

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hitachi Capital Corporation and Subsidiaries

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## (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.

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## (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, 2009 have been translated into U.S. dollars at the rate of ¥98 to \$1, the approximate exchange rate at March 31,

2009. 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 ¥98 to \$1 or at any other rate.

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## (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, Iseki Capital Corporation, Hitachi Capital Ayase SC Corporation, Hitachi Capital Trust Corporation, Gontazaka Square Corp., Hitachi Capital (UK) PLC, Hitachi Capital Vehicle Solutions Ltd., The Driving Instructor Centre Ltd., Robinsons Garage (Aylestone) Ltd., Trowbridge Vehicle Rentals Ltd., Hitachi Capital Credit Management Ltd., Hitachi Capital Invoice Finance Ltd., Hitachi Capital Insurance Europe Ltd., Hitachi Capital Reinsurance 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 Reinsurance Ltd. and Trowbridge Vehicle Rentals Ltd. are now in liquidation.

During the year ended March 31, 2009, Industrial Equipment Finance Ltd. was liquidated. Hitachi Capital Management (Thailand) Co., Ltd., and Hitachi Capital (Thailand) Co., Ltd. were newly established. Hitachi Capital Invoice Finance Ltd., The Driving Instructor Centre Ltd. and Robinsons Garage (Aylestone) Ltd. were purchased.

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, an 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 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 ¥3,734 million (\$38,102 thousand) and appropriated for losses on disposal of leased assets in the amount of ¥1,883 million (\$19,214 thousand) for the year ended March 31, 2009. The allowance included in accumulated depreciation was ¥2,337 million (\$23,846 thousand) at March 31, 2009.

**(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, 2009 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 and trade receivables 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**

Certain reclassifications have been made in the prior year's

consolidated financial statements to conform classifications used in the current year's financial statements. As accrued payable that were included in the "other" section within current liabilities for the year ended March 31, 2008, exceeded 5% of total assets for the year ended March 31, 2009, these amounts have been stated individually. Accrued payable that were included in the "other" section within current liabilities for the year ended March 31, 2008, amounted to ¥9,058 million.

Agency collections of securitized receivables included in "trade payables" through the year ended March 31, 2008, are classified within accrued payable from the year ended March 31, 2009. Agency collections of securitized receivables included in accrued payable in the year ended March 31, 2009 were ¥104,300 million. Agency collections of securitized receivables indicated in trade payables in the year ended March 31, 2008, were ¥57,773 million.

Receivables related to lease agreements of overseas subsidiaries that were indicated as trade receivables for the year ended March 31, 2008, were reclassified as investment in direct finance leases from the year ended March 31, 2009. Receivables related to lease agreements of overseas subsidiaries that were indicated as trade receivables for the year ended March 31, 2008, amounted to ¥74,929 million.

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 the 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 the 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 (\$262,275 thousand) was recorded as other income, and during the year ended March 31, 2009, operating income was ¥1,908 million (\$19,469 thousand) higher than they would have been under the previous method, and income before income taxes and minority interests was ¥27,612 million (\$281,755 thousand) 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)	U.S. dollars (thousands)
	2009	2009
Current Assets .....	¥ (813,853)	\$ (8,304,622)
Non-current Assets .....	65,788	671,306
Total Assets .....	¥ (748,065)	\$ (7,633,316)
Current Liabilities .....	¥ (280,157)	\$ (2,858,744)
Non-current Liabilities .....	(493,612)	(5,036,857)
Total Liabilities .....	¥ (773,769)	\$ (7,895,602)

**(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 sale and installment credit obligation that are similar to commercial substance, such as customer fee income on lease transaction, changed from 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 (\$3,867 thousand), installment credit obligations of ¥516 million (\$5,265 thousand) 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 (\$163 thousand), and raised income before income taxes and minority interests by ¥395 million (\$4,030 thousand); and installment credit obligations in the year ended March 31, 2009, raised operating income by ¥170 million (\$1,734 thousand) and increased income before income taxes and minority interests by ¥687 million (\$7,010 thousand). 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 in 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 in 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 (\$74,979 thousand). Compared with the previous method, in the year ended March 31, 2009, this change had the effect of reducing operating income by ¥908 million (\$9,265 thousand), and income before income taxes and minority interests by ¥8,257 million (\$84,255 thousand). 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 the 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 (\$6,591 thousand) was recorded. Compared with the previous method, this change had the effect of reducing operating income by ¥38 million (\$387 thousand), and income before income taxes and minority interests by ¥685 million (\$6,989 thousand) 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, 2009, short-term investments of ¥32 million (\$326 thousand) was deposited as operating guarantees, and investments in securities of ¥6 million (\$61 thousand) were pledged as a collateral for the loan of an affiliated company of Hitachi, Ltd.

