



Combining Legacies to Shape our Destiny

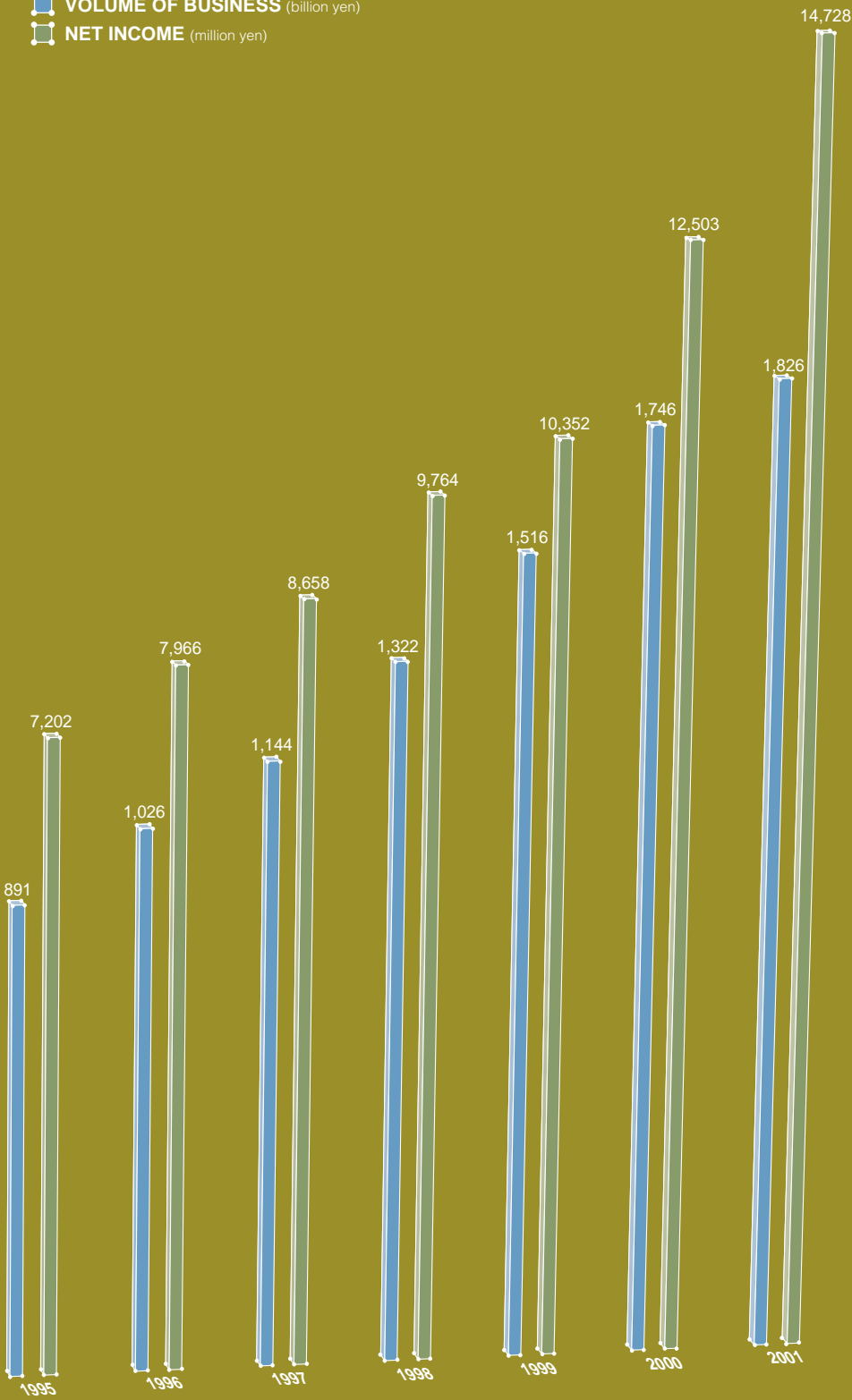
Annual  
Report

2001

**Hitachi Capital Corporation**

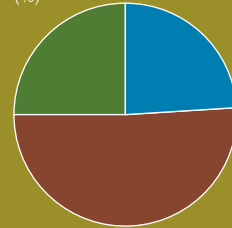


■ **VOLUME OF BUSINESS** (billion yen)  
■ **NET INCOME** (million yen)



**VOLUME OF BUSINESS**

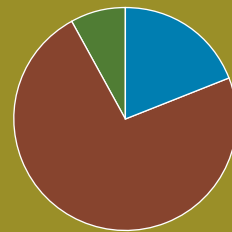
(%)



- Leasing 24%
- Retail 51%
- Others 25%

**NET INCOME**

(%)



- Leasing 19%
- Retail 73%
- Others 8%

Note: Figures do not include adjustments.

## MERGER



Bringing together the resources and expertise of two companies, Hitachi Credit and Hitachi Leasing, Hitachi Capital has a solid foundation to embark on a new era of expansion. The central theme of this growth will be serving as the nucleus of financial service businesses within the entire Hitachi Group.

# Scale

On October 1, 2000, the operations of Hitachi Credit and Hitachi Leasing were combined to form an even more powerful base of operations. A central element of this base is cultivating relationships with a diverse array of creditworthy customers, both companies and individuals. Hitachi Capital will draw on its predecessor companies' expertise in products and financial engineering to offer products and services of the highest caliber. Along with an efficient fund procurement program, these strengths will enable Hitachi Capital to take the lead in bringing financial services into the "information age."

As the merger took place halfway through the fiscal year, financial statements for the full year contain only six months of operations as Hitachi Capital. Results in the year's first half represent only the former Hitachi Credit Group. To provide a more accurate picture of the newly formed Hitachi Capital, pro forma figures combining operations of the two predecessor companies have been prepared. On this basis, the volume of business decreased 5.0% to ¥2,052,480 million, revenues increased 5.0% to ¥125,571 million and net income rose 6.7% to ¥16,615 million. If a new securitization scheme were adopted in the prior fiscal year, the volume of business would have increased 5 percent.

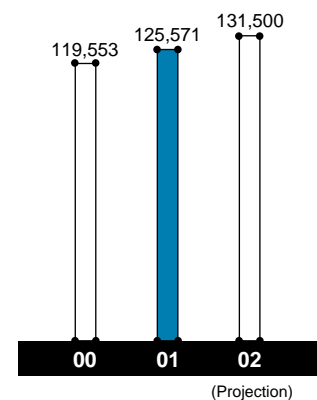
The birth of Hitachi Capital signifies a greater role for financial services within the entire Hitachi Group. Many advantages are foreseen. In particular, Hitachi Capital expects to function as the core provider of financial services in the group, developing and

offering various types of value-added products. For example, the company will help optimize balance sheet structures at Hitachi companies through centralized cash management, more efficient fund procurement and other means. Similar services will be extended to companies and individuals outside the Hitachi Group as well.

There is considerable potential for growth in the financial services sector. Traditional fields such as credit investigations and credit risk management are two promising areas. Hitachi Capital will also be targeting opportunities in finance-related consulting. Having integrated the customer bases of Hitachi Credit and Hitachi Leasing, Hitachi Capital is well positioned to exploit such opportunities by promoting traditional and consulting services through cross-selling. That means future growth can be driven by the provision of more services to existing customers as well as services for new customers.

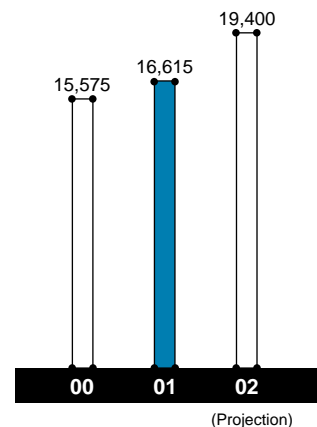
## REVENUES

(million yen)



## NET INCOME

(million yen)

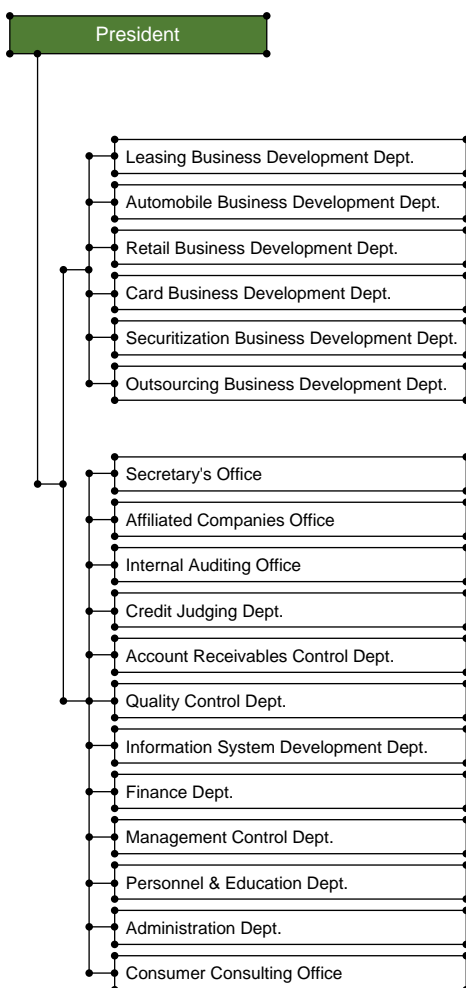


Note: Pro forma figures obtained by combining the results of Hitachi Credit and Hitachi Leasing.

# Breadth

On October 1, 2000, Hitachi Capital realigned its businesses into five categories. With this new structure, Hitachi Capital is better able to pursue new opportunities in each business sector while maximizing returns. Furthermore, the five-sector alignment provides sound foundations for expansion in established fields, the leasing and retail businesses, as well as the more recently launched card, securitization and outsourcing businesses.

## HEAD OFFICE

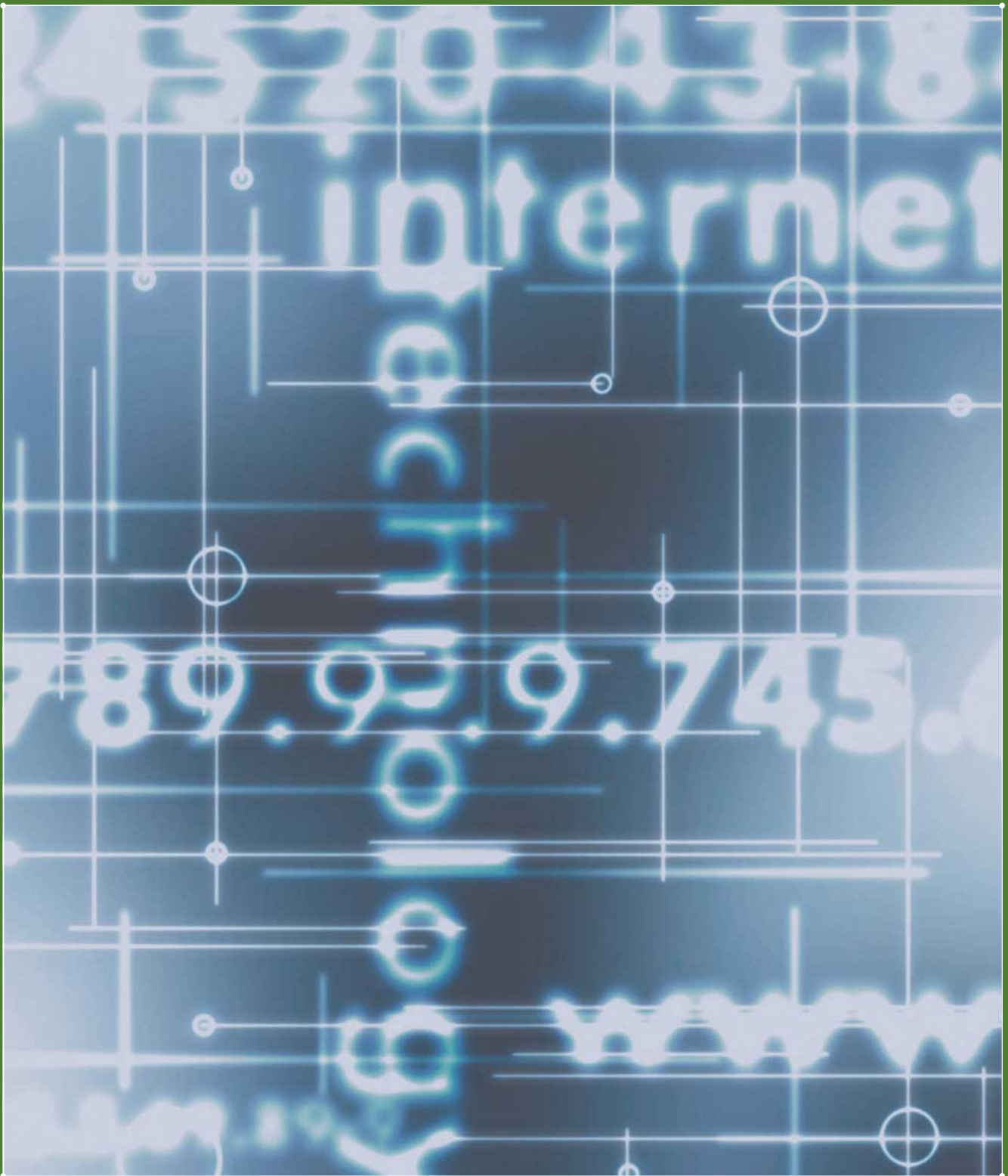


The formation of Hitachi Capital marked the start of numerous changes in the operations of Hitachi Credit and Hitachi Leasing. Most significant was the division of all services into five new categories, two of which are targeting established, core markets: leasing and retail services. Looking ahead, the company will be applying IT to reorganize its customer database and conduct more cross-selling of services. More avenues to growth can be created in both the B2B and B2B2C domains. The other three businesses seek to expand quickly in relatively new fields and technologies: IC and other cards, securitization, and outsourcing services. The card business is especially attractive. At the heart of this drive is the more than 101,000 IC cards (as of March 31, 2001) held by Hitachi group employees that function as ID cards and credit cards. Preparations for new fee-based services are also under way. Plans exist for an Internet card settlement service and a service for making payments using mobile units.

