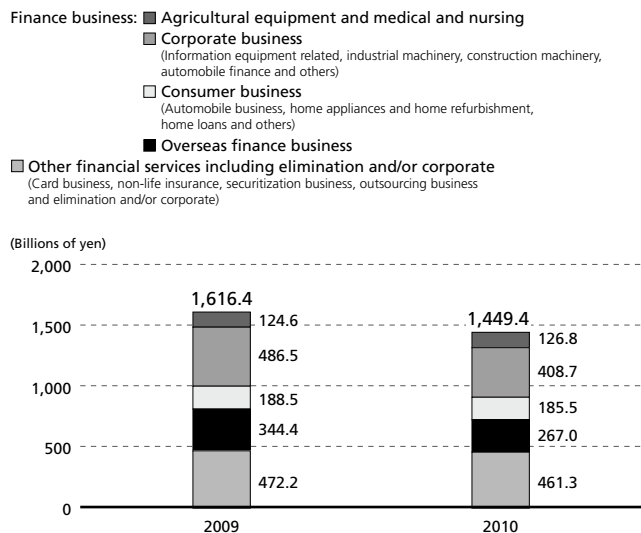


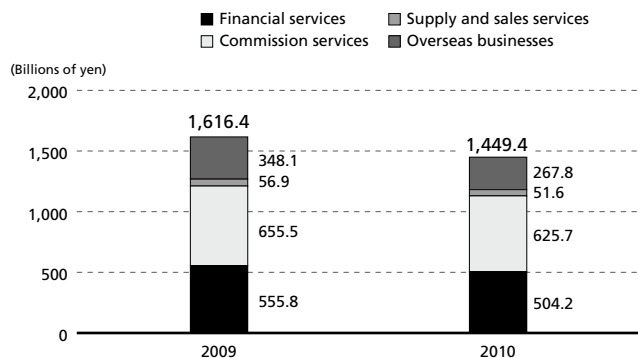
# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Volume of business (by business)



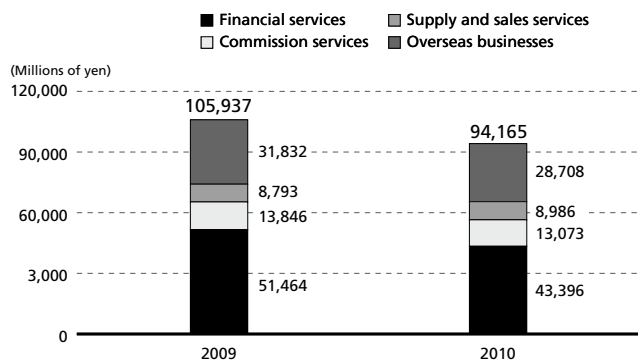
## Volume of business

(business breakdown based on mid-term management plan)



## Operating revenues

(business breakdown based on mid-term management plan)



## BUSINESS RESULTS

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

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

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

## BUSINESS BREAKDOWN BASED ON MID-TERM MANAGEMENT PLAN

### Financial Services

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

### Commission Services

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

### Supply and Sales Services

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

## Overseas

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

## PER SHARE INDICES AND ROE/ROA

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

## FINANCIAL POSITION

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

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

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

## CASH FLOWS

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

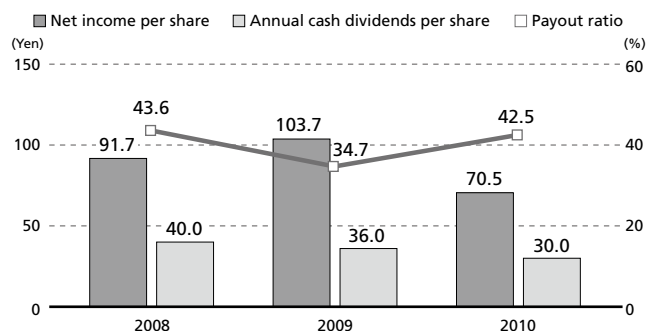
Net cash provided by operating activities was ¥29,904 million (US\$321 million). This consisted mainly of such inflows as income before income taxes and minority interests of ¥13,370 million (US\$143 million), depreciation of ¥85,910 million (US\$923 million), as well as such outflows as acquisition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