As of March 31, 2008, investments in securities of ¥19 million and other assets of ¥12 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) SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

As of March 31, 2009 and 2008, 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, 2009 and 2008. 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
	<b>2009</b>			<b>2009</b>		
Held-to-maturity securities with gross unrealized holding gains:						
Government bonds . . . . .	¥ 230	¥ 7	¥ 238	\$ 2,346	\$ 71	\$ 2,428
	¥ 230	¥ 7	¥ 238	\$ 2,346	\$ 71	\$ 2,428
Held-to-maturity securities with gross unrealized holding losses:						
Government bonds . . . . .	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
	¥ 230	¥ 7	¥ 238	\$ 2,346	\$ 71	\$ 2,428
Other securities with gross unrealized holding gains:						
Equity securities . . . . .	¥ 657	¥ 435	¥ 1,092	\$ 6,704	\$ 4,438	\$ 11,142
Government bonds . . . . .	6,097	16	6,113	62,214	163	62,377
Beneficial interest in trust . . . . .	75,745	1,920	77,665	772,908	19,591	792,500
	¥ 82,500	¥ 2,371	¥ 84,871	\$ 841,836	\$ 24,193	\$ 866,030
Other securities with gross unrealized holding losses:						
Equity securities . . . . .	¥ 4,153	¥ (769)	¥ 3,383	\$ 42,377	\$ (7,846)	\$ 34,520
Government bonds . . . . .	299	(0)	299	3,051	(0)	3,051
Corporate bonds . . . . .	117	(0)	117	1,193	(0)	1,193
	¥ 4,570	¥ (769)	¥ 3,800	\$ 46,632	\$ (7,846)	\$ 38,775
	¥ 87,071	¥ 1,601	¥ 88,672	\$ 888,479	\$ 16,336	\$ 904,816

	Japanese yen (millions)		
	Amortized cost basis	Gross gain (loss)	Aggregate fair value
	<b>2008</b>		
Held-to-maturity securities with gross unrealized holding gains:			
Government bonds . . . . .	¥ 422	¥ 9	¥ 431
	¥ 422	¥ 9	¥ 431
Held-to-maturity securities with gross unrealized holding losses:			
Government bonds . . . . .	¥ 8	¥ (0)	¥ 8
	¥ 8	¥ (0)	¥ 8
	¥ 430	¥ 9	¥ 440
Other securities with gross unrealized holding gains:			
Equity securities . . . . .	¥ 3,187	¥ 1,851	¥ 5,039
Government bonds . . . . .	1,900	13	1,914
	¥ 5,087	¥ 1,865	¥ 6,953
Other securities with gross unrealized holding losses:			
Equity securities . . . . .	¥ 2,509	¥ (188)	¥ 2,321
Government bonds . . . . .	1,498	(0)	1,498
Other . . . . .	6	(0)	5
	¥ 4,014	¥ (189)	¥ 3,824
	¥ 9,102	¥ 1,675	¥ 10,778

Proceeds from sale of other securities for the years ended March 31, 2009 and 2008 were ¥1,667 million (\$17,010 thousand) and ¥1,282 million, respectively. The gross realized gains on the sale for the years ended March 31, 2009 and 2008 were ¥10 million (\$102 thousand) and ¥141 million, respectively.

It is not practicable to estimate the fair value of investments in nonmarketable securities because of the lack of a market price and difficulty in estimating fair value without incurring excessive cost. Unlisted shares at March

31, 2009 and 2008 amounted to ¥805 million (\$8,214 thousand) and ¥2,443 million, respectively. At March 31, 2009, the beneficial interest in trust amounted to ¥34,228 million (\$349,265 thousand). These beneficial interests in trust consist primarily of subordinated beneficial interests in trust held in relation to the securitization of the Company's mortgage loan receivables.