To oversee the five businesses, Hitachi Capital formed five business development departments at its head

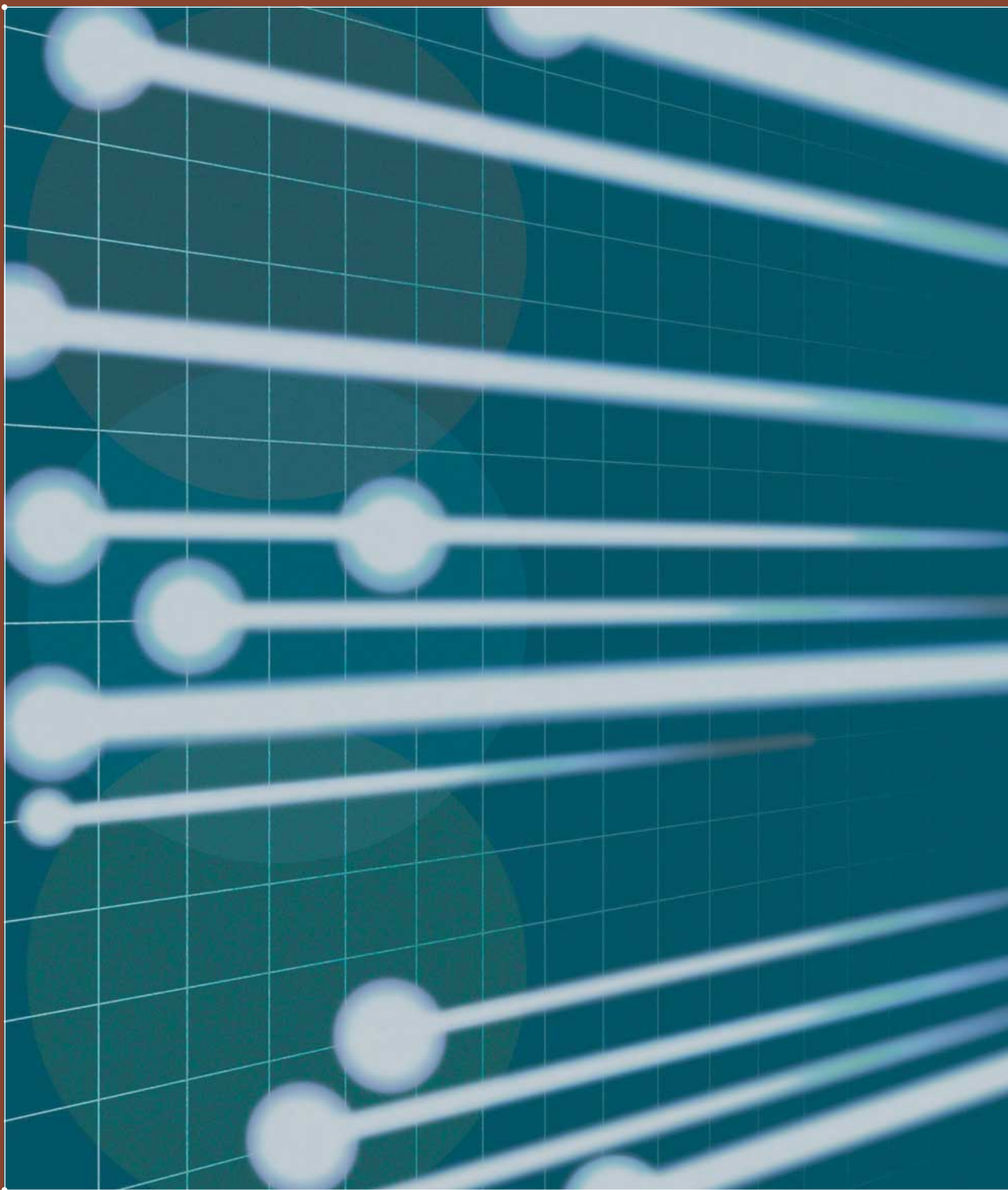
office. On May 1, 2001, a sixth department was added when auto-related activities were separated from retail services. Positioning automobile financing and leasing as an independent business gives this rapidly growing sector an even better platform for sustained expansion.

Twelve administrative and management departments form the heart of the head office's operations. Hitachi Capital earned ISO9001 certification in May 1997 and ISO14001 certification in September 2000. Both accomplishments reflect the company's conviction that the quality of administrative and management processes is just as important as the figures on financial statements at year-end. Going one more step, Hitachi Capital set up the Quality Control Department at the head office on May 1, 2001, an unusual step among financial services companies, to oversee the quality of clerical tasks from branch offices through the head office.



The potential directions of growth at Hitachi Capital are virtually unlimited. Soon after its first full fiscal year began, the company raised from five to six the number of business development departments. This move provides an even stronger base for achieving growth in its automobile business.

## NEW MANAGEMENT SYSTEMS



Hitachi Capital regards speed as vital to its success in the future. Having named a new president, Kaichi Murata, and introduced the corporate officer post, the company now has a management structure ideally suited to reaching decisions in a speedy yet prudent fashion.

# Speed

With a new name comes a new framework to conduct the diverse businesses of Hitachi Capital. This fresh approach extends to management systems as well as to how operations themselves are organized. As one step in this direction, a new top management team has been named. New people and new management systems provide a powerful base for molding a financial services company prepared for the challenges of the 21st century.

“Quality first” is a key element of the management philosophies of both the Hitachi Capital and its groups. At Hitachi Capital, this thinking takes the form of constant efforts to upgrade the quality of financial services and the administrative systems that stand behind those services. Benefits of this focus on quality are measured in terms of customer satisfaction.

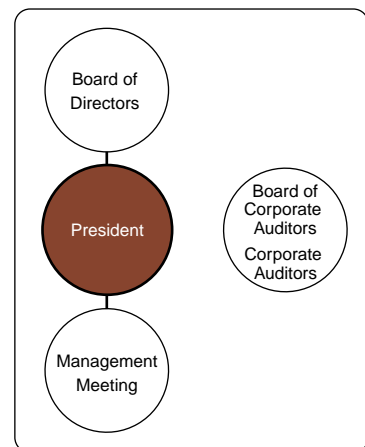
The quest for quality encompasses the launch of new businesses. As the restructuring and deregulation of Japan’s business infrastructure advances, companies need to cope with new forms of risk and meet higher performance standards. Hitachi Capital is addressing these needs with risk management services, outsourcing services and other new ideas. In effect, Hitachi Capital is devising ways to prudently take on more risk for the purpose of enhancing the quality of its service menu—and customer satisfaction.

As change sweeps through the financial services landscape, Hitachi Capital is laying the groundwork to become a finance company with a distinctive identity. Overcoming

today’s competitive forces demands nothing less. To accomplish this goal, the company must be managed from a different perspective. Taking the lead is new president and representative director Kaichi Murata. The new management team’s mission is daunting: putting together a financial services organization that is fully in step with the demands and challenges of a new century.

Adding more depth to top management was the October 2000 introduction of the corporate officer post. The result was a management team composed of 12 directors, four corporate auditors and 19 corporate officers as of June 2001. Creation of a sixth business development department for auto-related activities further reinforced Hitachi Capital’s organization. The company is now poised to fulfill its potential as the core financial services provider of the Hitachi Group. By extending value-added services to customers from this base, Hitachi Capital is committed to fulfilling its responsibilities as a corporate citizen while sustaining long-term growth.

## CORPORATE GOVERNANCE



## FINANCIAL HIGHLIGHTS

Hitachi Capital Corporation and Subsidiaries  
Years ended 31st March, 2001 and 2000

	Japanese yen (millions)		U.S. dollars (thousands)	
	2001	2000	2001	2000
Volume of business	<b>¥1,826,351</b>	¥1,745,807	<b>\$14,728,637</b>	\$14,079,089
Revenues	<b>109,794</b>	87,434	<b>885,435</b>	705,113
Expenses	<b>83,778</b>	65,012	<b>675,629</b>	524,290
Net income	<b>14,728</b>	12,503	<b>118,774</b>	100,831
Total assets	<b>2,045,438</b>	984,576	<b>16,495,468</b>	7,940,129
Stockholders' equity	<b>223,140</b>	179,247	<b>1,799,516</b>	1,445,540
Cash dividends paid	<b>3,603</b>	2,866	<b>29,056</b>	23,113
Per share (in yen and U.S. dollars):				
Net income	<b>¥116.6</b>	¥104.7	<b>\$0.94</b>	\$0.84
Cash dividends paid, and declared for the year	<b>33.0</b>	27.0	<b>0.27</b>	0.22
Stockholders' equity	<b>1,663</b>	1,501	<b>13,411</b>	12,105

Notes: 1. U.S. dollar amounts in this report represent translations of yen, solely for the convenience of the reader, at the rate of ¥124.0=US\$1, the approximate exchange rate at 31st March, 2001.  
2. Stockholders' equity per share is based on the weighted average number of shares of common stock outstanding during the respective years (see note 3 (j) for net income and cash dividends.)  
3. Figures for the second half of the year ended 31st March, 2001 are for Hitachi Capital Corporation.

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## 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.

## MESSAGE FROM THE MANAGEMENT

This annual report marks the beginning of a new era for your company. The October 2000 merging of Hitachi Credit and Hitachi Leasing formed a larger and more powerful organization. During the past six months, we focused on building a base to leverage these strengths while rapidly integrating the management of the two companies. Due to these efforts, the new Hitachi Capital met or exceeded goals for operating results in its first fiscal period.

### RESULTS OF OPERATIONS

Our financial statements for the year ended March 31, 2001 represent the results of Hitachi Credit for the first half and Hitachi Capital for the second half. On this basis, the volume of business was ¥1,826,351 million, revenues were ¥109,794 million and net income was ¥14,728 million. We have also prepared pro forma figures for the year that include the operations of Hitachi Credit and Hitachi Leasing for the first six months and Hitachi Capital for the final six months. Based on comparisons with the combined results of the two companies in the prior fiscal year, revenues climbed 5% to ¥125,571 million.

On the bottom line, we reported 6.7% growth in net income to ¥16,615 million and net income per share of ¥126.09. This marked the 15th consecutive year of higher earnings. Reflecting this performance, cash dividends per share applicable to the year were ¥33, ¥6 higher than in the prior fiscal year. Hitachi Capital, including predecessor Hitachi Credit, has now raised dividends for 6 consecutive years.

Equally significant were improvements in our balance sheet. During the year, we were able to achieve a net reduction of ¥104.9 billion in debt. Loans fell ¥160.3 billion while capital market procurement rose ¥55.4 billion. Capital market instruments rose from 37% of fund procurement as of March 31, 2000 (pro forma basis) to 45% by the end of March 2001. Cash and cash equivalents increased even as debt was reduced. Making this possible was a large free cash flow that resulted from the securitization of receivables and assets during the year. We will continue to take such steps as we create a still more streamlined and productive balance sheet.



Masayoshi Hanabusa  
*Chairman*

Kaichi Murata  
*President*

### **THE “10-KEEP/10-OVER” TARGET DEFINES PROGRESS**

To set clear parameters for progress at this new company, we have set forth the dual targets of raising the BIS equity ratio to 10% by March 2003 and the ROE above 10% in that fiscal year. Our reasoning is simple: we are determined to sustain a high ROE only while preserving a sound financial position. We want to stress that these goals are realistic. Not only do they give our people concrete targets, they also provide guidelines for formulating strategies. This is a critical point. Hitachi Capital is not a company that merely puts forth goals. We back them up with strategies that provide reasons to believe in our ability to reach those goals. On a pro forma basis for the past fiscal year, our equity ratio based on BIS standards was 9.2% and ROE was 7.7%. At this time, it is quite likely that the equity ratio will exceed 10% by March 2002, one year ahead of schedule.

### **REPOSITIONING FINANCIAL SERVICES**

The birth of Hitachi Capital heralds the start of a more prominent role for financial services within the Hitachi Group.

Opportunities are immense: financial services may well be one of Japan's most high-potential industries right now. We plan to draw on our specialized skills to open up new markets by building financial consulting businesses in such fields as credit approval processes and the control of credit risk.

Within the Hitachi Group, we anticipate playing a greater role in helping to centralize cash management and providing other expertise needed to optimize balance sheet productivity. Credit investigations and credit risk management are other fields where we can assist group members. We also stand ready with services ranging from leases to the efficient settlement of invoices. Naturally, we will also provide these same services to more non-Hitachi customers. Our ultimate goal as a publicly owned company is to increase our corporate value while contribute to the business of a range of clients as well as to the performance of the Hitachi Group.

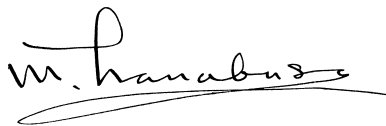
We have witnessed much change in our operating environment, but our fundamental philosophy remains the same. We will retain our identity as a company that always puts quality

first while taking creative approaches to capitalizing on new opportunities. Quality applies to both our services and the organization that supplies those services. Creativity means encouraging people to conceive services that address emerging customer needs and market opportunities. As in the past, we will leverage these strengths to target new markets where our unique strengths can generate the most value for customers. Among the new markets we are now developing are risk management, outsourcing services, and businesses that use IC card technology or the Internet. In sum, Hitachi Capital's growth will be fueled by new businesses, such as IC cards, securitization and outsourcing services, as well as by more expansion in core businesses such as leasing and automobile and home financing where we have been so successful in the past.

In June 2001, Kaichi Murata was named the new president of Hitachi Capital. At the same time, we adopted a new organization. As we embark on the next stage of our development under a new top management team and business structure, we will

continue to adhere to our quality-first policy. Over the years, Hitachi Capital's predecessor companies have strived to operate on a sound base rooted in quality and innovative thinking. This stance remains the same today. We will place priority on offering new, high-quality services that address specific customer needs, and identify these needs by building an even more powerful customer database. As we do so, our actions will also reflect the awareness that earning the trust of customers, investors and society is essential to fulfilling our responsibilities and meeting our goals.

June 2001



Masayoshi Hanabusa  
*Chairman*



Kaichi Murata  
*President*



## REVIEW OF OPERATIONS

### Multi-functional IC Cards



In fiscal 2001, the year ended March 31, 2001, Japan's economy remained lackluster as consumer spending weakened amid signs of a rebound in private-sector capital expenditures. In the financial services industry, deregulation brought about by the "Big Bang" sparked a dramatic realignment. Banks integrated their operations through the formation of holding companies and business alliances and other forms of cooperation brought together different types of financial services.

On October 1, 2000, Hitachi Credit and Hitachi Leasing merged to form Hitachi Capital. Upon the inception of the new company, a new organization was adopted with the dual goals of becoming the Hitachi Group's core provider of financial services and supporting the company's growth and entry into new fields of business. The organization divided Hitachi Capital's operations into five business sectors with similar characteristics and strategies. The aim was to allow all five businesses to develop in a manner that fully utilizes the unique strengths of each one.

Based on reported results, the volume of business increased 5 percent to ¥1,826,351 million in fiscal 2001. Based on pro forma figures representing the combined results of

Hitachi Credit and Hitachi Leasing for the past two fiscal years, the volume of business decreased 5 percent to ¥2,052,480 million. If a new securitization scheme were adopted in the prior fiscal year, the volume of business would have increased 5 percent.

### LEASING BUSINESS

Upon the merger, the leasing business was reorganized into a comprehensive organization covering finance leases, operating leases, rentals and other related services required by customers. The organization also develops new services to meet customers' demands and offers customized services of a high quality. In fiscal 2001, the volume of business was ¥441,631 million, representing mainly IT equipment and other industrial equipment. On a pro forma basis, leasing volume increased 7 percent to ¥667,760 million.

### RETAIL BUSINESS

This business extends new types of financial services for the purpose of assisting consumers and corporate clients alike meet their goals as a new century unfolds. Financing primarily covers automobiles, houses and housing fixtures, home appliances, information and communications equipment,

agricultural equipment and medical equipment. Another goal of retail services is extending a diverse line of services to the employees of corporate clients. Automobile financing is the largest component of the retail business. Hitachi Capital has developed a complete line of auto-related financial services for everything from passenger cars to commercial vehicles. Customers can select from numerous types of loans and leases. In fiscal 2001, Hitachi Capital aggressively promoted its automobile and housing-related services to overcome soft consumer spending in Japan and post a 1 percent increase in the volume of business to ¥935,139 million.

### CARD BUSINESS

In addition to credit cards, this business includes multi-functional IC cards as well as settlement services using debit cards, prepaid service cards and electronic money. A substantial share of business is derived from services created by Hitachi Capital to meet the specific needs of corporate clients and their employees. Due largely to the promotion of such services, the fiscal 2001 volume of business increased 15 percent to ¥32,974 million.

