**
3734-1, Fukaya, Ayase,
Kanagawa 252-1103

**Hitachi Capital Trust Corporation**
15-12, Nishi Shimbashi 2-chome,
Minato-ku, Tokyo 105-0003

**Financial Bridge Corporation**
26-2, Minami Ooi 6-chome,
Shinagawa-ku, Tokyo 140-8573

## EUROPE AND NORTH AMERICA

**Hitachi Capital (UK) PLC**
Wallbrook Business Centre,
Green Lane, Hounslow,
Middlesex TW4 6NW, UK

**Hitachi Capital Vehicle Solutions Ltd.**
Kiln House Kiln Road, Newbury,
Berkshire RG14 2NU, UK

**Hitachi Capital Insurance Europe Ltd.**
4th Floor, Marsh House 25-28,
Adelaide Road, Dublin 2,
Republic of Ireland

**Hitachi Capital America Corp.**
800 Connecticut Avenue,
Norwalk, CT 06854, U.S.A.

## ASIA

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16th Floor, Wai Fung Plaza, 664
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**Hitachi Capital (Thailand) Co., Ltd.**
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Wireless Road, Lumpini, Phatumwan,
Bangkok 10330, Thailand

**Hitachi Capital Singapore Pte. Ltd.**
111 Somerset Road #11-05
Singapore 238164

**Hitachi Capital Leasing (China) Co., Ltd.**
Room 1509, Beijing Fortune Building.
No.5, Dong san Huan Bei-lu,
Chao Yang District, Beijing 100004,
China

Cover:

*Wanpaku Jidai* ("Playful Days") by Yohko Ohshida, recipient of the Hitachi Capital Special Award

**21st Artbility Awards**

Artbility, established by the social welfare corporation Tokyo Colony Association, is aimed at encouraging the participation in society of artists with disabilities through their artistic talent.

Based on the slogan "no barriers to talent," respective works of registered artists are evaluated and loaned out for use in publications issued by companies, municipal offices and other groups. This provides the artists with an avenue for publicizing their works while also supporting their financial self-reliance.

Since 1995, Hitachi Capital has sponsored the Artbility Awards, which honor the most successful artists during that year, and introduced its own Hitachi Capital Special Award in 1998. Hitachi Capital also supports Artbility's activities by using artworks widely in its advertisements and other PR materials.

Hitachi Capital Corporation

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