Information about the contractual maturities of held-to-maturity securities and other securities with contractual maturities at March 31, 2009 is as follows:

	Japanese yen (millions)			U.S. dollars (thousands)		
	Due within one year	Due after one year through five years	Due after five years through ten years	Due within one year	Due after one year through five years	Due after five years through ten years
Debt securities:						
Government bonds	¥ 5,935	¥ 300	¥ 408	\$ 60,561	\$ 3,061	\$ 4,163
Corporate bonds	—	—	¥ 117	—	—	\$ 1,193
	¥ 5,935	¥ 300	¥ 525	\$ 60,561	\$ 3,061	\$ 5,357

## (6) 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, 2009 and 2008 were ¥436,153 million (\$4,450,540 thousand) and

¥451,894 million, respectively. The activities in the allowance for losses on receivables and guarantees provided for the years ended March 31, 2009 and 2008 are summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2009	2008	2009
Balance at beginning of year	¥ 13,822	¥ 13,856	\$ 141,040
Write-off during the year	(7,330)	(4,091)	(74,795)
Provision	9,216	4,516	94,040
The effect of translation adjustments (Note 3 (i))	565	(458)	5,765
Balance at end of year:			
Allowance for losses on receivables	13,374	10,422	136,469
Allowance for losses on guarantees	2,900	3,400	29,591
	¥ 16,274	¥ 13,822	\$ 166,061

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

The weighted average interest rates on short-term bank loans outstanding at March 31, 2009 and 2008 were 1.2% and 3.3%, respectively.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Japanese yen (millions)		U.S. dollars (thousands)
	2009	2008	2009
Unsecured bonds payable in Japanese yen, due from May 2009 to June 2013, interest ranging from 1.10% to 2.15% .....	¥ 170,000	¥ 205,000	\$ 1,734,693
Unsecured bonds payable in Japanese yen (for specific institutional investors), due from August 2010 to March 2012, interest ranging from 1.28% to 1.93% .....	50,000	20,000	510,204
Medium-term notes payable issued by Hitachi Capital America Corp., in euro-dollars, due from April 2009 to Aug 2011, interest ranging from 0.53% to 1.73% .....	29,751	38,651	303,581
Medium-term notes payable issued by Hitachi Capital (UK) PLC, in euro-yen, due from April 2009 to May 2013, interest ranging from 0.59% to 2.00% .....	73,828	106,650	753,346
Loans from banks and other financial institutions:			
Unsecured, maturing 2009-2026 .....	318,893	297,888	3,254,010
	642,472	668,190	6,555,836
Less current portion .....	192,975	206,530	1,969,122
	¥ 449,498	¥ 461,660	\$ 4,586,714

The weighted average interest rates on long-term loans from banks and other financial institutions outstanding at March 31, 2009 and 2008, shown above, were 2.1% and

1.8%, respectively. The aggregate annual maturities of long-term debt at March 31, 2009 were as follows:

Years ending March 31:	Japanese yen (millions)	U.S. dollars (thousands)
2011 .....	¥ 106,378	\$ 1,085,489
2012 .....	152,477	1,555,887
2013 .....	77,911	795,010
2014 .....	48,533	495,234
2015 and thereafter .....	64,199	655,091
	¥ 449,498	\$ 4,586,714

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 at October 29, 2003. Amounts of issues exceeding \$400 million are guaranteed through separate applications. The issued note amount was \$302 million as of March 31, 2009.

(b) Hitachi Capital (UK) PLC established a \$1,400 million medium-term euro-note lending program at November 15, 2004. The issued note amount was \$752 million as of March 31, 2009.

## (8) TRADE PAYABLES

Trade payables at March 31, 2009 and 2008 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2009	2008	2009
Notes payable .....	¥ 2,460	¥ 6,450	\$ 25,102
Accounts payable .....	211,363	319,020	2,156,765
	¥ 213,824	¥ 325,470	\$2,181,877

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.

## (9) INCOME TAXES

Income tax expense attributable to income from continuing operations for the years ended March 31, 2009, 2008 and 2007 consists of the following:

	Japanese yen (millions)			U.S. dollars (thousands)
	2009	2008	2007	2009
Current . . .	¥ 17,069	¥ 9,935	¥ 8,242	\$ 174,173
Deferred . .	(7,364)	(56)	2,416	(75,142)
	¥ 9,705	¥ 9,879	¥ 10,659	\$ 99,030

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, 2009, and 2008.