### SECURITIZATION BUSINESS

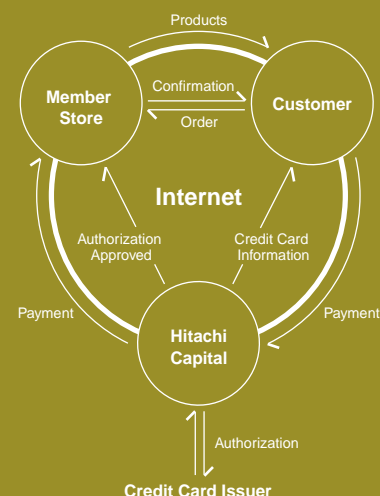
By drawing on its years of experience in the securitization of receivables and assets, Hitachi Capital can assist clients meet their fund procurement and other financial goals. This business also includes the development and provision of insurance products. In fiscal 2001, results benefited from newly developed services that take advantage of Hitachi Capital's high credit ratings. However, the shift to a new securitization scheme that is no longer included in the volume of business caused volume to fall 42 percent to ¥284,648 million.

### OUTSOURCING BUSINESS

Hitachi Capital is capable of meeting a broad array of outsourcing requirements. One area of particular expertise is payment and collection services, both of which draw on the company's specialized skills and ability to perform clerical tasks efficiently and accurately. In fiscal 2001, growth in payment and collection services for members of the Hitachi Group led to a 38 percent increase in the volume of business to ¥139,142 million.

Note that figures for the five businesses do not include intersegment eliminations.

### NOVA INTERNET SETTLEMENT SERVICE



## BOARDS OF DIRECTORS AND CORPORATE AUDITORS



**Masayoshi Hanabusa**  
Chairman and  
Representative Director



**Kaichi Murata**  
President and  
Representative Director



**Yoshimichi Ohtani**  
Vice President and  
Director



**Yoshitaka Aritoshi**  
Vice President and  
Director



**Yoshifumi Ishida**  
Senior Executive  
Managing Director



**Hiromitsu Kanai**  
Executive Managing  
Director



**Koichi Satoh**  
Executive Managing  
Director



**Shiro Sadakata**  
Executive Managing  
Director



**Yasuo Ikari**  
Executive Managing  
Director



**Kimio Yokoyama**  
Executive Managing  
Director



**Masahisa Okuhara**  
Executive Managing  
Director



**Kazuo Sato**  
Director



**Atsushi Washida**  
Corporate Auditor



**Koichi Hayashi**  
Corporate Auditor



**Yoshiaki Yagi**  
Corporate Auditor



**Hiroyuki Nakamura**  
Corporate Auditor

## TOP MANAGEMENT AT SUBSIDIARIES



**Shinichi Urata**  
Okinawa Hitachi  
Capital Corporation



**Tetsuhiro Goto**  
Amic Services  
Co., Ltd.



**Masaki Kozaki**  
Amic Data Service  
Co., Ltd.



**Matsuo Miyamoto**  
Nova Business  
Service Co., Ltd.



**Iwao Yoshihara**  
Nova Auto Lease  
Co., Ltd.



**Ryoji Sato**  
Hitachi Credit  
Securities Co., Ltd.



**Atsumu Yamaguchi**  
Hitachi Triple Win  
Corp.



**Toyoshige Miyase**  
Hitachi Leasing  
Rent, Ltd.



**Kazunori Koseki**  
Hitachi Leasing  
Service, Ltd.



**David Anthony**  
Hitachi Credit  
(U.K.) PLC



**Simon Oliphant**  
Fleetlease (UK) Ltd.



**Denise Crossley**  
Credit Solutions  
(Northern) Ltd.



**Yoshiaki Sakurai**  
Hitachi Credit  
Insurance Corp. Ltd.



**Hidekazu Tanaka**  
Hitachi Credit  
America Corp.



**Yoshiaki Kobori**  
Hitachi Credit  
(Hong Kong) Ltd.



**Satoru Muranaka**  
Hitachi Credit  
Singapore Pte. Ltd.



**Yuichiro Shimada**  
Hitachi Leasing  
(Singapore) Pte., Ltd.

## FINANCIAL SECTION

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## FINANCIAL REVIEW

### NET INCOME

In fiscal 2001, consolidated net income increased 17.8 percent to ¥14,728 million (US\$119 million), the 15th consecutive year-on-year increase in net income. Hitachi Credit's powerful marketing and new product development capabilities were key contributors to this growth. These strengths supported a big increase in the volume of business in leases of vehicles for corporate fleets and in the volume of other financial services. Greater economies of scale following the October merger of Hitachi Credit and Hitachi Leasing were also behind the growth in net income. While still relatively small, outsourcing services subsidiary Hitachi Triple Win Corp. showed in its first year of operations that it has immense potential for long-term growth. Consolidated net income was 11 percent higher than parent company net income. Primary net income per share increased from ¥104.7 to ¥116.6 (US\$0.94). Cash dividends applicable to the year were ¥33.0 (US\$0.27) per share, ¥6 more than in the prior fiscal year, the sum of an interim dividend of ¥15 and a year-end dividend of ¥18.

Revenues were up 25.6 percent to ¥109,794 million (US\$885 million). By sector, operating revenues rose 24.4 percent to ¥105,769 million (US\$853 million), interests and dividends income rose 137.7 percent to ¥2,094 million (US\$17 million) and other revenues rose 27.6 percent to ¥1,931 million (US\$16 million). Expenses amounted to ¥83,778 million (US\$676 million), an increase of 28.9 percent. Expenses increased primarily in line with the growth in the volume of business. General and administrative expenses climbed 11.1 percent to ¥47,665 million (US\$384 million), interest expenses increased 47.9

percent to ¥28,704 million (US\$231 million) and other expenses rose 122.2 percent to ¥5,953 million (US\$48 million). Although finance costs were higher, Hitachi Capital is rapidly reducing its reliance on loans to reduce the cost of funds procured. Regarding fund procurement activities, Hitachi Capital (the parent company) sold six bond issues during fiscal 2001. At March 31, 2001, capital market instruments, representing mainly bonds, medium-term notes and commercial paper, accounted for 55 percent of interest-bearing liabilities.

Due to the above factors, income before income taxes increased 16.0 percent to ¥26,016 million (US\$210 million).

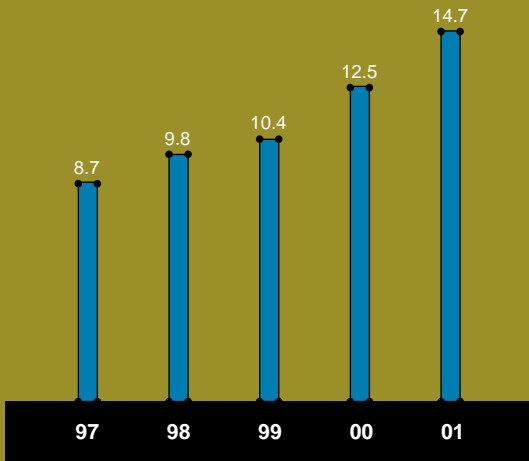
### TRADE RECEIVABLES AND CREDIT QUALITY

In fiscal 2001, Hitachi Capital continued to place priority on preserving an extremely high level of asset quality. However, the October 2001 merger resulted in a sharp increase in loans, temporarily weakening the company's financial position to some degree. Following the merger, steady progress has been made in raising the level of capital market instruments as a share of funds procured. Over time, management believes that capital market procurement will return to the same high level as that of the former Hitachi Credit.

Bad debts written off amounted to ¥2,472 million (US\$20 million), only 0.08 percent of trade receivables, loan guarantees and lease rentals. At March 31, 2001, loan guarantees were ¥673,196 million (US\$5,429 million), 6.6 percent higher than one year earlier. Allowances for losses on receivables and guarantees increased from ¥10,327 million to ¥14,514 million (US\$117 million). Management believes that this level of allowances

### NET INCOME

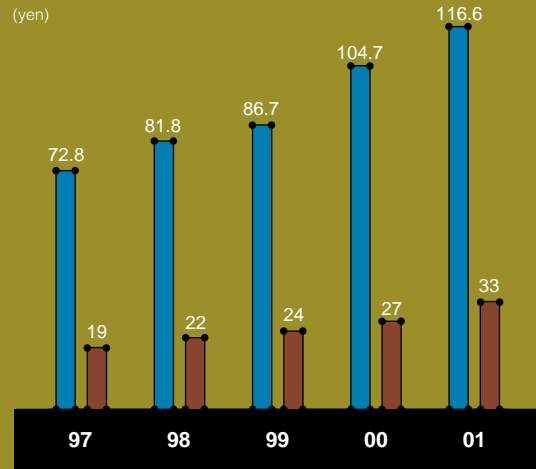
(billion yen)



Net income was higher for the 15th consecutive year. Contributing to last year's growth was a strong performance by fleet leases and an increase in the volume of business due the merger of Hitachi Credit and Hitachi Leasing.

### NET INCOME AND CASH DIVIDENDS PER SHARE

(yen)

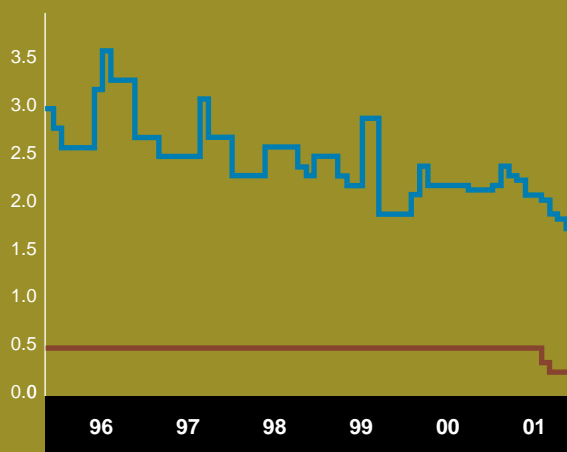


■ Net Income per Share  
■ Cash Dividends per Share

Committed to maintaining dividends at a stable percentage of net income, Hitachi Capital again increased cash dividends applicable to the year in fiscal 2001.

### INTEREST RATES IN JAPAN

(%)

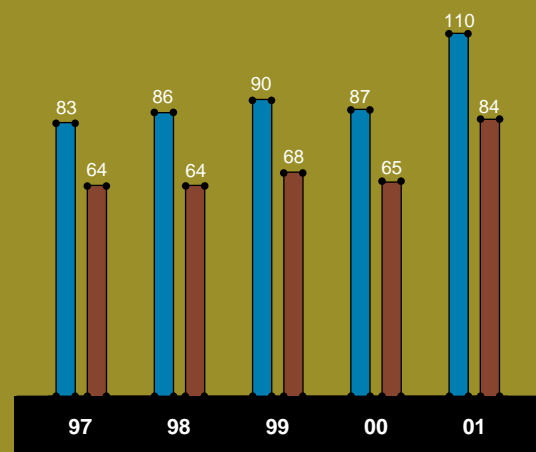


■ Long-Term Prime Rate  
■ Official Discount Rate of the Bank of Japan

Extremely low interest rates continued to prevail in Japan throughout the fiscal year. In March 2001, the long-term prime rate stood at 1.90 percent and appeared poised to fall. The official discount rate, which had been stable for some time, was reduced to 0.25 percent.

### REVENUES AND EXPENSES

(billion yen)



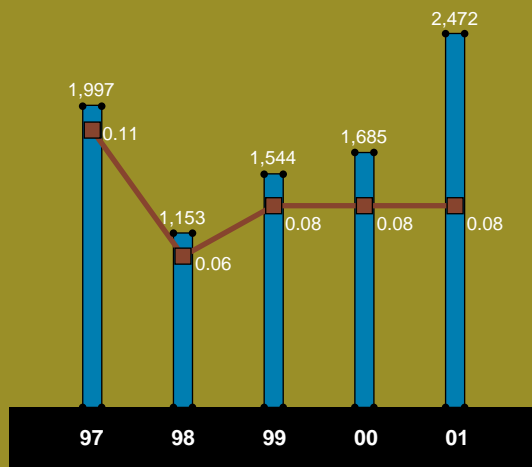
■ Revenues ■ Expenses

The inclusion of Hitachi Leasing's operations in the second half of the fiscal year caused operating revenues and expenses to increase significantly.

# FINANCIAL REVIEW

## BAD DEBTS WRITTEN OFF, BAD DEBT RATIO

(million yen / %)

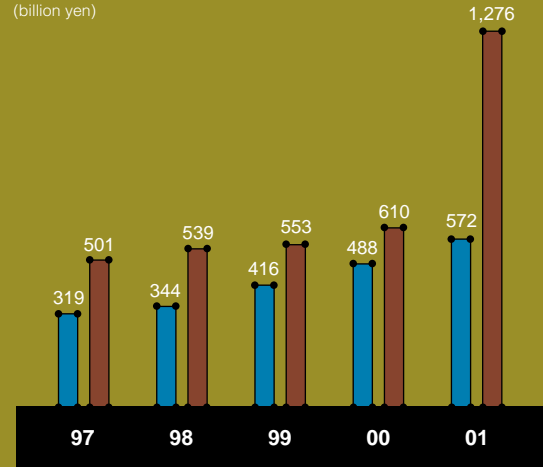


■ Bad Debts Written Off    — Bad Debt Ratio

The adherence to uncompromising credit standards and a comprehensive risk management program has held bad debts to a negligible level for many years.

## CAPITAL MARKET INSTRUMENTS AND INTEREST-BEARING LIABILITIES

(billion yen)

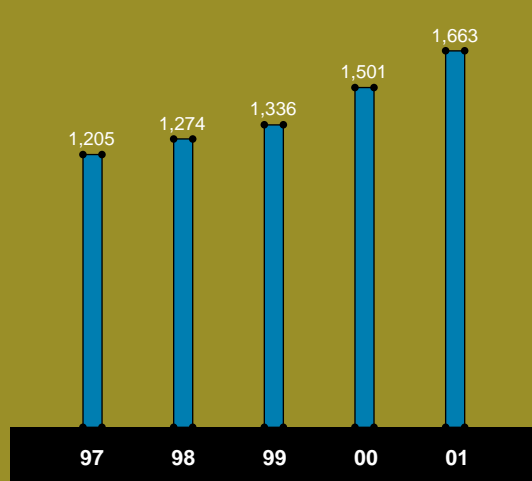


■ Capital Market Instruments    ■ Interest-Bearing Liabilities

Taking advantage of its high credit rating, Hitachi Capital has utilized relatively low-cost capital market instruments for a significant share of funds procured.

## STOCKHOLDERS' EQUITY PER SHARE

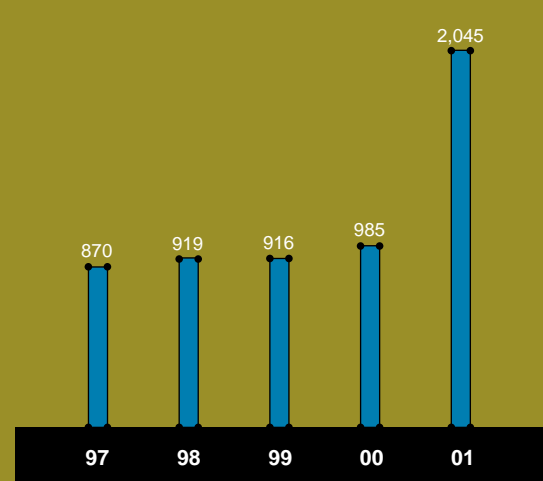
(yen)



By relying on externally procured funds to support much of its growth, Hitachi Capital has been able to expand while steadily increasing equity per share.