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

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

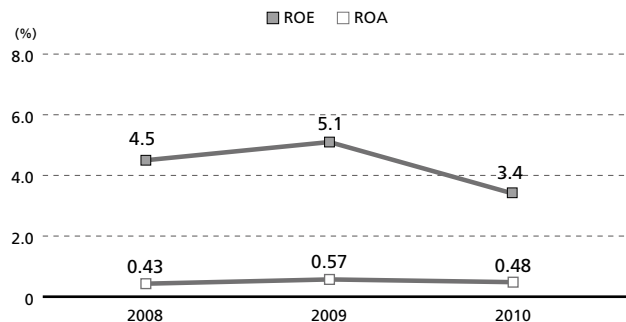
As a result, free cash flows, the sum of operating and investing cash flows, totaled ¥28,590 million (US\$307 million).

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

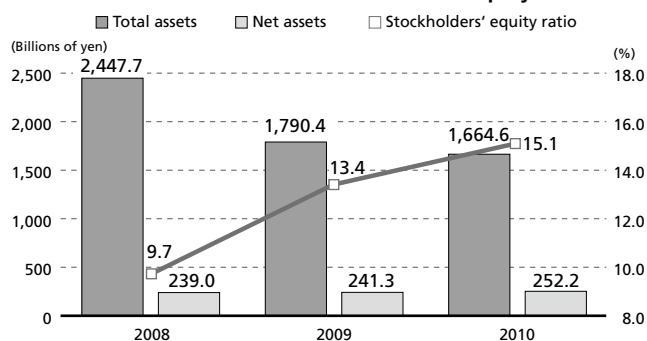


\*1. Annual cash dividends per share for the fiscal year ended March 31, 2008 included a commemorative dividend of ¥4.0 per share on the occasion of the Company's 50th anniversary.

## ROE / ROA\*2



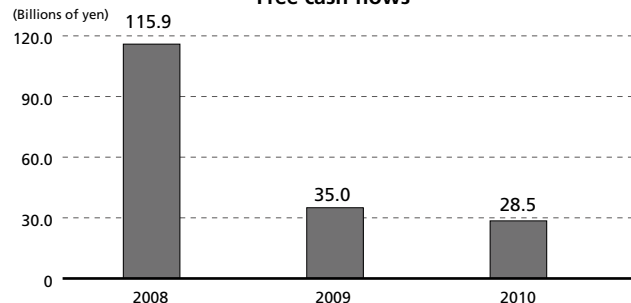
## Total assets\*2/ net assets / stockholders' equity ratio\*3



\*2. Total assets decreased significantly in fiscal 2009 (April 1, 2008 to March 31, 2009) since liquidated transactions that meet requirements for dissolution as financial assets were processed as trading transactions.

\*3. Stockholders' equity ratio = (Net assets - Minority interests) / Total assets

## Free cash flows



## BUSINESS RISK

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### Internal Control-Related Risk

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

### Interest Rate Risk

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

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

### Liquidity Risk

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

### Credit Risk

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

### Laws and Regulations Changes Risk

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

### Business Structure Reform Risk

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

### Leased Assets Residual Value Risk

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

### Administrative and System Risk

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

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

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

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### **Compliance Risk**

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

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

### **Human Resources Risk**

The Group considers employees' abilities as important assets of a company and is implementing intensified recruitment, well-planned educational programs and improved training programs. However, there is a risk that the Group will not be able to secure the human resources required for business operations following reforms in cases where employees of existing businesses cannot adapt to business structural reforms, where appropriate employee placement is not conducted or where new personnel cannot be hired.

Moreover, difficulties in ensuring that the Group's screening and collection management know-how and experience are effectively passed on to new employees could have an adverse impact on the Group's business results.

### **Business Partners-Related Risk**

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

### **Non-Life Insurance Risk**

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