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:

	2009	2008
Statutory income tax rate . . . . .	40.5%	40.5%
Per capita tax . . . . .	0.7	0.7
Expenses not deductible for tax purposes . . . . .	1.3	1.4
Difference in statutory tax rates of foreign subsidiaries . . . . .	(1.8)	(3.8)
Elimination for tax credit on dividend income by consolidation . . . . .	6.2	5.0
Depreciation of goodwill . . . . .	1.9	1.1
Tax credits . . . . .	(0.8)	(2.5)
Increase in valuation reserve . . . . .	(0.2)	8.0
Dividends received and other non-taxable items excluded from calculations . . . . .	(2.2)	(1.6)
Other . . . . .	(1.1)	(0.6)
Effective income tax rate . . . . .	44.5%	48.2%

The effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities

as of March 31, 2009 and 2008 are presented below:

	Japanese yen (millions)		U.S. dollars (thousands)
	2009	2008	2009
Total gross deferred tax assets:			
Depreciation . . . . .	¥ 15,941	¥ 1,693	\$ 162,663
Allowance for losses on receivables . . . . .	2,888	2,231	29,469
Allowance for losses on guarantees . . . . .	1,039	1,091	10,602
Accrued expenses . . . . .	1,527	1,756	15,581
Net operating loss carryforwards . . . . .	642	863	6,551
Cumulative revenues from leasing contracts . . . . .	2,929	633	29,887
Accrued business taxes . . . . .	1,097	387	11,193
Prepaid expenses . . . . .	183	232	1,867
Retirement and severance benefits . . . . .	23	22	234
Valuation loss on other securities . . . . .	513	853	5,234
Retirement benefits for directors . . . . .	200	356	2,040
Bad debt write-off . . . . .	1,772	1,171	18,081
Loss on transfer of business . . . . .	567	—	5,785
Other . . . . .	5,451	4,553	55,622
	34,779	15,847	354,887
Valuation allowance . . . . .	(3,054)	(3,104)	(31,163)
	31,724	12,742	323,714
Total gross deferred tax liabilities:			
Gains and losses on lease receivable transactions . . . . .	(10,843)	—	(110,642)
Net unrealized holding gain on investments in other securities . . . . .	(966)	(754)	(9,857)
Temporary difference related to overseas subsidiaries and other . . . . .	(746)	(1,402)	(7,612)
Prepaid pension benefit cost . . . . .	(3,286)	(3,219)	(33,530)
Other . . . . .	(183)	(1)	(1,867)
	(16,026)	(5,378)	(163,530)
Net deferred tax assets . . . . .	¥ 15,697	¥ 7,364	\$ 160,173

As of March 31, 2009 and 2008, 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, 2009 and 2008 are reflected in the accompanying consolidated balance sheets under the following captions:

	Japanese yen (millions)		U.S. dollars (thousands)
	2009	2008	2009
Prepaid expenses and other current assets	¥ 5,112	¥ 10,203	\$ 52,163
Other assets	11,624	1,004	118,612
Other current liabilities	(746)	(1,401)	(7,612)
Other liabilities	(291)	(2,442)	(2,969)
Net deferred tax assets	¥ 15,697	¥ 7,364	\$ 160,173

## (10) 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, 2009 and 2008 is summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2009	2008	2009
Projected benefit obligation	¥ (40,925)	¥ (37,764)	\$ (417,602)
Plan assets at fair value	30,095	35,811	307,091
Funded status	(10,830)	(1,953)	(110,510)
Unrecognized actuarial loss	21,003	12,024	214,316
Unrecognized prior service cost	(2,027)	(2,304)	(20,683)
Net amount recognized in the consolidated balance sheets	¥ 8,145	¥ 7,766	\$ 83,112
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid benefit cost	¥ 12,693	¥ 12,668	\$ 129,520
Accrued benefit cost	(4,548)	(4,902)	(46,408)
	¥ 8,145	¥ 7,766	\$ 83,112

Net periodic benefit cost for the years ended March 31, 2009, 2008 and 2007 consisted of the following components:

	Japanese yen (millions)			U.S. dollars (thousands)
	2009	2008	2007	2009
Service cost, net of participants' contributions	¥ 1,440	¥ 1,257	¥ 1,283	\$ 14,693
Interest cost	1,182	895	876	12,061
Expected return on plan assets for the period	(1,330)	(1,128)	(983)	(13,571)
Amortization of actuarial loss	1,203	617	713	12,275
Amortization of prior service cost	(277)	(277)	(285)	(2,826)
Net periodic benefit cost	2,218	1,364	1,604	22,632
Contributions to the defined contribution pension plan	¥ 346	¥ 221	¥ 226	\$ 3,530

Other than the above net periodic benefit cost, the Company paid extra retirement payments of ¥1,587 million. The amount is recorded as an other expense.

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

- Discount rates were 2.1 to 2.5% for the years ended March 31, 2009, 2008 and 2007. The rate was 7.1% for overseas subsidiaries.
- Expected rates of return were 3.0% for the years ended March 31, 2009, 2008 and 2007. The rate was 6.7% for overseas subsidiaries.
- 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.
- 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.