## TOTAL ASSETS

(billion yen)



Total assets more than doubled in October 2001 when Hitachi Credit and Hitachi Leasing integrated their operations. Much of this growth occurred in equipment held for leases.

provides a generous degree of protection against risks involving bad debts. One reason is that most of the fiscal 2000 growth in purchased instalment receivables is derived from payment services and participation for clients with high credit standings. Furthermore, management believes write-offs will remain at the same extremely low rate as at present. At March 31, 2001, the allowance for losses on receivables and guarantees exceeded bad debt written off during fiscal 2001 by 5.87 times. Attesting to the company's sound asset quality and risk management capabilities are AA long-term and A-1 short-term ratings from R&I and A+ long-term and A-1 short-term credit ratings from Standard & Poor's, ratings that management plans to maintain.

#### **CREDIT RISK MANAGEMENT**

At Hitachi Capital, credit risk management rests on a base of sound assets and highly creditworthy clients as well as rigorous standards for the management of credit risk. Credit investigations combine the judgments of highly trained front-line sales staff with a computerized auto-scoring system and other measures. Following the approval of financing, behavior scoring techniques as well as an adaptive control system are applied to facilitate the accurate monitoring of even small amounts of bad debt. This system permits the rapid identification of problems and the prompt recovery of amounts due. As a result, Hitachi Credit is capable of accurately monitoring credit risk while improving services for customers by making quick decisions on the granting of new credit.

#### **FINANCIAL POSITION**

There was a large increase in assets in fiscal 2001, with both current and fixed

assets rising. To make earnings less susceptible to interest rate movements and other variables, and to reduce liquidity mismatches between receivables and funds procured, Hitachi Credit conducts a comprehensive asset-liability management program that is structured to maintain a suitable risk profile at all times.

At March 31, 2001, total assets amounted to ¥2,045,438 million (US\$16,495 million), an increase of 107.7 percent, or ¥1,060,862 million. Among the major components of assets, trade receivables increased 42.5 percent, or ¥166,810 million, to ¥559,742 million (US\$4,514 million) even as the company continued to liquidate a significant share of these assets. Due to the inclusion of the assets of Hitachi Leasing, equipment held for leases was up 176.1 percent, or ¥726,257 million, to ¥1,138,610 million (US\$9,182 million).

On the other side of the balance sheet, the October 2000 merger led to large increases in short-term and long-term loans. Following the merger, Hitachi Capital issued commercial paper and bonds to offset this abrupt increase in indirect financing. At March 31, 2001, capital market instruments amounted to ¥571,766 million (US\$4,611 million), 17.2 percent more than one year earlier. There were net increases of 22.5 percent in bonds to ¥370,248 million (US\$2,986 million), 9.6 percent in medium-term notes to ¥87,472 million and 27.1 percent in commercial paper to ¥114,046 million (US\$920 million). During fiscal 2001, the parent company conducted a ¥20 billion bond issue in June 2000, a ¥7 billion issue in July 2000, a ¥10 billion issue in August 2000, ¥20 billion issue in September 2000 and a ¥40 billion issue in December 2000.

A 24.5 percent increase in stockholders' equity to ¥223,140 million (US\$1,800 million), mainly because of the growth in net income, resulted in an equity ratio of 10.9 percent at March 31, 2001.

### CASH FLOWS

Net cash provided by operating activities, a major source of liquidity, improved from a negative ¥62,069 million to ¥173,686 million (US\$1,401 million). Growth in depreciation from ¥150,862 million to ¥267,046 million was a significant contributor to the improvement. There was also a large increase to ¥836,121 million in proceeds from the sale of receivables and other monetary assets and an increase in payables. On the other hand, settlements of liquidated assets used cash amounting to ¥651,175 million and there was an increase of ¥126,761 million in rental equipment due to the October 2001 merger.

Net cash provided by investing activities increased by ¥8,006 million to ¥10,499 million (US\$85 million). Sales of securities, including investment securities, totaled ¥13,712 million and sales of property, equipment and other assets amounted to ¥1,879 million. As a result, free cash flow, which is the sum of cash flows from operating and investing activities, improved from last year's negative ¥59,576 million to ¥184,185 million (US\$1,485 million).

Net cash used in financing activities was ¥140,092 million (US\$1,146 million), a difference of ¥202,483 million compared with the prior year's positive figure. This was primarily attributable to the repayment of loans following the October 2001 merger. Short-term borrowings fell by ¥77,378 million and long-term loans fell by ¥209,682 million to ¥140,221 million. In

addition, ¥96,397 million of cash was used for the redemption of bonds at maturity.

The result was a net increase of ¥42,425 million (US\$342 million) in cash and cash equivalents compared with the prior fiscal year's ¥363 million. Cash and cash equivalents from the merger contributed a further ¥52,596 million (US\$424 million). Cash and cash equivalents thus increased 55.6 percent to ¥273,366 million (US\$2,205 million). In the opinion of management, capital-market issues, the sale of receivables and retained earnings will be adequate to meet future liquidity requirements.

### NEW FINANCIAL PERFORMANCE INDICATORS

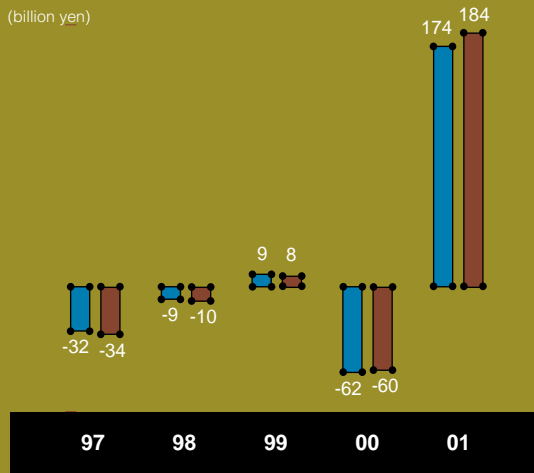
Recognizing the changes occurring in Japan and other key markets, Hitachi Credit is taking steps to place even greater emphasis on generating benefits for stockholders, other investors and customers. In concrete terms, this involves the adoption of management practices based on a number of important statistics to enable measuring the effectiveness of the company's strategies in financial terms.

For stockholders, ROE will remain the primary means of gauging the creation of value. In fiscal 2001, Hitachi Credit's ROE remained approximately the same as in fiscal 2000 at 7.3 percent. It is due to adopt "Accounting Standards for Deferred Income Taxes." Although earnings were again higher, there was a large increase in assets.

The efficiency ratio, obtained by dividing operating expenses by revenues, is positioned as an indicator of operating efficiency. In fiscal 2001, this ratio was 42.9 percent, a significant improvement over fiscal 2000's 49.3 percent.

### NET CASH FLOWS FROM OPERATING ACTIVITIES AND FREE CASH FLOWS

(billion yen)

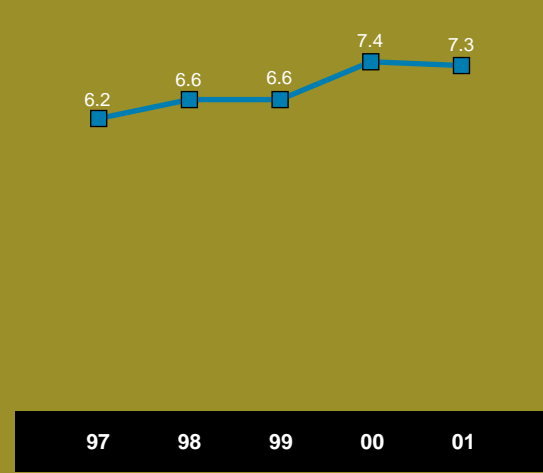


■ Net Cash Flows From Operating Activities  
■ Free Cash Flows

Net cash flows from operating activities and free cash flows were changed in presentation from 1 April 2000. The prior year's performance has been reclassified in the same way.

### RETURN ON EQUITY

(%)



Hitachi Capital regards ROE as a critical indicator of its performance. Currently, the company's goal is to raise this figure to 10 percent.

### RETURN ON ASSETS

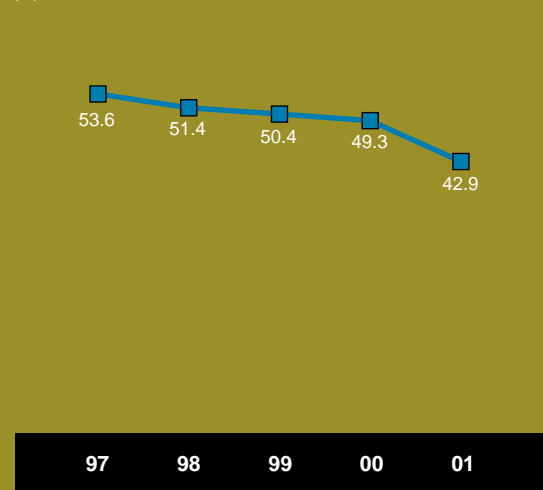
(%)



Initiatives to raise productivity and the ability to use high credit ratings to tap capital markets at favorable terms kept Hitachi Credit's ROA consistently high. Hitachi Capital plans to use the same strengths to return ROA to prior-year levels.

### EFFICIENCY RATIO

(%)



Constant efforts to adopt more efficient work practices, backed by substantial investments in computers and other forms of technology, have allowed Hitachi Credit, and now Hitachi Capital, to steadily improve its efficiency ratio.

Note: Efficiency ratio = Operating expenses / Revenues

## FIVE-YEAR SUMMARY

Hitachi Capital Corporation and Subsidiaries  
Years ended 31st March

In millions of Japanese yen, except per share data

	2001	2000	1999	1998	1997
For the year:					
Volume of business . . . . .	<b>¥1,826,351</b>	¥1,745,807	¥1,515,605	¥1,321,624	¥1,143,861
Revenues . . . . .	<b>109,794</b>	87,434	89,717	85,641	82,888
Expenses . . . . .	<b>83,778</b>	65,012	67,873	63,841	63,848
Interest expense . . . . .	<b>28,704</b>	19,411	21,201	19,919	18,407
Interest coverage (times) . . . . .	<b>1.91</b>	2.16	2.03	2.09	2.03
Income before income taxes and minority interests . .	<b>26,016</b>	22,422	21,844	21,800	19,040
Net income . . . . .	<b>14,728</b>	12,503	10,352	9,764	8,658
Cash dividends paid . . . . .	<b>3,603</b>	2,866	2,746	2,502	2,079
Bad debts written off . . . . .	<b>2,472</b>	1,685	1,544	1,153	1,997
Percent of trade receivables, loan guarantees and lease rentals . . . . .	<b>0.08%</b>	0.08%	0.08%	0.06%	0.11%
Per share (in yen):					
Net income (primary) . . . . .	<b>¥ 116.6</b>	¥ 104.7	¥ 86.7	¥ 81.8	¥ 72.8
Net income (diluted) . . . . .	<b>112.0</b>	99.9	82.7	78.0	69.3
Cash dividends paid and declared for the year . . . .	<b>33.0</b>	27.0	24.0	22.0	19.0
Stockholders' equity . . . . .	<b>1,663</b>	1,501	1,336	1,274	1,205
At year-end:					
Trade receivables . . . . .	<b>¥ 559,742</b>	¥ 392,932	¥ 392,477	¥ 426,315	¥ 427,899
Deferred income . . . . .	<b>—</b>	31,561	30,591	16,086	11,854
Equipment held for leases . . . . .	<b>1,138,610</b>	412,353	352,515	315,611	278,471
Total assets . . . . .	<b>2,045,438</b>	984,576	915,773	919,243	869,706
Short-term and long-term bank loans . . . . .	<b>704,191</b>	122,524	137,096	195,268	182,163
Straight bonds, convertible bonds and commercial paper . . . . .	<b>571,767</b>	487,848	416,189	344,160	319,203
Stockholders' equity . . . . .	<b>223,140</b>	179,247	159,605	152,097	143,296
Loan guarantees outstanding . . . . .	<b>673,196</b>	637,622	587,631	545,828	535,784
Allowance for losses on receivables and guarantees . . . . .	<b>14,514</b>	10,327	9,340	8,633	9,130
Residual value reserves . . . . .	<b>7,604</b>	448	658	893	573
Number of employees . . . . .	<b>3,496</b>	2,842	2,883	2,945	2,972

Note: Interest coverage = (Income before income taxes and minority interests + Interest expense)/Interest expense  
On 1st October, 2000, the operations of Hitachi Credit and Hitachi Leasing were combined with the merger.  
Figures for the second half of the year ended 31st March, 2001 are for Hitachi Capital Corporation.

## CONSOLIDATED STATEMENTS OF INCOME

Hitachi Capital Corporation and Subsidiaries  
Years ended 31st March, 2001 and 2000

	Japanese yen (millions)		U.S. dollars (thousands)(Note 2)	
	2001	2000	2001	2000
<b>Revenues:</b>				
Operating revenues (Note 3 (n) and 15) . . . . .	<b>¥105,769</b>	¥85,040	<b>\$852,976</b>	\$685,806
Interest and dividend income . . . . .	<b>2,094</b>	881	<b>16,887</b>	7,105
Other income . . . . .	<b>1,931</b>	1,513	<b>15,572</b>	12,202
	<b>109,794</b>	87,434	<b>885,435</b>	705,113
<b>Expenses (Note 3 (n)):</b>				
Selling, general and administrative expenses . . . . .	<b>47,665</b>	42,922	<b>384,395</b>	346,145
Financing costs . . . . .	<b>30,160</b>	–	<b>243,226</b>	–
Interest expense . . . . .	–	19,411	–	156,540
Other expenses (Note 12) . . . . .	<b>5,953</b>	2,679	<b>48,008</b>	21,605
	<b>83,778</b>	65,012	<b>675,629</b>	524,290
Income before income taxes and minority interests . . . . .	<b>26,016</b>	22,422	<b>209,806</b>	180,823
Income taxes (Note 9) . . . . .	<b>10,757</b>	9,387	<b>86,750</b>	75,702
Minority interests . . . . .	<b>531</b>	532	<b>4,282</b>	4,290
Net income . . . . .	<b>¥ 14,728</b>	¥12,503	<b>\$118,774</b>	\$100,831
<b>Per share (Note 3 (k)):</b>				
	Japanese yen		U.S. dollars (Note 2)	
Net income (primary) . . . . .	<b>¥116.6</b>	¥104.7	<b>\$0.94</b>	\$0.84
Net income (diluted) . . . . .	<b>112.0</b>	99.9	<b>0.90</b>	0.81

See accompanying notes to consolidated financial statements.