## (11) STOCKHOLDERS' EQUITY

At March 31, 2009, 57.5% 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 ¥18.00 (\$0.18) per share totaling ¥36.00 (\$0.36) subsequently proposed by the Board of Directors with respect to the fiscal year ended March 31, 2009.

## (12) 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, 2009, 2008 and 2007 are summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	Number of shares	Amount	Amount
Balance as of March 31, 2006. . . . .	7,933,573	¥ 14,323	
Acquisition for treasury stock. . . . .	1,822	4	
Sale of treasury stock. . . . .	16	0	
Balance as of March 31, 2007. . . . .	7,933,379	¥ 14,327	
Acquisition for treasury stock. . . . .	722	1	
Sale of treasury stock. . . . .	107	0	
Balance as of March 31, 2008. . . . .	7,935,994	¥ 14,328	\$ 146,204
Acquisition for treasury stock. . . . .	1,522	1	10
Sale of treasury stock. . . . .	679	0	0
Balance as of March 31, 2009. . . . .	7,936,837	¥ 14,329	\$ 146,214

### (13) OTHER INCOME AND OTHER EXPENSES

The details of other income and other expenses for the years ended March 31, 2009 and 2008 are as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2009	2008	2009
Gain on transfer of lease receivables associated with change in accounting standard . . . . .	¥ 25,703	¥ —	\$ 262,275
Gain on change in accounting policy of revenues from installment transactions . . . . .	895	—	9,132
Other . . . . .	45	179	459
Other Income . . . . .	¥ 26,645	¥ 179	\$ 271,887

	Japanese yen (millions)		U.S. dollars (thousands)
	2009	2008	2009
Loss on change in accounting policy of revenues from affiliated loans . . . . .	¥ 7,348	¥ —	\$ 74,979
Bad debts expenses for lease transactions . . . . .	1,414	—	14,428
Loss on change in accounting policy of maintenance cost for lease transactions . . . . .	646	—	6,591
Impairment loss . . . . .	3,206	578	32,714
Extra retirement payments . . . . .	1,587	—	16,193
Loss on valuation of investment securities . . . . .	1,001	1,516	10,214
Provision for loss on disposal of assets for lease transactions . . . . .	5,722	—	58,387
Loss on transfer of business . . . . .	1,403	—	14,316
Other . . . . .	81	66	826
Other Expenses . . . . .	¥ 22,413	¥ 2,161	\$ 228,704

#### 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.

Category	Type	Location	Impairment Loss	
			Japanese yen (millions)	U.S. dollars (thousands)
Assets slated for disposal	Buildings, structures, land	Matsudo-shi, Chiba; Yama-gun, Fukushima; Osaka-shi, Osaka	¥ 679 million	\$ 6,928 thousand
Business-use asset	Leased assets	—*	¥1,540 million	\$15,714 thousand
Business-use asset (consolidated subsidiary)	Leased assets	—*	¥ 871 million	\$ 8,887 thousand
Business-use asset (consolidated subsidiary)	Other intangible fixed assets	Chiyoda-ku, Tokyo	¥ 115 million	\$ 1,173 thousand

\* 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.

## (14) 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	
	2009	2008
Weighted average number of shares on which basic net income per share is calculated	<b>116,890,155</b>	116,890,834
Effect of dilutive securities:		
Convertible debentures	—	—
Number of shares on which diluted net income per share is calculated	<b>116,890,155</b>	<b>116,890,834</b>

	Japanese yen (millions)			U.S. dollars (thousands)
	2009	2008	2007	2009
Net income	¥ <b>12,122</b>	¥ 10,722	¥ 14,954	\$ <b>123,693</b>
Appropriations for directors' bonuses	—	—	—	—
Net income on which basic net income per share is calculated	<b>12,122</b>	10,722	14,954	<b>123,693</b>
Effect of dilutive securities:				
Stock option granted by a subsidiary	—	(4)	(3)	—
Net income on which diluted net income per share is calculated	¥ <b>12,122</b>	¥ 10,718	¥ 14,951	\$ <b>123,693</b>

	Japanese yen			U.S. dollars
	2009	2008	2007	2009
Net income per share data:				
Basic	¥ <b>103.7</b>	¥ 91.7	¥ 127.9	\$ <b>1.05</b>
Diluted	—	91.7	127.9	—