## CONSOLIDATED BALANCE SHEETS

Hitachi Capital Corporation and Subsidiaries  
31st March, 2001 and 2000

Assets	Japanese yen (millions)		U.S. dollars (thousands) (Note 2)	
	2001	2000	2001	2000
Current assets:				
Cash (Note 14) . . . . .	¥ 272,529	¥174,805	\$ 2,197,815	\$1,409,718
Trade receivables, including amounts maturing after one year (Note 6) . . . . .	559,742	392,932	4,514,048	3,168,806
Less: Deferred income (Note 3 (I)) . . . . .	—	31,561	—	254,524
Allowance for losses on receivables and guarantees . . . . .	14,514	10,327	117,048	83,282
Net trade receivables . . . . .	545,228	351,044	4,397,000	2,831,000
Short-term investments (Note 5) . . . . .	4,922	2,294	39,693	18,500
Prepaid expenses and other current assets (Note 9) . . . . .	33,423	18,271	269,540	147,347
Total current assets . . . . .	856,102	546,414	6,904,048	4,406,565
Investments:				
Equipment held for leases, at cost less accumulated depreciation (Note 3 (f) and 16) 2001 — ¥1,505,390 million (\$12,140,242 thousand) 2000 — ¥326,119 million (\$3,076,594 thousand) . . . . .	1,138,610	412,353	9,182,339	3,325,427
Investments in securities (Notes 4 and 5) . . . . .	4,023	2,241	32,443	18,073
Long-term loans, net of allowance for doubtful accounts 2001 — ¥0 million (\$0 thousand) 2000 — ¥3 million (\$28 thousand) . . . . .	15,609	194	125,879	1,565
Total investments . . . . .	1,158,242	414,788	9,340,661	3,345,065
Property and equipment, at cost less accumulated depreciation . . . . .	5,628	5,009	45,387	40,395
Other assets (Note 9) . . . . .	25,466	16,092	205,372	129,774
Foreign currency translation adjustments (Note 3 (i)) . . . . .	—	2,273	—	18,330
	¥2,045,438	¥984,576	\$16,495,468	\$7,940,129

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity	Japanese yen (millions)		U.S. dollars (thousands) (Note 2)	
	2001	2000	2001	2000
Current liabilities:				
Short-term bank loans (Note 7) . . . . .	¥ 119,947	¥100,835	\$ 967,314	\$ 813,186
Commercial paper . . . . .	114,046	89,705	919,726	723,427
Current portion of long-term debt (Note 7) . . . . .	207,368	101,161	1,672,323	815,815
Trade payables (Note 8) . . . . .	275,421	141,854	2,221,137	1,143,984
Accrued expenses . . . . .	13,918	9,752	112,242	78,645
Obligation for securitization of lease receivables . . . . .	72,737	–	586,589	–
Income taxes payable (Note 9) . . . . .	7,345	4,263	59,234	34,379
Other current liabilities (Note 9) . . . . .	40,598	23,592	327,403	190,258
Total current liabilities . . . . .	<b>851,380</b>	471,162	<b>6,865,968</b>	3,799,694
Long-term debt (Note 7) . . . . .	834,597	318,671	6,730,621	2,569,928
Retirement and severance benefits (Note 3 (h) and 10) . . . . .	5,846	6,019	47,145	48,540
Retirement benefits for directors (Note 3 (h) and 10) . . . . .	958	–	7,726	–
Long-term obligation for securitization of lease receivables . . . . .	116,915	–	942,863	–
Other fixed liabilities (Note 3 (n)) . . . . .	8,756	5,786	70,613	46,661
Total liabilities . . . . .	<b>1,818,452</b>	801,638	<b>14,664,936</b>	6,464,823
Minority interests . . . . .	3,846	3,691	31,016	29,766
Stockholders' equity (Note 11):				
Common stock, ¥50 (\$0.40) par value:				
Authorized 280,000,000 shares;				
issued 134,191,626 shares in 2001				
and 119,422,730 shares in 2000 . . . . .	9,460	7,650	76,290	61,694
Capital surplus . . . . .	45,449	42,879	366,524	345,798
Retained earnings (Note 11): . . . . .	168,559	128,718	1,359,347	1,038,048
Net unrealized holding gain on securities in investments . . . . .	431	–	3,476	–
Foreign currency translation adjustments (Note 3 (i)) . . . . .	(758)	–	(6,113)	–
Total stockholders' equity . . . . .	<b>223,141</b>	179,247	<b>1,799,524</b>	1,445,540
Less cost of 318 shares in 2001				
and 53 shares in 2000 of treasury stock . . . . .	(1)	0	(8)	0
Total stockholders' equity . . . . .	<b>223,140</b>	179,247	<b>1,799,516</b>	1,445,540
	<b>¥2,045,438</b>	¥984,576	<b>\$16,495,468</b>	\$7,940,129

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Hitachi Capital Corporation and Subsidiaries  
Years ended 31st March, 2001 and 2000

	Japanese yen (millions)		U.S. dollars (thousands)(Note 2)	
	2001	2000	2001	2000
<b>Common stock:</b>				
Balance at beginning of year	¥ 7,650	¥ 7,650	\$ 61,694	\$61,694
Effect of merger	669	–	5,395	–
Conversion of convertible debentures	1,141	–	9,201	–
Balance at end of year	¥ 9,460	¥ 7,650	\$ 76,290	\$61,694
<b>Capital surplus:</b>				
Balance at beginning of year	¥ 42,879	¥ 42,879	\$ 345,798	\$345,798
Effect of merger	1,431	–	11,540	–
Conversion of convertible debentures	1,139	–	9,186	–
Balance at end of year	¥ 45,449	¥ 42,879	\$ 366,524	\$345,798
<b>Retained earnings:</b>				
Balance at beginning of year	¥128,718	¥109,076	\$1,038,048	\$879,645
Effect of merger	27,031	–	217,992	–
Effect of newly consolidated subsidiaries following merger	1,833	–	14,782	–
Effect of newly consolidated subsidiaries	16	–	129	–
Net income for the year	14,728	12,503	118,774	100,830
Cash dividends	(3,603)	(2,866)	(29,056)	(23,113)
Directors' bonus	(164)	(176)	(1,322)	(1,419)
Adjustment of prior year's deferred taxes	–	10,181	–	82,105
Balance at end of year	¥168,559	¥128,718	\$1,359,347	\$1,038,048
<b>Net unrealized holding gain on securities in investments:</b>				
Balance at beginning of year	¥ –	¥ –	\$ –	\$ –
Net change during the year	431	–	3,476	–
Balance at end of year	¥ 431	¥ –	\$ 3,476	\$ –
<b>Foreign currency translation adjustments:</b>				
Balance at beginning of year	¥ –	¥ –	\$ –	\$ –
Net change during the year	(758)	–	(6,113)	–
Balance at end of year	¥ (758)	¥ –	\$ (6,113)	\$ –
<b>Treasury stock:</b>				
Balance at beginning of year	¥ –	¥ –	\$ –	\$ –
Increase in treasury stock	(1)	–	(8)	–
Balance at end of year	¥ (1)	¥ –	\$ (8)	\$ –
Total stockholders' equity	¥223,140	¥179,247	\$1,799,516	\$1,445,540

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Hitachi Capital Corporation and Subsidiaries  
Years ended 31st March, 2001 and 2000

	Japanese yen (millions)		U.S. dollars (thousands) (Note 2)	
	2001	2000	2001	2000
<b>Cash flows from operating activities:</b>				
Income before income taxes and minority interests . . . . .	¥ 26,016	¥ 22,422	\$ 209,806	\$ 180,823
Depreciation . . . . .	267,046	116,183	2,153,597	936,960
Interest and dividends income . . . . .	(2,094)	(881)	(16,887)	(7,105)
Interest expenses . . . . .	28,704	19,411	231,484	156,540
Gain on sale of securities . . . . .	(510)	(362)	(4,113)	(2,919)
Increase in trade receivable (Note 3 (n)) . . . . .	(55,206)	(55,904)	(445,210)	(450,839)
Gain (loss) on sale of equipment for lease . . . . .	1,380	(1,213)	11,129	(9,782)
Acquisition of equipment for lease . . . . .	(360,973)	(222,242)	(2,911,073)	(1,792,274)
Proceeds from sale of equipment for lease . . . . .	39,075	34,212	315,121	275,903
Increase (decrease) in trade payable . . . . .	47,112	(5,809)	379,935	(46,847)
Cash provided by asset backed securitization (Notes 3 (n)) . . . . .	836,121	793,043	6,742,911	6,395,508
Payment for asset backed securitization (Notes 3 (n)) . . . . .	(651,175)	(749,796)	(5,251,411)	(6,046,742)
Increase in retirement and severance benefits . . . . .	57	(1,214)	460	(9,790)
Other . . . . .	7,543	664	60,831	5,355
Income taxes paid . . . . .	(9,410)	(10,295)	(75,887)	(83,024)
Net cash provided by (used in) operating activities . . . . .	173,686	(61,781)	1,400,693	(498,233)
<b>Cash flows from investing activities:</b>				
Purchase of short - term investments . . . . .	(5,105)	(10,942)	(41,169)	(88,242)
Proceeds from sale of short-term investments . . . . .	6,560	12,797	52,903	103,201
Purchase of investments in securities . . . . .	—	(2)	—	(16)
Proceeds from sale of investments in securities . . . . .	7,152	—	57,677	—
Capital expenditure . . . . .	(1,754)	(1,478)	(14,145)	(11,919)
Proceeds from sale of capital assets . . . . .	1,879	222	15,153	1,790
Interest and dividends received . . . . .	1,879	902	15,153	7,274
Other . . . . .	(112)	995	(903)	8,024
Net cash provided by investing activities . . . . .	10,499	2,494	84,669	20,112
<b>Cash flows from financing activities:</b>				
Decrease in short-term bank loans . . . . .	(77,379)	(6,460)	(624,024)	(52,097)
Increase in commercial paper . . . . .	14,546	14,412	117,306	116,226
Proceeds from long-term debt . . . . .	256,457	110,082	2,068,202	887,758
Payment of long-term debt . . . . .	(306,080)	(35,594)	(2,468,387)	(287,048)
Interest paid . . . . .	(25,381)	(19,015)	(204,685)	(153,347)
Dividends paid to stockholders . . . . .	(3,603)	(2,866)	(29,056)	(23,113)
Dividends paid to minority stockholders of subsidiaries . . . . .	(186)	(175)	(1,500)	(1,411)
Other . . . . .	(466)	8	(3,758)	64
Net cash provided by (used in) financing activities . . . . .	(142,092)	60,392	(1,145,902)	487,032
<b>Effect of exchange rate changes on cash and cash equivalents . . . . .</b>	<b>332</b>	<b>(742)</b>	<b>2,677</b>	<b>(5,984)</b>
<b>Net increase in cash and cash equivalents . . . . .</b>	<b>42,425</b>	<b>363</b>	<b>342,137</b>	<b>2,927</b>
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>175,647</b>	<b>175,284</b>	<b>1,416,508</b>	<b>1,413,581</b>
<b>Cash and cash equivalents increased by merger and newly consolidated subsidiaries . . . . .</b>	<b>55,294</b>	<b>—</b>	<b>445,920</b>	<b>—</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>¥ 273,366</b>	<b>¥ 175,647</b>	<b>\$ 2,204,565</b>	<b>\$ 1,416,508</b>

See accompanying notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hitachi Capital Corporation and Subsidiaries

## (1) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by Hitachi Capital Corporation (the Company) and its domestic subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and those maintained by its foreign subsidiaries in conformity with those of the countries of their domicile.

In addition, the consolidated financial statements, including the notes to the consolidated financial statements, presented herein have been compiled from the consolidated financial statements filed with the Minister of Finance (the MOF report) as required by the Securities and Exchange Law of Japan and, for the convenience of readers outside Japan, include certain reclassifications and additional information which is not required under accounting principles generally accepted in Japan.

## (2) U.S. Dollar Amounts

The consolidated financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥124 to \$1, the approximate exchange rate at 31st March, 2001.

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 ¥124 to \$1 or at any other rate.

## (3) Significant Accounting Policies

### (a) Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries which are directly controlled: Okinawa Hitachi Capital Corporation, Amic Services Co., Ltd., Amic Data Service Corp., Nova Business Service Co., Ltd., Nova Auto Lease Co., Ltd., Hitachi Credit Securities Co., Ltd., Hitachi Credit (U.K.) PLC, Fleetlease (UK) Ltd., Hitachi Credit Insurance Corp. Ltd., Hitachi Credit America Corp., Hitachi Credit (Hong Kong) Ltd. and Hitachi Credit Singapore Pte. Ltd., Hitachi Triple Win Corp., which was established in February, 2000. Due to the merge with Hitachi Leasing, Ltd., Hitachi Leasing Rent, Ltd., Hitachi Leasing Service, Ltd., Hitachi Leasing Europe, Ltd., Hitachi Leasing America, Ltd., Hitachi Leasing Singapore Pte., Ltd., which were consolidated following merger on 1st October, 2000, and Credit Solutions (Northern), Ltd., which were newly consolidated, are included in consolidated results for the year ended 31st March, 2001. 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 being amortized using the straight-line method over five years in principle.

### (b) Volume of Business

Volume of business means the cash sales price of the goods plus the commission due from the customers (less the down payment in the case of purchases of instalment receivables and loan guarantees where the companies do not act as the sellers), and in the case of leases it means the total lease rentals receivable under the lease.

### (c) Recognition of Income

The companies provide loan guarantee arrangements with banks and other financial institutions on behalf of customers who borrow funds necessary to purchase products. The commissions arising from such services are paid by the customers in full at the inception of the loans and are recognized as earned.

The companies lease equipment to customers. Leases are

classified as operating leases, and lease income from the lease contracts is recognized over the lease terms as it becomes due. Lease cost, primarily depreciation, has been computed generally in proportion to the related lease income over the respective lease terms.

The companies purchase instalment receivables at the inception of the contracts between customers and the contracting retailers. In this type of arrangement, income, i.e., generally the difference between the instalment sales price due from the customer and the cash sales price due to the contracting retailer, is deferred at the time of contract acquisition and recorded as earned when the monthly instalments become due.

Customers who utilize instalment credit facilities offered by the companies are charged commissions computed at a predetermined fixed rate according to the number of monthly instalment payments. Income from instalment credits is deferred at the time of contract acquisition and recorded as earned when the monthly instalments become due.

### (d) Allowance for Losses on Receivables and Guarantees

Receivables are classified in five categories divided by arrear of each debtor and the allowance for losses on receivables has been provided for estimated provable bad debts by each category. In addition, an allowance has been provided for estimated provable losses arising from loan guarantees outstanding as of each balance sheet date as same method as receivables.

### (e) Short-term Investments and Investments in Securities

Effective 1st April, 2000, the Company adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, securities are to be classified into one of following three categories and accounted for as follows:

- Securities that are generally used with the objective of generat-

ing 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 has the positive intent and ability to hold to maturity 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 stockholders' equity 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 stockholders' equity until realized.

Previously, marketable securities were stated principally at the lower of cost or market. Investments other than marketable securities were stated at cost.

At the beginning of the year, the Company reviewed the classification of all securities. Based on this classification, trading securities and any held-to-maturity securities with a maturity of less than one year are included in "Short-term Investments" as current assets. All other securities are included in "Investments in securities" as non-current assets. As a result of the application of this standard, certain securities amounted to ¥80 million (\$645 thousand) were reclassified from current assets to non-current assets at the beginning of the year. There was little effect on net income for the year ended 31st March 2001.

Trading securities are carried at fair value with unrealized holding gains and losses included in earnings. 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 stockholders' equity until realized. Other securities without a fair value are carried at cost. In computing realized gain or loss, cost of other securities was principally determined by the moving-average method.

#### **(f) Residual Value Reserves**

An allowance for losses on disposal of vehicles leases has been provided for in addition to depreciation which has been accounted for in the usual manner. The accumulated amount was ¥1,004 million (\$8,097 thousand) at 31st March, 2001.

In addition, since the Company merged with Hitachi Leasing, Ltd., an allowance for losses on disposal of ordinary leased assets upon termination has also been accounted for using the same rule. The allowance has added ¥3,150 million (\$25,403 thousand) to the ¥2,100 million (\$16,935 thousand) balance as of the merger. The opening balance at 1st October, 2000 was ¥5,250 million (\$42,339 thousand) and the closing balance at 31st March, 2001 was ¥6,600 (\$53,226 thousand) million. All in total has been ¥7,604 million (\$61,323 thousand).

#### **(g) Income Taxes**

Effective 1st April, 2000, the Company adopted "Accounting Standards for Deferred Income Taxes" issued by the Business

Accounting Deliberation Council. The standards require that deferred income taxes be accounted for under the asset and liability method. Under the asset and liability method 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 apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Previously, deferred tax assets and liabilities arising from temporary differences were not recognized.

The cumulative effect of the change in accounting principle for deferred income taxes was to increase retained earnings at 1st April, 1999 by ¥10,181 million (\$82,105 thousand) and to decrease net income for the year ended 31st March, 2000 by ¥64 million (\$516 thousand).

#### **(h) Retirement and Severance Benefits**

Effective 1st April, 2000, the Company adopted "Accounting Standard for Retirement Benefits" issued by the Business Accounting Deliberation Council. Under this standard, allowance for retirement and severance benefits for employees is provided based on the estimated retirement benefit obligation and the pension assets.

Previously, under unfounded defined benefit pension plans, retirement allowance for employees had been made for the estimated accrued liability to which they were entitled if they were to retire or sever immediately at the balance sheet date, less applicable plan assets of the trusted pension funds. In addition, under contributory defined benefit pension plans (Employees' Pension Fund as is stipulated by the Japanese Welfare Pension Insurance Law), annual contributions are charged to income when paid.

As a result of the application of this standard, the related cost increased by ¥419 million (\$3,379 thousand) and operating income and, income before income taxes and minority interests decreased by the same amount. Furthermore, allowance for retirement and severance benefits for employees and payable for past service liabilities of the employees' pension plans are included in the liability for "Retirement and severance benefits."

Retirement allowance for directors and corporate auditors have been made for the vested benefits to which they are entitled if they were to retire or sever immediately at the balance sheet date. At 31st March, 2001 and 2000, retirement allowance for directors and corporate auditors in the amount of ¥958 million (\$7,726 thousand) and ¥659 million (\$5,315 thousand), respectively, is included in the liability for "Retirement benefits for directors" and "Retirement and severance benefits," respectively.

#### **(i) Foreign Currency Translation**

Effective 1st April, 2000, the Company adopted the revised "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 only the relation between a foreign currency transaction and related firm forward exchange contracts meets the criteria of hedge accounting as

regulated in "Accounting Standards for Financial Instruments," those 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 credited or charged to income as incurred.

The financial statements of the consolidated 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; stockholders' equity 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 stockholders' equity is included in minority interests and, as "Foreign currency translation adjustments," a separate component of stockholders' equity.

Previously, foreign currency transactions were translated into yen on the basis of the rates in effect at the transaction date, except for those covered by firm forward exchange contracts which were translated at such contract rates. At year-end, monetary current assets and current liabilities denominated in foreign currencies were translated into yen at the rates of exchange in effect at the balance sheet date, and other monetary assets and liabilities denominated in foreign currencies were translated into yen at historical rates. However, material unrealized translation losses on other monetary assets and liabilities had to be calculated using the rates of exchange in effect at the balance sheet date. On translation of the financial statements of the consolidated foreign subsidiaries, a comprehensive adjustment resulting from translation of assets, liabilities and stockholders' equity was presented as "Foreign currency translation adjustments" in the consolidated balance sheets as an asset or liability.

As a result of the application of this standard, there was little effect on net income for the year ended 31st March, 2001.

#### **(j) Appropriation of Retained Earnings**

Cash dividends, transfers to legal reserve, and directors' bonuses are recorded in the financial year during which such appropriations of retained earnings are made.

#### **(k) Per Share Data**

Primary net income per share is based on the weighted-average number of shares of common stock outstanding during the respective years. On a diluted basis, both net income and shares outstanding are adjusted assuming conversion of the convertible bonds. Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared for those years. The cash dividends shown in respect of the year ended 31st March, 2001 include a dividend of ¥18.0 (\$0.15) per share approved by stockholders at a meeting held on 22nd June, 2000.

#### **(l) Financial Instruments**

Effective 1st April 2000, the Company adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, installment accounts receivable shall be recorded at fair value less related interest income.

As a result of the application of this standard, interest income in the amount of ¥21,316 million (\$171,903 thousand) at 31st March 2001, previously included in "Deferred income," is offset directly against installment accounts receivables, and advanced guarantee fee in the amount of ¥2,107 million (\$16,992 thousand) at 31st March 2001, previously included in "Deferred income," is reclassified to "Other current liabilities."

#### **(m) Derivative Financial Instruments**

Effective 1st April 2000, the Company adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, in principle, net asset or liability arising from derivative financial transaction is measured at fair value, with unrealized gain or loss included in earnings. Hedging transaction, which meets the criteria of hedge accounting as regulated in "Accounting Standards for Financial Instruments," is 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.

Previously, foreign currency swap transactions were accounted for as foreign currency transactions covered by such swap transactions were translated at such swap rates and, interest rate swap transactions were accounted for as if interest rates under the interest rate swap transactions were originally applied to underlying borrowings and debentures.

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.

As a result of the application of this standard, there was little effect on net income for the year ended 31st March, 2001.

#### **(n) Reclassifications**

In 2001, the Company changed the format of the consolidated statements of income from multi-step to single-step for the purpose of more appropriate presentation of its operational activities. The consolidated statements of income and related notes for the year ended 31st March, 2000 have been reclassified in conformity with the 2001 presentation. In addition, certain reclassifications have been made in prior year's consolidated financial statements to conform to classifications used in the current year's financial statements.

Effective from 1st April 2000, in the year of 2001, cash flow statement was presented according to Accounting standard in Japan. "Interest paid" is classified in "Cash flows from financing activities", and the Company's consolidated cash flow statement was reclassified and specified cash flows affected by asset backed

securitization in the category of "Cash flows from operating activities".

#### (4) Assets Deposited

At 31st March, 2001 and 2000, marketable securities of ¥38 million (\$306 thousand) and ¥23 million (\$185 thousand),

respectively, were deposited as performance guarantees.

#### (5) Short-term Investments and Investments in Securities

Effective 1st April, 2000, the Company adopted "Accounting Standards for Financial Instruments," as discussed in note 3 (e).

As of 31st March, 2001, the Company and certain subsidiaries have trading securities of ¥3,782 million (\$30,500 thousand) as "Short-term investments" in the consolidated balance sheet, with net unrealized holding loss of ¥114 million (\$919 thousand) that has been

included in earnings during the year ended 31st March, 2001.

The following 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 31st March, 2001.

	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
	2001			2001		
Held-to-maturity securities with gross unrealized holding gains:						
Bonds and debentures	¥ 38	¥ 3	¥ 41	\$ 306	\$ 24	\$331
	<b>¥ 38</b>	<b>¥ 3</b>	<b>¥ 41</b>	<b>\$ 306</b>	<b>\$ 24</b>	<b>\$331</b>
Other securities with gross unrealized holding gains:						
Equity securities	¥ 632	¥759	¥1,391	\$ 5,097	\$6,121	\$11,218
Bonds and debentures	—	—	—	—	—	—
	<b>632</b>	<b>759</b>	<b>1,391</b>	<b>5,097</b>	<b>6,121</b>	<b>11,218</b>
Other securities with gross unrealized holding losses:						
Equity securities	127	(11)	116	1,024	(89)	935
Bonds and debentures	1,000	(9)	991	8,065	(73)	7,992
	<b>1,127</b>	<b>(20)</b>	<b>1,107</b>	<b>9,089</b>	<b>(162)</b>	<b>8,927</b>
	<b>¥1,759</b>	<b>¥739</b>	<b>¥2,498</b>	<b>\$14,186</b>	<b>\$5,959</b>	<b>\$20,145</b>

It is not practicable to estimate the fair value of investments in non-marketable securities because of the lack of a market price and difficulty in estimating fair value without incurring excessive cost. The carrying amount of these investments classified as held-to-maturity securities and other securities at 31st March, 2001

totalled ¥760 million (\$6,129 thousand) and ¥1,798 million (\$14,500 thousand), respectively.

Information about the contractual maturities of held-to-maturity securities and other securities with contractual maturities at 31st March, 2001 is as follows:

	Japanese yen (millions)			U S dollars (thousands)		
	Within one year	After one year through five years	After ten years	Within one year	After one year through five years	After ten years
	2001			2001		
Debt securities:						
National bonds	¥ —	¥ 38	¥ —	\$ —	\$ 306	\$ —
Corporate bonds	—	560	1,405	—	4,516	11,331
Other	760	—	—	6,129	—	—
	<b>¥760</b>	<b>¥598</b>	<b>¥1,405</b>	<b>\$6,129</b>	<b>\$4,822</b>	<b>\$11,331</b>

The following is a summary of the carrying amounts, net unrealized holding gain and aggregate fair value of investments in

securities by the consolidated balance sheet classification at 31st March, 2000.

	Japanese yen (millions)			U.S. dollars (thousands)		
	Carrying amounts	Net gain	Aggregate fair value	Carrying amounts	Net gain	Aggregate fair value
	2000			2000		
Short-term investments:						
Equity securities	¥1,294	¥1,076	¥2,370	\$10,435	\$ 8,677	\$19,113
Bonds and debentures	22	2	24	177	16	194
	¥1,316	¥1,078	¥2,394	\$10,612	\$ 8,693	\$19,307
Investments in securities:						
Equity securities	542	647	1,189	4,371	5,218	9,589
Bonds and debentures	1	-	1	8	-	8
	543	647	1,190	4,379	5,218	9,597
	¥1,859	¥1,725	¥3,584	\$14,992	\$13,911	\$28,903

It was not practicable to estimate the fair value of investments in non-marketable securities because of the lack of a market price and difficulty in estimating fair value without incurring excessive cost. The carrying amount of these investments classified as "Short-term

investments" and "Investments in securities" at 31st March, 2000 totaled ¥978 million (\$7,887 thousand) and ¥1,697 million (\$13,685 thousand), respectively.

## (6) Allowance for Losses on Receivables and Guarantees

The companies provide loan guarantee arrangements on behalf of customers. The outstanding balance of such loan guarantees as of 31st March, 2001 and 2000 were ¥673,196 million (\$5,429,000 thousand) and ¥637,622 million (\$5,142,113 thousand), respectively.

Loan guarantees collateralized by insurance policies, which eliminate risk to the Companies, were included in the above

balances at 31st March, 2001 and 2000, in the amount of ¥11,768 million (\$94,903 thousand) and ¥16,429 million (\$132,492 thousand), respectively.

The Companies' credit loss experience and the allowance for losses on receivables and guarantees provided for the years ended 31st March, 2001 and 2000, are summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)	
	2001	2000	2001	2000
Balance at beginning of year	¥10,327	¥ 9,340	\$ 83,282	\$ 75,323
Write-off against losses arising during the year	(2,472)	(1,685)	(19,935)	(13,589)
Provision added to the allowance	6,312	2,889	50,903	23,298
The effect of translation adjustments (Note 3 (i))	347	(217)	2,798	(1,750)
Balance at end of year:				
Losses on receivables	8,514	5,327	68,661	42,960
Losses on guarantees	6,000	5,000	48,387	40,322
	¥14,514	¥10,327	\$117,048	\$ 83,282

## (7) Short-term Bank Loans and Long-term Debt

The weighted average interest rates on short-term bank loans outstanding at 31st March, 2001 and 2000 are 2.65 percent and 1.40 percent, respectively.

Long-term debt at 31st March, 2001 and 2000, was summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)	
	2001	2000	2001	2000
Unsecured convertible bonds payable in Japanese yen, due September 2004, interest 1.8 percent	¥ 9,148	¥ 11,428	\$ 73,774	\$ 92,161
Unsecured bonds payable in Japanese yen, due from September 2000 to June 2010, interest from 1.33 to 4.3 percent	220,000	205,000	1,774,194	1,653,226
Notes in U.S. dollars, due from December 2000 to July 2002, interest from 5.875 to 6.625 percent	45,600	65,870	367,742	531,210
Unsecured bonds payable in Japanese yen (for specific institutional investors), due from March 2005 to December 2010, interest from 1.32 to 1.98 percent	60,000	20,000	483,871	161,290
Unsecured bonds payable in euro yen, due from March 2003 to June 2004, interest from 6mth. LIBOR to 6mth. LIBOR plus 5 b.p.	17,000	–	137,097	–
Unsecured bonds payable in Japanese yen (for specific institutional investors), due from January 2004 to January 2006, interest from 1.5 to 2.24 percent	18,500	–	149,194	–
Medium-term notes payable issued by Hitachi Credit America Corp., in U.S. dollars due from April 2001 to October 2003, interest BBA LIBOR plus 12.5 – 37 b.p.	31,842	26,219	256,790	211,444
Medium-term notes payable issued by Hitachi Credit (U.K.) PLC, in euro-yen, due from April 2001 to September 2005, interest GBP LIBOR minus 7 b.p. to plus 50 b.p.	54,596	69,626	440,290	561,500
Medium-term notes payable issued by Hitachi Leasing (Singapore) Pte., Ltd. in S.P. dollars due from April 2002, interest 6mth. SOR plus 90 b.p.	1,034	–	8,339	–
Loans from banks and other financial institutions:				
Unsecured, maturing 2001—2006	584,245	21,689	4,711,653	174,912
	<b>1,041,965</b>	419,832	<b>8,402,944</b>	3,385,743
Less current portion	207,368	101,161	1,672,323	815,815
	<b>¥ 834,597</b>	¥318,671	<b>\$6,730,621</b>	\$2,569,928

The weighted average interest rates on long-term loans from banks and other financial institutions outstanding at 31st March, 2001 and 2000, shown above are 2.3% and 2.36%, respectively.

The aggregate annual maturities of long-term debt at 31st March, 2001 were as follows:

	Japanese yen (millions)	U.S. dollars (thousands)
Years ending 31st March:		
2002	¥180,341	\$1,454,362
2003	178,130	1,436,535
2004	119,011	959,767
2005	134,388	1,083,772
2006 and thereafter	222,727	1,796,185
	<b>¥834,597</b>	<b>\$6,730,621</b>

As is customary in Japan, both short-term and long-term bank loans are made under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of 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 due the bank.

- (a) The unsecured convertible bonds in Japanese yen due September, 2004, with a 1.8 percent coupon rate, are redeemable in whole or in part, at the option of the Company, from 1st October, 1996, to 30th September, 2003 at premiums ranging from 1 percent to 7 percent or at par thereafter, and were at 31st March, 2001, convertible into 5,547,604 shares of common stock at ¥1,649 per share.
- (b) Hitachi Credit America Corp. established a U.S.\$300 million medium-term-note lending program with the Company's

guarantee in March, 1998. At 31st March, 2001, the Company has extended a guarantee of U.S.\$300 million to \$400 million for this program.

The outstanding amount under the program was U.S.\$143 million as of 31st March, 2001.

- (c) Hitachi Credit (U.K.) PLC established a U.S.\$500 million medium-term euro-note lending program in October, 1998. At 31st March, 2001, the Company has extended a guarantee of U.S.\$500 million to \$1,000 million for this program.

The outstanding amount under the program was U.S.\$522 million as of 31st March, 2001.