## (15) RELATED PARTIES

The Company's balances with its parent company, Hitachi, Ltd., as of March 31, 2009 and 2008, and related

transactions for the years ended March 31, 2009, 2008 and 2007 are summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2009	2008	2009
Balances:			
Receivables — current	¥ <b>11,991</b>	¥ 14,728	\$ <b>122,357</b>
Parent company deposit	<b>227,007</b>	74,008	<b>2,316,397</b>
Receivables — non-current	<b>1,025</b>	1,242	<b>10,459</b>
Payables — current	<b>19,654</b>	20,788	<b>200,551</b>

	Japanese yen (millions)			U.S. dollars (thousands)
	2009	2008	2007	2009
Transactions:				
Revenue	¥ <b>69,008</b>	¥ 42,298	¥ 51,314	\$ <b>704,163</b>
Purchases	<b>35,740</b>	49,560	59,238	<b>364,693</b>
Interest income	<b>1,087</b>	757	282	<b>11,091</b>

## (16) 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, 2009, 2008 and 2007 were as follows:

	Japanese yen (millions)			U.S. dollars (thousands)
	2009	2008	2007	2009
Cash on hand and at bank	¥ <b>24,865</b>	¥ 26,358	¥ 23,981	\$ <b>253,724</b>
Parent company deposit	<b>227,007</b>	74,008	58,048	<b>2,316,397</b>
Cash and cash equivalents	¥ <b>251,872</b>	¥ 100,366	¥ 82,029	\$ <b>2,570,122</b>

## (17) 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 "finance business" segment from the year ended March 31, 2009, as the integration of these categories has been much more progressed.

	Japanese yen (millions)				
	Finance	Other financial services	Total	Elimination and/or corporate	Consolidated
<b>2008</b>					
<b>REVENUES:</b>					
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
<b>EXPENSES</b>	86,248	11,909	98,157	(3,458)	94,699
<b>OPERATING INCOME</b>	¥ 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.

	Japanese yen (millions)				
	Finance	Other financial services	Total	Elimination and/or corporate	Consolidated
	2007				
<b>REVENUES:</b>					
Third party revenues	¥ 107,534	¥ 8,022	¥ 115,557	¥ 435	¥ 115,992
Intersegment revenues	96	7,039	7,135	(7,135)	—
Total	107,631	15,061	122,693	(6,700)	115,992
<b>EXPENSES</b>	83,342	12,740	96,082	(5,053)	91,029
<b>OPERATING INCOME</b>	¥ 24,289	¥ 2,321	¥ 26,610	¥ (1,646)	¥ 24,963
Assets	¥ 2,183,582	¥ 324,002	¥ 2,507,585	¥ 9,136	¥ 2,516,721
Depreciation	551,054	358	551,412	2,010	553,423
Addition to fixed assets (tangible and intangible)	614,894	537	615,431	1,096	616,528

- 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 ¥435 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, ¥1,747 million represents administrative expenses of the head office.
- iv) Of the Assets shown in the column of Elimination and/or corporate, ¥79,254 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)
	2009	2008	2007	2009
<b>Revenues</b>				
Japan	¥ 75,835	¥ 80,122	¥ 80,929	\$ 773,826
Europe and North America	27,323	32,635	31,291	278,806
Asia	4,850	4,500	3,800	49,489
Intersegment elimination	(65)	(72)	(89)	(663)
Consolidated total	¥ 107,943	¥ 117,185	¥ 115,992	\$ 1,101,459
<b>Expenses</b>				
Japan	¥ 58,358	¥ 63,512	¥ 61,388	\$ 595,489
Europe and North America	28,515	28,111	26,876	290,969
Asia	3,554	3,147	2,852	36,265
Intersegment elimination	(65)	(72)	(89)	(663)
Consolidated total	¥ 90,362	¥ 94,699	¥ 91,029	\$ 922,061
<b>Operating income</b>				
Japan	¥ 17,476	¥ 16,610	¥ 19,540	\$ 178,326
Europe and North America	(1,191)	4,523	4,414	(12,153)
Asia	1,295	1,352	1,007	13,214
Intersegment elimination	—	—	—	—
Consolidated total	¥ 17,580	¥ 22,486	¥ 24,963	\$ 179,387
<b>Assets</b>				
Japan	¥ 1,441,927	¥ 2,094,253	¥ 2,153,357	\$ 14,713,540
Europe and North America	284,273	299,894	314,347	2,900,744
Asia	64,339	53,722	49,118	656,520
Intersegment elimination	(42)	(78)	(101)	(428)
Consolidated total	¥ 1,790,497	¥ 2,447,791	¥ 2,516,721	\$ 18,270,377

**(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. 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 change to an 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 of 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 period. 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.