- (d) Each balance is fixed in Japanese yen as the transactions have been hedged using forward exchange contracts or currency swap agreements.

## (8) Trade Payables

Trade payables at 31st March, 2001 and 2000, were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)	
	2001	2000	2001	2000
Notes payable . . . . .	¥ 23,372	¥ 519	\$ 188,484	\$ 4,186
Accounts payable . . . . .	252,049	141,335	2,032,653	1,139,798
	<b>¥275,421</b>	<b>¥141,854</b>	<b>\$2,221,137</b>	<b>\$1,143,984</b>

Trade payables represent amounts arising from purchases of instalment receivables and from purchases of goods and property sold or leased by the companies.

Generally, notes payable become due from 30 to 180 days after the date of issue. The most common terms of maturity are from 90 to 120 days.

## (9) Income Taxes

Income tax expense attributable to income from continuing operations for the years ended 31st March, 2001 and 2000 consists of the following:

	Japanese yen (millions)		U.S. dollars (thousands)	
	2001	2000	2001	2000
Current . . . . .	¥11,818	¥9,322	\$95,306	\$75,178
Deferred . . . . .	(1,061)	65	(8,556)	524
	<b>¥10,757</b>	<b>¥9,387</b>	<b>\$86,750</b>	<b>\$75,702</b>

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate resulted in a normal tax rate of approximately 42% for the year ended 31st March, 2001 and 2000.

The effective tax rates reflected in the accompanying consolidated statements of income for the year ended 31st March, 2001 and 2000 differ slightly from the normal statutory rates.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of 31st March, 2001 and 2000 are presented below:

	Japanese yen (millions)		U.S. dollars (thousands)	
	2001	2000	2001	2000
Total gross deferred tax assets:				
Depreciation . . . . .	¥ 5,771	¥ 4,289	\$ 46,540	\$ 34,589
Allowance for losses on receivables and guarantees . . . . .	3,966	2,816	31,984	22,710
Retirement and severance benefits . . . . .	774	1,087	6,242	8,766
Prepaid expenses . . . . .	359	414	2,895	3,339
Accrued business taxes . . . . .	572	324	4,613	2,613
Others . . . . .	2,930	1,733	23,631	13,975
	<b>¥14,372</b>	<b>¥10,663</b>	<b>\$115,905</b>	<b>\$85,992</b>
Total gross deferred tax liabilities:				
Net unrealized holding gain on securities in investments . . . . .	(309)	–	(2,493)	–
Adjustment for liabilities at overseas subsidiaries . . . . .	(352)	(897)	(2,839)	(7,234)
	<b>(661)</b>	<b>(897)</b>	<b>(5,332)</b>	<b>(7,234)</b>
Net deferred tax assets . . . . .	<b>¥13,711</b>	<b>¥ 9,766</b>	<b>\$110,573</b>	<b>\$ 78,758</b>

Net deferred tax assets and liabilities as of 31st March, 2001 and 2000 are reflected in the accompanying consolidated balance sheets under the following captions:

	Japanese yen (millions)		U.S. dollars (thousands)	
	2001	2000	2001	2000
Prepaid expenses and other current assets . . . . .	¥ 6,082	¥3,910	\$ 49,048	\$31,532
Other assets . . . . .	7,980	6,753	64,355	54,460
Other current liabilities . . . . .	(351)	(897)	(2,830)	(7,234)
Net deferred tax assets . . . . .	<b>¥13,711</b>	<b>¥9,766</b>	<b>\$110,573</b>	<b>\$78,758</b>

## (10) Retirement and severance benefits

The Company and its domestic subsidiaries have a number of contributory and noncontributory pension plans to provide retirement and severance benefits to substantially all employees.

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 under these plans is partially

funded by contributions to trustee pension funds. Such contributions constitute the funding of the current costs of a portion of the liability of the plans.

In addition to the above plans, the Company and certain subsidiaries have contributory defined benefit pension plans (employees' pension fund stipulated by the Japanese Welfare Pension Insurance Law) covering substantially all employees.

The funded status of the Company's pension plans as of 31st March, 2001 is summarized as follows:

	Japanese yen (millions)	U.S. dollars (thousands)
	<b>2001</b>	<b>2001</b>
Projected benefit obligation . . . . .	¥(53,633)	\$(432,524)
Plan assets at fair value . . . . .	32,439	261,605
Funded status . . . . .	(21,194)	(170,919)
Unrecognized net loss of transition difference . . . . .	7,165	57,782
Unrecognized actuarial loss . . . . .	8,516	68,678
Unrecognized prior service cost . . . . .	407	3,282
Net amount recognized in the consolidated balance sheet . . . . .	<u>¥ (5,106)</u>	<u>\$ (41,177)</u>

Amounts recognized in the statement of financial position consist of:

Prepaid benefit cost . . . . .	¥ 740	\$ 5,968
Accrued benefit cost . . . . .	(5,846)	(47,145)
	<u>¥ (5,106)</u>	<u>\$ (41,177)</u>

Net periodic benefit cost for the contributory, funded benefit pension plans and the unfunded lump-sum payment plans of the

Company for the year ended 31st March, 2001 consisted of the following components:

	Japanese yen (millions)	U.S. dollars (thousands)
	<b>2001</b>	<b>2001</b>
Service cost, net of participant contributions . . . . .	¥ 1,294	\$ 10,436
Interest cost . . . . .	1,828	14,742
Expected return on plan assets for the period . . . . .	(1,797)	(14,492)
Amortization of net loss of transition difference . . . . .	1,646	13,274
Amortization of prior service cost . . . . .	15	121
Net periodic benefit cost . . . . .	<u>¥ 2,986</u>	<u>\$ 24,081</u>

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

- a. Discount rate is 3.5%
- b. Expected rate of return on plan assets is 2.4 – 6.0%.
- c. Net loss of transition difference in the amount of ¥8,829 million (\$71,202 thousand) is amortized using the straight-line method over 5 years.
- d. Actuarial loss is amortized using the straight-line method over 7 to 19 years, which is within the estimated average remaining service years of employees.
- e. Prior service cost is amortized using the straight-line method over 7 to 19 years, which is within the estimated average remaining service years of employees.

## (11) Stockholders' Equity

At 31st March, 2001 and 2000, approximately 50 and 52 percent, respectively, of the outstanding capital stock of the Company was owned by Hitachi, Ltd.

The Commercial Code of Japan provides that an amount equal to at least 10 percent of any cash payments out of retained earnings be appropriated as a legal reserve until such reserve equals 25 percent of stated capital. This reserve may be transferred to the common stock account by resolution of the Board of Directors or used to reduce a deficit by resolution of the stockholders, but is not available for payments of dividends.

The Board of Directors, with subsequent approval of the stockholders, has made annual appropriations of retained earnings for various purposes, the accumulated balance of which is

designated as "voluntary reserve" and is included in retained earnings in the accompanying consolidated statements of stockholders' equity. Any disposition of such appropriations shall be at the discretion of the Board of Directors and stockholders.

The accompanying financial statements do not include any provision for the dividend of ¥18 (\$0.15) per share aggregating ¥2,415 million (\$19,476 thousand), or for related appropriations for directors' bonuses by the Company. The latter amounted to ¥150 million (\$1,210 thousand). Also not included was an appropriation of ¥64 million (\$516 thousand) for directors' bonuses by its subsidiaries. These appropriations received approval at the subsequent stockholders' meetings held in respect of the year ended 31st March, 2001.

## (12) Other Expenses

A provision for losses on disposal of vehicles lease in the amount of ¥818 million (\$6,597 thousand) was included in "Other expenses" for the year ended 31st March, 2001.

## (13) Related Parties

Receivables from, payables to and transaction with the parent company at 31st March, 2001 and 2000, and for the years then ended were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)	
	2001	2000	2001	2000
Receivables — current . . . . .	¥ 6,861	¥ 1,290	\$ 55,331	\$ 10,403
Receivables — non-current . . . . .	511	1	4,121	8
Payables — current . . . . .	21,531	9,753	173,637	78,653
Sales . . . . .	37,008	4,583	298,452	36,960
Purchases . . . . .	281,819	332,670	2,272,734	2,682,823

## (14) Consolidated Statements of Cash Flows — Supplementary Information

For the purpose of the statements of cash flows, the Company considers all time deposits with original maturities of 3 months or

less, which can be withdrawn at the face amount at any time without any penalty, to be cash equivalents.

(a) Cash and cash equivalents at 31st March, 2001, classified by account on the balance sheets were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)	
	2001	2000	2001	2000
Cash on hand and at bank . . . . .	<b>¥272,529</b>	¥174,805	<b>\$2,197,815</b>	\$1,409,718
Short-term securities within 3 months, maturity . . . . .	<b>837</b>	842	<b>6,750</b>	6,790
Cash and cash equivalents . . . . .	<b>¥273,366</b>	¥175,647	<b>\$2,204,565</b>	\$1,416,508

(b) Hitachi Leasing Rent, Ltd., Hitachi Leasing Service, Ltd., Hitachi Leasing Europe, Ltd., Hitachi Leasing America, Ltd., and Hitachi Leasing Singapore Pte., Ltd., were newly

consolidated due to the merger with Hitachi Leasing, Ltd.. Assets and liabilities of Hitachi Leasing, Ltd. and its subsidiaries are as follows:

	Japanese yen (millions)	U.S. dollars (thousands)
Current assets . . . . .	<b>¥210,140</b>	<b>\$1,694,677</b>
Investments . . . . .	<b>728,819</b>	<b>5,877,573</b>
Total assets . . . . .	<b>938,959</b>	<b>7,572,250</b>
Current liabilities . . . . .	<b>346,606</b>	<b>2,795,210</b>
Other liabilities . . . . .	<b>561,341</b>	<b>4,526,943</b>
Total liabilities . . . . .	<b>907,947</b>	<b>7,322,153</b>

Common stock was increased ¥669 million (\$5,395 thousand) and capital surplus was increased ¥1,431 million (\$11,540 thousand) due to the merger on 1st October, 2000.

(c) Noncash financing activities:

Convertible bonds of ¥2,280 million (\$18,387 thousand) were converted into common stock during the year ended 31st March, 2001.

## (15) Segment Information

The segment information is shown below.

### (a) Industry Segment Information

As members of the Hitachi Group, the Companies provide a wide range of financial services to respond to the various needs of manufacturing, commercial and consumer clients. There is a wide range of financial services; however, the processes of each service operation, from credit assessment to collection, are identical. The benefits received by customers and contracting retailers are also identical. Therefore, the Company recognizes all operations as a

single sector and to be segmented in one industry, although accompanying consolidated statements of income disclose revenues according to the type of business line.

Effective 1st April, 2000, Hitachi Capital Group segmented in five industries on the opportunity of the merge with Hitachi Leasing, Ltd.

	Japanese yen (millions)				Elimination and/or corporate	Consolidated
	Leasing	Retail	Others	Total		
<b>Revenues:</b>						
Revenues for third parties . . . . .	¥ 33,006	¥ 71,052	¥ 3,525	¥ 107,583	¥ 2,211	¥ 109,794
Intersegment revenues . . . . .	73	757	5,822	6,652	(6,652)	0
Total . . . . .	¥ 33,079	¥ 71,809	¥ 9,347	¥ 114,235	¥ (4,441)	¥ 109,794
<b>Expenses</b> . . . . .	<b>27,149</b>	<b>50,955</b>	<b>7,162</b>	<b>85,266</b>	<b>(1,488)</b>	<b>83,778</b>
Income before income taxes and minority interests . . . . .	<b>5,930</b>	<b>20,854</b>	<b>2,185</b>	<b>28,969</b>	<b>(2,953)</b>	<b>26,016</b>
Assets . . . . .	¥1,151,834	¥667,874	¥168,488	¥1,988,196	¥57,242	¥2,045,438
Depreciation . . . . .	159,324	106,894	39	266,257	789	267,046
Addition to tangible and intangible fixed assets . . . . .	197,314	164,657	76	362,047	680	362,727

	U S dollars (thousands)					Consolidated
	Leasing	Retail	Others	Total	Elimination and/or corporate	
<b>Revenues:</b>						
Revenues for third parties . . .	\$ 266,177	\$ 573,000	\$ 28,427	\$ 867,605	\$ 17,831	\$ 885,435
Intersegment revenues . . . . .	589	6,105	46,952	53,645	(53,645)	0
Total . . . . .	<b>266,766</b>	<b>579,105</b>	<b>75,379</b>	<b>921,250</b>	<b>(35,815)</b>	<b>885,435</b>
<b>Expenses</b> . . . . .	<b>218,944</b>	<b>410,927</b>	<b>57,758</b>	<b>687,629</b>	<b>(12,000)</b>	<b>675,629</b>
Income before income taxes and minority interests . . . . .	<b>47,823</b>	<b>168,177</b>	<b>17,621</b>	<b>233,261</b>	<b>(23,815)</b>	<b>209,806</b>
Assets . . . . .	\$9,288,984	\$5,386,081	\$1,358,774	\$16,033,839	\$461,629	\$16,495,468
Depreciation . . . . .	1,284,871	862,048	315	2,147,234	6,363	2,153,597
Capital expenditures . . . . .	1,591,242	1,327,879	613	2,919,734	5,484	2,925,218

- i) Segment categories are defined according to business line and industry fields. (see “Review of operations”.)  
Card business, Securitization business and outsourcing business are combined into “Others”.
- ii) ¥2,211 million stated in the column of “Elimination and/or corporate” which is belong to the “Revenues” for third party, is “Interest and dividend income” in the head quarter.

- iii) The amounts of ¥4,890 million in the column of “Elimination and/or corporate” of “Expenses”, is administrative expenses of the head quarter.
- iv) The amount of ¥85,016 million for “Elimination and/or corporate” of “Assets”, are mainly extra cash for funding–cash, securities–, the long-term investment–, investment in securities– and assets belonging to the head quarter.

### (b) Geographic Segment Information

	Japanese yen (millions)		U.S. dollars (thousands)	
	2001	2000	2001	2000
<b>Revenues</b>				
Japan . . . . .	¥ 85,593	¥ 66,834	\$ 690,267	\$ 538,984
Europe and North America . . . . .	21,480	18,839	173,223	151,927
Other areas . . . . .	2,721	1,761	21,946	14,202
Intersegment elimination . . . . .	–	–	–	–
Consolidated total . . . . .	<b>¥ 109,794</b>	<b>¥ 87,434</b>	<b>\$ 885,436</b>	<b>\$ 705,113</b>
<b>Expenses</b>				
Japan . . . . .	¥ 61,985	¥ 47,177	\$ 499,881	\$ 380,460
Europe and North America . . . . .	19,461	16,298	156,943	131,435
Other areas . . . . .	2,331	1,537	18,802	12,395
Intersegment elimination . . . . .	–	–	–	–
Consolidated total . . . . .	<b>¥ 83,778</b>	<b>¥ 65,012</b>	<b>\$ 675,626</b>	<b>\$ 524,290</b>
<b>Income before income taxes and minority interests</b>				
Japan . . . . .	¥ 23,608	¥ 19,657	\$ 190,386	\$ 158,525
Europe and North America . . . . .	2,019	2,541	16,281	20,492
Other areas . . . . .	390	224	3,144	1,806
Intersegment elimination . . . . .	–	–	–	–
Consolidated total . . . . .	<b>¥ 26,016</b>	<b>¥ 22,422</b>	<b>\$ 209,810</b>	<b>\$ 180,823</b>
<b>Assets</b>				
Japan . . . . .	¥1,732,718	¥759,734	\$13,973,532	\$6,126,887
Europe and North America . . . . .	263,417	210,706	2,124,331	1,699,242
Other areas . . . . .	49,303	14,136	397,605	114,000
Intersegment elimination . . . . .	–	–	–	–
Consolidated total . . . . .	<b>¥2,045,438</b>	<b>¥984,576</b>	<b>\$16,495,468</b>	<b>\$7,940,129</b>

## (16) Lease Information

### Finance leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are generally accounted for by the method that is applicable to ordinary

operating leases.