**(18) LEASE INFORMATION****Finance leases**

Additional lease information as of and for the years ended March 31, 2009 and 2008 is as follows:

**(a) Lessee**

(i) Acquisition costs, accumulated depreciation and net balance of leased assets at March 31, 2009 and 2008, if they had been capitalized:

	March 31, 2009			U.S. dollars (thousands)	March 31, 2008		
	Japanese yen (millions)		Net balance		Japanese yen (millions)		Net balance
	Acquisition costs	Accumulated depreciation	Net balance	Net balance	Acquisition costs	Accumulated depreciation	Net balance
Furniture and equipment .....	¥ 643	¥ 276	¥ 366	\$ 3,734	¥ 721	¥ 181	¥ 540

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

	March 31		
	Japanese yen (millions)		U.S. dollars (thousands)
	2009	2008	2009
Within one year . . . . .	¥ 158	¥ 632	\$ 1,612
Over one year . . . . .	211	1,090	2,153
Total . . . . .	<u>¥ 369</u>	<u>¥ 1,723</u>	<u>\$ 3,765</u>

(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)
	2009	2008	2009
Lease payments . . . . .	¥ 172	¥ 106	\$ 1,755
Depreciation . . . . .	163	104	1,663
Interest expense . . . . .	4	2	40

**(b) Lessor**

(i) The following table shows the future minimum lease receivables of financing and non-cancelable operating leases as of March 31, 2009 and acquisition costs, accumulated depreciation and net balance of leased assets at March 31, 2008 and 2007 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)
	2009	2009
2010 . . . . .	¥ 165,674	\$ 1,690,551
2011 . . . . .	128,454	1,310,755
2012 . . . . .	93,136	950,367
2013 . . . . .	60,942	621,857
2014 . . . . .	32,742	334,102
Thereafter . . . . .	63,428	647,224
Total minimum payments to be received . . . . .	¥ 544,379	\$ 5,554,887
Estimated residual value . . . . .	79,331	809,500
Unearned income . . . . .	¥ (59,714)	\$ (609,326)
Investments in direct finance leases . . . . .	<u>¥ 563,995</u>	<u>\$ 5,755,051</u>

	March 31, 2008			March 31, 2007		
	Japanese yen (millions)			Japanese yen (millions)		
	Acquisition costs	Accumulated depreciation	Net balance	Acquisition costs	Accumulated depreciation	Net balance
Equipment held for lease . . . . .	<u>¥ 2,310,760</u>	<u>¥ 1,093,954</u>	<u>¥ 1,216,806</u>	<u>¥ 2,315,005</u>	<u>¥ 1,047,556</u>	<u>¥ 1,267,448</u>

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

	March 31	
	Japanese yen (millions)	
	2008	2007
Within one year .....	¥ 396,634	¥ 405,154
Over one year .....	837,475	881,896
Total .....	<u>¥ 1,234,109</u>	<u>¥ 1,287,050</u>

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

	For the year ended March 31	
	Japanese yen (millions)	
	2008	2007
Lease income .....	¥ 463,981	¥ 466,290
Depreciation .....	423,961	423,673
Interest income .....	37,640	40,673

### 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, 2009 and 2008.

#### (b) Lessor

Future lease payments to be received:

	March 31		
	Japanese yen (millions)		U.S. dollars (thousands)
	2009	2008	2009
Within one year .....	¥ 42,485	¥ 74,416	\$ 433,520
Over one year .....	63,991	132,433	652,969
Total .....	<u>¥ 106,477</u>	<u>¥ 206,850</u>	<u>\$ 1,086,500</u>

## (19) FINANCIAL INSTRUMENTS

The Company and certain subsidiaries operate globally and are exposed to market risks arising from fluctuations in foreign currency exchange rates and interest rates. In order to mitigate those risks, the Company and certain subsidiaries enter into various derivative financial agreements, including forward exchange contracts, foreign currency swap agreements and interest rate swap agreements. Forward exchange contracts and foreign currency swap agreements are intended to mitigate risks arising from foreign currency receivables; foreign currency payables; and forecasted foreign currency transactions. Interest rate swap agreements and interest rate option contracts are intended to mitigate interest rate risk for debts. The Company and subsidiaries have no derivative financial instruments for trading purposes. In addition, the Company and subsidiaries are exposed to credit-related losses in the event of non-performance by counterparties to financial instruments and derivative financial instruments. However, it is not expected that any counterparties will fail to meet their obligations as most of the counterparties are

financial institutions with high ratings.