Certain key information about such lease contracts of the Company for the year ended 31st March, 2001 and 2000 is as follows:

#### (a) Lessee

- (i) Acquisition costs, accumulated depreciation and net balance of leased assets at 31st March, 2001 and 2000, if they had been capitalized:

	31st March, 2001			
	Japanese yen (millions)			U.S. dollars (thousands)
	Acquisition cost	Accumulated depreciation	Net balance	Net balance
Furniture and equipment . . . . .	<b>¥1,647</b>	<b>¥804</b>	<b>¥843</b>	<b>\$6,798</b>
Total . . . . .	<b>¥1,647</b>	<b>¥804</b>	<b>¥843</b>	<b>\$6,798</b>

	31st March, 2000			
	Japanese yen (millions)			U.S. dollars (thousands)
	Acquisition cost	Accumulated depreciation	Net balance	Net balance
Vehicles . . . . .	¥ 29	¥ 21	¥ 8	\$ 65
Furniture and equipment . . . . .	1,605	746	859	6,927
Total . . . . .	<b>¥1,634</b>	<b>¥767</b>	<b>¥867</b>	<b>\$6,992</b>

- (ii) Future lease payments (Includes non-accrued payments on underwritten leases at year end.)

	31st March			
	Japanese yen (millions)		U.S. dollars (thousands)	
	2001	2000	2001	2000
Within one year . . . . .	<b>¥102,364</b>	¥109,011	<b>\$ 825,516</b>	\$ 879,121
Over one year . . . . .	<b>183,811</b>	188,537	<b>1,482,347</b>	1,520,460
Total . . . . .	<b>¥286,175</b>	<b>¥297,548</b>	<b>\$2,307,863</b>	<b>\$2,399,581</b>

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

	For the year ended 31st March			
	Japanese yen (millions)		U.S. dollars (thousands)	
	2001	2000	2001	2000
Expense . . . . .	<b>¥ 491</b>	¥ 613	<b>\$ 3,960</b>	\$ 4,944
Depreciation . . . . .	<b>478</b>	571	<b>3,855</b>	4,605
Interest expense . . . . .	<b>31</b>	41	<b>250</b>	331

## (b) Lessor

- (i) Acquisition costs, accumulated depreciation and net balance of leased assets at 31st March, 2001 and 2000 included in equipment held for lease.

	31st March, 2001			
	Japanese yen (millions)		U.S. dollars (thousands)	
	Acquisition cost	Accumulated depreciation	Net balance	Net balance
Equipment held for lease . . . . .	<b>¥1,577,904</b>	<b>¥747,615</b>	<b>¥830,289</b>	<b>\$6,695,879</b>

	31st March, 2000			
	Japanese yen (millions)		U.S. dollars (thousands)	
	Acquisition cost	Accumulated depreciation	Net balance	Net balance
Equipment held for lease . . . . .	¥444,593	¥183,103	¥261,490	\$2,108,790

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

	31st March			
	Japanese yen (millions)		U.S. dollars (thousands)	
	2001	2000	2001	2000
Within one year . . . . .	<b>¥ 404,806</b>	¥203,380	<b>\$3,264,565</b>	\$1,640,161
Over one year . . . . .	<b>765,998</b>	385,333	<b>6,177,403</b>	3,107,524
Total . . . . .	<b>¥1,170,804</b>	¥588,713	<b>\$9,441,968</b>	\$4,747,685

- (iii) Comparison of lease income with depreciation and interest income

	For the year ended 31st March			
	Japanese yen (millions)		U.S. dollars (thousands)	
	2001	2000	2001	2000
Lease income . . . . .	<b>¥ 238,969</b>	¥101,613	<b>\$1,927,169</b>	\$ 819,460
Depreciation . . . . .	<b>215,040</b>	85,564	<b>1,734,194</b>	690,032
Interest income . . . . .	<b>22,786</b>	14,987	<b>183,758</b>	120,863

## Operating leases

## (a) Lessee

## Future leases

	31st March			
	Japanese yen (millions)		U.S. dollars (thousands)	
	2001	2000	2001	2000
Within one year . . . . .	<b>¥ 168</b>	¥ 470	<b>\$ 1,355</b>	\$ 3,791
Over one year . . . . .	<b>211</b>	191	<b>1,701</b>	1,540
Total . . . . .	<b>¥ 379</b>	¥ 661	<b>\$ 3,056</b>	\$ 5,331

## (b) Lessor

## Future lease payments to be received

	31st March			
	Japanese yen (millions)		U.S. dollars (thousands)	
	2001	2000	2001	2000
Within one year . . . . .	<b>¥ 60,113</b>	¥ 26,398	<b>\$ 484,782</b>	\$ 212,887
Over one year . . . . .	<b>113,622</b>	20,930	<b>916,307</b>	168,790
Total . . . . .	<b>¥ 173,735</b>	¥ 47,328	<b>\$1,401,089</b>	\$ 381,677

## (17) Financial Instruments

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

to meet their obligations, because most of the counterparties are authentic financial institutions.

The Company and its 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 its subsidiaries hedge, within certain scopes, risks arising from changes in foreign currency exchange rates and interest rates. The Company and its subsidiaries review periodically the effectiveness of all hedge policies to take account of the cumulative cash flows and any changes in the market

Effective 1st April, 2000, the Company adopted "Accounting Standards for Financial Instruments," as discussed in note 3 (m).

The estimated fair values of the derivative financial instruments, excluding certain instruments, which are accounted for using deferral hedge accounting, allocation method and special method by major instrument type as of 31st March, 2001 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)
		2001			2001	
Interest rate swap agreements:						
Fixed rate to floating rate . . . . .	¥ 3,000	¥ 100	¥ 100	\$ 24,194	\$ 806	\$ 806
Floating rate to fixed rate . . . . .	20,689	(258)	(258)	166,847	(2,081)	(2,081)
Floating rate to floating rate . . . . .	750	—	—	6,048	—	—
			<u>¥(158)</u>			<u>\$(1,274)</u>

The estimated fair values of the derivative financial instruments as of 31st March, 2000 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)
		2000			2000	
Foreign currency swap agreements:						
DM selling . . . . .	¥ 433	¥ 137	¥ 137	\$ 3,492	\$ 1,105	\$ 1,105
			137			1,105
Interest rate swap agreements:						
Fixed rate to floating rate . . . . .	67,870	133	133	\$ 547,339	\$ 1,073	\$ 1,073
Floating rate to fixed rate . . . . .	226,019	(3,926)	(3,926)	1,822,734	(31,661)	(31,661)
			<u>(3,793)</u>			<u>(30,588)</u>
			<u>¥(3,656)</u>			<u>\$(29,483)</u>

The fair values of derivative financial instruments are estimated on the basis of information obtained from third party financial institutions.

## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of  
Hitachi Capital Corporation

We have audited the consolidated balance sheets of Hitachi Capital Corporation and consolidated subsidiaries as of 31st March, 2001 and 2000 and the related consolidated statements of income, stockholders' equity and cash flows for each of the two years in the period ended 31st March, 2001, all expressed in yen.

Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Hitachi Capital Corporation and consolidated subsidiaries at 31st March, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the two years in the period ended 31st March, 2001 in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note (3) to the consolidated financial statements, Hitachi Capital Corporation and consolidated subsidiaries have adopted new accounting standards for retirement benefits, financial instruments and foreign currency transactions in the preparation of their consolidated financial statements for the year ended 31st March, 2001.

The U.S. dollars amounts in the accompanying consolidated financial statements with respect to the year ended 31st March, 2001 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) to the consolidated financial statements.

*Century Ota Showa & Co.*

Century Ota Showa & Co.  
Tokyo, Japan  
June 22, 2001

*See note (1) to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Hitachi Capital Corporation under Japanese accounting principles and practices.*

## NETWORK

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### Number of Offices

Head Office:	1
Regional Head Offices:	15
Regional Offices:	98
Branch Offices:	80

(Hitachi Capital Corporation only as of May, 2001)

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Hokkaido  
3-11, Odori-Nishi, Chuo-ku  
Sapporo, Hokkaido 060-8624

Shikoku  
1-5, Ban-cho 1-chome  
Takamatsu, Kagawa 760-8507

### CONSOLIDATED SUBSIDIARIES

#### Japan

Okinawa Hitachi Capital Corporation  
9-1, Kumoji 2-chome, Naha,  
Okinawa 900-0015, Japan

Amic Services Co., Ltd.  
22-10, Shimbashi 5-chome  
Minato-ku, Tokyo 105-0004, Japan

Amic Data Service Co., Ltd.  
22-19, Minamidai 5-chome, Sagamihara,  
Kanagawa 228-0814, Japan

Nova Business Service Co., Ltd.  
1-14, Uchi Kanda 1-chome  
Chiyoda-ku, Tokyo 101-0047, Japan

Nova Auto Lease Co., Ltd.  
22-10, Shimbashi 5-chome  
Minato-ku, Tokyo 105-0004, Japan

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

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

Hitachi Leasing Rent, Ltd.  
1-17, Koishikawa 1-chome  
Bunkyo-ku, Tokyo 112-0002

Hitachi Leasing Service, Ltd.  
3-21, Koishikawa 1-chome  
Bunkyo-ku, Tokyo 112-8510

#### Europe and North America

Hitachi Credit (U.K.) PLC  
Wallbrook Business Centre, Green Lane,  
Hounslow, Middlesex TW4 6NW, England

Fleetlease (UK) Ltd.  
Kiln House 54A Kiln Road, Newbury,  
Berkshire RG14 2HA, England

Credit Solutions (Northern) Ltd.  
Techo Center Station Rd., Horsforth, Leeds,  
Yorkshire, LS18 5BJ, England

Hitachi Credit Insurance Corp. Ltd.  
5th Floor, 25-28 Adelaide Road,  
Dublin 2, Ireland

Hitachi Credit America Corp.  
777 West Putnam Avenue, Greenwich,  
CT 06830, U.S.A.

#### Other Areas

Hitachi Credit (Hong Kong) Ltd.  
16th Floor, Wai Fung Plaza 664,  
Nathan Road, Kowloon, Hong Kong

Hitachi Credit Singapore Pte. Ltd.  
268, Orchard Road, #11-01  
Singapore 238856

Hitachi Leasing (Singapore) Pte., Ltd.  
3 Killiney Road, #05-03, Winsland House,  
Singapore 239519

# INVESTOR INFORMATION

## FOUNDED

1957 (incorporated in 1960)

## COMMON STOCK

Par value: ¥50  
 Authorized: 280,000,000 shares  
 Issued: 134,191,626 shares

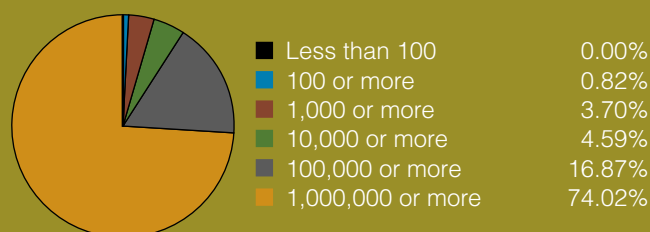
## STOCKHOLDERS

7,416  
 (as of 31st March, 2001)

## COMPOSITION OF STOCKHOLDERS (as of 31st March, 2001)



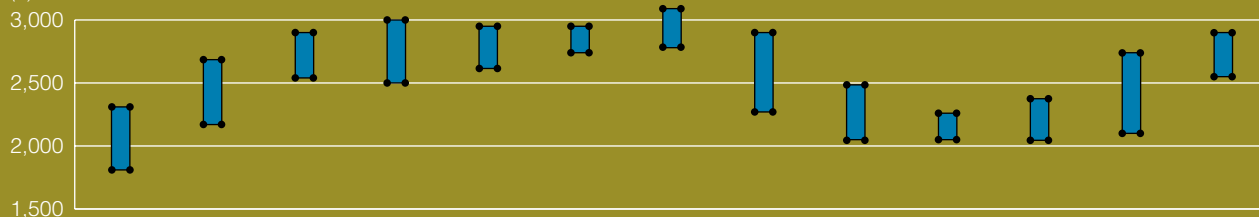
## NUMBER OF SHARES OWNED



(TOKYO STOCK EXCHANGE)

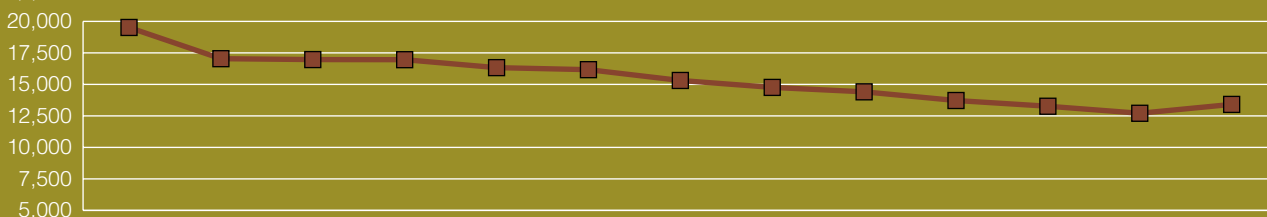
### Share Price

(¥)



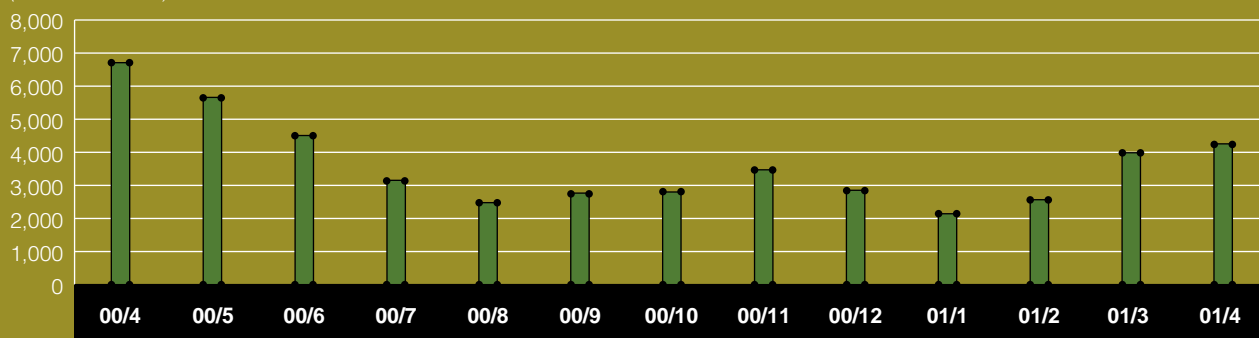
### Nikkei Average

(¥)



### Trading Volume

(Thousand Shares)



 **Hitachi Capital Corporation**

15-12, Nishi Shimbashi 2-chome  
Minato-ku, Tokyo 105-8712, Japan  
Tel: (03) 3503-2111  
<http://www.hitachi-capital.co.jp/>