The Company and subsidiaries have also developed hedging policies to control various aspects of derivative financial transactions including authorization levels and transaction volumes. Based on this policy, the Company and subsidiaries hedge, within certain scopes, risks arising from changes in foreign currency exchange rates and interest rates. The Company and subsidiaries periodically review the effectiveness of all hedge policies to take account of the cumulative cash flows and any changes in the market.

The fair values of derivative financial instruments are estimated on the basis of information obtained from third party financial institutions. The estimated fair values of the derivative financial instruments, excluding certain instruments, which are accounted for using deferral hedge accounting, the allocation method and the special method, by major instrument type as of March 31, 2009 and 2008 are as follows:

	Japanese yen (millions)			U.S. dollars (thousands)		
	Notional amounts	Estimated fair values	Unrealized gains (losses)	Notional amounts	Estimated fair values	Unrealized gains (losses)
	<b>2009</b>			<b>2009</b>		
Interest rate swap agreements:						
Floating rate to fixed rate . . . . .	¥ 18,621	¥ (591)	¥ (591)	\$ 190,010	\$ (6,030)	\$ (6,030)

	Japanese yen (millions)		
	Notional amounts	Estimated fair values	Unrealized gains (losses)
	<b>2008</b>		
Interest rate swap agreements:			
Floating rate to fixed rate . . . . .	¥ 40,856	¥ (114)	¥ (114)

## (20) 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

	Japanese yen (millions)	U.S. dollars (thousands)
	<b>2009</b>	<b>2009</b>
Total revolving lines of credit available . . . . .	¥ 639,774	\$ 6,528,306
Amount utilized . . . . .	4,430	45,204
Balance available . . . . .	<u>¥ 635,344</u>	<u>\$ 6,483,102</u>
	Japanese yen (millions)	
	2008	
Total revolving lines of credit available . . . . .	¥ 650,434	
Amount utilized . . . . .	6,391	
Balance available . . . . .	<u>¥ 644,043</u>	

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 ¥5,053 million (\$51,561

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, 2009 and 2008 are shown as follows:

thousand) and ¥2,213 million as of March 31, 2009 and 2008, respectively.

Contingent liabilities for guarantees of employees' housing loans amounted to ¥10 million (\$102 thousand) and ¥19 million as of March 31, 2009 and 2008, respectively.

## (21) 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

### (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

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.

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.

The balance of transactions with four special-purpose entities as of March 31, 2009, according to these entities' most recent fiscal closing dates, amounted to total assets (simple total) of ¥170,250 million (\$1,737,244 thousand) and total liabilities (simple total) of ¥170,222 million (\$1,736,959 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, 2009**

Amounts of transactions with special-purpose entities by

the Company and a subsidiary during the fiscal year ended March 31, 2009, were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)		Line item	Principle gains and losses	
	Amount of principal transactions	Balance at March 31, 2009	Amount of principal transactions	Balance at March 31, 2009		Japanese yen (millions)	U.S. dollars (thousands)
Transferred assets (*1):							
Notes receivable . . . . .	¥ 38,229	¥ 6,777	\$ 390,091	\$ 69,153	Loss on transfer	¥ (107)	\$ (1,091)
Pledged receivables . . . . .	121,755	8,670	1,242,397	88,469	Loss on transfer	(324)	(3,306)
Investments in direct finance leases . . . . .	—	184	—	1,877	Gain on transfer	299	3,051
Loan receivables . . . . .	279,929	31,176	2,856,418	318,122	Gain on transfer	3	30
Remaining balance of							
transferred assets (*2) . . . . .	—	—	—	—	Gain on allocation	152	1,551
Service agency business (*3):							
Collected funds payable . . . . .	—	5,130	—	52,346	Commission revenue on service agency business	237	2,418
Commissioned sales of commercial paper (*4) . . . . .	—	—	—	—	Sales commission revenue	70	714

(\*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.

Gains or losses on transfer of transferred assets are recorded as financing costs or operating revenues.

The securitization of lease receivables is recorded as financial transactions.

(\*2) The gain on distribution related to this remaining balance is posted to operating revenues.

(\*3) 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, 2009, 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 (\$3,469,387 thousand).

(\*4) Sales commission revenue on commissioned sales of commercial paper is posted to operating revenues.

**(22) SUBSEQUENT EVENTS**

No significant events occurred subsequent to the business year from April 1, 2008, through March 31, 2009.